4 August 2015

REGISTRATION DOCUMENT

Pursuant to Article 5 (3) of the Directive 2003/71/EC and Section 12 (1) 3 German Securities Act (*Wertpapierprospektgesetz* or *WpPG*)

for

NORD/LB

Norddeutsche Landesbank Girozentrale
Hanover

(herein after also referred to as „**Norddeutsche Landesbank – Girozentrale -**“, “**NORD/LB**” or ”**Issuer**“)

English Language Version

Publication and Validity of Registration Document

This Registration Document is valid for a period of twelve months from the date of its approval and it reflects the status as of the date of this Registration Document.

This Registration Document has been published on the website (http://www.nordlb.de) of Norddeutsche Landesbank – Girozentrale – on the date of its approval.

Printed copies are made available for distribution free of charge to the investor. The printed versions are available on request during normal opening times at Norddeutsche Landesbank – Girozentrale –, Friedrichswall 10, 30159 Hanover.

Prospectuses, base prospectuses or other documents that constitute a complete prospectus together with this Registration Document will be made available accordingly.

This document complies with the requirements of a registration document for banks (Article 14, Annex XI of the Commissions Regulation (EC) No 809/2004). The content of this registration document may be incorporated by reference into Base Prospectuses. This registration document may be used for debt and derivative securities and those securities which are not covered by Article 4 of the Commissions Regulation (EC) No 809/2004.

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1. DESCRIPTION OF NORDDEUTSCHE LANDESBANK – GIROZENTRALE -

1.1. Risk factors

Prior to making any investment in securities issued under a base prospectus or any other prospectus into which the contents of this registration document has been incorporated by reference and/ or has become an integral part of the prospectus, potential investors should take into account the following description of risks relating to the Issuer and to the securities to be issued under the respective prospectus, by carefully evaluating all information. Investments in securities offered under any prospectus shall only be made after having taken full account of all relevant facts and risks relating to the particular securities and by carefully considering the following risk factors. Investors are advised to consult their bank or financial advisor prior to making an investment decision.

In addition, potential investors should be aware that the risks described herein may coincide and thus intensify.

1.1.1. Risk factors relating to the Issuer

*The risks factors relating to the Issuer set out below describe the material risks of Norddeutsche Landesbank – Girozentrale – as a financial institution on an unconsolidated basis and in its capacity as parent company of its fully consolidated subsidiaries being, inter alia, the following financial institutions: Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, NORD/LB Luxembourg S.A. Covered Bond Bank and Deutsche Hypothekenbank (Actien-Gesellschaft) (also referred to in this section as "**NORD/LB and its Subsidiaries**"). Norddeutsche Landesbank – Girozentrale – defines risks as being "material" all relevant risks which could have a negative impact on NORD/LB's resources, earnings, its liquidity position or the achievement of its strategic goals. Such risks may limit the Issuer's ability to fulfil its obligations vis-à-vis investors under the Instruments.*

1.1.1.1. Overview of applicable risks

NORD/LB and its Subsidiaries are primarily exposed to the following types of risks:

(i) credit risk;
(ii) investment risk;
(iii) market price risk;
(iv) liquidity risk; and
(v) operational risk.

Credit risk is part of counterparty risk and is divided into - classical credit risk - (understood as the risk of loss due to default or credit deterioration of credit debtors) and - counterparty risk in trading - (understood as the risk that a loss is suffered, due to a default or deterioration in the credit rating of a borrower or counterparty in commercial transactions). Credit risk in trading is divided into default risk in trading, replacement risk, settlement risk and issuer risk.

Investment risk is another component of counterparty risk and defines the risk of incurring losses when making equity available to third parties. A potential loss due to other financial liabilities is also a component of investment risk, unless it was considered in the other risks. In addition to the original counterparty risk, in cross-border capital services, country credit risk may occur, also referred to as transfer risk.

Market price risk refers to potential losses that may arise from changes in market parameters. It is divided into interest-rate risk, currency risk, share price risk, fund price risk and volatility risk, credit spread risk in the banking book as well as raw-material risk.

Liquidity risks are risks that may result from disruptions in the liquidity of individual market segments, unexpected events in lending, deposit or investment banking or deterioration in the bank's own refinancing conditions. It can be broken down into classical liquidity risk, funding risk and market liquidity risk. In addition, placement risk emerging from own issues is viewed as part of liquidity risk.

Operational risk is the risk of losses or negative consequences for the Bank resulting from inadequacy or failure of internal processes, employees and technology or from external influences.

This definition includes legal and reputational risks. In the understanding of NORD/LB and its Subsidiaries operational risk also includes compliance risk, outsourcing risk, verity risk, fraud risk and vulnerabilities in contingency and crisis management.

1.1.1.2. Specification of risks with regard to the Issuer

NORD/LB and its Subsidiaries are subject to significant counterparty and market price risks and such risks are exacerbated by periods of financial crisis and recession.

NORD/LB and its Subsidiaries are exposed to counterparty risk, *inter alia* to credit risk of third parties, primarily with regard to the traditional lending and deposit-taking business, but also, to a lesser extent, to non-traditional businesses such as derivative transactions, securities, owning securities of third parties, and other credit arrangements. This exposes them to the risk of counterparty defaults. Recently, one particular counterparty risk evolved and is described under ""*NORD/LB and its Subsidiaries may be forced to revaluate and significantly reduce the book value of their respective HETA assets*" below.

Furthermore, there is a risk for NORD/LB and its Subsidiaries that contractors fail to pay their contractual payment obligations. Even if customers are responsible for losses incurred by the acquisition of items on their own account, NORD/LB and its Subsidiaries may be exposed to other credit risks in order to protect themselves against these losses. It may also have a negative impact on the business of NORD/LB and its Subsidiaries, if customers suffer losses and lose confidence in the products and services of NORD/LB and its Subsidiaries.

Another form of credit risk is country credit risk in cross-border financial services and business activities. This risk is manifested when political difficulties and political instability in a country endanger or diminish the value of assets. Country credit risk applies to both the country concerned, if it is a contractual partner and contractual partners in general.

The ongoing economic and financial debt crisis in the European Union comprises a country credit risk for NORD/LB and its Subsidiaries, since it entails market uncertainty in several countries of the European Union.

The credit risk may also be manifested as settlement risk, which involves the possibility of a bank paying funds to its counterparty but failing to receive the corresponding settlement in return. NORD/LB and its Subsidiaries are exposed to many different industries and counterparties in the normal course of their business, but the exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include municipal savings banks, financial services firms, commercial banks, investment banks, mutual funds and other institutional clients. Many of these relationships expose NORD/LB and its Subsidiaries to credit risk in the event of default of a counterparty and to systemic risk affecting its counterparty. Where NORD/LB and its Subsidiaries hold collateral against counterparty exposures, they may not be able to realise it or liquidate it at prices sufficient to cover the full exposures. Many of the hedging and other risk management strategies utilised by NORD/LB also involve transactions with financial service counterparties. The failure of these counterparties to settle or the perceived weakness of these counterparties may impair the effectiveness of NORD/LB's hedging and other risk management strategies.

NORD/LB and its Subsidiaries also establish provisions for loan losses, which are reflected in the consolidated income statement as impairment losses, in order to maintain appropriate allowances for loan losses based upon an assessment of prior loan loss experience, the volume and type of lending being conducted by each bank, industry standards, past due loans, economic conditions and other factors related to the collectability of each entity's loan portfolio.

This determination is based primarily on NORD/LB's and its Subsidiaries' historical experience and judgment, and they may have to increase or decrease their provisions for loan losses in the future as a result of increases or decreases in non-performing assets or for other reasons. Any increase in the provision for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have a material adverse effect on the Issuer's business or on the Issuer's results of operations or financial condition.

Since the beginning of the crisis on the shipping markets in 2008, in particular in terms of low capacity utilization and freight rates coming under pressure (specifically with regard to the container and tanker segment), the quality of the credit portfolio of NORD/LB and its Subsidiaries deteriorated. In 2014, although the total net allocations to loan loss provisions within the overall credit portfolio were reduced compared to the previous year, the on-going crisis led to a notable increase in expected losses and therefore in loan loss provisions respectively in regulatory shortfall in the shipping portfolio. Due to the high share of US-Dollar denominated assets in the shipping portfolio, the strong appreciation of the US Dollar against the Euro added to this development. It cannot be excluded that – although shipping markets have improved slightly – the crisis in the shipping sector will continue to have a negative impact on the Issuer's profit situation and may result in a further deterioration of the shipping portfolio and a further increase in expenses for loan loss provisions.

Although the development of earnings before taxes in the current financial year meets NORD/LB's expectations, the markets in which NORD/LB and its Subsidiaries are active, particularly the German banking sector, are characterized by strong competition which often results in margins that are economically unattractive. Retail banking and corporate customer business notably, are subject to pressures on income that may further intensify in the future. In cannot be excluded that this development will have a negative effect on the Issuer's business in these segments.

NORD/LB and its Subsidiaries have made and may continue to make further equity investments in companies to secure or improve their market position. This exposes them to investment risk. Generally, there is no guarantee that investments will actually fulfil their strategic objective. In particular, losses in the value of an investment may occur, due to unforeseen developments in the market or in the investment target. Furthermore, NORD/LB and its Subsidiaries may have to bear losses generated by an affiliate or other investment target and these losses could exceed the book value of the investment itself.

NORD/LB and its Subsidiaries are also exposed to market price risk as a result of open positions in the foreign exchange markets, the capital markets and fluctuations in interest rates. The risk is linked to variations in financial results due to fluctuations in market prices or exchange rates.

A market price risk in the trading portfolio arises from trading activities in the interest rate, foreign exchange and equity markets. A market price risk in the banking portfolio arises from differences in interest periods. In periods of volatility, significant profits on trading can be followed by periods of losses on trading. NORD/LB and its Subsidiaries may suffer material losses if they cannot exclude deteriorating positions in a timely manner, in particular with respect to illiquid assets such as assets not traded on stock exchanges or other public trading markets such as derivatives contracts between banks.

NORD/LB and its Subsidiaries conduct substantial amounts of their business in currencies other than the Euro, most importantly in U.S. dollars. This exposes NORD/LB and its Subsidiaries to foreign currency translation risks and foreign currency transaction risks. In addition, US Dollars are the predominant currency used in the ship and aircraft financing business, one of NORD/LB's and its Subsidiaries main business segments. A relative depreciation of the US Dollar against the Euro would result in lower income from these transactions. On the other hand, a relative appreciation of the US Dollar against the Euro would lead to an increase in US Dollar risk positions and an increase in risk-weighted assets ("**RWA**"), which would have a negative influence on capital ratios. Furthermore, to the extent the Issuer recognises operating income in currencies other than Euro, it will encounter foreign exchange risk, which could have a material adverse effect on its business results of operations or financial condition.

If any of the Issuer's instruments and strategies to hedge or manage credit, counterparty or market price risk is not effective, the Issuer may not be able to effectively mitigate its risk exposures. The Issuer's financial results also depend on the effectiveness of its cost and credit management in regard to credit, counterparty and market price risk.

To the extent the Issuer's estimates towards changes in credit quality and risk concentrations or towards changes in determining its valuation models for fair value of asset and valuation liability values, or the determination of the appropriate level of provisions for loan losses or other risks, prove to be inaccurate or unpredictable for actual results, the Issuer could suffer higher than expected credit, trade or investment losses. The aforementioned issues could have a material adverse effect on NORD/LB and its Subsidiaries and the results of operations or the financial condition for business of NORD/LB and its Subsidiaries.

NORD/LB and its Subsidiaries may be forced to revaluate and significantly reduce the book value of their respective HETA assets.

NORD/LB and some of its Subsidiaries currently hold debt instruments and other liabilities qualifying as eligible liabilities within the meaning of the Austrian Act on the Recovery and Resolution of Credit Institutions ("**BaSAG**") – which implements the EU directive for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU, (Bank Recovery and Resolution Directive) the "**BRRD**") into Austrian law – issued by HETA ASSET RESOLUTION AG (formerly Hypo Alpe-Adria-Bank International AG and hereinafter referred to as "**HETA**") in the aggregate principal amount of EUR 380 million (of which EUR 110 million are directly held by NORD/LB) and in relation to which the Austrian province of Carinthia ("**Carinthia**") shall be liable as deficiency guarantor (*Ausfallbürge*) – pursuant to Section 5 of the Kärntner Landesholding-Gesetz – in case of HETA's inability to pay (*Zahlungsunfähigkeit*). On 1 March 2015, the Austrian Financial Market Authority in its capacity as resolution authority under the BaSAG published an administrative ruling (*Bescheid*) and declared a deferral of the maturities of all debt instruments issued by HETA, its other eligible liabilities as well as the maturity dates for interest payments under such instruments with immediate effect to 31 May 2016, except for liabilities which are non-eligible pursuant to Section 86 para 2 BaSAG (the "**Moratorium**"). As the Austrian Financial Market Authority notified the European Banking Authority that it exercised its resolution powers under Section 58 para 1 no. 10 BaSAG as preparatory measure to a possible resolution, it is conceivable (and widely expected) that a regulatory bail-in could follow providing for (i) a write-down (in full or in part) of the claims of creditors of HETA under its debt instruments and other eligible liabilities, or (ii) a conversion of the claims of creditors of HETA into shares or other instruments of ownership of the entity in resolution. Such a bail-in is unprecedented in Austria and it is unclear how it might affect Carinthia's liabilities as deficiency guarantor under the Austrian law governed deficiency guarantee. In the Austrian legal market it is disputed whether a bail-in in relation to HETA's liabilities would result in a *pro rata* reduction of the liabilities of the surety (i.e. Carinthia) under the deficiency guarantee in relation to the liabilities of the principal debtor (i.e. HETA) pursuant to the principle of accessoriness (*Akzessorietät*), or whether such a bail-in would not affect the legal soundness and validity of the deficiency guarantee. As a consequence of the above development and as a matter of precaution, NORD/LB and its Subsidiaries have revaluated their respective claims against HETA based on a fair value assessment and it cannot be excluded that further revaluation will result in a further reduction of the book value of the relevant assets. Moreover, it cannot be excluded that the European Central Bank ("**ECB**") or any other relevant supervisory authority will require NORD/LB and its Subsidiaries to further reduce the book value of such assets. NORD/LB and its Subsidiaries have taken legal actions and are considering further legal actions.

It cannot be excluded that the Moratorium and any further regulatory measures following the Moratorium will adversely affect NORD/LB and its Subsidiaries as creditors of HETA and as beneficiaries under Carinthia's deficiency guarantee. Also, it cannot be foreseen whether or not Carinthia will be able to pay its creditors in full in case claims under its deficiency guarantee were successfully invoked. Note that the Republic of Austria is not obliged to settle Carinthia's liabilities.

Furthermore, it cannot be excluded that similar situations will arise in the future (in or outside Austria) which could adversely affect NORD/LB and its Subsidiaries.

Changes in interest rates are caused by many factors beyond the Issuer's control and such changes can have significant adverse effects on its financial results, including its net interest income, which represents the majority of its operating income.

The Issuer derives the majority of its operating income from net interest income. Interest rates are sensitive to many factors beyond the Issuer's control, such as monetary policies pursued by central banks and national governments, the liberalisation of financial services and increased competition in the markets in which the Issuer operates, domestic and international economic and political conditions, and other factors. Changes in interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities, which in turn could affect the level of the Issuer's net interest income. Moreover, the composition of the Issuer's assets and liabilities, and any gap position resulting from the composition, causes its net interest income to vary with changes in interest rates. A mismatch of interest-earning assets and interest-bearing liabilities in any given period could, in the event of changes in interest rates, reduce the Issuer's interest margin and have a material adverse effect on its net interest income and thereby on its business, results of operations or financial condition.

In addition, the ongoing environment of historically low interest rates has led to low margins and also lowers income of interest-earning assets. These developments could have an adverse effect on the operating income and the financial results of NORD/LB and its Subsidiaries and also could negatively affect the administrative expenses (resp. the other comprehensive income) of NORD/LB and its Subsidiaries due to the possibility of an increase in allocations to pension provisions. The further development of interest rates and other marcoeconomic conditions is subject to considerable uncertainty.

NORD/LB and its Subsidiaries are subject to liquidity risks.

NORD/LB and its Subsidiaries are subject to liquidity risks, i.e., risks that they are unable to meet their obligations as they fall due as a result of a sudden and protracted increase in cash outflows. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances a lack of liquidity could result in reductions in balance sheet and sales of assets, or potentially of an inability to fulfil lending commitments. These risks are inherent in all banking operations and can be affected by a range of institution-specific and market-wide events. The current budgetary crises in certain member states of the European Union, despite the rescue packages provided by the European Union for Greece, Ireland, Italy, Spain, Portugal and Cyprus, represent the risk of further countries requiring support and a prolonged loss of confidence in the financial markets.

In illiquid markets, NORD/LB and its Subsidiaries may decide to hold assets rather than securitising, syndicating or disposing of them. This could affect their ability to originate new loans or support other customer transactions as both capital and liquidity are consumed by existing or legacy assets.

The liquidity situation in the markets stabilised further in 2014 to a comfortable level, due primarily to the measures taken by the European Central Bank. Open market operations under the commitment to support market participants with sufficient liquidity, such as purchase programmes of covered bonds (CBPP3) and ABS (ABSPP), as well as targeted longer-term refinancing operations (TLTROs) have had a positive impact on the liquidity situation in the markets. However, the liquidity situation continues to be characterised by uncertainty with regard to the possible medium to long term impact of the sovereign debt crisis on the EU periphery countries and the stability of the euro currency zone. NORD/LB also faces the challenge to manage the expiration of several guaranteed benchmark issues in 2015. All the factors mentioned above might be detrimental to the business and can have a material adverse effect on the operating results and financial position of NORD/LB and its Subsidiaries (for further information see below "*Risk factors relating to regulatory aspects concerning credit institutions in general*").

Unfavourable developments in the Issuer's or a subsidiary's credit rating would increase their funding costs and affect their ability to access capital markets.

NORD/LB is rated by Moody's Deutschland GmbH, An der Welle 5, 60322 Frankfurt am Main, Federal Republic of Germany ("**Moody's**") and Fitch Deutschland GmbH, Taunusanlage 17, 60325 Frankfurt am Main, Federal Republic of Germany ("**Fitch**").

Moody's and Fitch are established in the European Union and are registered under Regulation (EC) no 1060/2009 of the European Parliament and the Council of 16 September, 2009 on credit rating agencies as amended (the "**CRA Regulation**"). Moody's and Fitch are listed in the "List of registered and certified CRAs" as published by the European Securities and Markets Authority on its website (http://www.esma.europa.eu) in accordance with the CRA Regulation.

Several other of the companies consolidated by Norddeutsche Landesbank – Girozentrale –(together the "**NORD/LB Group**"), *inter alia* Bremer Landesbank Kreditanstalt Oldenburg, NORD/LB Luxembourg S.A. Covered Bond Bank and Deutsche Hypothekenbank (Actien-Gesellschaft) also issue securities on a regular basis and are or may be rated separately.

In determining the rating assigned to the Issuer, the agencies examine several performance indicators of the Issuer, including profitability and the ability to maintain its consolidated capital ratios. In the event that the Issuer does not achieve or maintain certain performance measures, or maintain its capital ratios above certain levels, one or more of the ratings assigned to the Issuer or to any subsidiary may be lowered. In addition, if the sovereign debt of Germany – the Issuer's primary market – were to suffer a downgrade, it could affect the Issuer's rating and market perceptions of the Issuer's creditworthiness.

A downgrading of the ratings assigned to the Issuer or to any subsidiary could potentially increase their funding costs, limit their funding resources and negatively impact their access to liquidity and therefore have a material adverse effect on their business, results of operations or financial condition.

The Issuer's risk management policies, procedures and methods may leave it exposed to unidentified or unanticipated risks, which could lead to material losses.

The Issuer devotes significant resources to developing risk management policies, procedures and assessment methods for its banking and other businesses. Nonetheless, the risk management techniques and strategies applied by the Issuer may not be fully effective in mitigating risk exposure in all economic market environments or against all types of risk. To develop and refine the Issuer's risk management, the Issuer is required to make assumptions, judgments and estimates to identify and anticipate risks, quantify risk exposures and determine its risk-bearing capacity. Unanticipated or incorrectly quantified risk exposures could result in material losses, which could have a material adverse effect on the Issuer's business, results of operations or financial condition.

The assumptions, judgments and estimates used to value the assets of NORD/LB and its Subsidiaries may prove unreliable.

In accordance with International Financial Reporting Standards ("**IFRS**"), NORD/LB and its Subsidiaries apply fair value when financial assets and financial liabilities are recognised for the first time. Generally, in order to determine the fair value of such assets and liabilities, NORD/LB and its Subsidiaries rely on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. Under certain circumstances, the market data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to adverse market conditions. In this case, the internal valuation models require NORD/LB and its Subsidiaries to make assumptions, judgments and estimates in order to establish fair value. Assets that are not publicly traded, such as derivatives, may be assigned values that are calculated by using mathematical models. As is common with financial institutions, these internal valuation models are complex and the assumptions, judgments and estimates NORD/LB and its Subsidiaries are required to make, often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt, property appreciation and depreciation, and relative levels of defaults and deficiencies. These assumptions, judgments and estimates may prove to be unreliable and may need to be updated to reflect changing trends and market conditions. The resulting change in fair values of the financial instruments could have a material adverse effect on the business, results of operations or financial condition of NORD/LB and its Subsidiaries.

NORD/LB and its Subsidiaries are subject to operational risks, including fraud, misconduct by clients or employees, security breaches, technical and information technology errors or failures and other adverse events, many of which are wholly or partially beyond their control.

NORD/LB and its Subsidiaries, like all financial institutions, are exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorised transactions by employees or operational errors, including clerical or record-keeping errors or errors resulting from faulty computer or telecommunications systems. NORD/LB and its Subsidiaries are highly dependent on their ability to process a large number of transactions across numerous diverse markets in different currencies on a daily basis and some of these transactions have become increasingly complex. Given the high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified.

In addition, NORD/LB and its Subsidiaries depend on automated systems to record and process transactions. This increases the risk that technical systems flaw or employees tamper or manipulate the systems, taking into account that such violations are hard to detect. The failure or manipulation of the supporting systems could have a material adverse effect on the business and financial condition of NORD/LB and its Subsidiaries.

Furthermore, there is a risk that certain circumstances cause disruptions of the operating systems or the supporting infrastructure of NORD/LB and its Subsidiaries. These circumstances might be wholly or partially beyond NORD/LB’s and its Subsidiaries’ control and include, but are not limited to, disruptions caused by terrorist activities, computer viruses, disease pandemics, electrical or telecommunication outages, transportation or other services used by the Issuer or third parties in order to conduct business. Each of these disorders can lead to performance failures towards customers and to further losses and liability by NORD/LB and its Subsidiaries.

NORD/LB and its Subsidiaries are exposed to the risk that external vendors may be unable to fulfil their contractual obligations (or external vendors will be subject to the risk of fraud or operational errors by their respective employees), and to the risk that their (or their vendors’) business continuity and data security systems could prove to be ineffective. NORD/LB and its Subsidiaries are also subject to the risk that the organisation and conception of their internal controls and procedures could prove to be inadequate or that control mechanisms might be circumvented by an interferer, thereby causing delays in detection of defaults or errors in information. Although NORD/LB and its Subsidiaries maintain a system of controls designed to keep operational risk at appropriate levels, NORD/LB and its Subsidiaries have suffered losses from operational risk and there can be no assurance that they will not suffer losses from operational risk in the future.

In addition, NORD/LB and its Subsidiaries maintain contractual relationships with customers based on standardized contracts and general terms and conditions. It cannot be excluded that a change in relevant legislation or jurisprudence as well as a change in the view of regulatory authorities may have a material adverse effect on NORD/LB's net assets, financial position and results of operations.

1.1.2. Risk factors relating to regulatory aspects concerning credit institutions in general

Regulatory changes or enforcement initiatives could adversely affect the business of NORD/LB and its Subsidiaries.

NORD/LB and its Subsidiaries are subject to banking and financial services laws and government regulation in each of the jurisdictions in which they conduct business. Regulatory authorities have broad administrative surveillance authorities over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices. Banking and financial services laws, regulations and policies currently governing NORD/LB and its Subsidiaries may change at any time in ways which have an adverse effect on their business. Furthermore, changes in existing banking and financial services laws and regulations may materially affect the way in which they conduct business, the products or services they may offer and the value of their assets.

In addition, regulatory authorities have the power to bring administrative or judicial proceedings against the Issuer or the subsidiaries of the Issuer, which could result, among other things, in suspension or revocation of the Issuer’s licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action.

Such proceedings and/or other regulatory initiatives or enforcement actions could have a material adverse effect on the business, results of operations or financial condition of NORD/LB and its Subsidiaries.

Stress tests and similar exercises may adversely affect the business of NORD/LB and its Subsidiaries.

NORD/LB and its owners agreed on certain measures to stabilise the administrative expenses of NORD/LB Group at a level of EUR 1.1 billion and committed themselves to reduce their operating costs to EUR 1.07 billion by the end of 2016. To achieve this objective, NORD/LB has established an efficiency improvement program to reduce operating and personnel costs. Therefore, provisions have been established for potential severance payments under contractual agreements concerning the termination of employment contracts. If the objectives of this program are not achieved, or if the associated costs are higher than expected, this may have material adverse effects on NORD/LB’s net assets, financial position and results of operations.

In addition, NORD/LB and its Subsidiaries have been subject to stress tests and similar exercises that were initiated by the German financial regulatory authorities *Bundesanstalt für Finanzdienstleistungsaufsicht* ("**BaFin**") and Deutsche Bundesbank (the "**German Central Bank**"), the European Banking Authority ("**EBA**") and/or the ECB.

More specifically, in 2014, NORD/LB was, together with other large EU-based financial institutions, subject to a comprehensive assessment conducted by the ECB, comprising an asset quality review (the "**AQR**") and a stress test which was performed in cooperation with the EBA and carried out based on the EBA methodology. NORD/LB Group has passed the requirements of the comprehensive assessment of the ECB including the EBA stress test. Such kind of stress tests and similar exercises can be reintroduced any time in the future again; EBA has already announced that a further stress test is envisaged for 2016. In addition, EBA announced a "transparency exercise" in the context of which it will publish specific data of banks.

Meeting these or similar future requirements imposes significant costs on NORD/LB Group.

If the Issuer's capital was to fall below certain minimum amounts determined by the regulators in the context of a given stress test, remedial action may be required to be taken by the Issuer, including potentially requirements to strengthen the capital situation of the Issuer and/or other supervisory interventions. Investors should note, however, that the powers of the competent supervisory authorities are not limited to actions in response to specific breaches of stress test requirements but that they may also take action against NORD/LB Group irrespective of such breaches on the basis of their general authority.

Further, the exercise of such general authority as well as publication of stress test results (and its findings) or a "transparency exercise", their evaluation by financial market participants and the market's general impression that a stress test is not sufficient enough in order to judge the financial strength of a bank could have a negative impact on the Issuer's reputation or its ability to refinance itself as well as increase its costs of funding or require other remedial actions. Also, negative stress test results of financial institutions with which NORD/LB does business may adversely affect its business activities. In addition, the risks arising from the aforementioned aspects could have further material adverse effects on NORD/LB's business, results of operations or financial condition and thereby or otherwise have an impact on the Creditors.

The Issuer may be exposed to specific risks arising from the so-called Single Supervisory Mechanism (SSM) and other regulatory measures.

On 4 November 2014, the ECB has assumed the direct supervision of a number of significant institutions including NORD/LB and its Subsidiaries in the context of the European single supervisory mechanism (the "**SSM**"). The SSM is *inter alia* based on the Council Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (Official Journal of the European Union, L 287, 29 October 2013, pp. 63-89, the "**SSM Regulation**") according to which the ECB, supported by the participating national competent authorities ("**NCAs**", such as BaFin and the German Central Bank), will be responsible for conducting banking supervision in the Euro area. With a view to fulfill the supervisory tasks assumed by it, the ECB is *inter alia* empowered, in particular as part of the supervisory review and evaluation process "SREP", to require individual groups of significant credit institutions (such as NORD/LB Group) to comply with own funds and liquidity adequacy requirements which may exceed regular regulatory requirements or take early correction measures to address potential problems. The new supervisory regime and the SSM's supervisory new procedures and practices as well as the interaction between NCAs and the ECB are not yet fully established and/or disclosed and it is expected that these will be subject to constant scrutiny, change and development. Procedures within the SSM and other regulatory initiatives could change interpretation of regulatory requirements and lead to additional regulatory requirements, increased cost of compliance and reporting for the Issuer. Furthermore, such developments may require re-adjustment of a credit institution's business plan that is subject to the SSM or having other material adverse effects on its business, results from normal operations or financial condition.

Further, on 19 August 2014 a regulation establishing the so-called single resolution mechanism (the "**SRM**") came into force (EU Regulation (EU) Nr. 806/2014, the "**SRM Regulation**"). The SRM is meant to establish a uniform procedure for the resolution of credit institutions that are subject to the EU banking supervisory mechanism SSM.

As the resolution measures available to the resolution authorities under the SRM are intended to correspond to those set out in the BRRD, the SRM Regulation is closely connected with the BRRD as such is implemented into German national law. As a result of a resolution measure under the SRM, a creditor of NORD/LB may already prior to the occurrence of an insolvency or a liquidation of the Issuer be exposed to the risk of losing part or all of the invested capital. In this respect, please see also "*The rights of Creditors may be adversely affected by resolution measures, the Single Resolution Mechanism, and measures to implement the BRRD.*".

Such aforementioned proceedings and/or other regulatory initiatives could change the interpretation of regulatory requirements applicable to the Issuer and lead to additional regulatory requirements, bank levies, result in increased supervisory fees, increase the costs of compliance and reporting as well as require the Issuer to provide cost contributions to the Fund in addition to existing bank resolution cost contributions. Further, such developments may have other material adverse effects (including those set out above) on the Issuer's business, results of operations or financial condition.

The global financial crisis has led to an increase in regulatory activity at national and international levels to adopt new regulations and to more strictly enforce existing regulations applicable to the financial sector, which has a significant effect on the costs of compliance and may significantly affect the activity levels of financial institutions.

The financial crisis has led many governments and international organisations to make significant changes in banking regulations. Within the EU, some of the post-crisis reform measures developed by the Basel Committee in relation to the New Basel Capital Accord on capital requirements for financial institutions (so called "**Basel III**") have been implemented on the basis of a package of amendments to the Capital Requirements Directive (by virtue of EU Directive 2013/36/EU as amended or replaced from time to time, the "**CRD IV**" and the related German implementation law, the "CRD IV-Umsetzungsgesetz", and regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (as amended, supplemented or replaced from time to time, the "**CRR**", together with the related regulatory and technical standards and the CRD IV as well as the CRD IV-Umsetzungsgesetz, the "**CRD IV/CRR-Package**"). The CRR became effective as from 1 January 2014 and largely replaced the previous national provisions relating to capital and liquidity requirements. Given the fact that certain relevant regulations required to implement the CRD IV/CRR-Package partially exist in draft form only and competent regulatory bodies may not have confirmed their understanding of the interpretation of related provisions, the full impact of those regulatory requirements is subject to ongoing review, implementation and revision.

Pursuant to the CRD IV/CRR-Package, the capital requirements for credit institutions will become significantly tighter in terms of both quality and quantity. In addition to the gradual introduction of the new capital ratios by 2019, the CRD IV/CRR-Package generally provides for a transitional phase until 2022 for capital instruments that were previously recognised as regulatory tier 1 capital, but do not meet the CRR requirements for Common Equity tier 1 capital (CET 1 capital). Further, under the CRD IV-Umsetzungsgesetz the German legislator has empowered the competent authority to impose capital requirements exceeding the requirements pursuant to the CRR, in particular if risk aspects are not fully covered by the capital requirements under the CRR or if the risk-bearing capability is endangered. Also, additional capital requirements in terms of capital buffers, increased requirements regarding liquidity and large exposures may be imposed. Even though such regulatory measures may not necessarily directly interfere with Creditor's rights, the mere fact that a competent authority applies such tool to a specific credit institution may have indirect negative effects, e.g. on pricing of instruments issued by such entity or on the entity's ability to refinance itself.

In respect of the requirements set out by CRD IV/CRR Package and the competent supervisory authorities, extensive measures with regard to NORD/LB's and its Subsidiaries' assets led to the establishment of a capital strengthening programme for NORD/LB and its Subsidiaries. In this regard, NORD/LB and its Subsidiaries and the European Union agreed on a comprehensive restructuring plan wherein NORD/LB and its Subsidiaries agreed to comply with several commitments. These commitments have to be considered by the Issuer's risk management.

In addition, further regulatory requirements are envisaged to be implemented such as the Liquidity Coverage Ratio ("**LCR**") and the Net Stable Funding Ratio ("**NSFR**") which will be of great importance to credit institutions such as the Issuer in the future. According to the current legislation, the liquidity requirements relating to the LCR (which requires credit institutions to maintain certain liquid assets for a 30-day period against the background of a stress scenario) will commence with a minimum LCR ratio of 60% in October 2015 and will be gradually increased in subsequent years to up to 100% to be met from 2018 and onwards. The implementation of a binding minimum requirement relating to the NSFR (which requires credit institutions to refinance their long term assets under regular as well as under stressed market conditions with respective long term stable funding) is subject to an observation period. Whilst substantial changes have been made to the Basel III proposals, parts of the respective reform proposals have been adapted by the European legislator via Implementing Technical Standards (ITS) and/or Regulatory Technical Standards (RTS) and other parts, requirements and interpretation guidelines are still not yet finally specified. Finally, the CRD IV/CRR-Package sets out a non-risk-based maximum leverage ratio, details of which remain to be determined. Officially, the leverage ratio is planned to become effective in the form of a binding minimum requirement starting from 2018, while first reporting duties and disclosure obligations already apply as from January 2015.

Areas where changes could have a particular impact on the Issuer's business include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in governmental or regulatory policy that may significantly influence investors' decisions, in particular in markets in which the Issuer operates;
- general changes in regulatory requirements, for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increase depositor protection;
- changes in competition and pricing environments;
- further developments in the financial reporting environment;
- differentiation among financial institutions by governments with respect to the extension of guarantees to customer deposits and the terms attaching to those guarantees; and
- implementation of regionally applicable systems for customer or depositor compensation or remuneration schemes.

Implementation of such regulatory changes has already resulted in an increase in the cost of compliance for NORD/LB and its Subsidiaries and other financial institutions and may continue to do so which may affect their results of operations. Depending on the type of regulatory changes, the regulatory aspects could lead to reduced levels of activity for financial institutions, which could significantly impact NORD/LB's and its Subsidiaries' business, financial condition and results of operations.

If the Issuer fails to address, or appears to fail to address, appropriately any changes or initiatives in banking regulation, its reputation could be harmed and it could be subject to additional legal and litigation risk, which in turn would increase the amount and number of claims and damages asserted against it or would expose the Issuer to an increased risk of enforcement actions, administrative fines and penalties.

Given that capital adequacy requirements have been increased and liquidity requirements have been implemented, this may require the Issuer to increase capital or reduce its risk weighted assets (RWAs) to a greater extent which in turn may result in an adverse effect on the Issuer's long term profitability. As a consequence, this may potentially have an adverse effect on the economic or legal position of Creditors. The potential introduction of a legally binding leverage ratio as well as market pressure to comply with a certain leverage ratio (regardless of whether such ratio may legally be required), may lead to similar results.

Governmental and central bank action in response to the financial crisis significantly affects competition and may affect the legal or economic position of Creditors.

In response to the financial markets crisis, there has been significant intervention by governments and central banks in the financial services sector, *inter alia* in taking direct shareholdings in individual financial institutions and contributions of other forms of capital, taking over guarantees of debt and purchasing distressed assets from financial institutions. In some instances, individual financial institutions have been nationalised. The eligibility to benefit from such measures is in some instances tied to certain commitments of the participating bank, such as lending exclusively to certain types of borrowers, adjustments to the bank’s business strategy, suspension of dividends and other profit distributions and limitations on the compensation of executives.

Such interventions involve significant amounts of money and have significant effects on both the participating as well as the non-participating institutions, in particular in terms of access to refinancing sources and capital and the ability to recruit and retain skilled employees. Institutions such as NORD/LB and its Subsidiaries were in a position to preserve greater autonomy in their strategy, lending and compensation policy but may suffer competitive disadvantages with respect to their cost base, in particular their costs of refinancing and capital. They also may suffer a decline in depositor or investor confidence thus risking a loss of liquidity.

The implementation of any such measures with respect to other companies could affect the perception of the overall prospects for the financial services sector or for certain types of financial instruments. In such case the price for the financial instruments of NORD/LB and its Subsidiaries could drop and their costs of refinancing and capital could rise, which could have a material adverse effect on their business, results of operations, or financial condition.

In June 2014 the ECB announced a package of instruments to fight against excessively low inflation rates. The most important instruments focus on a slight reduction in interest rates, negative interest rates (“penalty interest”) for deposits held by banks at the ECB and a special Federal Reserve Credit Programme. In January 2015, the ECB announced a new expanded asset purchase programme aimed at fulfilling the ECB's price stability mandate. Purchases under such programme shall include bonds issued by euro area central governments, agencies and European institutions and are intended to be carried out until at least September 2016. The new programme will encompass the asset-backed securities purchase programme (ABSPP) and the covered bond purchase programme (CBPP3), which were both launched in late 2014, and according to ECB's announcement combined monthly purchases will amount to EUR 60 billion. Further actions by ECB are probably planned but the impact on the Issuer cannot be foreseen yet.

The rights of Creditors may be adversely affected by resolution measures, the Single Resolution Mechanism, and measures to implement the BRRD.

In 2014, the BRRD which provides for an EU-wide recovery and resolution regime for certain financial institutions established in the European Union (such as NORD/LB) was enacted.

The BRRD obliges all EU Member States to introduce national legislation that, among others, (i) obliges credit institutions and resolution authorities to draw up recovery and resolution plans on how to deal with situations of financial stress, (ii) to accord competent supervisory authorities with early intervention measures, (iii) to introduce a set of resolution tools that resolution authorities can apply to preserve critical functions without the need to bail out a credit institution, and (iv) to set up resolution funds, to finance and facilitate the effective and efficient resolution of credit institutions.

The BRRD is closely connected with the SRM Regulation and the SRM, given that the SRM is meant to establish a uniform procedure for the resolution of credit institutions.

In addition, a single bank resolution fund (the “**Fund**”) will be established which may in certain circumstances and subject to various conditions provide medium term funding for potential resolution measures in respect of any bank that is subject to the SRM. As from 2016 credit institutions such as NORD/LB will be required to provide contributions to the Fund, including annual contributions and ex-post contributions. These contributions will constitute a substantial financial burden for NORD/LB as well as the other banks subject to the SRM. In this context, also a resolution board (the “**Board**”) has been established as of 1 January 2015 and will assume its full tasks under the SRM Regulation as of 1 January 2016.

In addition, the institutional deposit guarantee scheme of S-Finanzgruppe was restructured and – after finalizing the restructuring – approved as deposit guarantee scheme pursuant to the German law on deposit guarantees (*Einlagensicherungsgesetz*, “**EinSiG**“) by BaFin in the meantime. As the associated system for calculation of contributions also had to be updated pursuant to EinSiG, this results in a new annual contribution for NORD/LB as of 2015 until 2024, which may result in an added financial burden.

For credit institutions (like NORD/LB) that are directly supervised by the ECB, the effect of the SRM Regulation becoming applicable will be the shift of most of the responsibilities of the national resolution authority in the relevant Member State (i.e. with respect to Germany, the *Bundesanstalt für Finanzmarktstabilisierung*, "**FMSA**") under the BRRD from the national level to the European level, in particular to the Board. Under the SRM Regulation, for entities and groups (like NORD/LB) that are directly supervised by the ECB and certain cross-border groups (i.e. groups which have supervised entities in two or more participating Member States), the Board is *inter alia* responsible for resolution planning, setting so-called minimum requirements for eligible liabilities (MREL), adopting resolution decisions, writing down capital instruments and is entitled to take other early intervention measures. The SRM Regulation and related provisions provide for further details and instruments of the SRM which may already impact on NORD/LB and its business activities prior to NORD/LB being in a difficult financial situation or being considered (likely to) fail or "non-viable".

In relation to early intervention measures, the competent authority may, subject to certain conditions take various actions and measures e.g. initiate changes to legal and/or operational structures, requiring credit institutions to draw up detailed recovery plans setting out how stress scenarios or cases of systemic instability could be addressed or request reduction of a credit institution's risk profile, measures enabling recapitalisation measures or improving the liquidity situation or otherwise requiring improvement actions regarding the resilience of the core business lines and critical functions (the "**Early Intervention Measures**").

It is expected that the SRM Regulation will, for the most part of its provisions, apply from 1 January 2016. Until then, resolution measures can be taken by the German national resolution authority on the basis of the German Act on the Restructuring and Resolution of Institutions (*Sanierungs- und Abwicklungsgesetz*, the "**SAG**") pursuant to which the German legislator has transposed the BRRD already into German binding law. Even though the BRRD only requires Member States to transpose the so-called bail-in tool (see below for further details) into binding law from 1 January 2016 at the latest, such is already transposed into German binding law and already applicable under the SAG since 1 January 2015.

The BRRD, its transposition into German law *inter alia* pursuant to the SAG, the SRM Regulation and related changes to the legal framework may result in risks for Creditors. In particular, a Creditor is subject to the risk from the so-called bail-in tool pursuant to which claims for payment of principal, interest or other amounts under the Notes may be subject to a permanent reduction, including to zero, or a conversion into one or more instruments that constitute common equity tier 1 capital instruments (such as ordinary shares) by intervention of the competent resolution authorities (the so-called "**Bail-in Tool**"). Any write down or conversion by virtue of a Bail-in Tool may result in the investor in the Notes losing all or part of its invested capital or having its securities converted into highly diluted equity which might have a value close to zero.

In addition to the Bail-in Tool, the competent resolution authorities are able to apply any other resolution measure, including, but not limited to, sale of the relevant entity or its shares, the formation of a bridge institution and the separation of valuable assets from the impaired assets of a failing credit institution, any transfer of rights and obligations (such as the Issuer's obligations under the Notes) to another entity, other amendment of the terms and conditions of the Notes (including their cancellation) or even the change of the legal form of the Issuer (these aforementioned measures collectively are hereinafter referred to as "**Resolution Measures**").

Creditors are bound by any Resolution Measure and would have no claim or any other right against NORD/LB arising out of any Resolution Measure and Nord/LB would be relieved from making payments under the Notes accordingly. This would occur if NORD/LB or NORD/LB Group becomes, or is deemed by the competent authority to have become, "non-viable" or "endangered in its existence" (within the meaning of the respective definition under the then applicable law) or is deemed by the competent supervisory authority as "non-viable" or "endangered in its existence" without such write-off or conversion or without a public sector injection of capital.

The resolution regime envisages ensuring that holders of common equity tier 1 capital instruments (as shareholders) and holders of other own funds instruments bear losses first and that creditors bear losses after such holders of common equity tier 1 capital and other own funds instruments generally in accordance with the order of creditors applicable in regular insolvency proceedings. Generally, no creditor should incur a greater loss than it would have incurred if the institution had been wound up under regular insolvency proceedings (so called no creditor worse-off principle). Accordingly, the resolution authorities will generally exercise their power under the Bail-in Tool in a particular sequence so that (i) common equity tier 1 capital instruments being written down first in proportion to the relevant losses, (ii) thereafter, the principal amount of additional tier 1 capital instruments being written down on a permanent basis or converted into common equity tier 1 capital instruments, (iii) thereafter, the principal amount of tier 2 capital instruments (such as the subordinated instruments) being written down on a permanent basis or converted into common equity tier 1 capital instruments and (iv) thereafter, certain eligible liabilities (potentially including some liabilities under and in connection with Notes other than subordinated instruments) in accordance with the hierarchy of claims of NORD/LB's creditors in normal insolvency proceedings being written down on a permanent basis or converted into common equity tier 1 capital instruments. In respect of the risk that such hierarchy of claims may be subject to change, please also see "*Risks in relation to subordination and changes to hierarchy of claims*".

Whether, and if, to which extent the Notes (if not or not fully exempted by way of protective provisions) may be subject to Resolution Measures or Early Intervention Measures will depend on a number of factors that are outside of NORD/LB's control, and it will be difficult to predict when, if at all, a such measures will occur. The exercise of any Resolution Measure would in particular not constitute any right of a creditor to terminate the Notes. In case the Issuer is subject to any Resolution Measure exercised by a competent resolution authority, Creditors face the risk that they may lose all or part of their investment, including the principal amount plus any accrued interest, or that the obligations under the Notes are subject to any change in the terms and conditions of the Notes (which change will be to the detriment of the Creditor), or that the Notes would be transferred to another entity (which may lead to a detrimental credit exposure) or are subject to any other measure if Resolution Measures occur.

Further, since 1 August 2013, the European Commission applies revised state aid rules for assessing public support to financial institutions during the crisis (the "**Revised State Aid Guidelines**"). The Revised State Aid Guidelines provide for strengthened burden-sharing requirements, which require credit institutions with capital needs to obtain shareholders' and subordinated instrument holders' contribution before resorting to public recapitalisations or asset protection measures. In these guidelines, the European Commission has made it clear that any burden sharing imposed on subordinated instrument holders will be made in line with principles and rules set out in the BRRD. To improve a crisis-ridden credit institution's recovery prospects and foster general economic stability, Bail-in Tools may apply at least until 8% of its total assets have been fully absorbed. This may mean that shareholders and many creditors of an affected credit institution (such as the Creditors of subordinated instruments and also other Notes) may have already completely lost their invested capital and related rights as a result of application of resolution measures such as the Bail-in Tool.

Potential investors in Notes should therefore take into consideration that, in the event of a crisis of NORD/LB or NORD/LB Group and thus already prior to any liquidation or insolvency or such procedures being instigated, they will be exposed to a risk of default and that, in such a scenario, it is likely that they will suffer a partial or full loss of their invested capital, or that the Notes or other debt will be subject to a conversion into one or more equity instruments (e.g. capital stock) of NORD/LB. Investors in the subordinated instruments should note that such are issued with the aim of being recognised as supplementary Tier 2 capital pursuant to CRR and given the abovementioned Revised State Aid Guidelines, the SAG as well as the BRRD and the related Bail-in Tool investors in subordinated instruments in particular should take into consideration that they may be significantly affected by such aforementioned procedures and measures (which may lead to the loss of the entire investment). Further, any other Creditor of NORD/LB and its Subsidiaries may also be affected by such measures.

As a consequence, the FMSA, the Board or any other competent authority might in any such situation be entitled, *inter alia*, to demand – for instance as a prerequisite for the granting of state or similar support – that any interest may not be paid and that the nominal amount of Notes (and in particular subordinated instruments) be reduced down to zero, or impose other regulatory measures, including, but not limited to, conversion of the respective Notes or any other debt into one or more equity instruments (e.g. capital stock). Any such regulatory measure may release NORD/LB and its Subsidiaries from its obligations under the terms and conditions of the Notes or any other debt. In such circumstances, Creditors would not be entitled to terminate, or otherwise demand early redemption of, the Notes or any other debt, or to exercise any other rights in this respect. In this context, in particular the hierarchy of claims of NORD/LB's creditors in normal insolvency proceedings and the liability cascade provided for by the BRRD and the SAG must be taken into account.

Also, the aforementioned measures may produce comparable results from an economic point of view for Creditors concerned, e.g. the initial debtor (i.e. NORD/LB) may be replaced by another debtor (who may have a fundamentally different risk profile or creditworthiness than NORD/LB). Alternatively, the claims of bank creditors against the institution concerned may continue to exist while the institution's assets, its area of activity or creditworthiness are no longer the same. Alternatively, the claims may remain with the original debtor, but the Issuer's legal or economic situation regarding the debtor's assets, business activity and/or creditworthiness may not be identical (and may have significantly deteriorated compared to the situation prevailing prior to the application of the relevant measure), to the situation prior to the application of the measure.

Further, even though any Resolution Measure or an Early Intervention Measure may not in all cases directly interfere with the Creditors' rights, already the mere fact that the Board, the FMSA or another competent authority prepares or applies any Resolution Measure or any Early Intervention Measure towards NORD/LB or its Subsidiaries or even a different credit institution may have a negative effect, e.g. on the rating of Nord/LB and its Subsidiaries, on the pricing of liabilities issued by it or on NORD/LB's and its Subsidiaries' ability to refinance itself or its refinancing costs.

Rights of the Creditors may be adversely affected by measures pursuant to Kreditinstitute-Reorganisationsgesetz.

As a German credit institution, NORD/LB and its some of its German subsidiaries are subject to the Kreditinstitute-Reorganisationsgesetz ("**KredReorgG**") which *inter alia* introduced special restructuring schemes for German credit institutions consisting since 1 January 2011: (i) the restructuring procedure (*Sanierungsverfahren*) pursuant to § 2 et seqq. of the KredReorgG and (ii) the reorganisation procedure (*Reorganisationsverfahren*) pursuant to § 7 et seq. of the KredReorgG.

Whereas a restructuring procedure may generally not directly interfere with rights of Creditors, the reorganisation plan established under a reorganisation procedure may provide for measures that affect the rights of the credit institution's creditors including a reduction of existing claims or a suspension of payments. Such measures may, however, not affect the asset pool serving as cover for Pfandbriefe. The measures proposed in the reorganisation plan are subject to a particular majority vote mechanism of the creditors and shareholders of the respective credit institution so that dissenting Creditors may be overruled. Furthermore, the KredReorgG stipulates detailed rules on the voting process and on the required majorities and to what extent negative votes may be disregarded. Measures pursuant to the KredReorgG are instituted only upon the respective credit institution's request and respective approval by the competent regulatory authority and the competent higher regional court (*Oberlandesgericht*). Claims of the Creditors may therefore be adversely affected by any restructuring or reorganisation procedure (or the announcement thereof), including the perception of the market that a Resolution Measure pursuant to the resolution framework relating to the BRRD, the SAG and the SRM may soon be taken with the risks for Creditors that can have the same extent as the risks arising from Resolution Measures themselves (please see "*The rights of Creditors may be adversely affected by resolution measures, the Single Resolution Mechanism, and measures to implement the BRRD*").

Risks in relation to subordination and changes to hierarchy of claims

Creditors are exposed to a risk of subordination in connection with future amendments to German law in particular in connection with the BRRD and the SRM Regulation or other (future) European banking resolutions framework laws. A different insolvency related hierarchy of claims in respect of claims such as eligible liabilities may be introduced by mandatory law, including with retrospective effect. This may mean that Creditors of certain types of Notes might incur losses or otherwise be affected (e.g. by application of the Bail-in Tool) before creditors of other "senior" eligible liabilities will need to absorb losses or otherwise be affected.

In transposition of a requirement under the BRRD for member states to give priority to certain deposits the German legislator has already changed the hierarchy of claims in regular insolvency proceedings and implemented a preferential treatment for certain claims of depositors. Therefore, Creditors might rank below certain depositors' claims and therefore have an increased likelihood of being subject to the risks arising from Resolution Measures.

In addition, on 29 April 2015 the German Federal Government adopted a draft bill (*Regierungsentwurf*) of a Resolution Mechanism Act (*Abwicklungsmechanismusgesetz*). The bill proposes, *inter alia*, that, in the event of regular insolvency proceeding in respect of a CRR Institution (such as NORD/LB), certain senior unsecured debt instruments (such as certain Notes) (excluding (i) Schuldschein loans and registered bonds treated as covered or recoverable deposits, (ii) money market instruments and (iii) certain derivatives and structured debt instruments with a derivative component), shall by operation of law be subordinated, subject to further contractual or statutory subordination. As a consequence, compared to other senior unsecured creditors, a larger loss share will be allocated to these instruments in a regular insolvency scenario and consequently also already when Resolution Measures are taken, in particular by application of the Bail-in Tool. Such change of the insolvency and resolution hierarchy is intended to have retrospective effect, and would thus affect certain Notes issued prior to the date of the amendment act. At the date of this Registration Document, it is still uncertain if and in what form this draft bill will be enacted.

Also, it cannot be excluded that the hierarchy of claims will be further amended (also with retroactive effect) including with the result of a subordinated treatment and thereby allocating claims in relation to Notes (affecting claims under certain Notes partially or wholly) to have a lower and subordinated ranking in comparison to claims of ordinary unsecured non-preferred creditors of NORD/LB.

Risks in relation to separation of proprietary trading and other high-risk trading from other banking business

Upon request from the then EU Internal Markets Commissioner Michel Barnier, a group of experts led by Erkki Liikanen proposed a set of recommendations for structural reforms to promote financial stability and efficiency of the EU banking sector which were published in October 2012 (the so-called Liikanen Report). In this respect, the EU Commission presented proposals for the future bank structure in the EU on 29 January 2014, in particular with respect to the so-called "system of institutional separation of commercial and investment banking functions" (*Trennbankensystem*). Thus, the largest and most complex EU banks with significant trading activities (measured as the ratio of trading activities to total assets or in terms of the absolute trading volume) shall be prevented from engaging in proprietary trading in financial instruments and commodities and from investing, directly or indirectly, in leveraged hedge funds. Moreover, supervisors shall be granted authority to require the transfer of other high-risk trading activities (potentially including market-making activities, complex derivatives and securitisation operations) to a separate trading entity within the group. Compared to the German system of institutional separation of commercial and investment banking functions described below, the EU Commission's proposals in this respect provide for divergent thresholds, and thus for a broader scope, and presumably also for a more extensive definition of critical trading activities which are subject to separation. The details of the upcoming EU legislation are, however, still being negotiated and may, therefore, be subject to changes.

In August 2013, the German "Act on ring-fencing of risks and on the planning of recovery and resolution of credit institutions" ("**Trennbankengesetz**") was published in the German Federal Gazette. Pursuant to the Trennbankengesetz, credit institutions carrying out deposit and lending business and exceeding certain thresholds will be required to either cease prohibited high-risk activities (proprietary trading, high-frequency trading, lending and providing guarantees to leveraged hedge funds) or to segregate them from the other business areas by transferring them into a separate financial trading subsidiary. This separation requirement applies to banks whose trading portfolio and liquidity reserves either exceed EUR 100 billion (absolute threshold) or exceed 20% of total assets and amount to at least EUR 90 billion (relative threshold). Hedging activities performed to hedge transactions with clients or to manage interest rate, currency, liquidity and credit risk, are exempted from the prohibited activities. Equally, market-making activities and long-term equity investments are not subject to separation. Any potentially required separation would not have to be carried out before 1 July 2016.

As a part of the US Dodd-Frank Wall Street and Consumer Protection Act, the so-called "Volcker Rule" (Section 619) was adopted on 10 December 2013, came into force on 1 April 2014, but provided for a two-year "conformance period" which has been extended until 21 July 2015.

The Final Rule contains provisions prohibiting certain banking entities from engaging in "proprietary trading" or acquiring or retaining an ownership interest in, sponsoring or having certain relationships with "covered funds". Even though this Rule was adopted in the Unites States, foreign banking entities could be affected by it, e.g. if they maintain a branch or agency in the United States.

The ban of proprietary trading means that, as a basic principle, an affected banking entity is barred from engaging in the purchase or sale of certain financial positions as principal for its own trading account. The prohibited financial positions are securities, derivatives and their respective options, inter alia. There are several exemptions to the ban of proprietary trading for foreign banking entities, such as a permission of trading that occurs "solely outside the U.S." (SOTUS).

Even though it is currently not clearly foreseeable how the future EU proposals in relation to the Liikanen Report and/or implementation of the Trennbankengesetz and the Volcker Rule will affect Creditors' rights, it is conceivable that, if NORD/LB and its Subsidiaries must separate certain trading activities, NORD/LB and its Subsidiaries may have a fundamentally different risk profile or creditworthiness or that this may result in other negative effects on the business model and/or the profitability of NORD/LB and its Subsidiaries or that this may have other negative impact on NORD/LB and its Subsidiaries business model which in turn may have a material prejudicial effect on Creditors' rights.

The above enumeration of potential risk factors relating to regulatory aspects concerning credit institutions in general is not exhaustive. International bodies such as the Financial Stability Board and the Basel Committee as well as the lawmakers and supervisory authorities in Europe are continuously working on additional recommendations, regulations, standards, etc. It is likely that in future further regulations need to be considered which might adversely affect the positions of the Creditors.

Risks in relation to the impacts of the European sovereign debt crisis

Even though the burdens arising from the debt crisis are lower than in the past, the progress of structural adjustments in the Euro area will remain in the focus of the capital markets. The debt crisis still remains one of the greatest economic risks for the Euro area since for many member states the reduction of financial deficits and the government debt ratio remain challenging tasks.

Should Greece or any other Euro area country exit the monetary union, the resulting need to reintroduce a national currency or substitute the Euro with another supranational currency and restate existing contractual obligations could have unpredictable financial, legal, political and social consequences. Given the highly interconnected nature of the financial system within the Euro area and the levels of exposure NORD/LB and its Subsidiaries have to public and private counterparties around Europe, NORD/LB's and its Subsidiaries'ability to plan for such a contingency in a manner that would reduce NORD/LB's and its Subsidiaries' exposure to non-material levels is likely to be limited. If the overall economic climate deteriorates as a result of one or more departures from the Euro area, nearly all of NORD/LB and its Subsidiaries' business segments, including its more stable flow businesses, could be adversely affected, and if NORD/LB and its Subsidiaries is forced to write down additional exposures, NORD/LB and its Subsidiaries could incur substantial losses.

1.2. Description of Norddeutsche Landesbank – Girozentrale –

1.2.1. Auditors

The unaudited interim consolidated financial statements of NORD/LB and its consolidated subsidiaries (the "**NORD/LB Group**") for the period from 1 January to 31 March 2015 (the "**Interim Consolidated Financial Statements 31 March 2015**") were prepared in accordance with IFRS on interim financial reporting (IAS 34), as adopted by the EU, and the interim group management report in accordance with the requirements of the German Securities Trading Act (*Wertpapierhandelsgesetz or WpHG*).

The consolidated financial statements of NORD/LB Group for the financial year 2014" (the "**Consolidated Financial Statements 2014**") and the group management report (*Konzernlagebericht*) were audited in accordance with Section 317 German Commercial Code (*Handelsgesetzbuch,* the "**HGB**") and the German generally accepted auditing standards (the "**German GAAS**") by KPMG AG Wirtschaftsprüfungsgesellschaft, Osterstraße 40, 30159 Hanover ("**KPMG**"). KPMG has issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) on the Consolidated Financial Statements 2014 and the group management report of NORD/LB Group – for the financial year 2014.

The unconsolidated financial statements of Norddeutsche Landesbank – Girozentrale – for the financial year 2014 (the "**Annual Accounts 2014**") were prepared in accordance with German generally accepted accounting principles (the "**German GAAP**") and have been audited, together with the management report (*Lagebericht*), in accordance with Section 317 HGB and German GAAS for the audit of financial statements by KMPG. KPMG has issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) on the Annual Accounts 2014 and the management report of Norddeutsche Landesbank – Girozentrale – for the financial year 2014.

The consolidated financial statements of NORD/LB Group for the financial year 2013 (the "**Consolidated Financial Statements 2013**") and the management report (*Konzernlagebericht*) were audited in accordance with Section 317 HGB and German GAAS by KPMG. KPMG has issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) on the Consolidated Financial Statements 2013 and the group management report of NORD/LB Group for the financial year 2013.

The Consolidated Financial Statements 2013 and the Consolidated Financial Statements 2014 were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB.

KPMG is a member of the German Chamber of Auditors (*Deutsche Wirtschaftsprüferkammer*).

1.2.2. General information relating to the Issuer

The Issuer was established in the Federal Republic of Germany on 1 July 1970 through a merger of four financial institutions: Niedersächsische Landesbank – Girozentrale –, Braunschweigische Staatsbank including Braunschweigische Landessparkasse, Hannoversche Landeskreditanstalt and Niedersächsische Wohnungskreditanstalt – Stadtschaft. With the formation of Norddeutsche Landesbank – Girozentrale –, all rights and obligations of the predecessor institutions were transferred to Norddeutsche Landesbank – Girozentrale – by way of universal legal succession (*Gesamtrechtsnachfolge*).

The Issuer is registered in the commercial register (*Handelsregister*) A of the local court of Hanover (*Amtsgericht Hannover*) under number HRA 26247, in the commercial register (*Handelsregister*) A of the local court of Braunschweig (*Amtsgericht Braunschweig*) under number HRA 10261 and in the commercial register (*Handelsregister*) A of the local court of Stendal (*Amtsgericht Stendal*) under number HRA 22150.

The Issuer is a public law institution incorporated under German public law with legal capacity (*rechtsfähige Anstalt des öffentlichen Rechts*) governed by the state treaty dated 22 August 2007 between the German Federal States of Lower Saxony (*Niedersachsen*), Saxony-Anhalt (*Sachsen-Anhalt*) and Mecklenburg-Western Pomerania (*Mecklenburg-Vorpommern*) as amended on 12 July 2011, which came into force on 31 December 2011, (the "**State Treaty**") and the Issuer's Articles of Association (*Satzung*) approved by resolution of the Owners' Meeting (*Trägerversammlung*) on 9 December 2013, which became effective on 1 January 2014 (the "**Articles of Association**").

The Issuer has its registered offices in the cities of Hanover, Braunschweig and Magdeburg and is headquartered in Hanover. The respective business addresses are:

Friedrichswall 10
30159 Hanover
Germany
Telephone: + 49 5 11/3 61-0
Telefax: + 49 5 11/3 61-2502

Friedrich-Wilhelm-Platz
38100 Braunschweig
Germany
Telephone: +49 5 31/4 87-0
Telefax: +49 5 31/4 87-3073

and

Breiter Weg 7
39104 Magdeburg
Germany
Telephone: +49 3 91/5 89-0
Telefax: +49 3 91/5 89-1715

Norddeutsche Landesbank – Girozentrale – is governed by the statutory provisions of Germany. Its commercial name is NORD/LB.

The supervisory authorities in charge of NORD/LB are the European Central Bank (ECB), Sonnemannstraße 20, D-60314 Frankfurt am Main, and the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleitungsaufsicht* - BaFin), Graurheindorfer Str. 108, D-53117 Bonn, and Marie-Curie-Str. 24-28, D-60439 Frankfurt am Main.

1.2.3. Issuer's ratings and ratings for the debt instruments of Norddeutsche Landesbank – Girozentrale -

As of the date of this Registration Document, the Issuer has received the following credit ratings. The ratings were issued by Moody's Deutschland GmbH, An der Welle 5, 60322 Frankfurt am Main, Germany ("**Moody's**") and Fitch Deutschland GmbH, Taunusanlage 17, 60325 Frankfurt am Main, Germany ("**Fitch**"). The current ratings of Norddeutsche Landesbank – Girozentrale – are published on its website https://www.nordlb.com/nordlb/investor-relations/investor-information/rating-ranking/.

Baseline Credit Assessment (BCA) of NORD/LB

	Baseline Credit Assessment Rating
Moody's	ba2

Viability rating of NORD/LB

	Viability rating
Fitch	bb +

Ratings for senior unsecured NORD/LB liabilities

	Non-guaranteed		**guaranteed**[1]	
	Long term	**Short term**	**Long term**	**Short term**
Moody's	A3	P-2	Aa1	P-1
Fitch	A -	F1	AAA	F1

Ratings for subordinated NORD/LB liabilities:

	Subordinate rating	**Rating for non-cumulative preferred securities**

[1] The ratings for guaranteed liabilities apply to all guaranteed liabilities entered into no later than 18 July 2001 and transactions concluded in the transition period from 19 July 2001 to 18 July 2005 with a maximum term to 31 December 2015.

Moody's	Ba1	Ba3 (hyp)

Ratings for NORD/LB covered bonds (Pfandbriefe):

	NORD/LB Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*)	**NORD/LB Mortgage Pfandbriefe (*Hypotheken-pfandbriefe*)**	**NORD/LB Aircraft Pfandbriefe (*Flugzeugpfandbriefe*)**
Moody's	Aaa	Aaa	Aa3
Fitch	AAA	none	none

The ratings of the rating agencies Moody's and Fitch have the following meaning:

Moody's definitions[2]:

Moody's rating scale for baseline credit assessment rating ranges from aaa (highest intrinsic, or standalone, financial strength) to c (default).

ba2	Issuers assessed ba are judged to have speculative intrinsic, or standalone, financial strength, and are subject to substantial credit risk absent any possibility of extraordinary support from an affiliate or a government.

Moody's rating scale for long-term securities and covered bonds (Pfandbriefe) ranges from Aaa (Best Quality, low default risk) to C (highest default risk).

Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of the generic rating category.

Aaa	Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	A-rated obligations are judged to be upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
Ba	Ba-rated obligations are judged to be speculative and subject to substantial credit risk.

Moody's rating scale for short-term securities ranges from P-1 (Prime-1) to NP (Not Prime).

P-1	Issuers (or supporting institutions) rated Prime 1 have a superior ability to repay short-term debt obligations.
P-2	Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short term debt obligations.

[2] Source: Moody's Investors Service „Rating Symbols and Definitions", April 2014; http://www.moodys.com.

P-3	Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

Fitch definitions[3]*:*

Fitch's rating scale for viability ratings range from aaa (highest fundamental credit quality) to f (lowest risk of default).

bb	'bb' ratings denote moderate prospects for on-going viability. A moderate degree of fundamental financial strength exists, which would have to be eroded before the bank would have to rely on extraordinary support to avoid default. However, an elevated vulnerability exists to adverse changes in business or economic conditions over time.
+/-	The modifiers '+' or '-' may be appended to a rating to denote relative status within the categories 'aa' to 'b'.

Fitch's rating scale for long-term obligations and covered bonds (Pfandbriefe) ranges from AAA/Aaa (highest credit quality) to D (highest risk of default).

AAA	AAA ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	AA ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	A ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
+/-	The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' Long-Term IDR category, or to Long-Term IDR categories below 'B'.

Fitch's rating scale for short-term obligations reaches from F1+ (highest credit quality) to D (highest risk of default).

F1	F1 indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

Moody's and Fitch are established in the European Union and are currently registered pursuant to Regulation (EC) no 1060/2009 of the European Parliament and the Council of 16 September 2009 on credit rating agencies as amended (the "**CRA Regulation**"). Moody's and Fitch are listed in the "List of registered and certified CRAs" as published by the European Securities and Markets Authority on its website (http://www.esma.europa.eu) in accordance with the CRA Regulation.

[3] Source: FitchRatings „Definitions of Ratings and other Forms of Opinion", January 2014; http://www.fitchratings.com.

1.2.4. Recent events in the business activities of Norddeutsche Landesbank – Girozentrale –

EU Commission's approval of capital boosting measures and related commitments

In July 2012, the EU Commission approved a sequence of capital boosting measures which NORD/LB has developed in conjunction with its owners. Because of the nature of NORD/LB's ownership structure, which renders any capital measures taken by NORD/LB's current owners as state aid, these measures were subject to approval by the EU Commission in a proceeding applied for by the Federal Republic of Germany. The capital boosting measures approved by the EU Commission included (i) the retention of dividends, (ii) equity investments of certain of NORD/LB's owners by way of cash contributions, (iii) the conversion into equity of silent participations in NORD/LB and its subsidiary Bremer Landesbank and other subordinated securities held by certain of NORD/LB's owners and their associated entities, and (iv) a guarantee by two owners for a certain part of a pre-defined credit portfolio which could have been drawn by NORD/LB until the end of 2014. Meanwhile, all such capital boosting measures had been implemented. The guarantee was terminated without being used in the meantime. The Bank has agreed on a new guarantee ("**Northvest**") with an external party in March 2014.

The EU Commission's approval was based on a catalogue of commitments that NORD/LB and the EU Commission agreed upon for the period until the end of 2016 in a so-called restructuring plan. The main pillars of this restructuring plan are a moderate adjustment of NORD/LB Group's size in terms of total assets and risk-weighted assets, a stronger concentration on NORD/LB's core clients and regions, the sale of certain participations, a cost-optimisation program and, with regard to NORD/LB and Bremer Landesbank, retention of dividends for at least the financial years 2012 and 2013.

In August 2013, NORD/LB also obtained approval from the EU Commission to amend the terms of certain of its silent participations. In line with market expectations, such terms allow NORD/LB to pay interest on these silent participations when the Issuer is profitable, irrespective of whether or not a dividend is paid to NORD/LB's owners. The EU Commission's approval was granted in return for certain additional commitments, including an extension of the time for which NORD/LB will refrain from larger acquisitions until year-end 2016, which originally was for three years until July 2015, an undertaking to dispose of further non-core subsidiaries and participations and a further reduction of total assets in the event NORD/LB would have chosen to draw under the guarantee referred to above.

Assumption of supervision by ECB

On 4 November 2014, the ECB has assumed the direct supervision of a number of significant institutions including NORD/LB and its Subsidiaries in the context of the European single supervisory mechanism SSM. The SSM is *inter alia* based on the SSM Regulation according to which the ECB, supported by the participating national competent authorities (NCAs), will be responsible for conducting banking supervision in the Euro area.

Comprehensive Assessment

As part of the implementation of the SSM in November 2014, NORD/LB and specific other banks of the Euro area underwent a comprehensive review conducted by the ECB and the NCAs. The comprehensive assessment consisted of two components, the asset quality review and a stress test.

One part of the comprehensive assessment referred to the AQR which consists of three phases (i) the portfolio selection, in order to identify the most risky portfolios in bank's balance sheet and thereby the focus of the exercise (ii) the actual review of the assets, collateral and provisioning in the selected portfolios and level-3 fair-value assets, which was preceded by the collection of data and data integrity validation and (iii) the quality assurance and reporting of results on 26 October 2014.

The AQR was a point-in-time assessment of the accuracy of the carrying value of bank assets as of 31 December 2013 and provided a starting point for the stress test. The stress test was based on a uniform methodology and harmonised definitions. It was based on the applicable accounting rules and further requirements of regulatory authorities. Therefore the published results for financial year 2013 may deviate from the financial statements of NORD/LB as well as other banks involved. Overall, the AQR resulted in an adjustment of the common equity tier 1 (CET1) ratio of NORD/LB Group by 49 basis points from 10.62 per cent. to 10.13 per cent. Under the AQR, banks were required to have a minimum CET1 ratio of 8 per cent.

The stress test provided a forward-looking examination of the resilience of banks' solvency to two hypothetical scenarios, also reflecting new information arising from the AQR. The stress test was undertaken by the participating banks, the ECB, and NCAs, in cooperation with the European Banking Authority (EBA), which also designed the methodology along with the ECB and the European Systemic Risk Board (ESRB). Under the baseline scenario, banks were required to maintain a minimum CET1 ratio of 8 per cent.; under the adverse scenario, they were required to maintain a minimum CET1 ratio of 5.5 per cent.

NORD/LB Group has passed the requirements of the AQR stresstest.

The required minimum capital ratios for the CET1 ratio of 8.0 per cent. (baseline scenario) and 5.5 per cent. (adverse scenario) were exceeded in both scenarios by CET1 ratios of 10.93 per cent (baseline scenario) and 8.77 per cent. (adverse scenario).

Revaluation and reduction of the book value of HETA assets due to measures under the Austrian act implementing the BRRD into Austrian law

NORD/LB and some of its subsidiaries currently hold debt instruments and other liabilities qualifying as eligible liabilities within the meaning of the Austrian Act on the Recovery and Resolution of Credit Institutions ("**BaSAG**") – which implements the BRRD into Austrian law – issued by HETA ASSET RESOLUTION AG (formerly Hypo Alpe-Adria-Bank International AG and hereinafter referred to as "**HETA**") in the aggregate principal amount of EUR 380 million (of which EUR 110 million are directly held by NORD/LB) and in relation to which the Austrian province of Carinthia ("**Carinthia**") shall be liable as deficiency guarantor (*Ausfallbürge*) – pursuant to Section 5 of the Kärntner Landesholding-Gesetz – in case of HETA's inability to pay (*Zahlungsunfähigkeit*). On 1 March 2015, the Austrian Financial Market Authority in its capacity as resolution authority under the BaSAG published an administrative ruling (*Bescheid*) and declared a deferral of the maturities of all debt instruments issued by HETA, its other eligible liabilities as well as the maturity dates for interest payments under such instruments with immediate effect to 31 May 2016, except for liabilities which are non-eligible pursuant to Section 86 para 2 BaSAG (the "**Moratorium**"). As the Austrian Financial Market Authority notified the European Banking Authority that it exercised its resolution powers under Section 58 para 1 no. 10 BaSAG as preparatory measure to a possible resolution, it is conceivable (and widely expected) that a regulatory bail-in could follow providing for (i) a write-down (in full or in part) of the claims of creditors of HETA under its debt instruments and other eligible liabilities, or (ii) a conversion of the claims of creditors of HETA into shares or other instruments of ownership of the entity in resolution. Such a bail-in is unprecedented in Austria and it is unclear how it might affect Carinthia's liabilities as deficiency guarantor under the Austrian law governed deficiency guarantee. In the Austrian legal market it is disputed whether a bail-in in relation to HETA's liabilities would result in a *pro rata* reduction of the liabilities of the surety (i.e. Carinthia) under the deficiency guarantee in relation to the liabilities of the principal debtor (i.e. HETA) pursuant to the principle of accessoriness (*Akzessorietät*), or whether such a bail-in would not affect the legal soundness and validity of the deficiency guarantee. As a consequence of the above development and as a matter of precaution, NORD/LB and its Subsidiaries have revaluated their respective claims against HETA based on a fair value assessment and it cannot be excluded that further revaluation will result in a further reduction of the book value of the relevant assets. Moreover, it cannot be excluded that the ECB or any other relevant supervisory authority will require NORD/LB and its Subsidiaries to further reduce the book value of such assets. NORD/LB and its Subsidiaries have taken legal actions and are considering further legal actions.

1.2.5. Business overview/ Principal activities

1.2.5.1. Responsibilities and Functions

The Issuer is a

(i) **commercial bank** (*Geschäftsbank*),

(ii) **federal state bank** *(Landesbank)* for, the German Federal States of Lower Saxony and Saxony-Anhalt and

(iii) **central savings and clearing bank** (*Sparkassenzentralbank (Girozentrale)*) acting on behalf of various savings banks (*Sparkassen*) located in the German Federal States of Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania.

NORD/LB is a commercial bank, federal state bank and a central savings and clearing bank for the savings banks operating in Northern Germany and beyond with core regions with branches in Hamburg, Munich, Düsseldorf, Schwerin, London, New York, Shanghai and Singapore.

As a commercial bank, NORD/LB offers financial services to private customers, corporate customers, institutional customers and the public sector. Under the name of Braunschweigische Landessparkasse, Braunschweig, NORD/LB performs the function of a savings bank in the Braunschweig region and maintains a close network of branches in this region. NORD/LB also participates in the structured financing of international projects, particularly in the energy, infrastructure, ship, aircraft and real estate sectors.

As a federal state bank for the states of Lower Saxony and Saxony Anhalt, it performs the functions of a central and clearing bank for the savings banks (*Girozentrale*). The bank also handles promotional loans on behalf of the federal states through Investitionsbank Sachsen-Anhalt – Anstalt der Norddeutschen Landesbank Girozentrale – (institute of Norddeutsche Landesbank Girozentrale), and through Landesförderinstitut Mecklenburg-Vorpommern (LFI) – Geschäftsbereich der Norddeutschen Landesbank Girozentrale – (division of Norddeutsche Landesbank Girozentrale).

NORD/LB acts as a central savings bank for the savings banks in Mecklenburg-Western Pomerania, Saxony Anhalt and Lower Saxony and is the partner for all of the savings banks in these states. It also acts as a service provider for savings banks in other German states such as Schleswig-Holstein. NORD/LB provides all of the services which the savings banks require for their activities.

Business Segments

Since the beginning of 2015, the Issuer conducts its business through the following seven business segments:

- Private and Commercial Customers;
- Corporate Customers;
- Markets;
- Energy and Infrastructure Customers;
- Ship Customers;
- Aircraft Customers and
- Real Estate Banking Customers.

Private and Commercial Customers

As well as business with private, individual, commercial and small-business customers, this business segment includes middle-market corporate customer business in the Braunschweig region. Up until 30 September 2014 the current results of Öffentliche Lebensversicherung Braunschweig and Öffentliche Sachversicherung Braunschweig are also recognised here. Following the deconsolidation of ÖVBs, its profit / loss accounted for using the equity method is reported in the Private and Commercial Customers segment.

The product range for the segment Private and Commercial Customers is based on the savings bank finance concept (S-finance concept) and comprises all of the usual banking services and products for account and lending business, savings and investment business and the provision of internet banking and direct brokerage. Extended services for wealthy private customers range from the integrated advisory approach of asset structure analysis, financial planning, asset succession and inheritance and foundation management. The product range also includes investment loans and start-up advice for the middle-market company business.

Corporate Customers

This segment includes all of the NORD/LB business conducted with corporate customers in the core regions (excluding the Altes Braunschweiger Land region) and other selected locations in Germany, and in particular Agricultural Banking and Residential Housing.

As a full-service provider, banking products and banking services are offered. The services include traditional transaction management, tailored business financing, management of interest and currency risk and solutions for company pension schemes. In the segment comprehensive solutions are developed for complex business financing and for the strategic positioning of corporate customers. Professional liquidity and risk management, the structuring of equity and innovative financing instruments supplement the product range.

Markets

The Markets segment covers the Financial Markets activities performed in Germany, the foreign branches and in the Group companies on behalf of customers. The Savings Bank Network division covers transactions with the public sector; institutional business with associated savings banks and syndicated business transacted with associated savings banks are reported.

Alternative products which are detached from retail banking including derivatives are offered, e. g. special kinds of debt securities which are not standardised in respect of their interest and repayment, but instead offer alternatives in respect of returns and the type or time of repayment (structured securities). In the secondary business all kinds of securities are sold and traded. Tailored solutions for institutional customers such as for example the structuring of special funds, pool funds solutions, portfolio management mandates and institutional public funds are also offered. The product range also includes private banking products for the savings banks, such as investment products in the form of for example open or closed funds (real estate, aircraft), products for individual asset management or inheritance or foundation management, which the savings banks require as direct customers for their own trading business or to complete their product range in their own business with private or corporate customers.

In the following Energy and Infrastructure Customers, Ship Customers, Aircraft Customers and Real Estate Banking Customers segments traditional lending products and innovative products are generally offered irrespective of the respective industry. This primarily concerns financing for specific purposes.

Energy and Infrastructure Customers

This business segment summarises the global business relations of the Group companies NORD/LB and Bremer Landesbank in the Infrastructure, Energy (in particular renewable energy) and Leasing divisions. Primarily project financing which is related to a specific project or asset is offered and accordingly tailored to meet the respective individual need. The structure of this financing is developed taking into account the respective political and economic risks, legal and task factors, social determinants and optimal equity structures. The aim is to tailor project requirements and cash flows to the respective customers.

Ship Customers

In this business segment the national and international activities of NORD/LB and Bremer Landesbank in ship financing are reported. The customers of the Ship Customers segment are offered short to long-term financing, such as equity pre- financing, interim finance, construction period finance (short and medium term) and financing to completion (long term). Ships are financed by the provision of loans or guarantees on a property-related and normally property-secured basis. Products such as for example swap, option, future or forward transactions complete the product range.

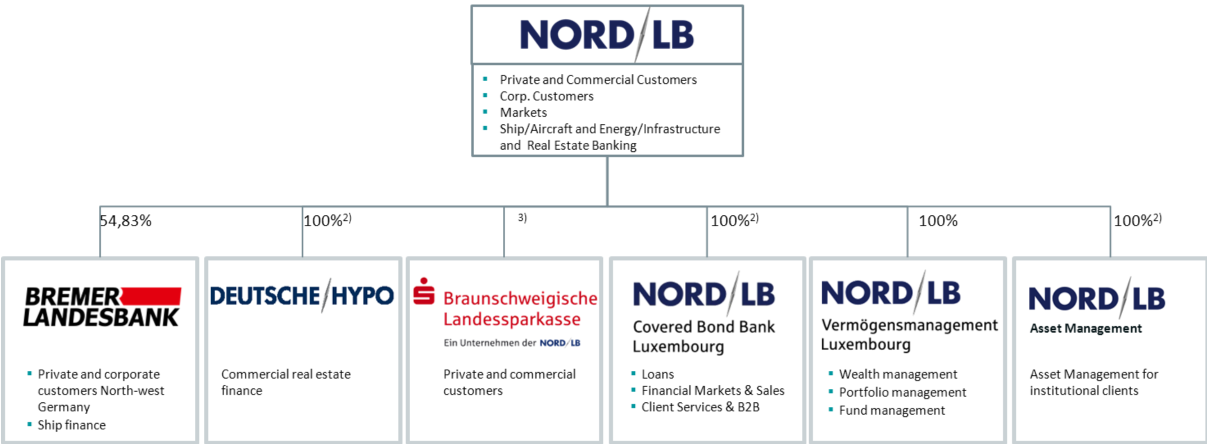
Aircraft Customers

In this business segment the national and international activities of NORD/LB in aircraft financing are reported. In Aircraft finance, the focus is on the object-based financing of passenger aircraft produced by well-known manufacturers. The target customers are airlines and leasing companies who are offered tailored financing solutions in addition to the NORD/LB Group’s high expertise with core productions. The segment also finances covered export business.

Real Estate Banking Customers

Here NORD/LB's and Deutsche Hypo's national and international financing of commercial real estate and Bremer Landesbank's financing of community interest properties are aggregated. This normally concerns structured financing for large-volume commercial real estate projects and portfolios in Germany and abroad, both interim finance for new construction projects and long-term loans for existing properties. In particular office and retail properties, multi-storey residential properties, hotels, logistics properties and nursing homes are financed.

1.2.6. Organisational Structure[1]



1) For additional information about equity holdings of the Issuer see part 3 "Financials" on pages F-191 to F-195. That information is current as of the date of this Registration Document.
2) "NORD/LB ensures that all banks and financial institutions included in the Group accounts as wholly-owned subsidiaries of NORD/LB can meet their obligations."
3) Incorporated under public law with partial legal capacity.

The Issuer is the parent company of NORD/LB Group. NORD/LB Group comprises, *inter alia*, the fully consolidated subsidiaries Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, NORD/LB Luxembourg S.A. Covered Bond Bank, Deutsche Hypothekenbank (Actien-Gesellschaft), NORD/LB Asset Management Holding GmbH and NORD/LB Vermögensmanagement Luxembourg S.A.

Further subsidiaries within NORD/LB Group in terms of German commercial law, are Braunschweigische Landessparkasse, Investitionsbank Sachsen-Anhalt and Landesförderinstitut Mecklenburg-Vorpommern, the first two incorporated as an *Anstalt in der Anstalt*, "AidA", the last-mentioned as division.

NORD/LB acts as the parent company, managing all business activities in accordance with strategic goals, generating synergies, strengthening customer divisions and pooling services.

1.2.7. Information on trends

Since 31 December 2014, there have been no material adverse changes in the prospects of Norddeutsche Landesbank – Girozentrale –.

1.2.8. Governing bodies of the Issuer

The governing bodies of the Issuer comprise:

- the **Managing Board** (*Vorstand*),
- the **Supervisory Board** (*Aufsichtsrat*) and
- the **Owners' Meeting** (*Trägerversammlung*)

The Managing Board

The Managing Board conducts the Issuer's business on its own responsibility and represents the Issuer both in and out of court.

The following chart shows the members of the Managing Board and the main mandates they hold outside the Issuer:

Name	Company	Mandates (outside activities)
Dr. Gunter Dunkel (Chairman)	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –	1. Supervisory Board 2. Risk Committee (Chairman) 3. Owners' Meeting (*Trägerversammlung*) 4. Audit Committee 5. Nomination Committee (Chairman) 6. Remuneration Control Committee (*Vergütungskontrollausschuss*) (Chairman)
	Continental AG	Supervisory Board
	Deutsche Hypothekenbank (Actien-Gesellschaft)	1. Supervisory Board (Chairman) 2. Credit- and Risk Committee 3. Nomination Committee 4. Audit Committee 5. Remuneration Control Committee (*Vergütungskontrollausschuss*)
	NORD/LB Luxembourg S.A. Covered Bond Bank	1. Supervisory Board (Chairman) 2. Presidential Committee
	NORD/LB Vermögensmanagement Luxembourg S.A.	Supervisory Board (Chairman)
Ulrike Brouzi	NORD/LB Asset Management AG	Supervisory Board (Deputy Chairman)
	NORD/LB Luxembourg S.A. Covered Bond Bank	Supervisory Board
	Salzgitter AG, Stahl und Technologie	Supervisory Board
Eckhard Forst	Deutsche Hypothekenbank (Actien-Gesellschaft)	1. Supervisory Board (Deputy Chairman) 2. Credit- and Risk Committee 3. Nomination Committee 4. Audit Committee (Chairman) 5. Remuneration Control Committee (*Vergütungskontrollausschuss*)
	Deutsche Factoring Bank GmbH & Co KG	Supervisory Board

Name	Company	Mandates (outside activities)
Dr. Hinrich Holm	LBS Norddeutsche Landesbausparkasse Berlin/Hannover	1. Supervisory Board 2. Audit Committee
	NORD/LB Asset Management AG	Supervisory Board (Chairman)
	SALEG Sachsen-Anhaltinische Landesentwicklungsgesellschaft mbH	Supervisory Board (Deputy Chairman)
	Caplantic GmbH	Supervisory Board (Chairman)
Christoph Schulz	LBS Norddeutsche Landesbausparkasse Berlin/Hannover	1. Supervisory Board (Chairman) 2. Personnel Committee of the Supervisory Board
	NORD/LB Luxembourg S.A. Covered Bond Bank	1. Supervisory Board 2. Presidential Committee
	NORD/LB Vermögensmanagement Luxembourg S.A.	Supervisory Board
	Toto Lotto Niedersachsen GmbH	Supervisory Board (Chairman)
	Öffentliche Lebensversicherung Braunschweig	1. Supervisory Board (Chairman) 2. Advisory Council (*Beirat*) (Chairman)
	Öffentliche Sachversicherung Braunschweig	1. Supervisory Board (Chairman) 2. Advisory Council (*Beirat*) (Chairman)
Thomas S. Bürkle	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –	1. Supervisory Board 2. Owner's Meeting (*Trägerversammlung*) 3. Risk Committee 4. Nomination Committee 5. Audit Committee (Chairman) 6. Remuneration Control Committee (*Vergütungskontrollausschuss*)
	Deutsche Hypothekenbank (Actien-Gesellschaft)	1. Supervisory Board 2. Credit- and Risk Committee (Chairman) 3. Nomination Committee 4. Audit Committee (Deputy Chairman) 5. Remuneration Control Committee (*Vergütungskontrollausschuss*)
	Norddeutsche Landesbank Luxembourg S.A.Covered Bond Bank	Supervisory Board

The Members of the Managing Board may be contacted at NORD/LB’s business address.

The Supervisory Board

The Supervisory Board shall advise the Managing Board and monitor its management.

The following chart shows the members of the Supervisory Board and the main mandates they hold outside the Issuer:

Name	**Company**	**Mandates (outside activities)**
Peter-Jürgen Schneider, Minister of Finance of the German Federal State of Lower Saxony (Chairman)	Bremer Landesbank	Supervisory Board
Thomas Mang, President of Lower Saxony Savings Banks and Giro Association (*Niedersächsischer Sparkassen- und Giroverband*) (First Deputy Chairman)	Braunschweigische Landessparkasse	Administrative Board (Second Deputy Chairman)
	Bremer Landesbank	Supervisory Board
	DekaBank Deutsche Girozentrale	Administrative Board (Second Deputy Chairman)
	Landesbank Berlin AG	Supervisory Board
	Öffentliche Versicherung Braunschweig	Supervisory Board
	Öffentliche Versicherung Oldenburg	Supervisory Board (Deputy Chairman)
Jens Bullerjahn, Minister of Finance of the German Federal State of Saxony-Anhalt (Second Deputy Chairman)	-	-
Frank Berg, Chairman of the Managing Board of OstseeSparkasse Rostock	-	-
Norbert Dierkes, Chairman of the Managing Board of Sparkasse Jerichower Land	-	-
Edda Döpke, bank employee of Norddeutsche Landesbank – Girozentrale –	Braunschweigische Landessparkasse	Administrative Board
Ralf Dörries, bank employee of Norddeutsche Landesbank – Girozentrale –	Braunschweigische Landessparkasse	Administrative Board

Name	Company	Mandates (outside activities)
Hans-Heinrich Hahne, Chairman of the Managing Board of Sparkasse Schaumburg	DekaBank Deutsche Girozentrale	Administrative Board
	Provinzial Lebensversicherung	Supervisory Board
Frank Hildebrandt, bank employee of Norddeutsche Landesbank – Girozentrale –	Braunschweigische Landessparkasse	Administrative Board
Dr. Elke Eller, Brand Management Board (*Markenvorstand*), Personnel Volkswagen Nutzfahrzeuge	-	-
Frank Klingebiel, Mayor of the City of Salzgitter	Braunschweigische Landessparkasse	Administrative Board
Professor Dr. Susanne Knorre, Management Consultant	-	-
Ulrich Mädge, Mayor of the City of Lüneburg	-	-
Heinrich von Nathusius, Member of the Advisory Board of IFA ROTORION – Holding GmbH	-	-
Antje Niewisch-Lennartz, Minister of Justice of the German Federal State of Lower Saxony	-	-
Freddy Pedersen, Assistant Managing Director of ver.di (*Vereinte Dienstleistungsgewerkschaft*)	Öffentliche Versicherung Braunschweig	Supervisory Board
Jörg Reinbrecht, Union Secretary of ver.di (*Vereinte Dienstleistungsgewerkschaft*)	-	-

Name	Company	Mandates (outside activities)
Ilse Thonagel, bank employee of State Institute for Advancement of the Economy (*Landesförderinstitut*) of the German Federal State of Mecklenburg-Western Pomerania	-	-

The Members of the Supervisory Board may be contacted at NORD/LB's business address.

The Owners' Meeting (Trägerversammlung)

The Owners' Meeting represents the Owners of the Issuer.

The members of the Owners' Meeting hold the following main mandates outside the Issuer:

Name	Company	Mandates (outside activities)
Thomas Mang, President of Lower Saxony Savings Banks and Giro Association (*Niedersächsischer Sparkassen- und Giroverband*) (Chairman of the Owners' Meeting (*Trägerversammlung*))	Braunschweigische Landessparkasse	Administrative Board (Second Deputy Chairman)
	Bremer Landesbank	Supervisory Board
	DekaBank Deutsche Girozentrale	Administrative Board (Second Deputy Chairman)
	Landesbank Berlin AG	Supervisory Board
	Öffentliche Versicherung Braunschweig	Supervisory Board
	Öffentliche Versicherung Oldenburg	Supervisory Board (Deputy Chairman)
Frank Berg, Chairman of the Managing Board of OstseeSparkasse Rostock (First Deputy Chairman of the Owner's Meeting (*Trägerversammlung*))	-	-
Frank Bannert, District Administrator (*Landrat*) of the District of Saalekreis (Second Deputy Chairman of the Owner's Meeting (*Trägerversammlung*))	-	-

Name	Company	Mandates (outside activities)
Ulrich Böckmann, Principal (*Ministerialrat*) of the Ministry of Finance of the German Federal State of Lower Saxony	-	-
Frank Doods, State Secretary (*Staatssekretär*) of the Ministry of Finance of the German Federal State of Lower Saxony	-	-
Dr. Ingolf Lange, Principal (*Ministerialrat*) in the Ministry of Finance of the German Federal State of Saxony-Anhalt	-	-
Michael Richter, State Secretary (*Staatssekretär*) of the Ministry of Finance of the German Federal State of Saxony-Anhalt	-	-
Norbert Dierkes, Chairman of the Managing Board of Sparkasse Jerichower Land	-	-
Dr. Paul Krüger, Mayor of the City of Neubrandenburg	-	-
Ludwig Momann, Chairman of the Managing Board of Sparkasse Emsland	-	-

The Members of the Owners' Meeting may be contacted at NORD/LB's business address.

No Conflicts of interests of administrative, management, and supervisory bodies

As of the date of this Registration Document, there are to the knowledge of the Issuer, no conflicts of interest or potential conflicts of interest of members of the administrative, management and supervisory bodies between their duties to the Issuer– and their private interests or other duties.

The Issuer has established comprehensive mechanisms and regulatory procedures in order to ensure that conflicts of interest are avoided.

1.2.9. Owners of the Issuer

The owners of Norddeutsche Landesbank – Girozentrale – are the German Federal States of Lower Saxony and Saxony-Anhalt and the Lower Saxony Savings Banks and Giro Association (*Niedersächsischer Sparkassen- und Giroverband*), the Saxony-Anhalt Savings Banks Holding Association (*Sparkassenbeteiligungsverband Sachsen-Anhalt*) and the Special Purpose Holding Association of the Mecklenburg-Western Pomerania Savings Banks (*Sparkassenbeteiligungs-*

zweckverband Mecklenburg-Vorpommern).The amount of share capital is determined by the Owner's Meeting.

The Issuer's capital stock amounts to EUR 1,607,257,810.00. EUR 950,426,575.00 (approximately 59.1334 per cent.) is held by the German Federal State of Lower Saxony, EUR 89,583,335.00 (approximately 5.5737 per cent.) is held by the German Federal State of Saxony-Anhalt, EUR 423,620,880.00 (approximately 26.3567 per cent.) is held by the Lower Saxony Savings Banks and Giro Association (*Niedersächsischer Sparkassen- und Giroverband*), EUR 84,787,100.00 (approximately 5.2753 per cent.) is held by the Saxony-Anhalt Savings Banks Holding Association (*Sparkassenbeteiligungsverband Sachsen-Anhalt*) and EUR 58,839,920.00 (approximately 3.6609 per cent.) is held by the Special Purpose Holding Association of the Mecklenburg-Western Pomerania Savings Banks (*Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern*).

1.3. Financial information on the asset, financial and earnings position

1.3.1. Historical financial information

The unaudited Interim Consolidated Financial Statements 31 March 2015 are included on pages F-1 to F-53, the Consolidated Financial Statements 2014 and the respective auditor's report (*Bestätigungsvermerk*) are included on pages F-54 to F-197, the Annual Accounts 2014 and the respective auditor's report (*Bestätigungsvermerk*) are included on pages F-199 to F-250 and the Consolidated Financial Statements 2013 and the respective auditor's report (*Bestätigungsvermerk*) are included on pages F-251 to F-369 in each case within section 3 "*Financials*" of this registration document.

The financial information contained in this Registration Document gives a true and impartial overview of the financial position of NORD/LB Group in accordance with the applicable accounting policies.

The Consolidated Financial Statements 2013 and the Consolidated Financial Statements 2014 were prepared in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB. The Annual Accounts 2014 were prepared in accordance with German GAAP. The Interim Consolidated Financial Statements 31 March 2015 were prepared in accordance with IFRS and IAS 34, as adopted by the EU.

The Consolidated Financial Statements 2013 and the Consolidated Financial Statements 2014 and the respective auditor's reports (*Bestätigungsvermerke*) contained in this Registration Document have been taken from the annual report (*Geschäftsbericht)* of NORD/LB Group for the financial year 2013 and the financial year 2014 (see section *2.* "Important Information 2.4. Availability of documents").
The Annual Accounts 2014 and the auditor's report (*Bestätigungsvermerk*) have been taken from the annual report (*Geschäftsbericht*) of Norddeutsche Landesbank – Girozentrale – for the financial year 2014 (see section *2.* "Important Information 2.4. Availability of documents").

The Interim Consolidated Financial Statements 31 March 2015 have been taken from the Interim Report (*Konzernzwischenbericht*) of NORD/LB Group as of 31 March 2015 (see section *2. "Important Information 4. Availability of documents"*).

The auditor's reports (*Bestätigungsvermerke*) with respect to the Consolidated Financial Statements 2013 and the Consolidated Financial Statements 2014 were issued in accordance with Section 322 HGB on the audited consolidated financial statements and the group management reports (*Konzernlageberichte*) each as a whole, respectively. The respective group management reports *(Konzernlageberichte)* for 2013 and 2014 are neither included nor incorporated by reference in this Registration Document.

The auditor's report (*Bestätigungsvermerk*) with respect to the Annual Accounts 2014 of Norddeutsche Landesbank – Girozentrale – was issued in accordance with Section 322 HGB on the unconsolidated financial statements and the management report (*Lagebericht*) as a whole. The management report is neither included nor incorporated by reference in this Registration Document.

Some figures of the Consolidated Financial Statements 2013 of NORD/LB Group have been adjusted. The adjustment is based on IAS 8.42. The initial application of IFRS 10 with retrospective effect has also resulted in changes in the figures for the previous year (2013). The adjusted figures are displayed in the Consolidated Financial Statements 2014 of NORD/LB Group. For more information, please refer to “Note (2) Adjustment of Figures for the previous year” of the Consolidated Financial Statements 2014 on page F-67.

1.3.2. Court and arbitration proceedings

As a result of its extensive business activities, Norddeutsche Landesbank – Girozentrale – may regularly be involved in a range of different court proceedings concerning a variety of transactions.

There have been no governmental, legal or arbitration proceedings in the previous 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of Norddeutsche Landesbank – Girozentrale – or NORD/LB Group nor is Norddeutsche Landesbank – Girozentrale – aware of any such proceedings being pending or threatened.

1.3.3. Significant changes in the financial position

Since 31 March 2015, there have been no significant changes in the financial position of the Issuer and NORD/LB Group.

1.3.4. Material contracts

In the usual course of its business, Norddeutsche Landesbank – Girozentrale – enters into numerous contracts with various other entities. However, Norddeutsche Landesbank – Girozentrale – has not, entered into any material contracts outside the ordinary course of its business.

2. IMPORTANT INFORMATION

2.1. Responsibility

Norddeutsche Landesbank – Girozentrale – with its registered offices in Hanover, Braunschweig and Magdeburg accepts responsibility for the information contained in this registration document and declares that the information contained in this document is, to the best of its knowledge, in accordance with the facts and that no material circumstances have been omitted.

2.2. Third party information

The information relating to ratings and ratings definitions contained in this Registration Document has been sourced from third parties. The Issuer confirms that this information has been accurately reproduced and that – as far as the Issuer is aware and is able to ascertain from information published by that third party – no facts have been omitted which would render the reproduced information inaccurate or misleading. Apart from this no further information or statements contained in this Registration Document have been sourced from a third party.

2.3. BaFin Approval

This registration document has been approved by BaFin (the approval of documents by BaFin in accordance with Section 13 (1) German Securities Prospectus Act (*Wertpapierprospektgesetz*) only refers to completeness by means of coherence of the information given and its comprehensibility).

2.4. Availability of documents

As long as this registration document is valid, Norddeutsche Landesbank – Girozentrale – will provide copies of the following documents to be viewed upon request at the registered office at Norddeutsche Landesbank – Girozentrale -, Friedrichswall 10, 30159 Hanover during opening hours:

- the annual report (*Geschäftsbericht*) of NORD/LB Group for the financial years 2013 and 2014; each containing the consolidated financial statements for the corresponding financial years 2013 and 2014;

- the annual report (*Geschäftsbericht*) of Norddeutsche Landesbank – Girozentrale – for the financial year 2014; containing the Annual Accounts 2014;

- the Interim Report (*Konzernzwischenbericht*) of NORD/LB Group as of 31 March 2015;

- the Articles of Association (*Satzung*) of Norddeutsche Landesbank – Girozentrale – as amended on 9 December 2013;

- the State Treaty between the German Federal States of Lower Saxony (*Niedersachsen*), Saxony-Anhalt (*Sachsen-Anhalt*) and Mecklenburg-Western Pomerania (*Mecklenburg-Vorpommern*) dated 22 August 2007, as amended on 12 July 2011.

The Articles of Association (*Satzung*) of Norddeutsche Landesbank – Girozentrale –, the State Treaty, the Consolidated Financial Statements 2013 and the Consolidated Financial Statements 2014 such as the annual report (*Geschäftsbericht*) of Norddeutsche Landesbank – Girozentrale – for the financial year 2014 are available on request in printed form at the above mentioned address or in electronic form on http://www.nordlb.de.

3. FINANCIALS

Unaudited Interim Consolidated Financial Statements for the Period from 1 January 2015 to 31 March 2015

Income Statement

	Notes	1 Jan.–31 Mar. 2015 (in € million)	1 Jan.–31 Mar. 2014[1] (in € million)	Change (in %)
Interest income		2 169	2 275	– 5
Interest expenses		1 668	1 783	– 6
Net interest income	**6**	**501**	**492**	**2**
Loan loss provisions	7	104	100	4
Commission income		79	70	13
Commission expenses		24	30	– 20
Net commission income	**8**	**55**	**40**	**38**
Trading profit/loss		385	168	> 100
Profit/loss from the fair value option		– 302	– 176	72
Profit/loss from financial instruments at fair value through profit or loss	**9**	**83**	**– 8**	**> 100**
Profit/loss from hedge accounting	10	59	13	> 100
Profit/loss from financial assets	11	2	35	– 94
Profit/loss from investments accounted for using the equity method		–	– 4	– 100
Administrative expenses	12	284	291	– 2
Other operating profit/loss	13	– 77	– 24	> 100
Earnings before reorganisation and taxes		**235**	**153**	**54**
Reorganisation expenses	14	– 6	– 10	– 40
Expenses for public guarantees related to reorganisation	15	–	10	– 100
Earnings before taxes		**229**	**133**	**72**
Income taxes	16	73	41	78
Consolidated profit		**156**	**92**	**70**
of which: attributable to the owners of NORD/LB		159	113	
of which: attributable to non-controlling interests		– 3	– 21	

[1] Information from the previous year was adjusted for individual items; see Note (3) Adjustment of figures for the previous year.

Statement of Comprehensive Income

The comprehensive income of the NORD/LB Group comprises the income and expense recognised in the income statement and in other comprehensive income.

	1 Jan.– 31 Mar. 2015 (in € million)	1 Jan.– 31 Mar. 2014[1)] (in € million)	Change (in %)
Consolidated profit	**156**	**92**	**70**
Other comprehensive income which is not recycled in the income statement in subsequent periods			
Revaluation of the net liability from defined benefit pension plans	– 352	– 202	74
Investments accounted for using the equity method – Share of other operating profit/loss	– 10	– 5	100
Deferred taxes	112	64	75
	– 250	**– 143**	**75**
Other comprehensive income which is recycled in the income statement in subsequent periods on certain conditions			
Increase/decrease from available for sale (AfS) financial instruments			
Unrealised profit/losses	144	231	– 38
Transfer due to realisation profit/loss	18	2	> 100
Translation differences of foreign business units			
Unrealised profit/losses	39	2	> 100
Investments accounted for using the equity method – Share of other operating profit/loss	14	15	– 7
Deferred taxes	– 50	– 76	– 34
	165	**174**	**– 5**
Other profit/loss	**– 85**	**31**	**> 100**
Comprehensive income for the period under review	**71**	**123**	**– 42**
of which: attributable to the owners of NORD/LB	94	145	
of which: attributable to non-controlling interests	– 23	– 22	

1) Information from the previous year was adjusted for individual items; see Note (3) Adjustment of figures for the previous year.

Balance Sheet

Assets	Notes	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Cash reserve		537	1 064	– 50
Loans and advances to banks	17	25 449	23 565	8
Loans and advances to customers	18	111 283	108 255	3
Risk provisioning	19	– 2 874	– 2 747	5
Balancing items for financial instruments hedged in the fair value hedge portfolio		253	114	> 100
Financial assets at fair value through profit or loss	20	18 536	16 306	14
Positive fair values from hedge accounting derivatives		3 684	3 483	6
Financial assets	21	43 159	45 120	– 4
Investments accounted for using the equity method		322	318	1
Property and equipment	22	571	568	1
Investment property		79	80	– 1
Intangible assets	23	139	139	–
Assets held for sale	24	52	56	– 7
Current income tax assets		62	57	9
Deferred income taxes		849	784	8
Other assets		809	445	82
Total assets		**202 910**	**197 607**	**3**

Liabilities	Notes	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Liabilities to banks	25	58 515	58 986	– 1
Liabilities to customers	26	57 243	57 996	– 1
Securitised liabilities	27	42 018	40 714	3
Balancing items for financial instruments		1 352	1 176	15
Financial liabilities at fair value through profit or loss	28	22 242	18 169	22
Negative fair values from hedge accounting derivatives		4 226	3 926	8
Provisions	29	3 284	2 846	15
Liabilities held for sale	30	1	6	– 83
Current income tax liabilities		108	73	48
Deferred income taxes		133	100	33
Other liabilities		909	867	5
Subordinated capital	31	4 907	4 846	1
Equity				
Issued capital		1 607	1 607	–
Capital reserves		3 332	3 332	–
Retained earnings		1 902	1 957	– 3
Revaluation reserve		568	420	35
Currency translation reserve		– 9	– 10	– 10
Equity capital attributable to the owners of NORD/LB		**7 400**	**7 306**	**1**
Equity capital attributable to non-controlling interests		572	596	– 4
		7 972	**7 902**	**1**
Total liabilities and equity		**202 910**	**197 607**	**3**

Condensed Statement of Changes in Equity

(in € million)	Issued capital	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Equity attributable to noncon-trolling interests	Consolidated equity
Equity as at 1 Jan. 2015	**1 607**	**3 332**	**1 957**	**420**	**– 10**	**7 306**	**596**	**7 902**
Comprehensive income for the period under preview	–	–	– 55	148	1	94	– 23	71
Transactions with the owners	–	–	–	–	–	–	– 1	– 1
Equity as at 31 Mar. 2015	**1 607**	**3 332**	**1 902**	**568**	**– 9**	**7 400**	**572**	**7 972**

(in € million)	Issued capital	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Equity attributable to noncon-trolling interests	Consolidated equity
Equity as at 1 Jan. 2014	**1 607**	**3 332**	**2 052**	**122**	**– 6**	**7 107**	**1 062**	**8 169**
Adjusted comprehensive income for the period under preview	–	–	146	–	– 1	145	– 22	123
Changes in the basis of consolidation	–	–	–	–	–	–	– 22	– 22
Equity as at 31 Mar. 2014	**1 607**	**3 332**	**2 198**	**122**	**– 7**	**7 252**	**1 018**	**8 270**

The consolidation effects and other changes in equity mainly comprise transactions which result in changes in shareholdings without changing the consolidation method. For a more detailed account, the notes to the statement of changes in equity are referred to.

Condensed Cash Flow Statement

	1 Jan.–31 Mar. 2015 (in € million)	1 Jan.–31 Mar. 2014 (in € million)	Change (in %)
Cash and cash equivalents as at 1 January	**1 064**	**1 311**	**– 19**
Cash flow from operating activities	17	– 502	> 100
Cash flow from investing activities	– 515	– 9	> 100
Cash flow from financing activities	– 38	– 38	–
Total cash flow	**– 536**	**– 549**	**– 2**
Effects of changes in exchange rates	9	–	–
Cash and cash equivalents as at 31 March	**537**	**762**	**– 30**

We refer to information contained in the risk report concerning the management of liquidity risk in the NORD/LB Group.

Selected Notes

General Disclosures

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

The interim consolidated financial statements of Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig, Magdeburg (NORD/LB) as at 31 March 2015 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 (IFRSs) of the International Accounting Standards Board (IASB). The interim financial statements meet the requirements of IAS 34 for condensed interim financial reporting. National regulations contained in the German Commercial Code (HGB) under § 315a of the HGB were also observed insofar as these regulations are to be applied as at the reporting date for the interim financial statements. The interim consolidated financial statements are to be read in conjunction with information contained in the certified, published consolidated financial statements of NORD/LB as at 31 December 2014.

NORD/LB as a group in terms of commercial law is referred to in the following as the NORD/LB Group.

The interim consolidated financial statements as at 31 March 2015 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. The segment reporting is shown in the notes.

The reporting currency for the interim consolidated financial statements is the euro. All amounts are reported rounded in euro millions (€ million), unless otherwise is indicated. The previous year's figures are shown afterwards in brackets.

These interim consolidated financial statements were signed by the Managing Board on 19 May 2015 and approved for submission to the Supervisory Board.

(2) Accounting Policies

The accounting policies for the interim financial statements are based on those of the consolidated financial statements as at 31 December 2014 unless specified otherwise.

In the period under review consideration has been given to the following standards and amendments to the standards which were first applied as at 1 January 2015 for the NORD/LB Group:

IFRIC 21 – Levies

In May 2013 the IASB issued IFRIC 21 as an interpretation of IAS 37 concerning levies. In this respect, a liability item has to be build up, in care the trigger event occurs. The wording of the legal framework describes the occurance of the trigger event.

IFRIC 21 concerns the bank levy to be paid by NORD/LB. With the first quarter of 2015, the provisions for the expected annual contribution to the EU's Single Resolution Fund was adjusted for the change in the legal situation. From 2015 the provision for the expected annual contribution will be recognised in full at the start of the year, while formerly the provisions for the German bank levy was allocated on a pro rata basis. See Note (13) Other operating profit/loss for the details.

Improvements to IFRS (2011–2013 Cycle) Within the Scope of the IASB's Annual Improvements Process

As part of the annual improvement process, amendments to four standards IFRS 1, IFRS 3, IFRS 13 and IAS 40 were made. With the change in the wording, the individual IFRSs should be clarified.

The annual improvements to IFRS do not have a significant impact on NORD/LB's consolidated financial statements.

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

(3) Adjustment of Figures for the Previous Year

The figures for the previous year in the income statement were adjusted in these consolidated financial statements on the basis of IAS 8.42 in the following areas:

Since the second quarter of 2014 the regulations of IAS 32.AG29A have been regarding the presentation of interests of external limited partners in fully consolidated partnerships. Accordingly, the limited partners' shares are to be reported as liabilities in all cases. As the partnerships concerned have negative equity, this is allocated entirely to the Group. As a result, part of the portfolio previously reported under Equity attributable to the owners of NORD/LB is now reported under Non-controlling interests.

1 Jan.–31 Mar. 2014 (in € million)	Prior to adjustment	Adjustment IFRS 8	After Adjustment
Consolidated profit	**92**	**–**	**92**
of which: equity capital attributable to the owners of NORD/LB	112	1	113
Equity capital attributable to non-controlling interests	– 20	– 1	– 21
Total liabilities and equity	**123**	**–**	**123**
of which: equity capital attributable to the owners of NORD/LB	144	1	145
Equity capital attributable to non-controlling interests	– 21	– 1	– 22

(4) Basis of Consolidation

In addition to NORD/LB as the parent company, the interim consolidated financial statements include 50 (31 December 2014: 50) subsidiaries in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB is in a position to exercise a controlling influence in another manner. In addition 1 (31 December 2014: 1) joint ventures and 12 (31 December 2014: 12) associated companies are accounted for using the equity method.

Information on the subsidiaries, joint ventures and affiliated companies included in the consolidated financial statements can be found in Note (39) Basis of Consolidation.

Segment Reporting

The segment reporting provides information on the operational business areas of the Group. The segment reporting below is based on IFRS 8 "Operating segments", which follows the "management approach". The segment information is presented in the IFRSs on the basis of internal reporting in the same way that it is reported internally on a regular basis for assessing performance and making decisions on the allocation of resources to the segments. In the segment reporting adjustments of figures for the previous year are taken into account (cf. Note (3) Adjustment of figures for the previous year).

Segment Reporting by Business Segment

The business segments are defined as customer or product groups which reflect the organisational structures and therefore the internal control of the Group. Calculations are based on the internal data of Group member companies. The internal control focuses on the operational units' earnings before tax.

An important criterion for the formation of business segments is the greatest possible homogeneity of the customers aggregated in the segment in relation to financing and investment requirements and the products demanded. It is not possible to recognise dependencies on individual customers. The product ranges offered in the segments are described below and the earnings generated are shown in the overview. The product range comprises classical lending business and syndicate business, savings and giro products, securities, currency and derivative transactions, complex structured financing solutions, private banking products, liquidity and risk management, mergers and acquisitions, services such as accounting management, payment transactions, securities business, brokering, documentary business, credit processing, sureties, guarantees and advisory services for asset management.

Net interest income generated by the individual segments is calculated on the basis of the market interest-rate-method. In the process the contribution from the interest-rate conditions for each customer transaction is calculated by comparing the customer conditions with the structure-congruent market interest rate for a fictitious counter transaction applicable at the time the transaction is completed. This market interest rate is at the same time the cost value for the Treasury Division's balancing provision. Therefore interest income and interest expenses are not reported gross. The income from financing from tied-up equity is allocated to the market segments.

In the Bank every interest-bearing customer transaction is allocated to the balancing provision of the Treasury Division as the central planning division. There are no direct business relations between the market divisions in the Bank. Therefore inter-segment income is not included in the internal reporting.

Segment expenses comprise primary expenses, expenses allocated on the basis of cost and service allocations and allocated overhead costs. Risk provisionings are allocated to segments on the basis of actual costs incurred. Overall bank revenue, such as general valuation allowances and profit/loss from hedge accounting and overhead costs, is not allocated to the operational business segments of the Bank but to the segment "Group Controlling/Others".

In addition to figures relating to the statement of comprehensive income, the segment report also shows risk-weighted assets to be allocated on the basis of CRR/CRD IV including shortfall, segment assets and liabilities, committed capital, the cost income ratio (CIR) and return on equity (RoE). The CIR is defined as the ratio between administrative expenses and the sum total of the following income items: net interest income, net commission income, profit/loss from financial instruments 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.

RoRaC (Return on Risk adjusted Capital) calculations in the segments include the contribution to income after risk provisioning and valuation on committed capital (here 9 per cent (8 per cent) of the higher value of the RWA limits and the amount called on).

Capital tied up in the segments is calculated on the basis of average annual figures. The reconciliation figure for the tied-up capital reported in the business segments and the long-term equity in the Group in accordance with commercial law is included in the segment reconciliation. A transfer from long-term equity under commercial law to equity reported in the balance sheet is shown separately at the end of the segment overview.

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

Since 1 January 2015 the Corporate Customers & Markets and Ship and Aircraft Customers segments have been reported separately in internal and external reporting. This step will optimise capital market communication and further improve transparency (the previous year's figures were adjusted).

Private and Commercial Customers

As well as business with private, individual, commercial and small-business customers, this business segment includes middle-market corporate customer business in the Braunschweig region. Up until 30 September 2014 the current results of Öffentliche Lebensversicherung Braunschweig and Öffentliche Sachversicherung Braunschweig are also recognised here. Following the deconsolidation of ÖVBs, its profit/loss accounted for using the equity method is reported in the Private and Commercial Customers segment.

The product range for the segment Private and Commercial Customers is based on the savings bank finance concept (S-finance concept) and comprises all of the usual banking services and products for account and lending business, savings and investment business and the provision of internet banking and direct brokerage. Extended services for wealthy private customers range from the integrated advisory approach of asset structure analysis, financial planning, asset succession and inheritance and foundation management. The product range also includes investment loans and start-up advice for the middle-market company business.

Corporate Customers

This segment includes all of the NORD/LB business conducted with corporate customers in the core regions (excluding the Altes Braunschweiger Land region) and other selected locations in Germany, and in particular Agricultural Banking and Residential Housing.

As a full-service provider, banking products and banking services are offered. The services include traditional transaction management, tailored business financing, management of interest and currency risk and solutions for company pension schemes. In the segment comprehensive solutions are developed for complex business financing and for the strategic positioning of corporate customers. Professional liquidity and risk management, the structuring of equity and innovative financing instruments supplement the product range.

Markets

The Markets segment covers the Financial Markets activities performed in Germany, the foreign branches and in the Group companies on behalf of customers. The Savings Bank Network division covers transactions with the public sector; institutional business with associated savings banks and syndicated business transacted with associated savings banks are reported.

Alternative products which are detached from retail banking including derivatives are offered, e.g. special kinds of debt securities which are not standardised in respect of their interest and repayment, but instead offer alternatives in respect of returns and the type or time of repayment (structured securities). In the secondary business all kinds of securities are sold and traded. Tailored solutions for institutional customers such as for example the structuring of special funds, pool funds solutions, portfolio management mandates and institutional public funds are also offered.
The product range also includes private banking products for the savings banks, such as investment products in the form of for example open or closed funds (real estate, aircraft), products for individual asset management or inheritance or foundation management, which the savings banks require as direct customers for their own trading business or to complete their product range in their own business with private or corporate customers.

In the **Energy and Infrastructure Customers**, **Ship Customers**, **Aircraft Customers** and **Real Estate Banking Customers** segments traditional lending products and innovative products are generally offered irrespective of the respective industry. This primarily concerns financing for specific purposes.

Energy and Infrastructure Customers
This business segment summarises the global business relations of the Group companies NORD/LB and Bremer Landesbank in the Infrastructure, Energy (in particular renewable energy) and Leasing divisions. Primarily project financing which is related to a specific project or asset is offered and accordingly tailored to meet the respective individual need. The structure of this financing is developed taking into account the respective political and economic risks, legal and task factors, social determinants and optimal equity structures. The aim is to tailor project requirements and cash flows to the respective customers.

Ship Customers
In this business segment the national and international activities of NORD/LB and Bremer Landesbank in ship financing are reported. The customers of the Ship Customers segment are offered short to long-term financing, such as equity pre-financing, interim finance, construction period finance (short and medium term) and financing to completion (long term). Ships are financed by the provision of loans or guarantees on a property-related and normally property-secured basis. Products such as for example swap, option, future or forward transactions complete the product range.

Aircraft Customers
In this business segment the national and international activities of NORD/LB and Bremer Landesbank in aircraft financing are reported. In Aircraft finance, the focus is on the object-based financing of passenger aircraft produced by well-known manufacturers. The target customers are airlines and leasing companies who are offered tailored financing solutions in addition to the NORD/LB Group's high expertise with core productions. The segment also finances covered export business.

Real Estate Banking Customers
Here NORD/LB's and Deutsche Hypo's national and international financing of commercial real estate and Bremer Landesbank's financing of community interest properties are aggregated. This normally concerns structured financing for large-volume commercial real estate projects and portfolios in Germany and abroad, both interim finance for new construction projects and long-term loans for existing properties. In particular office and retail properties, multi-storey residential properties, hotels, logistics properties and nursing homes are financed.

Group Controlling / Others

This business segment covers all other performance data directly related to the business activity such as Group companies not included in the segments, components of comprehensive income at Group level which are not allocated to the segments, general valuation allowances, the profit / loss from other financial instruments (in particular from central valuation effects), financial assets and hedge accounting, projects covering the entire bank; consolidation items; profit / loss from interest rate change risk control, balancing provision, liquidity management and self-induced assets (in particular Treasury and Bank Asset Allocation). Other operating profit / loss includes the bank levy.

Earnings after taxes in Group Controlling / Others totalled € 45 million in the first quarter.

Positive contributions were made by net interest income in the amount of € 57 million, and in particular from the Bank Controlling activities recorded here. The profit / loss from financial instruments at fair value is positive in the amount of € 42 million due in particular to the central valuation effects reported here; key variables are valuation results from the counterparty-specific default risk with derivatives and US-$ / € base spread changes for currency derivatives and valuation results due to fair value option.

Net commission income had a negative effect in the amount of € –9 million, due in particular to guarantees relating to securitisation transactions and consolidations. Also recognised in this segment under risk provisioning are new allocations, primarily for general loan loss provisions for the ship portfolio in the amount of approx. € 44 million.

The profit / loss from hedge accounting had a positive effect in the amount of approx. € 59 million. Also reported in this segment are the effects from the profit / loss from financial assets of € –10 million, due in particular to impairments of assets classified as AfS. Other operating profit / loss (€ –61 million) includes the bank levy, which is recognised as the full annual contribution.

Administrative expenses in this business segment total € 73 million. Administrative expenses result in the amount of € 25 million from the Bank Controlling activities reported here and € 12 million from other Group companies. Further administrative expenses (€ 18 million) in this segment are for projects, IT modernisation and non-allocated service centre costs (€ 41 million). This was offset in part by consolidations in the amount of € –23 million.

Furthermore, in the first quarter of 2015 reorganisation expenses in the amount of € 6 million were incurred.

Reconciliations

Here the reconciliation items from internal accounting for the consolidated figures in the income statement are shown as well as reclassifications of profit and loss items that are reported differently in the internal reporting to in the external reporting. The shortfall in the regulatory capital requirement is converted into risk-weighted assets within internal reporting and assigned to the operational units; the adjustment item resulting from the regulatory risk-weighted assets report flows into the reconciliation.

(5) Segment Reporting by Business Segments

31 Mar. 2015 (in € million)	Private and Commercial Customers	Corporate Customers	Markets	Energy and Infrastructure Customers	Ship Customers	Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	53	83	48	48	111	29	62	57	9	501
Loan loss provisions	7	– 4	–	–	69	–	– 12	44	1	104
Net interest income after loan loss provisions	**47**	**87**	**48**	**48**	**43**	**29**	**74**	**13**	**8**	**397**
Net commission income	16	17	15	14	10	5	1	– 9	– 14	55
Profit/loss from financial instruments at fair value through profit or loss	– 1	4	36	–	–	–	– 4	42	5	83
Profit/loss from hedge accounting	–	–	–	–	–	–	–	59	–	59
Profit/loss from financial assets	–	–	–	–	–	–	–	– 10	13	2
Profit/loss from investments accounted for using the equity method	–	–	–	–	–	–	–	–	–	–
Administrative expenses	52	37	37	24	30	6	16	73	9	284
Other operating profit/loss	– 3	–	1	1	–	–	–	– 61	– 16	– 77
Profit/Loss before reorganisation and taxes	**8**	**70**	**64**	**40**	**23**	**28**	**54**	**– 39**	**– 14**	**235**
Reorganisation expenses	–	–	–	–	–	–	–	– 6	–	– 6
Expenses for public guarantees related to reorganisation	–	–	–	–	–	–	–	–	–	–
Earnings before taxes (EBT)	**8**	**70**	**64**	**40**	**23**	**28**	**54**	**– 45**	**– 14**	**229**
Taxes	–	–	–	–	–	–	–	–	73	73
Consolidated profit	**8**	**70**	**64**	**40**	**23**	**28**	**54**	**– 45**	**– 87**	**156**
Segment assets	7 560	21 148	42 207	16 274	22 361	8 980	15 943	68 092	346	202 910
of which: from investments accounted for using the equity method	45	–	–	–	–	–	–	299	–	344
Segment liabilities	7 159	8 337	45 171	3 434	5 246	821	658	129 975	2 110	202 910
Total risk exposure amount	4 439	12 691	5 113	8 060	43 650	5 239	7 991	9 898	– 25 172	71 908
Capital employed [1)]	399	1 142	452	725	3 928	471	719	1 450	– 2 510	6 778
CIR	78.1 %	35.4 %	36.6 %	37.9 %	24.5 %	18.0 %	27.8 %			45.7 %
RoRaC/RoE [2)]	7.6 %	22.5 %	56.3 %	20.4 %	2.3 %	23.8 %	24.3 %			13.5 %

31 Mar. 2014 (in € million)	Private and Commercial Customers	Corporate Customers	Markets	Energy and Infrastructure Customers	Ship Customers	Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	72	76	51	42	95	20	61	67	9	492
Loan loss provisions	–	5	–	– 9	151	–	7	– 52	– 2	100
Net interest income after loan loss provisions	**72**	**70**	**51**	**51**	**– 56**	**20**	**54**	**119**	**10**	**392**
Net commission income	5	15	10	13	6	4	2	– 7	– 9	40
Profit/loss from financial instruments at fair value through profit or loss	1	– 2	– 3	– 1	3	1	1	– 7	– 2	– 9
Profit/loss from hedge accounting	–	–	–	–	–	–	–	13	–	13
Profit/loss from financial assets	2	–	–	–	–	–	–	35	– 2	35
Profit/loss from investments accounted for using the equity method	–	–	–	–	–	–	–	– 4	–	– 4
Administrative expenses	84	33	38	20	25	5	16	70	– 1	291
Other operating profit/loss	– 20	– 1	2	1	– 1	–	–	–	– 6	– 24
Profit/Loss before reorganisation and taxes	**– 24**	**50**	**22**	**44**	**– 72**	**19**	**42**	**79**	**– 7**	**153**
Reorganisation expenses	–	–	–	–	–	–	–	– 10	–	– 10
Expenses for public guarantees related to reorganisation	–	–	–	–	–	–	–	– 10	–	– 10
Earnings before taxes (EBT)	**– 24**	**50**	**22**	**44**	**– 72**	**19**	**42**	**59**	**– 7**	**133**
Taxes	–	–	–	–	–	–	–	–	40	40
Consolidated profit	**– 24**	**50**	**22**	**44**	**– 72**	**19**	**42**	**59**	**– 48**	**92**
Segment assets	7 729	20 460	42 309	15 535	20 116	8 122	16 487	65 742	1 107	197 607
of which: from investments accounted for using the equity method	45	–	–	–	–	–	–	273	–	318
Segment liabilities	7 270	6 216	45 699	3 152	4 548	677	667	125 800	3 579	197 607
Total risk exposure amount	4 799	11 569	6 293	7 138	36 234	4 610	10 375	13 602	– 27 812	66 809
Capital employed[1]	384	926	447	571	2 899	369	814	1 085	161	7 655
CIR	144.3 %	37.8 %	62.6 %	37.3 %	24.1 %	22.1 %	24.7 %			57.2 %
RoRaC/RoE[2]	– 19.8 %	19.4 %	19.4 %	26.5 %	– 9.9 %	18.5 %	17.8 %			6.9 %

(in € million)	31 Mar. 2015	31 Mar. 2014
Long-term equity under commercial law	6 778	7 655
Revaluation reserve	568	267
Silent participations in reported equity	626	369
Reported equity	**7 972**	**8 291**

[1] Transfer of long-term equity under commercial law to reported equity capital

[2] RoRaC at business level:
(Earnings before taxes / 4) / committed core capital (9 per cent (8 per cent) of the higher of the RWA limits and the amount called on).

RoE at company level:
(Earnings before taxes / 4) / long-term equity under commercial law
(= reported equity capital – revaluation reserve – Earnings after taxes)

The tables may include minor differences that occur in the reproduction of mathematical operations.

Notes to the Income Statement

(6) Net Interest Income

The items interest income and interest expense comprise interest received and paid, deferred interest and pro rata reversals of premiums and discounts relating to financial instruments. Due to the fact that under certain circumstances silent participations are to be classified as liabilities under IAS 32, payments to silent partners are reported as interest expense.

	1 Jan.–31 Mar. 2015 (in € million)	1 Jan.–31 Mar. 2014 (in € million)	Change (in %)
Interest income			
Interest income from lending and money market transactions	945	992	– 5
Interest income from debt securities and other fixed-interest securities	185	217	– 15
Interest income from financial instruments at fair value			
Interest income from trading profit/loss and hedge accounting derivatives	851	927	– 8
Interest income from fair value option	14	10	40
Current income			
from shares and other non fixed-interest securities	1	3	– 67
from investments	6	4	50
Interest income from other amortisations	167	122	37
	2 169	**2 275**	**– 5**
Interest expense			
Interest expenses from lending and money market transactions	446	490	– 9
Interest expenses from securitised liabilities	163	214	– 24
Interest expenses from financial instruments at fair value			
Interest expenses from trading profit/loss and hedge accounting derivatives	800	829	– 3
Interest expenses from fair value option	50	80	– 38
Interest expenses from subordinated capital	60	56	7
Interest expenses from other amortisations	136	90	51
Interest expenses from provisions and liabilities	14	18	– 22
Other interest expenses and similar expenses	– 1	6	> 100
	1 668	**1 783**	**– 6**
Total	**501**	**492**	**2**

(7) Loan Loss Provisions

	1 Jan.– 31 Mar. 2015 (in € million)	1 Jan.– 31 Mar. 2014 (in € million)	Change (in %)
Income from provisions for lending business			
Reversal of specific valuation allowance	282	388	– 27
Reversal of lumpsum specific loan loss provisions	1	3	– 67
Reversal of general loan loss provisions	43	68	– 37
Reversal of provisions for lending business	14	12	17
Additions to receivables written off	13	9	44
	353	**480**	**– 26**
Expenses for provisions for lending business			
Allocation to specific valuation allowance	342	538	– 36
Allocation to lumpsum specific loan loss provisions	1	2	– 50
Allocation to general loan loss provisions	93	14	> 100
Allocation to provisions for lending business	8	24	– 67
Direct write-offs of bad debts	12	1	> 100
Premium payments for credit insurance	1	1	–
	457	**580**	**– 21**
Total	**104**	**100**	**4**

(8) Net Commission Income

	1 Jan.– 31 Mar. 2015 (in € million)	1 Jan.– 31 Mar. 2014 (in € million)	Change (in %)
Commission income			
Commission income from banking transactions	75	65	15
Commission income from non-banking transactions	4	5	– 20
	79	**70**	**13**
Commission expense			
Commission expense from banking transactions	24	17	41
Commission expense from non-banking transactions	–	13	– 100
	24	**30**	**– 20**
Total	**55**	**40**	**38**

(9) Profit/Loss from Financial Instruments at Fair Value Through Profit or Loss

	1 Jan.–31 Mar. 2015 (in € million)	1 Jan.–31 Mar. 2014 (in € million)	Change (in %)
Trading profit/loss			
Profit/loss from debt securities and other fixed-interest securities	53	45	18
Profit/loss from shares and other non fixed-interest securities	9	–	–
Profit/loss from derivatives	335	75	> 100
Interest-rate risks	131	78	68
Currency risks	131	– 31	> 100
Share-price and other price risks	61	3	> 100
Credit derivatives	12	25	– 52
Profit/loss from receivables held for trading	53	41	29
	450	**161**	**> 100**
Foreign exchange result	– 66	6	> 100
Other income	1	1	–
	385	**168**	**> 100**
Profit/loss from the fair value option			
Profit/loss from receivables to customers and banks	8	5	60
Profit/loss from debt securities and other fixed-interest securities	44	22	100
Profit/loss from liabilities to banks and customers	– 263	– 175	50
Profit/loss from securitised liabilities	– 91	– 28	> 100
	– 302	**– 176**	**72**
Total	**83**	**– 8**	**> 100**

(10) Profit / loss from Hedge Accounting

The profit / loss from hedge accounting includes fair value adjustments relating to the hedged risk of an underlying transaction and offset fair value adjustments to hedging instruments in effective fair value hedge relationships.

	1 Jan. – 31 Mar. 2015 (in € million)	1 Jan. – 31 Mar. 2014 (in € million)	Change (in %)
Profit / loss from micro fair value hedges			
from hedged underlying transactions	443	105	> 100
from derivatives employed as hedging instruments	– 409	– 111	> 100
	34	**– 6**	**> 100**
Profit / loss from portfolio fair value hedges			
from hedged underlying transactions	– 8	– 127	– 94
from derivatives employed as hedging instruments	33	146	– 77
	25	**19**	**32**
Total	**59**	**13**	**> 100**

(11) Profit / loss from Financial Assets

Shown in the profit / loss from financial assets are profits / losses from disposals and estimated profits / losses relating to securities and company shares in the financial asset portfolio.

	1 Jan. – 31 Mar. 2015 (in € million)	1 Jan. – 31 Mar. 2014 (in € million)	Change (in %)
Profit / loss from financial assets classified as LaR	**9**	**– 1**	**> 100**
Profit / loss from financial assets classified as AfS (excluding investments)			
Profit/ loss from the disposal of			
debt securities and other fixed-interest securities	59	33	79
shares and other non fixed-interest securities	3	–	–
Other financial assets classified as AfS	– 3	–	–
Profit / loss from allowances for losses on			
debt securities and other fixed-interest securities	– 67	2	> 100
Other financial assets classified as AfS	2	1	100
	– 6	**36**	**> 100**
Profit / loss from shares in companies (not consolidated)	– 1	–	–
Total	**2**	**35**	**– 94**

(12) Administrative Expenses

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

	1 Jan.– 31 Mar. 2015 (in € million)	1 Jan.– 31 Mar. 2014 (in € million)	Change (in %)
Staff expenses	154	162	– 5
Other administrative expenses	113	111	2
Amortisation and depreciation	17	18	– 6
Total	**284**	**291**	**– 2**

(13) Other Operating Profit/Loss

	1 Jan.– 31 Mar. 2015 (in € million)	1 Jan.– 31 Mar. 2014 (in € million)	Change (in %)
Other operating income			
from the reversal of provisions	6	305	– 98
from insurance business	–	262	– 100
from other business	68	36	89
	74	**603**	**– 88**
Other operating expenses			
from allocation to provisions	70	509	– 86
from insurance business	–	88	– 100
from other business	81	30	> 100
	151	**627**	**– 76**
Total	**– 77**	**– 24**	**> 100**

Income from the reversal of provisions and expenses from the allocation of provisions primarily concern in the period under review in the amount of € 70 million (€ 9 million) expenses for the expected annual contribution to the EU's Single Resolution Fund. In the previous year they concerned primarily provisions relating to insurance business.

Insurance business results in other operating income of € 0 million (€ 262 million) and other operating expenses of € 0 million (€ 88 million). The changes are due to the deconsolidation of the insurance companies of Öffentliche Versicherung Braunschweig, Braunschweig, and the associated subsidiaries with effect of 30 September 2014.

Income from other business includes income from the disposal of receivables (€ 27 million (€ 15 million)) and income from the chartering of ships relating to restructuring commitments in lending business (€ 20 million (€ 8 million)).

Expenses from other business essentially comprise expenses from the disposal of other liabilities (€ 25 million (€ 7 million)), expenses to generate charter income from ships (€ 13 million (€ 5 million)) and expenses from the disposal of receivables (€ 8 million (€ 0 million)).

(14) Reorganisation Expenses

Reorganisation expenses relate to measures aimed at securing the long-term future and maintaining the competitiveness of the NORD/LB Group, with its material costs and staff expenses being reported separately due to their importance. The need for reorganisation is related to the efficiency improvement programme launched in 2011 and a capital-boosting programme which is the result of EU requirements. The reorganisation expenses include in the amount of € 6 million (€ 10 million) expenses from the allocation made to reorganisation provisions for contracted agreements already concluded concerning the termination of contracts of employment.

(15) Expenses for Public Guarantees Related to Reorganisation

The previous year's figure of € 10 million is attributable to the guarantee fee for a guarantee provided by the states of Lower Saxony and Saxony-Anhalt, which ended in the second quarter, and associated expenses for services.

(16) Income Taxes

Income taxes in the interim financial statements are calculated based on the anticipated income tax rate for the whole year. The underlying tax rate is based on the legal regulations that are applicable or have been passed as at the reporting date.

Notes to the Balance Sheet

(17) Loans and Advances to Banks

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
German banks	2 471	1 991	24
Foreign banks	3 503	2 845	23
	5 974	**4 836**	**24**
Other loans and advances			
German banks			
Due on demand	1 291	1 143	13
With a fixed term or period of notice	13 285	13 703	– 3
Foreign Banks			
Due on demand	3 145	2 117	49
With a fixed term or period of notice	1 754	1 766	– 1
	19 475	**18 729**	**4**
Total	**25 449**	**23 565**	**8**

(18) Loans and Advances to Customers

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
Domestic customers	1 504	1 287	17
Customers abroad	358	21	> 100
	1 862	**1 308**	**42**
Other loans and advances			
Domestic customers			
Due on demand	3 269	3 131	4
With a fixed term or period of notice	74 201	74 209	–
Customers abroad			
Due on demand	911	667	37
With a fixed term or period of notice	31 040	28 940	7
	109 421	**106 947**	**2**
Total	**111 283**	**108 255**	**3**

(19) Risk Provisioning

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Specific valuation allowance	2 320	2 243	3
Lumpsum specific loan loss provisions	7	7	–
General loan loss provisions	547	497	10
Total	**2 874**	**2 747**	**5**

Risk provisioning recognised on the asset side and loan loss provisions developed as follows:

	Specific valuation allowances [1]		Lumpsum specific loan loss provisions		General loan loss provisions		Loan loss provisions		Total	
(in € million)	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1 January	**2 243**	**1 754**	**7**	**14**	**497**	**478**	**74**	**124**	**2 821**	**2 370**
Allocations	342	538	1	2	93	14	8	24	444	578
Reversals	282	388	1	3	43	68	14	12	340	471
Utilisation	92	39	–	–	–	–	–	–	92	39
Unwinding	– 19	– 18	–	–	–	–	–	–	– 19	– 18
Effects of changes of foreign exchange rates and other changes	127	14	–	–	1	1	2	– 8	130	7
Changes of the basis of consolidation	–	–	–	–	–	– 1	–	–	–	– 1
31 March	**2 319**	**1 861**	**7**	**13**	**548**	**424**	**70**	**128**	**2 944**	**2 426**

[1] Information from the previous year was adjusted for individual items; see Note (3) Adjustment of figures for the previous year.

(20) Financial Assets at Fair Value through Profit or Loss

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Trading assets			
Debt securities and other fixed-interest securities	3 517	2 951	19
Shares and other non fixed-interest securities	61	55	11
Positive fair values from derivatives	11 316	8 898	27
Trading portfolio claims	1 590	2 451	– 35
	16 484	**14 355**	**15**
Financial assets as at fair value through profit or loss			
Loans and advances to banks and customers	265	257	3
Debt securities and other fixed-interest securities	1 787	1 694	5
	2 052	**1 951**	**5**
Total	**18 536**	**16 306**	**14**

(21) Financial Assets

The balance sheet item financial assets includes all the debt securities and other fixed-interest securities classified as available for sale (AfS), shares and other non fixed-interest securities, shares in companies which are not measured in accordance with IAS 10, IAS 11 or IAS 28 and financial assets classified as loans and receivables (LaR).

Holdings in the equity of other companies and silent participations and participatory capital with loss sharing are allocated to the category (AfS).

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Financial assets classified as LaR	3 349	3 181	5
Financial assets classified as AfS			
Debt securities and other fixed-interest securities	39 177	41 312	– 5
Shares and other non fixed-interest securities	133	164	– 19
Shares in companies (not consolidated)	370	334	11
Other financial assets classified as AfS	130	129	1
	39 810	**41 939**	**– 5**
Total	**43 159**	**45 120**	**– 4**

(22) Property and Equipment

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Land and buildings	292	295	– 1
Operating and office equipment	51	53	– 4
Ships	205	198	4
Other property and equipment	23	22	5
Total	**571**	**568**	**1**

(23) Intangible Assets

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Software			
Purchased	25	25	–
Internally developed	36	42	– 14
	61	**67**	**– 9**
Intangible assets under development	64	60	7
Other intangible assets	14	12	17
Total	**139**	**139**	**–**

(24) Assets held for Sale

As at 31 March 2015 the designated assets held for sale in accordance with IFRS 5 with a carrying amount totalling € 52 million (€ 56 million) include property and equipment (ships) in the amount of € 28 million (€ 33 million), financial assets in the amount of € 22 million (€ 22 million) and other assets in the amount of € 2 million (€ 1 million).

The ships are reported at fair value as at 31 December 2014 for the first time within the full consolidation. A restructuring of the ships is planned in the second and third quarter.

The financial assets designated for sale relate to interests in joint venture that were previously accounted for using the equity method. The contract negotiations have concluded and the closing took place at the start of the second quarter. In accordance with IFRS 5.20, an appreciation in value in the amount of € 1 million (€ –3 million) was recognised in the profit/loss from shares in companies accounted for using the equity method. Other comprehensive income includes € 0 million (€ 1 million) from designated assets held for sale.

(25) Liabilities to Banks

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Deposits from other banks			
German banks	1 796	1 407	28
Foreign banks	1 176	887	33
	2 972	**2 294**	**30**
Liabilities resulting from money market transactions			
German banks	18 497	20 012	– 8
Foreign banks	10 049	8 389	20
	28 546	**28 401**	**1**
Other liabilities			
German banks			
Due on demand	2 518	3 117	– 19
With a fixed term or period of notice	21 139	21 491	– 2
Foreign banks			
Due on demand	1 055	1 512	– 30
With a fixed term or period of notice	2 285	2 171	5
	26 997	**28 291**	**– 5**
Total	**58 515**	**58 986**	**– 1**

(26) Liabilities to Customers

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Savings deposits			
With an agreed notice period of three months			
Domestic customers	1 443	1 650	– 13
Customers abroad	15	15	–
With an agreed notice period of more than three months			
Domestic customers	40	78	– 49
Customers abroad	1	1	–
	1 499	**1 744**	**– 14**
Liabilities resulting from money market transactions			
Domestic customers	8 912	10 896	– 18
Customers abroad	2 110	1 940	9
	11 022	**12 836**	**– 14**
Other liabilities			
Domestic costumers			
Due on demand	14 920	13 719	9
With a fixed term or period of notice	27 255	27 523	– 1
Customers abroad			
Due on demand	1 180	791	49
With a fixed term or period of notice	1 367	1 383	– 1
	44 722	**43 416**	**3**
Total	**57 243**	**57 996**	**– 1**

(27) Securitised Liabilities

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Issued debt securities			
Pfandbriefe	9 431	9 350	1
Municipal debentures	11 725	10 106	16
Other debt securities	18 522	19 216	– 4
	39 678	**38 672**	**3**
Money market instruments			
Commercial paper	2 173	1 726	26
Certificates of deposit	167	316	– 47
	2 340	**2 042**	**15**
Total	**42 018**	**40 714**	**3**

Repurchased debt securities issued by the Bank itself have been directly deducted from securitised liabilities in the amount of € 5,191 million (€ 5,140 million).

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

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives	12 138	8 996	35
Delivery obligations from short-sales	406	122	> 100
	12 544	**9 118**	**38**
Financial liabilities designated at fair value			
Liabilities to banks and customers	6 888	6 429	7
Securitised liabilities	2 786	2 598	7
Subordinated capital	24	24	–
	9 698	**9 051**	**7**
Total	**22 242**	**18 169**	**22**

(29) Provisions

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Provisions for pensions and other obligations	2 845	2 478	15
Other provisions	439	368	19
Total	**3 284**	**2 846**	**15**

Other provisions include provisions for reorganisation measures in the amount of € 7 million (€ 9 million).

(30) Liabilities held for Sale

This position contains liabilities of a company held for sale in the amount of € 1 million (€ 6 million), which is related to the sale of a long-term asset.

(31) Subordinated Capital

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Subordinated liabilities	3 745	3 666	2
Participatory capital	149	188	– 21
Silent participations	1 013	992	2
Total	**4 907**	**4 846**	**1**

Other Disclosures

(32) Fair Value Hierarchy

In the NORD/LB Group the three-stage fair value hierarchy is used with the Level 1, Level 2 and Level 3 terminology of IFRS 13.

Level 1

Under the fair value hierarchy, a financial instrument is categorised in Level 1 if it is traded on an active market and is used to establish the fair value of publicly listed market prices or prices actually traded on the over-the-counter market (OTC market). If no market prices or prices actually traded on the OTC market are available, in the measurement the feasible prices quoted by dealers are used for measurement purposes, with prices quoted by other banks or market makers being applied when price sources other than stock exchange quoted prices are used. These instruments are then assigned to Level 1 if there is an active market for these broker quotations, i. e. if only minor bid-ask spreads exist and there are several price suppliers with only marginally differing prices. If the broker quotations are for (mixed) prices or if the price is established on a non-active market, these are not assigned to Level 1, but to Level 2 of the measurement hierarchy, if the quotations concern binding offers, observable prices or market transactions.

The Level 1 prices are taken over without any adjustment. Level 1 financial instruments include trading assets and liabilities, financial instruments designated at fair value, financial assets recognised at fair value, other assets and other liabilities.

Level 2

In the event that no price quotes are available, the fair value is calculated by means of recognised measurement methods or models as well as by means of external pricing services, if measurement in this case is carried out either fully or to a significant degree using observable input data such as spread curves (Level 2). For the measuring of financial instruments, these methods include measurement methods which are established on the market (e.g. discounted cash flow method and the Hull-White model for options) whose calculations are always based on input parameters available on an active market. A requirement here is that variables which market participants would have taken into account when specifying prices are included in the measurement process. Wherever possible, respective parameters are taken from markets on which the instruments are issued or acquired.

Measurement models are employed primarily for OTC derivatives and securities listed on inactive markets. The models include a range of parameters such as for example market prices and other market quotations, risk-free interest rate curves, risk premiums, exchange rates and volatilities. The parameters for the models are always chosen using prevailing market methods.

For securities on the assets side for which there is no active market and for which measurement can no longer be based on market prices, fair value is determined for measurement purposes in accordance on the basis of discounted cash flows. For discounted cash flow methods, all payments are discounted by the risk-free interest rate curve adjusted for the credit spread. Spreads are determined on the basis of comparable financial instruments (for example on consideration of the respective market segment and the issuers credit rating). The financial instruments in the NORD/LB Group

to be measured in this manner are ascertained on the basis of individual securities and a subsequent separation into active and inactive markets. Changed market assessments are included in measurement. The identification, analysis and valuation of financial instruments in inactive markets take place in several areas of the Group, whereby the inactivity is assessed as objectively as possible. The measurement model for financial instruments for which no prices listed in active markets can be used is based on term-related interest rates, the credit rating of the respective issuer and where applicable further components such as foreign currency premiums.
Level 2 financial instruments include trading assets and liabilities, hedge accounting derivatives, financial assets and liabilities designated at fair value, financial assets recognised at fair value, designated assets held for sale at fair value and other assets.

Level 3

Financial instruments for which there is no longer an active market and for which measurement can no longer be based completely on observable market parameters are allocated to Level 3. In comparison and in differentiation to Level 2 measurement, the Level 3 valuation employs models that are specific to the bank as well as data which is not observable on the market. The input parameters used in these methods include among other things assumptions about cash flows, loss estimates and the discount rate and are gathered as far as possible on a near-market basis.
The Level 3 method is partly used to measure interest-bearing securities and derivatives for which the market has been classified as being inactive. Additionally, loans intended for syndication and associated derivatives are allocated to Level 3. Individual tranches of collateralised debt obligations (CDO) and equity structures are also measured in accordance with Level 3. Level 3 financial instruments include trading assets and liabilities, financial instruments designated at fair value and financial assets recognised at fair value.

Establishing fair values

For derivatives of OTC markets there are generally no listed prices available, the fair values are therefore established using other measurement methods. The fair values are initially measured using cash-flow models without taking into account the credit default risk. For the correct measurement of fair values, both the credit default risk of the counterparty (CVA) and the Bank's own credit default risk (DVA) need to be considered. The credit default risk is considered by way of an add-on.
Secured OTC derivatives are primarily measured by the NORD/LB Group using the current market standard of overnight index swap discounting (OIS discounting).
All measurement models applied in the Group are reviewed regularly. The fair values are subject to internal controls and processes in the NORD/LB Group. These controls and processes are carried out and coordinated in the Finance and Risk Control Division. The models, the data used in them and the resulting fair values are reviewed regularly.

In addition, the option to calculate the counterparty risk (credit value adjustment (CVA)/debit value adjustment (DVA) on the basis of the net risk position in accordance with IFRS 13.48 was exercised. The CVA/DVA is allocated to individual transactions in the balance sheet using the relative credit adjustment approach. The fair values of financial instruments are compared with their carrying amounts in the following table.

(in € million)	31 Mar. 2015 Fair Value	31 Mar. 2015 Carrying amount	31 Mar. 2015 Difference	31 Dec. 2014 Fair Value	31 Dec. 2014 Carrying amount	31 Dec. 2014 Difference
Assets						
Cash reserve	537	537	–	1 064	1 064	–
Loans and advances to banks	26 366	25 449	917	24 455	23 565	890
Loans and advances to customers	114 067	111 283	2 784	110 532	108 255	2 277
Risk provisioning	[1]	– 2 874	–	[1]	– 2 747	–
Sub-total of loans and advances to banks / customers (net after loan loss provisions)	**140 433**	**133 858**	**6 575**	**134 987**	**129 073**	**5 914**
Balancing items for financial instruments hedged in the fair value hedge portfolio	[2]	253	–	[2]	114	–
Financial assets at fair value through profit or loss	18 536	18 536	–	16 306	16 306	–
Positive fair values from hedge accounting derivatives	3 684	3 684	–	3 483	3 483	–
Financial assets not reported at fair value	3 160	3 389	– 229	2 968	3 220	– 252
Financial assets reported at fair value	39 770	39 770	–	41 901	41 901	–
Assets held for sale reported at fair value	52	52	–	56	56	–
Other assets not reported at fair value	39	39	–	20	20	–
Other assets reported at fair value	42	42	–	25	25	–
Total	**206 253**	**200 160**	**6 346**	**200 810**	**195 262**	**5 662**

[1] Amounts relating to loan loss provisions are shown in the corresponding fair values of loans and advances to banks and loans and advances to customers.
[2] Amounts relating to the assets and liabilities item “Adjustment item for financial instruments hedged in the fair value hedge portfolio” are shown in the fair values of the respective items of hedged financial instruments.

(in € million)	31 Mar. 2015 Fair Value	Carrying amount	Difference	31 Dec. 2014 Fair Value	Carrying amount	Difference
Liabilities						
Liabilities to banks	59 893	58 515	1 378	60 251	58 986	1 265
Liabilities to customers	61 465	57 243	4 222	61 756	57 996	3 760
Securitised liabilities	43 053	42 018	1 035	41 691	40 714	977
Balancing items for financial instruments hedged in the fair value hedge portfolio	[2]	1 352	–	[2]	1 176	–
Financial liabilities at fair value through profit or loss	22 242	22 242	–	18 169	18 169	–
Negative fair values from hedge accounting derivatives	4 226	4 226	–	3 926	3 926	–
Other liabilities not reported at fair value	62	62	–	16	16	–
Other liabilities reported at fair value	1	1	–	1	1	–
Subordinated capital	5 755	4 907	848	5 360	4 846	514
Total	**196 697**	**190 566**	**7 483**	**191 170**	**185 830**	**6 516**

[1] Amounts relating to loan loss provisions are shown in the corresponding fair values of loans and advances to banks and loans and advances to customers.
[2] Amounts relating to the assets and liabilities item “Adjustment item for financial instruments hedged in the fair value hedge portfolio” are shown in the fair values of the respective items of hedged financial instruments.

It was not possible to reliably determine a fair value for € 40 million (€ 39 million) of financial instruments. These are mainly investments.
It is intended that these financial instruments remain fully retained in the company.

For some of the NORD/LB Group’s liabilities recognised at fair value the guarantor liability of the state of Lower Saxony, the state of Saxony-Anhalt and the state of Mecklenburg-Western Pomerania apply. The effect of the guarantee is considered in the fair value measurement of the liabilities.

The table below shows the distribution of financial assets and liabilities recognised at fair value based on the fair value hierarchy:

(in € million)	Level 1 31 Mar. 2015	Level 1 31 Dec. 2014	Level 2 31 Mar. 2015	Level 2 31 Dec. 2014	Level 3 31 Mar. 2015	Level 3 31 Dec. 2014	Totals 31 Mar. 2015	Totals 31 Dec. 2014
Assets								
Assets held for trading	2 325	847	14 055	13 311	104	197	16 484	14 355
Debt securities and other fixed-interest securities	2 264	792	1 253	2 159	–	–	3 517	2 951
Shares and other non fixed-interest securities	61	55	–	–	–	–	61	55
Positive fair values from derivatives	–	–	11 316	8 898	–	–	11 316	8 898
Interest-rate risks	–	–	9 941	8 060	–	–	9 941	8 060
Currency risks	–	–	1 094	639	–	–	1 094	639
Share-price and other price risks	–	–	256	181	–	–	256	181
Credit derivatives	–	–	25	18	–	–	25	18
Trading portfolio claims	–	–	1 486	2 254	104	197	1 590	2 451
Financial assets as at fair value through profit or loss	802	935	1 250	1 016	–	–	2 052	1 951
Loans and advances to customers	–	–	265	257	–	–	265	257
Financial assets	802	935	985	759	–	–	1 787	1 694
Debt securities and other fixed-interest securities	802	935	985	759	–	–	1 787	1 694
Positive fair values from hedge accounting derivatives	–	–	3 684	3 483	–	–	3 684	3 483
Positive fair values from employed	–	–	2 664	2 498	–	–	2 664	2 498
micro fair value hedge derivatives	–	–	2 505	2 383	–	–	2 505	2 383
Interest-rate risks	–	–	159	115	–	–	159	115
Currency risks	–	–	1 020	985	–	–	1 020	985
Positive fair values from employed portfolio fair value hedge derivatives	–	–	1 020	985	–	–	1 020	985
Financial assets at fair value	13 420	11 124	26 016	30 412	334	365	39 770	41 901
Debt securities and other fixed-interest securities	13 243	10 918	25 929	30 391	5	5	39 177	41 314
Shares and other non fixed-interest securities	131	162	2	2	–	–	133	164
Shares in companies (not consolidated)	46	44	7	19	277	231	330	294
Other financial assets classified as AfS	–	–	78	–	52	129	130	129
Assets held for sale reported at fair value	–	–	52	56	–	–	52	56
Other financial assets reported at fair value	16	17	26	8	–	–	42	25
Total	**16 563**	**12 923**	**45 083**	**48 286**	**438**	**562**	**62 084**	**61 771**

(in € million)	Level 1 31 Mar. 2015	31 Dec. 2014	Level 2 31 Mar. 2015	31 Dec. 2014	Level 3 31 Mar. 2015	31 Dec. 2014	Totals 31 Mar. 2015	31 Dec. 2014
Liabilities								
Trading liabilities	355	80	12 188	9 021	1	17	12 544	9 118
Negative fair values from derivatives relating to	4	3	12 133	8 976	1	17	12 138	8 996
interest-rate risks	1	2	8 996	7 129	–	16	8 997	7 147
currency risks	–	–	3 117	1 820	1	1	3 118	1 821
share-price and other price risks	3	1	–	1	–	–	3	2
credit derivatives	–	–	20	26	–	–	20	26
Delivery obligations from short-sales and other trading assets	351	77	55	45	–	–	406	122
Financial liabilities reported at fair value	33	26	9 656	9 016	9	9	9 698	9 051
Liabilities to banks	–	–	566	564	–	–	566	564
Liabilities to customers	–	–	6 322	5 865	–	–	6 322	5 865
Securitised liabilities	33	26	2 744	2 563	9	9	2 786	2 598
Subordinated capital	–	–	24	24	–	–	24	24
Negative fair values from hedge accounting derivatives	–	–	4 226	3 926	–	–	4 226	3 926
Negative fair values from employed micro fair value hedge derivatives	–	–	3 792	3 506	–	–	3 792	3 506
Interest-rate risks	–	–	3 296	3 123	–	–	3 296	3 123
Currency risks	–	–	496	383	–	–	496	383
Negative fair values from employed portfolio fair value hedge derivatives	–	–	434	420	–	–	434	420
Interest-rate risks	–	–	434	420	–	–	434	420
Other financial liabilities reported at fair value	1	1	–	–	–	–	1	1
Total	**389**	**107**	**26 070**	**21 963**	**10**	**26**	**26 469**	**22 096**

The Level 3 financial assets recognised at fair value are valued using the counterparty price.

The designated assets held for sale at fair value are non-recurrent fair value valuations (see Note (24) Designated assets held for sale).

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

1 Jan. – 31 Mar. 2015 (in € million)	from Level 1 to Level 2	from Level 1 to Level 3	from Level 2 to Level 1	from Level 2 to Level 3	from Level 3 to Level 1	from Level 3 to Level 2
Assets held for trading	–	–	359	–	–	–
Debt securities and other fixed-interest securities	–	–	359	–	–	–
Financial assets as at fair value through profit or loss	188	–	8	–	–	–
Financial assets	188	–	8	–	–	–
Debt securities and other fixed-interest securities	188	–	8	–	–	–
Financial assets at fair value	432	–	3 769	–	–	77
Debt securities and other fixed-interest securities	432	–	3 769	–	–	–
Other financial assets classified as AfS	–	–	–	–	–	77
Designated financial liabilities reported at fair value	– 20	–	– 23	–	–	–
Securitised liabilities	– 20	–	– 23	–	–	–

For asset-side financial instruments, a level assessment takes place on an individual transaction basis in accordance with HFA 47. This specifies how financial instruments are to be classified in the various levels. Accordingly, (mixed) prices calculated by price service agencies on the basis of reported prices are to be allocated to Level 2. Broker quotations have to come from an "active market" in order to be allocated to Level 1. If there are only a few broker quotations or if these involve big bid-ask spreads or price differences, it is assumed that there is no active market. As at the balance sheet date the transfers have been mostly between Level 1 and Level 2 compared to the previous end-of-year reporting date.

When measuring the Bank's own structured issues (DFV), the use of market prices is reviewed as at the reporting date. Following this review, some issues generally move between Level 1 and 2 due to a change in trading activity. Transfers from Level 2 in Level 3 result from the unavailability of adequate market data for a Level 2 valuation. There were movements in financial assets classified as AfS from Level 3 to Level 2 as monitorable reference prices and transactions were available for identical financial assets.

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

Financial assets and liabilities in Level 3 of the fair value hierarchy developed as follows:

	Trading assets Loans and advances to trading and other trading assets	
(in € million)	2015	2014
1 January	**197**	**16**
Effect on the income statement [1]	– 34	7
Addition from purchase or issuance	3	112
Repayment / exercise	62	–
31 March	**104**	**135**
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement[1]	– 12	7

[1] The effects reported include valuation gains / losses, realised profit / loss and deferred interest; these are reported in the income statement under the items (6) Net interest income and (9) Profit / loss from financial instruments at fair value through profit or loss.

	Financial assets at fair value					
	Fixed-income and book entry securities		Shares in companies (not consolidated)		Other financial assets classified as AfS	
(in € million)	2015	2014	2015	2014	2015	2014
1 January	**5**	**57**	**231**	**227**	**129**	**123**
Effect on the income statement [1]	–	–	–	–	1	2
Effect on the equity capital	–	5	32	6	– 1	–
Addition from purchase or issuance	–	2	14	41	–	–
Addition from Level 1 and 2	–	35	–	–	–	–
Disposal to Level 1 and 2	–	10	–	–	77	–
31 March	**5**	**89**	**277**	**274**	**52**	**125**
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement[1]	–	–	–	–	–	2

[1] The effects reported include valuation gains/losses, realised profit / loss and deferred interest; these are reported in the income statement under the items (6) Net interest income and (11) Profit / loss from financial assets.

(in € million)	Trading liabilities Interest-rate risk 2015	2014	Trading liabilities Currency risks 2015	2014	Trading liabilities Credit derivatives 2015	2014
1 January	**16**	**–**	**1**	**1**	**–**	**3**
Addition from purchase or issuance	–	6	–	–	–	–
Disposal from sale	16	–	–	–	–	–
Disposal to Level 1 and 2	–	–	–	–	–	3
31 March	**–**	**6**	**1**	**1**	**–**	**–**

(in € million)	Securitised liabilities 2015	2014
1 January	**9**	**9**
31 March	**9**	**9**

For the fair value measurement of the financial instruments in Level 3, the following significant unobservable input data were used.

Product	Fair value 31 Mar. 2015 (in € million)	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Interest-bearing bonds (assets)	5	Fair value	–	–
Interest-bearing bond (liabilities)	– 9	historical volatilities	14–34 %	23 %
Silent participations	52	Credit Spread	+/– 100 Basispoints	+/– 100 Basispoints
Participations	258	Discount rate	1.5 % risk-free base interest rate	+/– 50 Basispoints
	19	Adjusted Beta	+/– 60 Basispoints	+/– 600 Basispoints
Loans	104	Rating	Rating Class (25er DSGV-Skala) 9–12	averaged Rating 9.38
Derivatives (liabilities)	– 1	historical volatilities	8 %	8 %

Significant unobservable data in the fair value measurement of interest-bearing securities is the fair value, because, due to a lack of market data, counterparty prices are used that qualify as Level 3 input parameters. The sensitivity is approximated via a price amendment of 10 per cent and totals € 0.5 million (€ 0.5 million).

Significant unobservable data in the fair value measurement of silent participations is the credit spread. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the credit spread was stressed in the measurement by increasing or reducing it by 100 basis points. Accordingly an imputed change in the parameter would result in a change in the fair value of all silent participations in Level 3 of € 0.7 million (€ 3.8 million).

Significant unobservable data in the fair value measurement of silent participations is the discount rate or the adjusted beta. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the discount rate was stressed in the measurement by increasing or reducing it by 50 basis points. The adjusted beta was stressed in the measurement by increasing or reducing it by 60 basis points. Accordingly an imputed change in the parameter would result in a change in the fair value of investments in Level 3 of € 15 million (€ 5 million).

A significant unobservable input parameter in the fair value measurement of loans is the internal rating. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the rating was moved up and down one class. Accordingly an imputed change in the parameter has resulted in a change in the fair value of the loans in Level 3 of € 0.3 million (€ 1 million).

There are derivatives that have been measured as part of syndicated loans and allocated to Level 3. These are forward transactions. There are also derivatives that have been allocated to Level 3 based on historic volatility.

Significant non-observable input data in the fair value measurement of these derivatives are the rating and historic volatilities. Details concerning the sensitivity of historic volatilities are permissibly not given, as the historic volatilities are not calculated by the company itself, but are based on original market transactions. Significant changes in the ratings result in a significantly higher or lower fair value. As part of the sensitivity analysis, the rating was stressed by being moved up and down a level. Accordingly an imputed change would result in a change in the fair value of the derivatives in Level 3 of € 0.2 million (€ 0.6 million).

The sensitivity of the loans in the amount of € 0.3 million (€ 1million) and derivatives in the amount of € 0.1 (€ 0.6 million) also takes into account transactions whose performance based on parameters that cannot be observed in the market do not have any effect on the income statement due to economically inseparable relationships between individual underlying and hedging transactions. These concern loans intended for syndication and associated derivatives, which reflect the fixed forward sale. Changes in the value of loans are partly compensated for by changes in the value of derivatives. This compensation results in a net (income statement-relevant) sensitivity of only € 0.2 million (€ 0.4 million).

The interest-bearing securities, investments and silent participations are mainly reported under financial assets, while derivatives and loans are reported under financial assets and liabilities at fair value through profit or loss.
For the fair value measurement of Level 3 financial instruments, there are no relevant correlations between significant Level 3 input parameters and as a result there is no impact on the fair value.

(33) Derivative Financial Instruments

Unlike their presentation in the balance sheet, the market values are stated prior to offsetting in the balance sheet in accordance with IAS 32.42.

	Nominal values		Fair value positive		Fair value negative	
(in € million)	31 Mar. 2015	31 Dec. 2014	31 Mar. 2015	31 Dec. 2014	31 Mar. 2015	31 Dec. 2014
Interest-rate risk	275 302	259 597	13 465	15 272	12 726	14 422
Currency risk	55 320	54 996	1 253	753	3 616	2 203
Share price and other price risks	458	332	256	181	3	2
Credit risk	3 592	3 564	25	18	20	26
Total	**334 672**	**318 489**	**14 999**	**16 224**	**16 365**	**16 653**

(34) Disclosures concerning to Selected Countries

The table below shows, in contrast to the exposure in the risk report (see the Interim Management Report), the reported values of transactions relating to selected countries (including credit derivatives). The disclosures by country include regional governments, municipalities and state-related public-sector companies.

	Financial Instruments Held for Trading		Financial Instruments designated at Fair Value through Profit or Loss		Available for Sale Assets	
(in € million)	31 Mar. 2015	31 Dec. 2014	31 Mar. 2015	31 Dec. 2014	31 Mar. 2015	31 Dec. 2014
Ireland						
Country	– 1	– 1	–	–	23	22
Financing institutes / insurance companies	33	4	–	–	25	169
Companies / other	56	42	–	–	–	–
	88	**45**	**–**	**–**	**48**	**191**
Italy						
Country	26	26	312	269	1 423	1 455
Financing institutes / insurance companies	18	14	–	–	135	439
Companies / other	9	4	–	–	94	82
	53	**44**	**312**	**269**	**1 652**	**1 976**
Portugal						
Country	– 3	– 6	–	–	135	157
Financing institutes / insurance companies	– 2	– 3	–	–	–	–
Companies / other	–	–	–	–	–	21
	– 5	**– 9**	**–**	**–**	**135**	**178**
Slowenia						
Country	–	–	–	–	–	31
	–	**–**	**–**	**–**	**–**	**31**
Spain						
Country	23	40	–	–	164	215
Financing institutes / insurance companies	77	72	–	–	1 374	1 528
Companies / other	14	11	–	–	14	14
	114	**123**	**–**	**–**	**1 552**	**1 757**
Hungary						
Country	–	–	–	–	171	165
	–	**–**	**–**	**–**	**171**	**165**
Cyprus						
Companies / other	17	14	–	–	–	–
	17	**14**	**–**	**–**	**–**	**–**
Total	**267**	**217**	**312**	**269**	**3 558**	**4 298**

For financial instruments categorised as available for sale with acquisition costs totalling € 3,072 million (€ 3,914 million), the cumulative valuation result of the selected countries reported in equity totals € 221 million (€ 294 million).

	Loans and Receivables							
	Gross book value		Specific valuation allowances		General loan loss provisions		Fair value	
(in € million)	31 Mar. 2015	31 Dec. 2014	31 Mar. 2015	31 Dec. 2014	31 Mar. 2015	31 Dec. 2014	31 Mar. 2015	31 Dec. 2014
Greece								
Companies/other	204	214	57	51	1	1	143	181
	204	**214**	**57**	**51**	**1**	**1**	**143**	**181**
Ireland								
Financing institutes/insurance companies	201	233	–	–	–	–	209	238
Companies/other	2 411	2 217	–	–	1	3	2 444	2 260
	2 612	**2 450**	**–**	**–**	**1**	**3**	**2 653**	**2 498**
Italy								
Financing institutes/insurance companies	88	84	–	–	–	–	73	68
Companies/other	71	47	–	–	–	–	74	49
	159	**131**	**–**	**–**	**–**	**–**	**147**	**117**
Portugal								
Financing institutes/insurance companies	–	8	–	–	–	1	–	8
Companies/other	30	30	–	–	–	–	30	30
	30	**38**	**–**	**–**	**–**	**1**	**30**	**38**
Russia								
Financing institutes/insurance companies	171	158	–	–	–	–	169	157
Companies/other	47	48	–	5	–	–	46	48
	218	**206**	**–**	**5**	**–**	**–**	**215**	**205**

(in € million)	Loans and Receivables: Gross book value 31 Mar. 2015	31 Dec. 2014	Specific valuation allowances 31 Mar. 2015	31 Dec. 2014	General loan loss provisions 31 Mar. 2015	31 Dec. 2014	Fair value 31 Mar. 2015	31 Dec. 2014
Slowenia								
Financing insti-tutes/insurance companies	**1**	**–**	**–**	**–**	**–**	**–**	**1**	**–**
Companies/other	18	–	–	–	–	–	18	–
	19	**–**	**–**	**–**	**–**	**–**	**19**	**–**
Spain								
Country	52	52	–	–	1	–	55	54
Financing insti-tutes/insurance companies	143	98	–	5	–	–	144	99
Companies/other	278	301	48	38	–	–	317	339
	473	**451**	**48**	**43**	**1**	**–**	**516**	**492**
Hungary								
Financing insti-tutes/insurance companies	–	1	–	–	–	–	–	1
Companies/other	20	38	–	–	–	–	20	38
	20	**39**	**–**	**–**	**–**	**–**	**20**	**39**
Cyprus								
Companies/other	1 294	1 216	61	51	22	29	983	935
	1 294	**1 216**	**61**	**51**	**22**	**29**	**983**	**935**
Total	**5 029**	**4 745**	**166**	**150**	**25**	**34**	**4 726**	**4 505**

The nominal value of credit derivatives relating to the selected countries in the NORD/LB Group's portfolio is € 666 million (€ 709 million). Of this, states account for € 403 million (€ 423 million), financing institutions/insurance companies for € 215 million (€ 260 million) and companies/others for € 48 million (€ 26 million). The Group acts as both a provider and recipient of collateral. The netted fair value of the credit derivatives is € –5 million (€ –11 million).

Other Notes

(35) Regulatory Data

The following schedule shows the composition of regulatory capital for the group of institutes in accordance with Article 25 ff. of the CRR:

(in € million)	31 Mar. 2015	31 Dec. 2014
Total risk exposure amount	**71 908**	**69 231**
Capital requirements for credit risk	4 978	4 837
Capital requirements for operational risks	419	382
Capital requirements for market risks	255	220
Capital requirements for clearing risks	1	–
Capital requirements for loan amount adjustments	100	99
Capital requirements	**5 753**	**5 538**

(in € million)	31 Mar. 2015	31 Dec. 2014
Paid-up capital including premium	4 929	4 960
Reserves	2 194	2 187
Eligible components of CET 1 capital at subsidiaries	812	786
Other components of CET 1 capital	131	85
– Deductible items (from CET 1 capital)	– 1 857	– 2 199
Adjustments due to transition rules	1 160	1 710
Balancing item to prevent negative AT 1 capital	–	– 148
Common Equity Tier 1 capital	**7 369**	**7 381**
Grandfathered AT1 instruments	620	709
Adjustments due to transition rules	– 514	– 857
Balancing item to prevent negative AT 1 capital	–	148
Additional Tier 1 capital	**106**	**–**
Tier 1 capital	**7 475**	**7 381**
Paid-up instruments of Tier 2 capital	2 898	2 788
Eligible components of Tier 2 capital at subsidiaries	345	387
– Deductible items (from Tier 2 capital)	– 1	– 1
Adjustments due to transition rules	– 1 029	– 1 432
Tier 2 capital	**2 213**	**1 742**
Own funds	**9 688**	**9 123**

(in %)	31 Mar. 2015	31 Dec. 2014
Common equity tier 1 capital ratio	10.25 %	10.66 %
Tier 1 capital ratio	10.40 %	10.66 %
Total capital ratio	13.47 %	13.18 %

(36) Contingent Liabilities and other Liabilities

	31 Mar. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	5 380	5 315	1
	5 380	**5 315**	**1**
Other obligations			
Irrevocable credit commitments	8 859	9 337	– 5
Total	**14 239**	**14 652**	**– 3**

(37) Related Parties

The scope of transactions with related parties (not including those to be eliminated under consolidation) can be seen in the following:

31 Mar. 2015 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**327**	**–**	**227**
of which: money market transcations	–	–	–	148	–	–
of which: loans	–	–	–	167	–	228
of which: public-sector loans	–	–	–	–	–	13
of which: other loans	–	–	–	167	–	215
Loans and advances to customers	**2 859**	**11**	**8**	**321**	**1**	**762**
of which: money market transcations	–	–	–	9	–	31
of which: loans	2 849	10	8	313	1	731
public-sector loans	2 792	–	–	16	–	697
mortage-backed loans	–	9	–	94	1	26
other loans	57	1	8	203	–	8
Financial assets at fair value through profit or loss	**230**	**–**	**–**	**82**	**–**	**3**
of which: Debt securities and other fixed-interest securities	8	–	–	–	–	–
of which: Positive fair values from derivatives	150	–	–	82	–	3
of which: Trading portfolio claims	72	–	–	–	–	–
Positive fair values from hedge accounting derivatives	**92**	**–**	**–**	**–**	**–**	**–**
Financial assets	**1 996**	**–**	**–**	**17**	**–**	**–**
of which: Debt securities and other fixed-interest securities	1 996	–	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	–	17	–	–
Total	**5 177**	**11**	**8**	**747**	**1**	**992**

31 Mar. 2015 (in € million)	Compa-nies with significant influence	Subsi-daries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Liabilities to banks	**–**	**14**	**–**	**357**	**–**	**99**
Liabilities to customers	**793**	**31**	**81**	**352**	**4**	**224**
of which: saving deposits	378	1	–	26	–	–
of which: money market transcations	–	–	–	–	1	–
Securitised liabilities	–	–	–	–	–	1
Financial liabilities at fair value through profit or loss	**70**	**–**	**–**	**2**	**–**	**164**
of which: negative fair values from derivatives	38	–	–	2	–	36
Negative fair values from hedge accounting derivatives	**16**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**596**	**3**	**–**	**–**	**15**
Total	**880**	**641**	**84**	**711**	**4**	**502**
Guarantees / sureties received	423	–	–	–	–	–
Guarantees / sureties granted	–	–	–	24	–	8

1 Jan.–31 Mar. 2015 (in € million)	Compa-nies with significant influence	Subsi-daries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expenses	13	15	–	9	–	1
Interest income	35	–	–	6	–	9
Other income and expenses	1	–	–	7	– 1	– 8
Total contributions to income	**23**	**– 15**	**–**	**4**	**– 1**	**–**

31 Dec. 2014 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**281**	**–**	**229**
of which: money market transcations	–	–	–	125	–	–
of which: loans	–	–	–	155	–	230
of which: public-sector loans	–	–	–	–	–	13
of which: other loans	–	–	–	155	–	217
Loans and advances to customers	**2 815**	**11**	**25**	**323**	**1**	**766**
of which: money market transcations	24	–	–	9	–	31
of which: loans	2 771	11	25	314	1	736
of which: public-sector loans	2 715	–	–	16	–	696
of which: mortage-backed loans	–	10	23	98	1	26
of which: other loans	56	1	2	200	–	14
Financial assets at fair value through profit or loss	**141**	**–**	**–**	**73**	**–**	**171**
of which: Debt securities and other fixed-interest securities	4	–	–	–	–	–
of which: Positive fair values from derivatives	85	–	–	73	–	3
of which: Trading portfolio claims	52	–	–	–	–	168
Positive fair values from hedge accounting derivatives	**142**	**–**	**–**	**–**	**–**	**–**
Financial assets	**2 011**	**–**	**–**	**16**	**–**	**–**
of which: Debt securities and other fixed-interest securities	2 011	–	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	–	16	–	–
Total	**5 109**	**11**	**25**	**693**	**1**	**1 166**

31 Dec. 2014 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Loans and advances to customers	**–**	**–**	**–**	**386**	**–**	**117**
of which: money market transcations	–	–	–	–	–	–
of which: deposits from other banks	–	–	–	–	–	–
Liabilities to customers	**610**	**44**	**131**	**359**	**4**	**330**
of which: money market transcations	83	27	–	30	–	125
Securitised liabilities	–	–	–	–	–	1
Financial liabilities at fair value through profit or loss	**60**	**–**	**–**	**1**	**–**	**159**
of which: negative fair values from derivatives	23	–	–	1	–	28
Negative fair values from hedge accounting derivatives	**7**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**541**	**3**	**–**	**–**	**15**
Total	**678**	**585**	**134**	**746**	**4**	**621**
Guarantees / sureties received	424	–	–	–	–	–
Guarantees / sureties granted	–	–	–	20	–	8

1 Jan.–31 Mar. 2014 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expenses	14	13	–	9	–	15
Interest income	40	–	–	7	–	9
Commission expenses	1	–	–	–	–	–
Other income and expenses	51	–	–	2	– 1	– 6
Total	**76**	**– 13**	**–**	**–**	**– 1**	**– 12**

As at the balance sheet date there are valuation allowances for loans and advances to affiliated companies in the amount of € 2 million (€ 2 million).

(38) Members of Governing Bodies and List of Mandates

1. Members of the Managing Board

Dr. Gunter Dunkel
(Chairman)

Ulrike Brouzi

Thomas S. Bürkle

Eckhard Forst

Dr. Hinrich Holm

Christoph Schulz

2. Members of the Supervisory Board

Peter-Jürgen Schneider (Chairman)
Finance Minister of Lower Saxony

Thomas Mang (First Deputy Chairman)
President of Sparkassenverband Niedersachsen

Jens Bullerjahn (Second Deputy Chairman)
Finance Minister of Saxony-Anhalt

Frank Berg
Chairman of the Managing Board
OstseeSparkasse Rostock

Norbert Dierkes
Chairman of the Managing Board
Sparkasse Jerichower Land

Edda Döpke
Bank employee, NORD/LB Hanover

Ralf Dörries
Senior Bank Director, NORD/LB Hanover

Dr. Elke Eller
Personnel Director, VW Commercial Vehicles,
Volkswagen AG

Hans-Heinrich Hahne
Chairman of the Managing Board
Sparkasse Schaumburg

Frank Hildebrandt
Bank employee, NORD/LB Braunschweig

Frank Klingebiel
Mayor of Salzgitter

Prof. Dr. Susanne Knorre
Management Consultant

Ulrich Mägde
Mayor of the Hanseatic City of Lüneburg

Antje Niewisch-Lennartz
Justice Minister of Lower Saxony

Heinrich von Nathusius
IFA ROTORION – Holding GmbH

Freddy Pedersen
ver.di Trade Union

Jörg Reinbrecht
ver.di Trade Union

Ilse Thonagel
Bank employee, Landesförderinstitut
Mecklenburg-Vorpommern

(39) Basis of Consolidation

Company name and registered office	Shares (%) direct	Shares (%) indirect
Subsidiaries included in the consolidated financial statements		
BLB Grundbesitz KG, Bremen	100.00	–
BLB Immobilien GmbH, Bremen	100.00	–
BLBI Investment GmbH & Co. KG, Bremen	100.00	–
BLB Leasing GmbH, Oldenburg	100.00	–
Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen	–	54.83
Bremische Grundstücks-GmbH, Bremen	100.00	–
Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover	–	100.00
KreditServices Nord GmbH, Braunschweig	–	100.00
MALIBO GmbH & Co. Unternehmensbeteiligungs KG, Pullach im Isartal	–	77.81
Nieba GmbH, Hanover	–	100.00
NOB Beteiligungs GmbH & Co. KG, Hanover	100.00	–
Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel / Luxembourg	–	100.00
NORD/FM Norddeutsche Facility Management GmbH, Hanover	–	100.00
NORD/LB Asset Management AG, Hanover	100.00	–
NORD/LB Asset Management Holding GmbH, Hanover	–	100.00
NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel / Luxembourg	100.00	–
NORD/LB Vermögensmanagement Luxembourg S. A., Luxembourg-Findel / Luxembourg	–	100.00
Nord-Ostdeutsche Bankbeteiligungs GmbH, Hanover	–	100.00
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	–
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	100.00	–

Company name and registered office	Shares (%) direct	Shares (%) indirect
Special Purpose Entities included in the consolidated financial statements		
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal	–	–
Fürstenberg Capital Erste GmbH, Fürstenberg	–	–
Fürstenberg Capital II GmbH, Fürstenberg	–	–
Hannover Funding Company LLC, Dover (Delaware) / USA	–	–
KMU Gruppe	–	–
Beteiligungs-Kommanditgesellschaft MS „Buxmelody“ Verwaltungs- und Bereederungs GmbH & Co., Buxtehude	–	–
KMU Shipping Invest GmbH, Hamburg	–	–
GEBAB Ocean Shipping II GmbH & Co. KG, Hamburg	–	–
GEBAB Ocean Shipping III GmbH & Co. KG, Hamburg	–	–
MT „BALTIC CHAMPION“ Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT „BALTIC COMMODORE“ Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT „NORDIC SCORPIUS“ Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT „NORDIC SOLAR“ Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT „NORDIC STAR“ Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
„OLIVIA“ Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
„OLYMPIA“ Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
„PANDORA“ Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
„PRIMAVERA“ Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
„QUADRIGA“ Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
MS „HEDDA SCHULTE“ Shipping GmbH & Co. KG, Hamburg	–	–
Niraven Gruppe	–	–
Niraven B.V., Badhoevedorp / Netherland	–	–
Olympiaweg 4 BV, Rotterdam / Netherland	–	–
Rochussen CV, Amstelveen / Netherland	–	–
Rochussenstraat 125 BV, Badehoevedorp / Netherland	–	–
Zender CV, Amstelveen / Netherland	–	–
Zenderstraat 27 BV, Amstelveen / Netherland	–	–
NORD/LB Objekt Magdeburg GmbH & Co. KG, Pullach im Isartal	–	–
Investment funds included in the consolidated financial statements		
NORD/LB AM ALCO	–	100.00

Company name and registered office	Shares (%) direct	Shares (%) indirect
Companies / investment funds accounted for in the consolidated financial statements using the equity method		
Joint ventures		
caplantic GmbH, Hanover	–	50.00
Associated companies		
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	–
BREBAU GmbH, Bremen	48.84	–
Deutsche Factoring Bank Deutsche Factoring GmbH & Co., Bremen	27.50	–
GSG OLDENBURG Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	22.22	–
LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover	44.00	–
LINOVO Productions GmbH & Co. KG, Pöcking	–	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hanover	–	28.66
SALEG Sachsen-Anhaltinische-Landesentwicklungsgesellschaft mbH, Magdeburg [2]	–	75.00
Toto-Lotto Niedersachsen GmbH, Hanover	–	75.00
Öffentliche Lebensversicherung Braunschweig, Braunschweig [3]	–	56.61
Öffentliche Sachversicherung Braunschweig, Braunschweig [3]	–	49.85
Investment funds		
Lazard-Sparkassen Rendite-Plus-Fonds	49.18	–
After IFRS 5 valuated companies		
Subsidiaries		
KG Schifffahrtsgesellschaft MS Klara mbH & Co., Jork	–	–
Nordic Buxtehude Schifffahrtsgesellschaft mbH & Co. KG	–	–
Nordic Stade Schifffahrtsgesellschaft mbH & Co. KG	–	–
Joint ventures		
LHI Leasing GmbH, Pullach im Isartal [1]	43.00	6.00

[1] Due to the joint management, this company is classified as a joint venture.
[2] Due to the “potential voting rights” of third parties, this company is classified as an affiliated company.
[3] Due to the structure under company law, this company is classified as an affiliated company.

The management report is neither included nor incorporated by reference into this Prospectus.

Responsibility Statement

We declare that to the best of our knowledge and in accordance with applicable accounting principles, the consolidated financial statements provide a true and fair view of the Group's assets, financial and earnings position and that the Group management report presents a true and fair view of the development of business including the operating result and the position of the Group and also describes the significant opportunities and risks relating to the probable development of the Group.

Hanover / Braunschweig / Magdeburg, 19 May 2015

Norddeutsche Landesbank Girozentrale

The Managing Board

Dr. Dunkel Brouzi Bürkle

Forst Dr. Holm Schulz

Consolidated Financial Statements for the 2014 Reporting Period of NORD/LB Group

Income Statement

	Notes	1 Jan. – 31 Dec. 2014 (in € million)	1 Jan. – 31 Dec. 2013[1] (in € million)	Change (in %)
Interest income		8 919	9 787	– 9
Interest expenses		6 934	7 856	– 12
Net interest income	**21**	**1 985**	**1 931**	**3**
Loan loss provisions	22	735	846	– 13
Commission income		301	270	11
Commission expenses		116	107	8
Net commission income	**23**	**185**	**163**	**13**
Trading profit/loss		730	– 136	> 100
Profit/loss from the fair value option		– 643	219	> 100
Profit/loss from financial instruments at fair value through profit or loss	**24**	**87**	**83**	**5**
Profit/loss from hedge accounting	25	43	– 10	> 100
Profit/loss from financial assets	26	– 3	11	> 100
Profit/loss from investments accounted for using the equity method	27	– 37	33	> 100
Administrative expenses	28	1 125	1 167	– 4
Other operating profit/loss	29	– 75	49	> 100
Earnings before reorganisation and taxes		**325**	**247**	**32**
Reorganisation expenses	30	– 48	– 38	26
Expenses for public guarantees related to reorganisation	31	1	69	– 99
Earnings before taxes		**276**	**140**	**97**
Income taxes	32	71	– 84	> 100
Consolidated profit		**205**	**224**	**– 8**
of which: attributable to the owners of NORD/LB		303	171	
of which: attributable to non-controlling interests		– 98	53	

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

Statement of Comprehensive Income

The comprehensive income of the NORD/LB Group comprises the income and expense recognised in the income statement and in other comprehensive income.

	1 Jan.– 31 Dec. 2014 (in € million)	1 Jan.– 31 Dec. 2013[1] (in € million)	Change (in %)
Consolidated profit	**205**	**224**	**– 8**
Other comprehensive income which is not recycled in the income statement in subsequent periods			
Revaluation of the net liability from defined benefit pension plans	– 684	73	> 100
Changes in value for investments accounted for using the equity method recognised directly in equity	– 2	–	–
Deferred taxes	180	– 23	> 100
	– 506	**50**	**> 100**
Other comprehensive income which is not recycled in the income statement in subsequent periods			
Increase/decrease from available for sale (AfS) financial instruments			
Unrealised profit/losses	325	322	1
Transfer due to realisation profit/loss	124	23	> 100
Translation differences of foreign business units			
Unrealised profit/losses	86	– 36	> 100
Changes in value investments accounted for using the equity method recognised directly in equity	65	– 27	> 100
Deferred taxes	– 129	– 82	57
	471	**200**	**> 100**
Other profit/loss	**– 35**	**250**	**> 100**
Comprehensive income for the period under review	**170**	**474**	**– 64**
of which: attributable to the owners of NORD/LB	266	409	– 35
of which: attributable to non-controlling interests	– 96	65	> 100

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

For the breakdown of deferred taxes into their individual components the notes to the statement of comprehensive income are referred to.

Balance Sheet

Assets	Notes	31 Dec. 2014 (in € million)	31 Dec. 2013[1)] (in € million)	Change (in %)
Cash reserve	33	1 064	1 311	– 19
Loans and advances to banks	34	23 565	27 481	– 14
Loans and advances to customers	35	108 255	107 604	1
Risk provisioning	36	– 2 747	– 2 246	22
Balancing items for financial instruments hedged in the fair value hedge portfolio	37	114	– 171	> 100
Financial assets at fair value through profit or loss	38	16 306	13 541	20
Positive fair values from hedge accounting derivatives	39	3 483	3 872	– 10
Financial assets	40	45 120	47 043	– 4
Investments accounted for using the equity method		318	306	4
Property and equipment	41	568	623	– 9
Investment property	42	80	101	– 21
Intangible assets	43	139	136	2
Assets held for sale	44	56	–	–
Current income tax assets	45	57	69	– 17
Deferred income taxes	45	784	741	6
Other assets	46	445	412	8
Total assets		**197 607**	**200 823**	**– 2**

1) Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

Liabilities	Notes	31 Dec. 2014 (in € million)	31 Dec. 2013[1] (in € million)	Change (in %)
Liabilities to banks	47	58 986	59 181	–
Liabilities to customers	48	57 996	54 859	6
Securitised liabilities	49	40 714	50 228	– 19
Balancing items for financial instruments	50	1 176	351	> 100
Financial liabilities at fair value through profit or loss	51	18 169	15 131	20
Negative fair values from hedge accounting derivatives	52	3 926	3 344	17
Provisions	53	2 846	4 304	– 34
Liabilities held for sale	54	6	–	–
Current income tax liabilities	55	73	116	– 37
Deferred income taxes	55	100	48	> 100
Other liabilities	56	867	379	> 100
Subordinated capital	57	4 846	4 713	3
Equity	**58**			
Issued capital		1 607	1 607	–
Capital reserves		3 332	3 332	–
Retained earnings		1 957	2 052	– 5
Revaluation reserve		420	122	> 100
Currency translation reserve		– 10	– 6	67
Equity capital attributable to the owners of NORD/LB		**7 306**	**7 107**	**3**
Equity capital attributable to non-controlling interests		596	1 062	– 44
		7 902	**8 169**	**– 3**
Total liabilities and equity		**197 607**	**200 823**	**– 2**

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

Statement of Changes in Equity

The individual components of equity and their development in 2013 and 2014 are shown in the following statement of changes in equity:

(in € million)	Issued capital	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Equity attributable to noncon-trolling interests	Consolidated equity
Equity as at 1 Jan. 2013	**1 607**	**3 332**	**2 011**	**– 95**	**– 3**	**6 852**	**848**	**7 700**
Adjustments according to IAS 8	–	–	– 154	–	–	– 154	154	–
Adjusted equity as at 1 Jan. 2013	**1 607**	**3 332**	**1 857**	**– 95**	**– 3**	**6 698**	**1 002**	**7 700**
Consolidated profit	–	–	171	–	–	171	53	224
Increase / decrease from available for sale (AfS) financial instruments	–	–	–	315	21	336	9	345
Changes in the value of investments for using the equity method	–	–	– 27	–	–	– 27	–	– 27
Translation differences of foreign business units	–	–	–	–	– 24	– 24	– 12	– 36
Revaluation of the net liability from defined benefit pension plans	–	–	72	–	–	72	1	73
Deferred taxes	–	–	– 23	– 96	–	– 119	14	– 105
Adjusted comprehensive income for the period under preview	**–**	**–**	**22**	**219**	**– 3**	**238**	**12**	**250**
Distribution	**–**	**–**	**193**	**219**	**– 3**	**409**	**65**	**474**[1]
Capital increases / decreases	–	–	1	–	–	1	– 5	– 4
Changes in the basis of consolidation	–	–	4	– 2	–	2	–	2
Consolidation effects and other changes in capital	–	–	– 3	–	–	– 3	–	– 3
Adjusted equity as at 31 Dec. 2013	**1 607**	**3 332**	**2 052**	**122**	**– 6**	**7 107**	**1 062**	**8 169**

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

(in € million)	Issued capital	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Equity attributable to noncon-trolling interests	Consolidated equity
Equity as at 1 Jan. 2014	**1 607**	**3 332**	**2 052**	**122**	**– 6**	**7 107**	**1 062**	**8 169**
Consolidated profit	–	–	303	–	–	303	– 98	205
Increase / decrease from available for sale (AfS) financial instruments	–	–	–	421	– 70	351	98	449
Changes in the value of investments for using the equity method	–	–	64	–	–	64	– 1	63
Translation differences of foreign business units	–	–	–	–	74	74	12	86
Revaluation of the net liability from defined benefit pension plans	–	–	– 586	–	–	– 586	– 98	– 684
Deferred taxes	–	–	185	– 125	–	60	– 9	51
Comprehensive income for the period under preview	**–**	**–**	**– 337**	**296**	**4**	**– 37**	**2**	**– 35**
Distribution	**–**	**–**	**– 34**	**296**	**4**	**266**	**– 96**	**170**
Capital increases / decreases	–	–	– 1	–	–	– 1	– 1	– 2
Changes in the basis of consolidation	–	–	– 60	2	– 8	– 66	– 369	– 435
Equity as at 31 Dec. 2014	**1 607**	**3 332**	**1 957**	**420**	**– 10**	**7 306**	**596**	**7 902**

The consolidation effects and other changes in capital mainly comprise transactions which result in changes in shareholdings without changing the consolidation method. For a more detailed account, see Note (58) Equity.

Cash Flow Statement

	1 Jan.– 31 Dec. 2014 (in € million)	1 Jan.– 31 Dec. 2013[1] (in € million)	Change (in %)
Consolidated profit for the period	**205**	**224**	**– 8**
Adjustment for non-cash items			
Depreciation, impairment and write-ups of property and equipment and financial assets	307	156	97
Increase / decrease in provisions	229	171	34
Gains / losses from the disposal of property and equipment and financial assets	– 10	– 8	25
Increase / decrease in other non-cash items	694	817	– 15
Other adjustments net	– 1 868	– 2 077	– 10
Sub-total	**– 443**	**– 717**	**– 38**
Increase / decrease in assets and liabilities from operating activities after adjustment for non-cash item			
Loans and advances to banks and customers	2 849	13 768	– 79
Trading assets	– 2 754	4 298	> 100
Other assets from operating activities	– 1 651	7 908	> 100
Liabilities to banks and customers	2 998	– 7 145	> 100
Securitised liabilities	– 7 526	– 10 825	– 30
Other liabilities from operating activities	5 027	– 7 938	> 100
Interest received	6 676	7 238	– 8
Dividends received	28	21	33
Interest paid	– 4 754	– 5 616	– 15
Income taxes paid	– 32	– 38	– 16
Cash flow from operating activities	**418**	**954**	**– 56**

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

	1 Jan.–31 Dec. 2014 (in € million)	1 Jan.–31 Dec. 2013[1] (in € million)	Change (in %)
Cash receipts from the disposal of			
financial assets	11	54	– 80
property and equipment	7	1	> 100
Payments for acquisition of			
financial assets	– 198	– 20	> 100
property and equipment	– 125	– 67	87
Cash flow from investing activities	**– 305**	**– 32**	**> 100**
Increase in funds from other capital	139	51	> 100
Decrease in funds from other capital	– 307	– 103	> 100
Interest expenses on subordinated capital	– 202	– 217	– 7
Dividends paid	– 2	– 4	– 50
Cash flow from financing activities	**– 372**	**– 273**	**36**
Cash and cash equivalents as at 1 January	**1 311**	**665**	**97**
Cash flow from operating activities	418	954	– 56
Cash flow from investing activities	– 305	– 32	> 100
Cash flow from financing activities	– 372	– 273	36
Total cash flow	**– 259**	**649**	**> 100**
Effects of changes in exchange rates	12	– 3	> 100
Cash and cash equivalents as at 31 December	**1 064**	**1 311**	**– 19**

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

With regard to cash and cash equivalents as at 31 December, see Note (33) Cash reserve.

The assets and liabilities of subsidiaries over which control was acquired or lost during the financial year break down as follows:

Assets (in € million)	Takeover of control	Loss of control
Loans and advances to banks	–	600
Loans and advances to customers	–	324
Risik provisioning	–	1
Financial assets at fair value through profit or loss	–	25
Financial assets	–	4 488
Property and equipment	33	33
Investment property	–	22
Intangible assets	–	1
Income tax assets	–	77
Other assets	1	211
Total	**34**	**5 782**

Liabilities (in € million)	Takeover of control	Loss of control
Liabilities to banks	32	–
Liabilities to customers	–	28
Securitised liabilities	–	2 060
Financial assets at fair value through profit or loss	–	2
Provisions	–	2 110
Income tax liabilities	–	48
Other liabilities	6	85
Subordinated capital	–	20
Equity	– 4	1 429
Total	**34**	**5 782**

Notes to the Consolidated Financial Statements

General Disclosures

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

The consolidated financial statements of Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig, Magdeburg (NORD/LB) as at 31 December 2014 were prepared on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). Standards published at the end of the financial year and adopted by the European Union were relevant. National regulations contained in the German Commercial Code (Handelsgesetzbuch, HGB) under § 315a of the HGB were also observed. NORD/LB as a group in terms of commercial law is referred to in the following as the NORD/LB Group. The consolidated financial statements as at 31 December 2014 comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes. The segment reporting is shown in the notes (Note (19) Segment Reporting by Business Segment and Note (20) Segment Reporting by Geographical Segment). The 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 Group Management Report.

Assets are always measured at amortised cost, apart from the financial instruments in accordance with IAS 39, which are measured at fair value. In the accounting it was assumed that the company was a going concern. Income and expenses are recognised pro rata temporis. They are recognised and reported in the period to which they relate. Significant accounting policies are described below.

Estimations and assessments required in accordance with IFRS are made on the basis of assumptions and parameters which in turn are made by management duly exercising its discretionary powers. The estimations and assessments are reviewed on an ongoing basis and are based on experience and other factors, including expectations as to future events which appear reasonable under prevailing circumstances. In the process global developments and the industry-specific environment are taken into account.

Estimations and assessments are made relating in particular to the calculation of the fair value of financial assets and liabilities of Level 2 and Level 3 calculation of the fair value of financial assets and liabilities of Level 2 and Level 3 including the estimation of the existence of an active or inactive market (Note (7) Financial Instruments) in conjunction with Note (59) Fair Value Hierarchy), valuations of defined benefit obligations in order to establish the underlying parameters (Note (14) Provisions for Pensions and similar Obligations in conjunction with Note (53) Provisions), the assessment of risk provisions with regard to future cash flows (Note (8) Risk Provisions) in conjunction with Note (36) Risk Provisions), the calculation of deferred tax assets relating to the recoverability of tax losses not yet utilised (Note (17) Income Taxes) in conjunction with Note (32) Income Taxes, Note (45) Income tax assets and Note (55) Income Tax Liabilities), valuation of provisions Note (14) Provisions for Pensions and similar Obligations in conjunction with Note (53) Provisions). If significant estimations were required, the assumptions made are presented. Regarding the effect of the assumptions on the valuation of financial instruments allocated to Level 3, the relevant disclosures concerning sensitivity in Note (59) Fair Value Hierarchy are referred to.

Estimations and assessments and the underlying assessment factors and methods of estimation regularly are compared with actual events. Provided that an amendment only refers to a single period, amendments to estimations are only taken into account for this period. If an amendment refers to the current and following reporting periods it is duly observed in this period and in the following periods.

Apart from estimates, the following significant discretionary management decisions in respect of the accounting policies of the NORD/LB Group need to be mentioned: the use of the fair value option for financial instruments, the abandonment of the categorisation of financial instruments as held-to-maturity (HtM), the non-use of the application of the reclassification provisions of IAS 39, the separation of finance lease and operating lease, the use of provisions, the existence of designated assets held for sale and the assessment of shares in companies.

The reporting currency for the consolidated financial statements is the euro. All amounts are reported rounded in euro millions (€ million), unless otherwise is indicated. The previous year's figures are shown afterwards in brackets.

These consolidated financial statements were signed by the Managing Board on 17 March 2015 and approved for submission to the Supervisory Board.

(2) Adjustment of Figures for the Previous Year

The figures for the previous year were adjusted in these consolidated financial statements on the basis of IAS 8.42 in the following areas:

Since the second quarter of 2014 the regulations of IAS 32.AG29A have been adopted as regards the presentation of interests of external limited partners in fully consolidated partnerships. Accordingly, the limited partners' interests in question are to be reported as liabilities in all cases. As the partnerships concerned have negative equity, this is allocated entirely to the Group. As a result, part of the portfolio previously reported under Equity attributable to the owners of NORD/LB is now reported under non controlling interests.

The initial application of IFRS 10 (cf. Note (3) Adopted IFRS) with retrospective effect has also resulted in changes in the figures for the previous year.

Adjustment of figures reported as at 1 January 2013:

1 Jan. 2013 (in € million)	Prior to adjustment	Adjustment IFRS 10	Adjustment IAS 8	After Adjustment
Assets				
Loans and advances to banks	114 577	– 15	–	114 562
Risk provisioning	– 1 949	2	–	– 1 947
Other Assets	649	13	–	662
Total Assets	**225 550**	**–**	**–**	**225 550**
Liabilities				
Equity				
Retained earnings	2 011	–	– 154	1 857
Equity capital attributable to the owners of NORD/LB	**6 852**	**–**	**– 154**	**6 698**
Equity capital attributable to non-controlling interests	848	–	154	1 002
	7 700	**–**	**–**	**7 700**
Total Liabilities	**225 550**	**–**	**–**	**225 550**

Adjustment of figures reported as at 31 December 2013:

31 Dec. 2013 (in € million)	Prior to adjustment	Adjustment IFRS 10	Adjustment IAS 8	After Adjustment
Assets				
Loans and Advances to Customers	107 661	– 57	–	107 604
Risk Provisioning	– 2 248	2	–	– 2 246
Property and Equipment	601	22	–	623
Other assets	401	11	–	412
Total assets	**200 845**	**– 22**	**–**	**200 823**
Passiva				
Liabilities to Customers	54 861	– 2	–	54 859
Provisions	4 303	1	–	4 304
Equity				
Retained earnings	2 220	– 21	– 147	2 052
Equity capital attributable to the owners of NORD/LB	**7 275**	**– 21**	**– 147**	**7 107**
Equity capital attributable to non-controlling interests	915	–	147	1 062
	8 190	**– 21**	**–**	**8 169**
Total liabilities	**200 845**	**– 22**	**–**	**200 823**

Adjustment of the breakdown of the consolidated profit and the comprehensive income for the period 1 January to 31 December 2013:

1 Jan. – 31 Dec. 2013 (in € million)	Prior to adjustment	Adjustment IFRS 10	Adjustment IAS 8	After Adjustment
Administrative expenses	1 166	1	–	1 167
Other operating profit / loss	69	– 20	–	49
Consolidated profit	**245**	**– 21**	**–**	**224**
of which: equity capital attributable to the owners of NORD/LB	185	– 21	7	171
Equity capital attributable to non-controlling interests	60	–	– 7	53
Total liabilities and equity	**495**	**– 21**	**–**	**474**
of which: equity capital attributable to the owners of NORD/LB	423	– 21	7	409
Equity capital attributable to non-controlling interests	72	–	– 7	65

Adjustment of the breakdown of the cash flow statement for the period 1 January to 31 December 2013:

1 Jan.–31 Dec. 2013 (in € million)	Prior to adjustment	Adjustment IFRS 10	After Adjustment
Consolidated profit for the period	**245**	**– 21**	**224**
Adjustment for non-cash items			
Other adjustments net	– 2 056	– 21	– 2 077
Sub-total	**– 675**	**– 42**	**– 717**
Increase/decrease in assets and liabilities from operating activities after adjustment for non-cash item			
Loans and advances to banks and customers	13 711	57	13 768
Other assets from operating activities	7 923	– 15	7 908
Liabilities to banks and customers	– 7 144	– 1	– 7 145
Other liabilities from operating activities	– 7 939	1	– 7 938
Cash flow from operating activities	**954**	**–**	**954**

The respective adjustments were also taken into account in the following notes: (35) Loans and Advances to Customers, (36) Risk Provisioning, (41) Property and Equipment, (46) Other Assets, (48) Liabilities to Customers, (53) Provisions, (59) Fair Value Hierarchy, (69) Residual Terms of Financial Obligations and (74) Longer-term Assets and Liabilities.

(3) Adopted IFRS

In these consolidated financial statements all standards, interpretations and their respective amendments which have been endorsed by the EU and were relevant for the NORD/LB Group in the financial year 2014 were adopted.

In the period under review consideration has been given to the following standards and amendments to the standards which were first applied as at 1 January 2014 for the NORD/LB Group:

IFRS 10 – Consolidated Financial Statements

The IFRS 10 published in May 2011 has changed the definition of control and created standard rules for determining control both for subsidiaries and for structured entities which form the basis for assessing the consolidation requirement. According to this, control is given when the potential parent company has decision-making authority over relevant activities of the potential subsidiary, it is exposed to the positive or negative variable flows from the potential subsidiary or has rights to these, and the amount of these flows can be influenced by its decision-making authority. The standard replaces the regulations of the former IAS 27 and SIC 12 that relate to this.

The NORD/LB Group started to prepare for the initial application of IFRS 10 in August 2011 as part of a project and, in accordance with the transitional provisions of IFRS 10, reassessed its control of associated companies and loan-financed project companies as at 1 January 2014. One focal point of the assessment was the significance of classic lender rights and credit securities vis-à-vis the borrower. Within the specialist discussion conducted at international level, it has transpired that the lender's rights of protection contained in a loan agreement are strengthened under certain circumstances to become rights of cooperation and may give the lender decision-making rights. The initial application under IFRS 10 showed that

the NORD/LB Group controls a total of seven credit-financed project companies. Accordingly, the NORD/LB Group included these project companies in the consolidated financial statements using the purchase method and adjusted the corresponding amounts to reflect the position had the project companies already been consolidated at the point at which the NORD/LB Group acquired control.
The initial application of IFRS 10 with retrospective effect results in the changes disclosed in Note (2) Adjustment of Figures for the Previous Year and in Note (5) Basis of Consolidation.

IFRS 11 – Joint Arrangements
IAS 31 – Interests in Joint Ventures was replaced by IFRS 11, which was published in May 2011 and is applicable from 1 January 2014. This regulates the recognition of facts when an entity has joint control over a joint venture or runs a joint operation. Compared to the current standard, there are two significant changes. Firstly, for the consolidation of joint ventures the option of proportionate consolidation has been abolished, i. e. consolidation is only allowed based on the equity method as in IAS 28. Secondly, the new category of joint operations has been introduced. In this case the assets and liabilities of the joint operation allocatable to the Group will be recognised in the consolidated financial statements.
The initial application of IFRS 11 with retrospective effect does not result in any need for adjustments to NORD/LB's consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities
IFRS 12 condenses the disclosure requirements related to subsidiaries, joint ventures, associated companies and unconsolidated structured entities in one standard. The objective is the disclosure of information on the nature of control over the aforementioned companies and the associated risks and the effects resulting from the potential control on the balance sheet, income statement and cash flow. For the first time, information on non-consolidated structured companies must also be published.
The NORD/LB Group has complied with the enhanced disclosure requirement resulting from IFRS 12.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
In June 2012 the IASB published amendments which substantiate and clarify the transition regulations in IFRS 10 – Consolidated Financial Statements. In addition, some relief is granted with only the reference figures for the immediately preceding reference period having to be adjusted and the disclosure requirement of comparative information on non-consolidated special purpose entities upon initial application of IFRS 12 being struck.
The transition guidance simplifies matters for the NORD/LB Group with the initial application of the new consolidation regulations.

IAS 28 (amended 2011) – Investments in Associates and Joint Ventures

In May 2011 the IASB published the revised IAS 28 – Investments in Associates and Joint Ventures. This standard includes rules on the use of the equity method for the accounting of investments in associated companies and joint ventures. This is primarily a consequential amendment to extend the scope in conjunction with IFRS 11. A further amendment relates to reporting under IFRS 5 if only a part of the interest in an associated company or a joint venture is designated for sale. IFRS 5 should be applied to the interest being sold, whilst the remaining (retained) share should continue to be reported using the equity method until sale.

The amendment to IAS 28 has not resulted in any material effects for the NORD/LB Group.

Amendments to IAS 32 – Offsetting of Financial Assets and Financial Liabilities

In December 2011 the IASB clarified its requirements for the offsetting of financial instruments with the publication of amendments to IAS 32 – Financial instruments: Presentation. The amendments essentially put guidelines regarding application into more specific terms and should eliminate the current inconsistencies regarding the application of the offsetting criteria. In particular the meaning of "currently has a legally enforceable right of set-off'" and the conditions for systems with gross settlement as an equivalent to net settlement are explained.

The amendment of IAS 32 does not have any effect on the consolidated financial statements as at 31 December 2014.

Amendments to IAS 36 – Impairment of Assets – Recoverable Amounts Disclosures for Non-Financial Assets

With these amendments the disclosure of the recoverable amount of cash-generating units implemented with IFRS 13 was corrected. In addition new disclosure requirements were introduced for when there is an impairment or reversal of impairment and the recoverable amount has been calculated based on the fair value less the costs of the disposal.

The amendment of IAS 36 does not have any effect on the consolidated financial statements as at 31 December 2014.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

With the amendments to IAS 39 – Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting published in June 2013, the IASB makes it clear that the novation of a derivative with a central counterparty is to be reported as a derecognition of the original derivative and an addition of the novated derivative. A novation is an agreement between the contract parties of a derivative, that one or more central counterparties replace the original counterparties to become a new counterparty for each original contract party. The term central counterparty also includes companies, for example members of a clearing house or clearing companies or customers of both, which act as a contract party in order to achieve the settlement of a payment (clearing) by a central counterparty. With the novation of a derivative, under certain conditions the hedge relationship can continue despite the change in counterparty.

The application of this new rule had no effect on these consolidated financial statements of NORD/LB.

As is allowed, we have not yet applied the following standards and amendments to standards which have been adopted in European law and which did not have to be implemented for NORD/LB Group's consolidated financial statements prior to 31 December 2014:

IFRIC 21 – Levies

In May 2013 the IASB issued IFRIC 21 as an interpretation of IAS 37 concerning levies, which essentially regulates which government-imposed levies need to be recognised and when a present liability needs to be recognised.

Due to its adoption in EU law, NORD/LB Group is required to apply IFRIC 21 from 1 January 2015 retrospectively.

IFRIC 21 concerns the bank levy to be paid by NORD/LB. However, this does not give rise to any significant effects on the reporting of the bank levy in NORD/LB's consolidated financial statements. See Note (29) Other Operating Profit/Loss for further details on the bank levy.

Amendments to IAS 19 –
Defined Benefit Plans: Employee Contributions

The amendment of IAS 19 – Employee Contributions (published in November 2013) clarifies the stipulations associated with the allocation of employee contributions of third-party contributions to the service periods if the contributions are linked to length of service. Additionally, waivers are available if the contributions are independent of the number of years of service. The amendments must be applied for the first time for financial years commencing on or after 1 February 2015.

The amendments to IAS 19 are not expected to have any significant effect on the NORD/LB Group's consolidated financial statements.

The following amended or new standards have also not been applied early:

- Improvements to IFRS (2010 – 2012 Cycle) Within the Scope of the IASB's Annual Improvements Process
- Improvements to IFRS (2011 – 2013 Cycle) Within the Scope of the IASB's Annual Improvements Process

Amendments relating to NORD/LB are mandatory in the Group for financial years starting on or after 1 February 2015 or 1 January 2015. The annual improvements to IFRS are not expected to have a significant impact on NORD/LB's consolidated financial statements.

The following standards, amendments to standards and interpretations have not been adopted into European Law by the EU Commission as at the date of the preparation of the consolidated financial statements:

IFRS 9 – Financial Instruments

In July 2014 the IASB completed its project to replace IAS 39 with the publication of the final version of IFRS 9 – Financial Instruments. IFRS 9 contains the following key regulatory areas:

Categorisation and measurement of financial assets and financial liabilities.

The second draft amendment of the categorisation and valuation rules of IFRS 9 was published in November 2012. In contrast to the first draft, this version includes in particular the proposal of introducing a further, third valuation model especially for financial assets in the form of debt instruments and envisages these instruments being valued at fair value with the changes in valuation being reported directly in equity under other comprehensive income. This amendment to the categorisation and valuation rules was incorporated into the final standard.

The categorisation will in future be based on the reporting entity's business model and the contractually agreed cash flows of the asset. Furthermore, the regulations for embedded derivatives and reclassification have also been modified. The regulations relating to financial liabilities are largely unaltered compared to IAS 39. The main difference with the previous regulation concerns the use of the fair value option. The rating-induced changes in the valuation of financial liabilities will in future be shown under other comprehensive income; the remaining changes in valuation will continue to be reported in the income statement.

Expected credit losses

The second phase covers financial instruments, loan commitments and financial guarantees. The new impairment model moves away from the concept of incurred loss towards the concept of expected loss. Based on the new impairment model, financial instruments, loan commitments and financial guarantees will, depending on the change in their credit quality, be divided into three stages. The calculation of the expected loan loss will depend on the stage to which a financial instrument, loan commitment or financial guarantee has been allocated. In Stage 1 the expected loan losses will be calculated in the amount of the expected loss with a time horizon of one year. In Stage 2 and 3 the expected loan loss will be calculated over the whole residual term to maturity (lifetime expected loss).

General hedge accounting

For Phase 3 concerning Hedge Accounting, the IASB had decided to divide this issue into two sections, General Hedge Accounting (Phase 3a) and Macro Hedge Accounting (Phase 3b). In the fourth quarter of 2013 a standard for General Hedge Accounting was published. A draft for Macro Hedge Accounting is now not expected to be published before 2018. Until then the provisions of IAS 39 concerning the fair value hedge accounting for a portfolio hedge of interest rate risk will remain and will not be transferred into IFRS 9. The standard for General Hedge Accounting pursues the goal of reflecting operational risk management in the financial reporting of hedging relationships in closed portfolios more strongly than before. In this connection, compared to the provisions in IAS 39, the role of qualitative application criteria were strengthened compared to quantitative application criteria. In addition, the group of underlying and hedging transactions which are eligible for hedge accounting was extended significantly and additional designation options were created. Regarding the effectiveness of hedging relationships, in future this should no longer be based on a strict effectiveness threshold on a percentage basis.

Subject to its adoption in EU law, the application of IFRS 9 will be mandatory for financial years that start on or after 1 January 2018.

It is expected that IFRS 9 will have a significant impact on the accounting, valuation and reporting in future consolidated financial statements. The potential effects at NORD/LB Group will be quantified as part of the resumption of the implementation project in 2016.

IFRS 15 – Revenue from Contracts with Customers

In May 2014 IASB and FASB published a joint accounting standard for recording income which brings together the majority of former rules and at the same time sets down basic uniform principles that apply to all industry groups and categories of revenue-related transactions. Alongside the fulfilment of a new five-stage scheme for determining revenue recognition, the standard comprises provisions relating to detailed issues such as multi-component transactions and for handling service agreements and contractual amendments as well as an extension of the necessary disclosure requirements.

IFRS 15 will replace the content of IAS 18 – Revenue from Contracts and IAS 11 – Construction Contracts and the interpretations IFRIC 13, IFRIC 15 and IFRIC 18 as well as SIC 31 and – subject to its adoption in EU law – will take effect for reporting periods starting on or after 1 January 2017.

The divisions of NORD/LB that may be affected by the new standard are currently being analysed with reference to potential effects. The extent to which current reporting practice will have to be varied due to the new provisions under IFRS 15 can only be determined on conclusion of the investigations.

Amendments to IAS 1 – Presentation of the Financial Statements

The amended standard published on 18 December 2014 implements the initial proposals for the amendment of IAS 1 – Presentation of the Financial Statements, which require implementation at short notice. The amendments foreground the concept of materiality to facilitate the communication of relevant information in IFRS financial statements. This is to be achieved by waiving the requirement for non-material information, and providing the option for supplementary sub-totals and greater flexibility in structuring the appendix. Further, the organisation of the other comprehensive income (OCI) in the statement of comprehensive income will be clarified.

Subject to the adoption in EU law, the amendments must be applied for the first time for financial years commencing on or after 1 January 2016. The amendments to IAS 1 will not have any significant effect on the NORD/LB Group's consolidated financial statements.

The following amendments to standards have not yet been adopted in European law:

- Amendments to IFRS 10 and IAS 28 – Sales or Contributions of Assets between an Investor and its Associate / Joint Venture
- Amendments to IFRS 11 – Joint Arrangements
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Improvements to IFRS (2012 – 2014 Cycle) Within the Scope of the IASB's Annual Improvements Process

Subject to its adoption in EU law, the application of the amendments will be mandatory for financial years that start on or after 1 January 2016.

The amendments to these standards are not expected to have a significant impact on NORD/LB's consolidated financial statements.

The amendments to standards described above are expected to be implemented on the dates when their application first becomes mandatory.

(4) Consolidation Principles

The NORD/LB Group's consolidated financial statements, prepared in accordance with uniform accounting policies throughout the Group, comprise the financial statements of the parent company (NORD/LB) and of the companies controlled by the parent company and the subsidiaries it controls. Control is deemed present if one group company has the power to take decisions relating to the material business activities of another company, is entitled to variable returns and is able to influence such returns by exercising its decision-making authority.

Alongside original investments, the NORD/LB Group is also examining customer relationships for control issues.

The assessment of whether the Group controls loan-financed project companies that are in financial difficulties due to e.g. the ongoing difficult situation on the shipping markets and thus is required to include them in the consolidated financial statements as a subsidiary represents a significant discretionary decision. Due to its lending relationships with these companies, the NORD/LB Group is consistently exposed to variable returns. What is key to the question of whether it controls a specific company is whether its rights under the loan agreement give it a right of determination over the company and whether the shareholders act as principal or agent of NORD/LB. NORD/LB assesses the latter criterion using the following three factors: (1) Type and scope of the participation of the shareholders in the company's opportunities and risks, (2) extent of decision-making authority and (3) the Bank's rights of termination. The NORD/LB Group will re-evaluate the duty to consolidate if an event of default occurs or the structure of the company changes.

A further key discretionary decision is the assessment of whether the NORD/LB Group controls a fund due to its activity as a fund manager or capital management company. The NORD/LB Group will satisfy the first two criteria of the definition of control (decision-making authority and variable returns). In terms of the duty to consolidate this fund, the key issue is whether the Group acts as the principal or merely as the agent the investors, because these delegate their decision-making authority to the NORD/LB Group. In terms of this assessment, the scope of the decision-making authority of the NORD/LB Group, the investor's rights of termination and its overall participation in the returns of the fund as compared to other investors will be taken into account.

Company mergers are reported using the purchasing method of accounting, i.e. assets and liabilities relating to subsidiaries were recognised at fair value on consideration of deferred taxes on the date on which a controlling interest was gained. Goodwill resulting from initial consolidation is reported under intangible assets. The value of goodwill is reviewed at least once a year and is the subject of unscheduled depreciation if necessary.

Shares in the equity of subsidiaries which are not held by the parent company are reported as non-controlling interests in consolidated equity at the level of their share in the identifiable net assets of the acquired company.

Receivables and liabilities and expenses and income generated within the Group are eliminated in the consolidation of intercompany balances and income and expenses. Intragroup profits and losses are consolidated in the elimination of intercompany profits and losses.

Results of subsidiaries included or disposed of during the course of the year are recognised in the income statement as at the effective date of acquisition or up to the effective date of disposal, respectively.

A joint venture is a joint agreement whereby the parties responsible for the joint management of the agreement have rights to the net assets of the agreement.

An associated company is a company over which the investor has material influence.

Joint ventures and associated companies are accounted for using the equity method and are reported as shares in companies accounted for using the equity method. Under the equity method the shares of the NORD/LB Group in the associated company or joint venture are initially set at the level of the purchase costs. Thereafter the shares are increased or reduced by the company's share in the accrued profit or loss or the associated company's or joint venture's other profit / loss. If the shareholding of the NORD/LB Group in the losses of an associated company or joint venture corresponds to or exceeds the value of the shares in this company, no further loss components are measured unless the Group has entered into legal or de facto obligations or makes payments instead of the company valued at equity.

For transactions between a Group company and a joint venture or an associated company, profits and losses are eliminated in proportion with the shareholding of the Group in the respective company.

Deconsolidation is carried out from the date on which a controlling influence over the subsidiary ceases to exist. The assets and liabilities of the subsidiary are derecognised at their carrying amounts. The non-controlling interests in the former subsidiary are also derecognised. A fair value of the consideration received is recorded. Any interest retained in the former subsidiary is recorded at fair value. Any differences arising from the recording and derecognising processes are recorded in the Group's income statement. Amounts recorded in the other comprehensive income (OCI) in earlier periods in connection with this subsidiary are derecognised in the Group income statement or, if required by a different IFRS, directly in the retained earnings.

(5) Basis of Consolidation

In addition to NORD/LB as the parent company, the consolidated financial statements include 50 (57) subsidiaries in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB is in a position to exercise control in another manner. Additionally, 2 (1) joint ventures and 12 (10) associated companies are recorded. A joint venture is held for sale and, pursuant to IFRS 5.15, valued at the lower of carrying value and fair value less selling costs. The remaining associated companies and the other joint venture are accounted for using the equity method.

Due to the initial application of IFRS 10, the following companies were included for the first time in the basis of consolidation in the first quarter of 2014. MS „HEDDA Schulte“ Shipping GmbH & Co. KG, Hamburg, and Niraven B.V. Gruppe, Amsterdam (6 companies). The companies are associated with credit commitments by the NORD/LB Group.

Furthermore, the joint venture caplantic GmbH, Hanover, was consolidated for the first time with effect of 1 January 2014 using the equity method.

The subsidiaries NOB Beteiligungs KG, Hanover, and NORD/LB Vermögensmanagement S.A., Luxembourg-Findel set up in December 2014, are included in the consolidated financial statements for the first time at year end as part of the full consolidation process.

The control criteria pursuant to IFRS 10 were satisfied in the following three shipping companies: KG Schifffahrtsgesellschaft MS Klara mbH & Co., Jork, Nordic Stade Schifffahrtsgesellschaft mbH & Co. KG, Hamburg, and Nordic Buxtehude Schifffahrtsgesellschaft mbH & Co. KG, Hamburg. These companies were included in the consolidated financial statements for the first time as at 31 December 2014.

In addition, Capital Management GmbH, Hanover, was merged in February 2014 with the fully-consolidated and renamed company NORD/LB Asset Management AG (formerly NORD/LB Kapitalanlagegesellschaft AG), Hanover.

Furthermore, amendments to the statutes of Öffentliche Lebensversicherung Braunschweig (ÖVB Leben), Braunschweig, and Öffentliche Sachversicherung Braunschweig (ÖVB Sach), Braunschweig, have resulted in a loss of control as NORD/LB no longer has a majority of votes in the decision-making committee of the ÖVBs. As a result the two previously fully-consolidated companies were accounted for as associated companies at equity in a transitional consolidation period with effect of 30 September 2014. The shares of the capital held in ÖVB Leben and ÖVB Sach were recognised at fair value and will be accounted for using the equity method in the following periods. The associated subsidiaries Braunschweig-Informationstechnologie-GmbH, Braunschweig, Öffentliche Facility Management GmbH, Braunschweig, Öffentliche Facility Management Leben GmbH & Co. KG, Braunschweig, Öffentliche Facility Management Sach GmbH & Co.KG, Braunschweig and the investment funds NORD/LB AM OELB and NORD/LB AM OESB have been deconsolidated with effect of 30 September 2014.

The special fund NORD/LB AM 65 was dissolved and deconsolidated in December 2014.

The transitional consolidation of ÖVB Sach and ÖVB Leben generated a transitional profit of € 31 million that is fully attributable to the valuation of the remaining capital investment at fair value and was recorded in the other operating income using the equity method. Net assets fell by € 433 million due to the transitional consolidation.

The initial consolidation and deconsolidation of the remaining companies had no noticeable effect on the asset, financial and earnings position of the NORD/LB Group.

Subsidiaries, joint ventures and associated companies included in the consolidated financial statements are shown in Note (86) Equity Holdings.

(6) Currency Translation

Monetary assets and liabilities in foreign currencies and non-monetary items recognised at fair value were translated using the reference exchange rates of the European Central Bank (ECB reference exchange rates) as at the measurement date. Non-monetary items carried at cost are recognised at historical rates. Expenses and income in foreign currencies are translated at market exchange rates. Currency differences relating to monetary items are always shown in the income statement; non-monetary items are recognised through the profit or loss of such items under other comprehensive income or in the income statement.

The assets and liabilities of foreign subsidiaries were translated using ECB reference exchange rates as at the measurement date; with the exception of the revaluation reserve (closing rate method) and the profit for the year, equity is translated using historical currency rates. Income and expenses are translated into the Group currency at period-average exchange rates; resulting translations are reported as a separate item under other comprehensive income. On disposal, the cumulative amount of exchange differences is included in the gain or loss on disposal.

(7) Financial Instruments

A financial instrument is defined as a contract which results in a financial asset for one company and a financial liability or an equity instrument for another. Financial instruments are reported accordingly in the NORD/LB Group. They are allocated to valuation categories and measured according to this classification in accordance with IAS 39 requirements.

The financial instruments contain financial guarantees in accordance with the definition of IAS 39.

a) Addition to and disposal of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to a contract in accordance with the contractual provisions of the financial instrument. In the case of the regular cash purchases or cash sales of financial assets, the date of trade and the date of settlement generally do not fall on the same date. These regular cash purchases or cash sales bear the option of recognition as at the date of trade (trade date accounting) or as at the date of settlement (settlement date accounting). Trade date accounting applies for the recognition and disposal of all financial assets transacted by the NORD/LB Group.

IAS 39 disposal regulations comply with both the concept of risk and reward and of control; measuring risks and rewards should be given priority over measuring the transfer of control on verifying derecognition entries.

The continuing involvement approach is employed when opportunities and risks are only partly transferred and control is retained. In this case a financial asset is recognised to the extent equivalent to its continuing involvement on consideration of certain accounting policies. The extent of continuing involvement is determined by the scope in which the Group continues to bear the opportunities and risks of changes in the values of the assets transferred.

A financial liability (or part of a financial liability) is derecognised when the liability has been eliminated, i. e. when the liabilities specified in the contract have been settled or eliminated or if they have expired. The reacquisition of the banks own debt instruments is also included in the derecognition of financial liabilities. Differences between the carrying amount of a liability (including premiums and discounts) and the purchase price are recognised through profit or loss; a new financial liability whose cost of acquisition is equivalent to the sales proceeds will arise in the case of resale at a later date. Differences between these new costs of acquisition and the amount repaid are spread over the remaining term of the debt instrument in accordance with the effective interest method.

b) Categorisation and measurement

Fair value is applied when financial assets and financial liabilities are recognised for the first time. The net method is applied for financial guarantees reported in the NORD/LB Group. For financial instruments in the categories Loans and Receivables (LaR), Held to Maturity (HtM), Available for Sale (AfS) and Other Liabilities (OL), transaction costs are included in the cost of acquisition if they are directly apportionable. They are accounted for in the nominal value or the repayment amount on distribution of premiums and discounts in compliance with the effective rate of interest component. Transaction costs for financial instruments in the categories financial assets or financial liabilities at fair value through profit or loss (AFV) are recognised immediately in profit or loss.

Subsequent measurement of financial assets and financial liabilities is contingent on the IAS 39 category under which the assets or liabilities had been classified on the date of acquisition:

ba) *Loans and receivables (LaR)*
Non-derivative financial assets involving fixed or determinable payments which are not listed in an active market are allocated to this category provided that they have not been classified as financial assets at fair value through profit (AFV) or loss or available for sale (AFS). The loans and receivables category is the largest in the Group since this category essentially comprises all traditional credit and loan transactions. Subsequent measurement is at amortised cost applying the effective interest method. The recoverability of loans and receivables (LaR) is verified and they are written down if necessary on each balance sheet reporting date and in the event of indications of potential impairment losses (cf. Notes (8) Risk Provisions, (22) Loan Loss Provisions and (26) Profit/Loss from Financial Assets). Appreciations in value are recognised through profit or loss. The upper limit for appreciations in value is the amortised cost which would have resulted at the date of measurement without impairment losses. Interest income is recorded in the net interest income, and commission income in the net commission income.

bb) *Held to Maturity (HtM)*
Non-derivative financial assets involving fixed or determinable payments and a fixed term are classified in this category if they are intended to be held until maturity. They may be allocated if the financial instruments are not classified as financial assets at fair value through profit or loss (AFV), as available for sale (AfS) or as loans and receivables (LaR). Subsequent measurement is at amortised cost applying the effective interest method. The held to maturity category is currently not employed in the NORD/LB Group.

bc) *Financial assets or financial liabilities at fair value through profit or loss (AFV)*
This category is divided into two sub-categories:

i) Held for trading (HfT)
This sub-category comprises financial instruments (trading assets and trading liabilities) acquired with the intention of selling or buying these back in the short term and contains all the derivatives which do not constitute hedging instruments within the scope of hedge accounting. Trading assets essentially comprise money market instruments, bonds and debt securities and derivatives with a positive fair value. Trading liabilities mainly comprise derivatives with a negative fair value and delivery obligations resulting from futures sales. Trading assets and trading liabilities are recognised at fair value through profit or loss upon subsequent measurement. There is no amortisation at constant effective interest rates of premiums and discounts. Interest income and expenses are recorded in the net interest income. Effects from changes to the fair value and the net commission income are recorded in the profit/loss from financial instruments at fair value.

ii) Designated at fair value through profit or loss (DFV)

Any financial instrument can be allocated to this sub-category, known as a fair value option, provided that certain requirements are met. Exercising the fair value option means that recognition and measurement mismatches resulting from different measurement methods for financial assets and liabilities is avoided or significantly reduced (for example, by presenting economic hedges of structured bond issues and corresponding derivatives without having to fulfil the restrictive requirements of hedge accounting). Allocation to this category also meant that embedded derivatives in structured products do not need to be separated. The category was used in some cases because the management and measurement of the performance of a portfolio is at fair value. More information on the type and the scope of application of the fair value option in the Group is presented in Note (38) Financial Assets at Fair Value through Profit or Loss and in Note (52) Financial Liabilities at Fair Value through Profit or Loss. Financial instruments measured using the fair value option are measured at fair value through profit or loss upon subsequent measurement. There is no amortisation at constant effective interest rates of premiums and discounts. Interest income and expenses are recorded in the net interest income. Profit/loss from fair value and net commission income are recorded in the profit/loss from financial instruments at fair value.

bd) Available for sale (AfS)

Any non-derivative financial assets which have not been assigned to any of the aforementioned categories are allocated to this category. These assets are primarily bonds, debt securities, shares and investments which are not measured in accordance with IAS 10, IAS 11 or IAS 28. Subsequent measurement was at fair value. Measurement is at cost if the fair value of financial investments in equity instruments such as certain shares or investments for which no price is available on an active market (and the relating derivatives which can only be settled by way of offer) cannot be determined with sufficient reliability. The result of the measurement at fair value is reported under other comprehensive income. In the event of the sale of the financial asset, the accumulated estimated profit/loss reported in the revaluation reserve is written back and reported in the income statement.

With equity instruments differences between the cost of acquisition and repayment amounts are amortised in recognition of profit or loss on application of the effective interest method. Interest income is recorded in the net interest income, and commission income in the net commission income.

Impairment is only carried out in the case of rating-induced impairment. The occurrence of rating-induced impairment is examined on the basis of specific objective factors. Objective factors in this context are the trigger events listed in IAS 39, for example significant financial difficulty of the issuer or the obligor or a breach of contract or default or delay in interest or principal payments. In addition to the criteria of permanence, a measurable decrease in the fair value of equity securities to below the acquisition cost is an objective indication of impairment.

In the case of rating-induced impairments, the difference between the book value and current fair value must be recognised in the income statement. Appreciations in the value of debt capital instruments are recognised in the amount of the appreciation through profit or loss in the income statement as well as in other comprehensive income. Appreciations in the value of equity instruments are recognised in other comprehensive income unless they are measured at acquisition cost.

be) Other liabilities (OL)

This category includes in particular liabilities to banks and customers, securitised liabilities and subordinated capital provided that these liabilities have not been designated at fair value under the fair value option. Subsequent measurement is at amortised cost applying the effective interest method. Interest expenses are recorded in the net interest income, and commission expenses in the net commission income.

The carrying amounts and gains/losses for each measurement category are presented in Notes (60) Carrying Amount by Measurement Category and (61) Net Gains or Losses by Measurement Category.

c) Reclassification

In accordance with the regulations of IAS 39, financial instruments are allowed to be reclassified from the HfT (trading assets) category to the LaR, HtM and AfS categories and from the AfS category to the LaR and HtM categories under certain circumstances. The NORD/LB Group did not make use of this right to reclassify.

d) Establishing fair value

The unit of account upon which the value of financial instruments is based is determined by IAS 39. In the NORD/LB Group the single financial instrument is the measurement unit, so long as IFRS 13 does not allow an exception.

The fair value of financial instruments according to IAS 39 in conjunction with IFRS 13 reflects the price at which an asset can be sold or a liability transferred in an ordinary transaction between market participants on the measurement date, i.e. the fair value is a market-related and not a company-specific value. According to IFRS 13, the fair value is the price that can either be observed directly or a price established by a measurement method which, in an ordinary transaction, i.e. a sale or a transfer, could be achieved on the main market or the most advantageous market on the measurement date. It is therefore an exit price, i.e. the measurement as at the measurement date is always based on a fictitious, possible market transaction. If there is a main market, the price on this market represents the fair value, independently of whether the price can be observed directly or will be calculated on the basis of a valuation method, and even if the price is potentially more advantageous on another market.

da) *Financial instruments which are reported at fair value in the balance sheet*

In the NORD/LB Group the three-stage fair value hierarchy is used with the Level 1, Level 2 and Level 3 terminology of IFRS 13.

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

Level 1

Under the fair value hierarchy, a financial instrument is categorised in Level 1 if it is traded on an active market and is used to establish the fair value of publicly listed market prices or prices actually traded on the over-the-counter market (OTC market). If no market prices or prices actually traded on the OTC market are available, in the measurement the feasible prices quoted by dealers are used for measurement purposes, with prices quoted by other banks or market makers being applied when price sources other than stock exchange quoted prices are used. These instruments are then assigned to Level 1 if there is an active market for these broker quotations, i. e. if only minor bid-ask spreads exist and there are several price suppliers with only marginally differing prices. If the broker quotations are for (mixed) prices or if the price is established on a non-active market, these are not assigned to Level 1, but to Level 2 of the measurement hierarchy, if the quotations concern binding offers, observable prices or market transactions.

The Level 1 prices are taken over without any adjustment. Level 1 financial instruments include trading assets and liabilities, financial instruments designated at fair value, financial assets recognised at fair value and other assets.

Level 2

In the event that no price quotes are available, the fair value is calculated by means of recognised measurement methods or models as well as by means of external pricing services, if measurement in this case is carried out either fully or to a significant degree using observable input data such as spread curves (Level 2). For the measuring of financial instruments, these methods include measurement methods which are established on the market (e. g. discounted cash flow method and the Hull-White model for options) whose calculations are always based on input parameters available on an active market. A requirement here is that variables which market participants would have taken into account when specifying prices are included in the measurement process. Wherever possible, respective parameters are taken from markets on which the instruments are issued or acquired.

Measurement models are employed primarily for OTC derivatives and securities listed on inactive markets. The models include a range of parameters such as for example market prices and other market quotations, risk-free interest rate curves, risk premiums, exchange rates and volatilities. The parameters for the models are always chosen using prevailing market methods.

For securities on the assets side for which there is no active market and for which measurement can no longer be based on market prices, fair value is determined for measurement purposes in accordance on the basis of discounted cash flows. For discounted cash flow methods, all payments are discounted by the risk-free interest rate curve adjusted for the credit spread. Spreads are determined on the basis of comparable financial instruments (for example on consideration of the respective market segment and the issuers credit rating).

The financial instruments in the NORD/LB Group to be measured in this manner are ascertained on the basis of individual securities and a subsequent separation into active and inactive markets. Changed market assessments are included in measurement. The identification, analysis and valuation of financial instruments in inactive markets take place in several areas of the Group, whereby the inactivity is assessed as objectively as possible. The measurement model for financial instruments for which no prices listed in active markets can be used is based on term-related interest rates, the credit rating of the respective issuer and where applicable further components such as foreign currency premiums.

Level 2 financial instruments include trading assets and liabilities, hedge accounting derivatives, financial assets and liabilities designated at fair value and financial assets recognised at fair value and other assets.

Level 3

Financial instruments for which there is no longer an active market and for which measurement can no longer be based completely on observable market parameters are allocated to Level 3. In comparison and in differentiation to Level 2 measurement, the Level 3 valuation employs models that are specific to the bank as well as data which is not observable on the market. The input parameters used in these methods include among other things assumptions about cash flows, loss estimates and the discount rate and are gathered as far as possible on a near-market basis.

The Level 3 method is partly used to measure interest-bearing securities, derivatives and asset-backed securities (ABS)/mortgage-backed securities (MBS) for which the market has been classified as being inactive. Additionally, loans intended for syndication and associated derivatives are allocated to Level 3. Individual tranches of collateralised debt obligations (CDO) and equity structures are also measured in accordance with Level 3. Level 3 financial instruments include trading assets and liabilities, financial instruments designated at fair value and financial assets recognised at fair value.

Establishing fair values

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

In the measurement appropriate consideration is given to all relevant factors such as the bid-ask spread, counterparty risk and typical discounting factors. In the context of the bid-ask spread, measurement is always based on the average price. The financial instruments concerned are in particular securities or liabilities whose fair values are based on prices listed on active markets and financial instruments such as OTC derivatives whose fair values are established using a measurement method and for which the average price is an observable input parameter in the measurement method.

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

For derivatives of OTC markets there are generally no listed prices available, the fair values are therefore established using other measurement methods. The fair values are initially measured using cash-flow models without taking into account the credit default risk. For the correct measurement of fair values, both the credit default risk of the counterparty (CVA) and the Bank's own credit default risk (DVA) need to be considered. The credit default risk is considered by way of an add-on.

Secured OTC derivatives are primarily measured by the NORD/LB Group using the current market standard of overnight index swap discounting (OIS discounting). This means that secured derivatives are not discounted with the tenor-specific interest rate, but with the OIS interest rate curve. Unsecured derivatives will continue to be discounted with the tenor-specific interest rate to establish their fair value.

For some of the NORD/LB Group's liabilities recognised at fair value the guarantor liability of the state of Lower Saxony, the state of Saxony-Anhalt and the state of Mecklenburg-Western Pomerania apply. The effect of the guarantee is considered in the fair value measurement of the liabilities.

db) Financial instruments which are reported at fair value for disclosure purposes

Basically the same rules apply for financial instruments whose fair value is established solely for disclosure purposes as for financial instruments whose fair value is reported in the balance sheet. The financial instruments include for example the cash reserve, loans and advances to and liabilities to banks and customers, certain debt securities and company shares, securitised liabilities and subordinated capital.

For the cash reserve and short-term loans and advances to and liabilities to banks and customers (sight deposits), the nominal value is considered to be the fair value due to their short-term nature.

For securities and liabilities, in practice, like with financial instruments recognised at fair value in the balance sheet, a range of measurement methods (e.g. market or reference prices or measurement models) are used. The discounted cashflow model is used as a rule. In order to establish the value a risk-free yield curve is often used and adjusted with risk premiums and where applicable other components. For liabilities NORD/LB's own credit default risk is used as the risk premium. An appropriate level allocation in the existing fair value hierarchy is made according to the significance of the input data.

For long-term loans and advances to and liabilities to banks and customers and for investments no observable market prices are available, as no observable primary or secondary markets exist. The fair value for these financial instruments is established using recognised measurement methods (discounted cash flow model). The input data for this model are the risk-free interest rate, a risk premium and where applicable further premiums to cover administrative and equity costs.

Further information on the fair value hierarchy and the fair values of financial instruments can be found in Note (59) Fair value hierarchy.

e) Measurement of investments which do not fall under IFRS 10, IFRS 11 or IAS 28

Investments which do not fall under IFRS 10, IFRS 11 or IAS 28 are measured at fair value. If the fair value of financial investments in equity instruments which do not have a listed price on an active market cannot be reliably established, they are measured at acquisition cost.

If investments are traded on an active market, the market / stock exchange price is used to determine the fair value. If it is not possible to use prices listed on active markets, the fair value is established using recognised measurement methods. The NORD/LB Group uses the income-value method. This method is allocated in the fair value hierarchy in accordance with IFRS 13 to Level 3 (cf. Note (59) Fair value hierarchy).

The fair value is calculated in the income-value method from the present value of the shareholders future net earnings associated with the ownership of the company.

The net earnings of shareholders, which are discounted to calculate the income value, relate primarily to the distributions of financial profits generated by the company. The starting point for calculating the fair value of the participating interest is a forecast for earnings performance for the current year, a detailed plan for the following year and where applicable the medium-term plan for up to the following four years (planning phase I). For the following years beyond the planning horizon of planning phase I in general perpetuity of the undertaking is assumed. For this purpose a perpetual annuity is calculated which should reflect the long-term situation of the associated company (planning phase II). These anticipated future profits are discounted taking into account the anticipated distributions on the reporting date.

The discount rate used reflects the yield from an adequate alternative investment in respect of maturity and risk to the investment in the associated company and is derived on the basis of a capital market model. It comprises the components of risk-free interest according to the base curve and the risk premium for future financial profits. The risk premium is the product of an average market risk premium and the beta factor which expresses the specific risk structure of the company to be valued. The beta factor describes as a relative measure to what extent the yield of the respective share in the associated company follows changes in the yield of the market portfolio.

In order to value investments in companies which are not listed on the stock exchange, comparison groups of similar titles traded on the stock exchange are formed and for each individual value the beta factor is calculated in relation to the respective broadest national index. In brief, the beta factor of the comparison group calculated in this way is a significant multiplier used when calculating the capitalisation interest.

f) Structured products

Structured products comprise two components – a basic contract (host contract, e. g. security) and one or several embedded derivative financial instruments (embedded derivatives, e. g. swaps, futures or caps). The two components are the subject matter of a single contract relating to the structured product, i. e. these products constitute a legal unit and may not be negotiated separately due to the circumstance of a contractual unit.

In accordance with IAS 39 an embedded derivative is to be separated from the host contract and accounted for as a separate derivative provided that all of the following criteria are fulfilled:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative financial instrument would meet the definition of a derivative financial instrument.
- The structured product is not measured at fair value through profit or loss.

If separation of financial instruments is obligatory, these financial instruments are measured and recognised separately in the NORD/LB Group, provided they have not been classified as AFV. The host contract is accounted for in compliance with the regulations of the category to which a financial instrument is allocated and embedded derivatives are accounted for at fair value through profit or loss as part of the trading assets or trading liabilities.

g) Hedge accounting

Hedge accounting is the balance sheet presentation of hedging relationships. In this framework, hedging relationships are established between underlying items and hedging transactions. The aim is to avoid or reduce fluctuations in profits and equity resulting from differing measurements of underlying and hedging transactions.

A distinction is made between three basic forms of hedges, each needing to be handled differently in hedge accounting. The fair value hedge involves the hedging of (parts of) assets and liabilities against changes in fair value. In particular investment and lending transactions in the Group as well as the security portfolios under liquidity control, provided that the securities bear interest, are subject to this type of risk in changes to value. Both individual transactions and portfolios are hedged by fair value hedges. Currently the fair value is only hedged against interest rate risk. Changes in the fair values of assets and liabilities are hedged in single-currency portfolios in euros and US dollars. Interest rate swaps and currency swaps are mainly used to hedge these risks.

The two other basic forms, the cash flow hedge and the hedge of a net investment in a foreign operation, are currently not used in the NORD/LB Group.

Only hedging relationships which have fulfilled the restrictive requirements of IAS 39 may be reported in accordance with the regulations of hedge accounting. Hedge accounting requirements, in particular evidence of the effectiveness of the hedge transaction, must be met for each hedging relationship on each balance sheet reporting date. The critical term match method, the market data shift method and the regression method are applied in the Group for the prospective conducting of effectiveness tests. The modified dollar offset method is primarily used in the Group for retrospective effectiveness tests. This method takes account of the problem of small numbers in the case of minor changes in the value of underlying transactions and hedges by means of an additional tolerance limit. Deutsche Hypo uses the regression method for the retrospective effectiveness test.

In the fair value hedge portfolio, for the retrospective effectiveness test disposals from the hedged portfolio of underlying transactions were previously dealt with using the bottom layer method.

In accordance with the fair value hedge accounting rules, derivative financial instruments used for hedging purposes are reported at fair value as positive or negative fair values from hedge accounting (Note (39) and Note (52) Positive and negative fair values from hedge accounting derivatives). The changes in valuation are recognised in the income statement (Note (25) Profit/loss from hedge accounting). Changes in fair value resulting from the hedged risk of hedged assets or hedged liabilities are also recognised through profit or loss in the profit/loss from hedge accounting item.

When employing hedge accounting for financial instruments in the annual financial statements category, the portion of any change in fair value relating to hedged risks is recognised in profit or loss as profit/loss from hedge accounting, while the portion of a change in fair value which is not related to the hedged risk is accounted for in the revaluation reserve.

In micro fair-value hedge accounting, financial instruments measured at amortised cost are adjusted in the balance sheet item by the change in fair value resulting from the hedge risk (hedge adjustment).

Changes in the fair value of underlying asset and liability-side transactions related to the hedged interest-rate risk in the fair-value hedge-accounting portfolio are reported under the adjustment item for hedged financial instruments in the fair-value hedge portfolio on the assets side or liabilities side of the balance sheet. Underlying transactions relating to AfS items carried as assets continue to be reported at their full fair value under financial assets . There are currently asset and liability items in the fair-value hedge portfolio.

A hedge relationship is terminated when the basic transaction or the hedging transaction expires, is sold or exercised or when hedge-accounting requirements are no longer fulfilled; for underlying transactions in effective hedges cf. Note (68).

h) Repos and Securities Lending

In the case of genuine repos, transferring the securities sold under repurchase agreements does not lead to derecognition, as the transferring entity essentially retains all the risks and rewards associated with the ownership of the repurchased securities. The asset transferred must therefore still be reported by the transferor and measured according to its respective category. Payment received is carried as a financial liability (in liabilities to banks or liabilities to customers, depending on the counterparty). Interest payments agreed are reported as interest expenses over the respective terms.

Reverse repo transactions are reported accordingly as loans and advances to banks and customers and are allocated to the loans and receivables (LaR) category. Securities for sale and repurchase which constitute the basis of the financial transaction are not reported in the balance sheet. Interest resulting from such transactions is reported as interest income over the respective term.

Security sale agreements with a repurchase option were not concluded in the NORD/LB Group.

Principles which apply for reporting genuine repurchase transactions also apply for securities lending transactions. Securities lent are reported as security portfolios and measured in accordance with IAS 39, while borrowed securities are not reported. Cash collateral pledged for security lending transactions is reported as a claim and cash collateral received is reported as a liability.

With regard to the scope and the volume of security sale and repurchase agreements and securities lending transactions, Note (63) Offsetting of financial assets and liabilities and Note (64) Transfer and derecognition of financial assets are referred to.

i) Securitisations

Various financial assets relating to lending business are securitised, either in synthetic securitisation using credit derivatives or by non-recourse factoring to special purpose entities (SPEs), which in turn issue securities to investors (true sale securitisation). Interest and capital repayments resulting from such securities are directly linked to the performance of the underlying claim, and not to that of the issuer.

The accounting of such transactions depends on the method of securitisation. Assets relating to synthetic securitisation remain in the balance sheet and are reported with the credit derivatives concluded in accordance with IAS 39 regulations. In the case of true sale securitisation, the assets are written off if the opportunities and risks relating to these assets have been (virtually) fully transferred to the SPE. With securitisation transactions at the NORD/LB Group normally (virtually) all of the opportunities and risks are transferred to the SPE or the buyer. Assets of consolidated SPEs remain in the NORD/LB Group's consolidated balance sheet.

(8) Risk Provisioning

Risks relating to lending business are accounted for by forming specific valuation allowances, lumpsum specific loan loss provisions and general loan loss provisions.

Recoverability is reviewed for all significant claims at individual transaction level. Risk provisions cover all recognisable credit risks in the form of specific valuation allowances. A valuation allowance is required when observable criteria indicate that it is likely that not all the interest and capital repayments or other obligations will be met on time. The essential criteria for a valuation allowance are for example the default on interest and capital payments or a delay in such payments of more than 90 days, considerable financial difficulties on the part of the debtor such as arithmetic and actual insolvency or the long-term negative consequences of a restructuring. These criteria also include concessions made by lenders such as interest exemption, write-off of debt or deferred repayment, impending insolvency and impending restructuring proceedings.

With ship financing the essential criteria for a valuation allowance are interest deferrals and/or deferred repayment, concessions such as the granting of restructuring loans to support the liquidity of borrowers or individual ships, and threatened insolvency.

The amount of the specific valuation allowance is calculated as the difference between the carrying amount and the recoverable amount as the present value of the anticipated future cash flows.

If the criteria for a valuation allowance have been met for claims which are not significant, these claims are concentrated in narrowly defined portfolios with similar risk structures, measured by a standard method and are the subject of an appropriate flat-rate specific valuation allowance. The calculation is made on the basis of historical probabilities of default and loss rates.

To cover impairments which have occurred but have not yet been identified, general loan loss provisions are made. These are calculated on the basis of historical probabilities of default and loss rates, with the portfolio-specific loss identification period factor (LIP factor) also being considered.
The parameters employed in the lumpsum specific loan loss provisions and the general loan loss provisions derived from the Basel II system.
The total amount of loan loss provisions resulting from balance sheet business is recognised as a separate item under assets in the balance sheet.
Risks relating to off-balance sheet transactions (guarantees, endorsement liabilities and loan commitments) are accounted for by a loan loss provision.
Irrecoverable loans for which there is no specific valuation allowance are written off immediately. Payments received for written-off loans and advances are recognised in profit or loss.
Financial assets classified as LaR are only written off directly.

(9) Property and Equipment

Property and equipment are recognised at cost on the date of addition. Subsequent costs are capitalised if they result in a significant improvement in the asset and therefore increase the future economic benefit of the asset. Property and equipment subject to wear are reported upon subsequent measurement less scheduled straight-line depreciation charged over the useful life. Impairments are charged at the amount at which the carrying amount exceeds the higher amount of fair value less the cost of disposal and value in use of the asset. If reasons for impairment no longer exist, write-ups (appreciations in value) are carried out, but not in excess of the amount of amortised cost. Scheduled depreciation is recognised under administrative expenses and impairments and write-ups in other operating profit/loss. Property and equipment is depreciated over the following periods:

	Property and equipment
Land and buildings	10 – 50
Operating and office equipment	3 – 25
Ships	25
Other property and equipment	3 – 25

(10) Leases

In accordance with IAS 17, leases must be classified as finance or operating leases at the inception of a lease. If essentially all of the opportunities and risks associated with ownership are transferred to the lessee, the lease is classified as a finance lease and the leased asset is accounted for by the lessee. If essentially all of the opportunities and risks associated with ownership are not transferred to the lessee, the lease is classified as an operating lease and the leased asset is accounted for by the lessor.

Finance lease

If the NORD/LB Group is deemed the lessee, the leased property is capitalised at fair value or the present value of the future leasing payments if this is lower than the fair value; at the same time an obligation for rent instalments payable in future is reported as a liability. Any initial direct costs incurred are capitalised along with the asset (leased property). The asset is reported under property and equipment, investment property or intangible assets, and the liability (future rent instalments) as liabilities to banks or customers.

If the NORD/LB Group is considered to be the lessor, a receivable to the amount of the lessee's payment obligations resulting from the lease is reported at the inception of the lease. The receivable is reported at the net investment value (difference between the gross investment in the lease and finance income not yet realised) and is shown in other loans and advances to banks or loans and advances to customers. Any additional costs incurred are spread over the term of the contract. Lease payments relating to a finance lease are split into a capital and an interest amount. The capital amount is deducted from loans and advances directly in equity. The interest amount is accounted for as interest income through profit or loss.

Operating lease

If the Group is considered to be the lessee in operating leases, lease payments made are reported as an expense in other administrative expenses. Initial direct costs (for example costs for appraisers) are immediately recognised through profit or loss.

(11) Investment Property

Investment property is considered to be land and buildings or parts of buildings held to generate rental income and/or for the purpose of capital appreciation. Properties where more than 20 per cent of the leased floor space is utilised by third parties are examined to determine whether the part used by third parties can be separated. If this is not the case then the whole property is reported in property and equipment.

Investment property is reported at cost on the date of acquisition; transaction costs are included in initial measurement. Subsequent costs are capitalised if they result in a significant improvement in the asset and increase the future economic benefit of the asset.

Upon subsequent measurement of investment properties scheduled straight-line depreciation is charged. Impairments are charged at the amount at which the carrying amount exceeds the higher amount of fair value less the cost of disposal and value in use of the asset. If the reasons for impairment cease to exist, impairment losses are reversed, but not above the amortised cost. Scheduled depreciation is recognised under administrative expenses and impairments and write-ups in other operating profit/loss.

Investment property is depreciated over a period of 25 to 50 years.

The income value method is used, based on market data, to calculate the fair value of investment property. The valuation is carried out in part by independent experts who are appropriately qualified and relevant experience.

(12) Intangible Assets

Mainly software that is either purchased or internally developed is reported as intangible assets.

Intangible assets which are acquired by the NORD/LB Group are reported at cost of acquisition Intangible assets internally developed are capitalised at the production cost if the accrual of an economic benefit is probable and the expenditure can be reliably determined. If the capitalisation criteria are not satisfied, the costs are immediately reported though profit and loss. The capitalised costs for internally developed software cover both expenditure for internal and external services during the development phase and are directly allocable (especially for customising and test activities).

Subsequent costs are capitalised if they result in a significant improvement in the asset and therefore increase the future economic benefit of the asset.

Scheduled straight-line depreciation over the useful life is charged for intangible assets with a finite useful life. Impairments are charged at the amount at which the carrying amount exceeds the higher of fair value less cost of disposal and value in use of the asset for intangible assets with a finite useful life. If the reasons for the impairment no longer exist, write-ups are carried out, but not in excess of the amortised cost. Scheduled depreciation is recognised under administrative expenses and impairments and write-ups in other operating profit / loss.

Intangible assets with a finite useful life are amortised over a period of two to 15 years.

Intangible assets with an indefinite useful life are tested at least once a year in the fourth quarter for their recoverability. The value of goodwill is reviewed on the basis of cash generating units (CGUs).

There are no intangible assets with an indefinite useful life at NORD/LB Group.

(13) Assets Held for Sale

Longer-term assets or disposal groups held for sale whose carrying amounts are realised through a sale and not through operational use are recognised in separate balance sheet items if they are immediately saleable in their present condition and a sale is highly likely. A sale is considered to be highly likely if the relevant management level has set a plan for the sale and the search for a purchaser and implementation of the plan has actively commenced. Further, the long-term assets or disposal groups are being offered at a price that is proportionate to the current fair value. Further, it must be possible to consider the sale complete as expected within a year of the date of its classification for recognition and the measures required for implementing the plan must permit the conclusion to be drawn that material changes to or cancellation of the plan appear unlikely. Such assets are measured at fair value less costs of disposal provided that these costs do not exceed the carrying amount. Longer-term assets held for sale are no longer amortised as at the date of reclassification. Impairment losses resulting from longer-term assets and disposal groups held for sale are, however, taken into account.

No entire business divisions were discontinued in 2014 or in 2013.

(14) Provisions for Pensions and similar Obligations

Pension obligations from defined benefit plans are calculated in accordance with IAS 19 by independent actuaries as at the balance sheet date in accordance with the projected unit credit method. Plan assets which are invested in order to cover defined benefit pension obligations and similar benefits are measured at their fair value and offset against the corresponding liabilities.

Differences between the assumptions made and developments that have actually taken place and changes in the assumptions for the measurement of defined benefit plans and similar liabilities result in actuarial gains and losses which are recognised in the year that they occur under other comprehensive income.

Interest is added to the balance of defined benefit pension obligations, similar benefits and plan assets (net pension obligation) using the discount rate used in the measurement of the gross pension obligation. The resulting net interest expense is recognised in the income statement under interest expenses. The other expenses related to the granting of pension obligations and similar benefits, which primarily relate to entitlements earned in the financial year, are considered in the income statement under administrative expenses.

In order to establish the present value of defined benefit obligations, in addition to biometric assumptions, the discount rate calculated using the Mercer Yield Curve Approach (MYC) for first-class industrial securities and anticipated future salary and pension increase rates are taken into account. For the projection of mortality and invalidity, Klaus Heubeck's "Richttafeln 2005 G" mortality tables were used. Gains or losses from the reduction or payment of a defined benefit plan are recognised at the time of the reduction or payment through profit or loss. The defined benefit obligation is calculated based on the following actuarial assumptions:

(in %)	31 Dec. 2014	31 Dec. 2013
Domestic		
Actuarial interest rate	2.20	3.70
Increase in salaries	2.08	2.00
Increase in pensions (contingent on the occupational pension scheme)	2.75 / 2.87 / 1.00 / 2.0 / 2.50 / 3.50	2.75 / 2.87 / 1.00 / 2.0 / 2.25 / 3.25
Cost increase rate for allowance payments	3.50	–
Mortality, invalidity, etc.	Based on Heubeck 2005G mortality tables	Based on Heubeck 2005G mortality tables
Abroad (weighted parameters)		
Actuarial interest rate	3.47	4.49
Increase in salaries	4.15	4.43
Increase in pensions	2.82	2.81
Mortality, invalidity, etc.	USA RP-2014, GB S1PMA Light/ S1PFA light base tables with CMI 2014 projections basis, LUX DAV 2004 R	USA RP-2000, GB S1PMA Light/ S1PFA light base tables with CMI 2013 projections basis LUX DAV 2004 R
Inflation	3.21	3.48

(15) Other Provisions

Other provisions are established for uncertain liabilities to third parties and anticipated losses on pending transactions if a current legal or de facto obligation arises from a past event, utilisation is likely and if its amount can be reliably determined. The valuation of provisions is measured using the best-possible assessment on reasonable consideration of the amount needed for fulfilment of the current obligation (or transfer of the obligation to an independent third-party) on the reporting date. Management is responsible for making this assessment. Empirical values from similar transactions and, as need be, reports or opinions from experts are included. Risks and uncertainties are acknowledged by valuing the obligation with the most likely event from a range of possible events. Future events which may influence the amount required to meet an obligation are only included if there are objective indications of their occurrence. Provisions are discounted if the effect is material.

(16) Insurance Business

Insurance business is recognised in current balance sheet and income statement items. Where these significant components of a balance sheet and income statement item refer to sector-specific insurance business, information is presented in the corresponding notes. Please refer in particular to Note (23) Net commission income, (29) Other operating profit/loss, (46) Other assets, (53) Provisions, (56) Other liabilities. Insurance company investments that fall within the scope of application of IAS 39 are recognised in accordance with accounting policies which apply for the entire Group. Investments for the account and risk of holders of life insurance policies are reported at fair value through profit or loss.

In accordance with IFRS 4.13, insurers may temporarily report insurance items in accordance with the previously applied accounting regulations. Provisions relating to insurance are therefore reported and measured in accordance with commercial law in keeping with IFRS 4.25. For consolidated insurers this law is German commercial law, and in particular §§ 341 to § 341p of the German Commercial Code (Handelsgesetzbuch, HGB), the German Law Regulating Insurance Companies (Versicherungsaufsichtsgesetz, VAG) and the German Insurance Accounting Ordinance (Versicherungsunternehmens-Rechnungslegungsverordnung, RechVersV). Unlike under the German Commercial Code, an equalisation provision or similar provision is not allowed to be made under IFRSs.

The application of German accounting principles to measure insurance obligations in accordance with IFRS 4 also involves the principle of prudence. In this case, in the event of uncertainty concerning the amount of a value, the tendency is to include a conservative value instead of the most probable value. This ensures that when values are determined in accordance with German commercial law, liability adequacy tests in accordance with IFRS 4.14 (b) will already have been performed.

Premium surpluses for insurance business concluded directly have been calculated in accordance with the 360th system in accordance with the coordinate Ländererlass (state decree) of 9 March 1973. Reinsurer shares are taken from their calculation. Premium surpluses for insurance business taken over as reinsurance are assumed in accordance with the functions of the previous insurance company.

Actuarial reserves for insurance business concluded directly, including the relevant share in surpluses and the corresponding claims on policy holders, are calculated on an individual contract basis with implicitly calculated costs for each insurance contract. With the exception of unit-linked life insurance and annuity insurance policies, prospective methods are applied here. Calculations of bonus and administrative cost provisions for existing and new contracts are based on the same accounting principles as for the relevant primary insurance policy. The biometric accounting principles employed have been derived from Deutsche Aktuarvereinigung e.V. (German Association of Actuaries) and comply with requirements of the General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz, AGG).

In insurance business concluded directly, individual provisions for unsettled insurance claims are created for each reported insurance claim and adjusted if necessary if new findings are made. Long-tail claims are reported globally on the basis of statistical measurement methods. Reinsurer shares were taken over from their calculation. A corresponding provision is established for redemptions in the case of paid-up and cancelled insurance policies. The provision for business assumed as reinsurance is reported in accordance with the functions of the previous insurance company. Some of the values stated are estimates due to the late submission of final accounts.

The provision for the reimbursement of premiums contains amounts which have been provided for future distribution to policy holders in accordance with the law or the statutes. Calculations for final surplus share funds contained in provisions for the reimbursement of insurance contributions are prospective and have all been calculated on an individual contract basis. Amounts resulting from temporary differences between conclusions according to IAS/IFRSs and those according to German commercial law are proportionately allocated to a deferred provision for the reimbursement of insurance contributions.

Insofar as the investment risk is borne by policy holders, the retrospective method is applied for calculating the value of insurance provisions in life insurance from the current investment units of the individual insurers in the corresponding item on “Investments for the account and risk of holders of life insurance policies”.

Financial assets and liabilities specific to insurance held in the NORD/LB Group are accounted for in accordance with IFRS 4. These are net deposit receivables and payables from lending and deposit reinsurance business, amounts receivable and amounts payable from reinsurance business and amounts receivable and amounts payable under direct insurance contracts. These items are recognised at their settlement value. Any allowances required for receivables from insurance business concluded directly are reported in loan loss provisions.

(17) Income Taxes

Current income tax assets and tax liabilities were calculated at currently valid tax rates to the amount expected to be received from / paid to the respective tax authority or to the amount of tax refunds expected to be received from the respective tax authority.

Deferred tax assets and tax liabilities are calculated on the basis of the difference between the carrying amount of an asset or a liability in the balance sheet and the corresponding tax value. In this case, deferred tax assets and tax liabilities will probably result in effects which increase or reduce income tax in future periods due to temporary differences. They were measured on the basis of tax rates expected to be valid in the period in which an asset is realised or an obligation is met. In this case tax rates (and tax regulations) which are valid for individual companies on the balance sheet date or which have been resolved by the reporting date are applied.

Deferred tax income for carrying forward tax losses not yet utilised and tax credits not yet utilised is only reported to the extent that it is probable that taxable future income will be available for applying tax losses not yet utilised and tax credits not yet utilised.

Current income tax assets and tax liabilities as well as deferred tax assets and tax liabilities are offset when requirements for offsetting are met. They are not discounted. Depending on the treatment of the underlying circumstances, deferred tax assets and tax liabilities are reported either in the income statement or in other comprehensive income.

Income tax assets and income tax liabilities are shown separately in the balance sheet and separated into actual and deferred assets and liabilities for the year under review. The carrying amount of deferred tax asset is reviewed for recoverability as at every balance sheet date.

Taxes on earnings or income tax proceeds are recognised in the income tax item in the consolidated income statement.

(18) Subordinated Capital

The subordinated capital item comprises secured and unsecured subordinated liabilities, participatory capital and silent participations. The NORD/LB Group’s silent participations are mostly classified as debt in accordance with regulations specified in IAS 32 due to contractual cancellation rights; under the German Commercial Code silent participations always qualify as equity. From a regulatory perspective, these are recognised as Common Equity Tier 1 as defined in CRR as part of the transitional provisions.

Subordinated capital is reported at amortised cost. Premiums and discounts are distributed over the term in accordance with the effective interest method and recognised in the income statement under net interest income. Deferred interest not yet due is allocated directly to the corresponding items in subordinated capital.

Segment Reporting

The segment reporting provides information on the operational business areas of the Group. The segment reporting below is based on IFRS 8 "Operating segments", which follows the "management approach". The segment information is presented in the IFRSs on the basis of internal reporting in the same way that it is reported internally on a regular basis for assessing performance and making decisions on the allocation of resources to the segments. In the segment reporting adjustments of figures for the previous year are taken into account (cf. Note (2) Adjustment of figures for the previous year).

Segment reporting by business segment

The business segments are defined as customer or product groups which reflect the organisational structures and therefore the internal control of the Group. Calculations are based on the internal data of Group member companies. The internal control focuses on the operational units' earnings before tax.

An important criterion for the formation of business segments is the greatest possible homogeneity of the customers aggregated in the segment in relation to financing and investment requirements and the products demanded. It is not possible to recognise dependencies on individual customers. The product ranges offered in the segments are described below and the earnings generated are shown in the overview. The product range offered comprises classical lending business and syndicate business, savings and giro products, securities, currency and derivative transactions, complex structured financing solutions, private banking products, liquidity and risk management, mergers and acquisitions, services such as accounting management, payment transactions, securities business, brokering, documentary business, credit processing, sureties, guarantees and advisory services for asset management.

Net interest income generated by the individual segments is calculated on the basis of the market-interest rate method. In the process the contribution from the interest rate conditions for each customer transaction is calculated by comparing the customer conditions with the structure-congruent market-interest rate for a fictitious counter transaction applicable at the time the transaction is completed. This market-interest rate is at the same time the cost value for the Treasury Division's balancing provision. Therefore interest income and interest expenses are not reported gross. The income from financing from tied-up equity is allocated to the market segments.

In the Bank every interest-bearing customer transaction is allocated to the balancing provision of the Treasury Division as the central planning division. There are no direct business relations between the market divisions in the Bank. Therefore inter-segment income is not included in the internal reporting.

Segment expenses comprise primary expenses, expenses allocated on the basis of cost and service allocations and allocated overhead costs. Risk provisionings are allocated to segments on the basis of actual costs incurred. Overall bank revenue, such as general valuation allowances and profit/loss from hedge accounting and overhead costs, is not allocated to the operational business segments of the Bank but to the segment "Group Controlling/Others".

In addition to figures relating to the statement of comprehensive income, the segment report also shows Total risk exposure amount (TREA) to be allocated on the basis of CRR/CRD IV including shortfall, segment assets and liabilities, committed capital, the cost income ratio (CIR) and return on equity (RoE). The CIR is defined as the ratio between administrative expenses and the sum total of the following income items: net interest income, net commission income, profit/loss from financial instruments 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. RoRaC (Return on Risk adjusted Capital) calculations in the segments include the contribution to income after risk provisioning and valuation on committed capital (here 8 per cent of the higher value of the TREA limits and the amount called on).

Capital tied up in the segments is calculated on the basis of average annual figures. The reconciliation figure for the tied-up capital reported in the business segments and the long-term equity in the Group in accordance with commercial law is included in the segment reconciliation. A transfer from long-term equity under commercial law to equity reported in the balance sheet is shown separately at the end of the segment overview.

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

Private and Commercial Customers

As well as business with private, individual, commercial and small-business customers, this business segment includes middle-market corporate customer business in the Braunschweig region. Up until 30 September 2014 the current results of Öffentliche Lebensversicherung Braunschweig and Öffentliche Sachversicherung Braunschweig are also recognised here (see also Note (5) Basis of consolidation).

The product range for the segment private and commercial customers is based on the savings bank finance concept (S-finance concept) and comprises all of the usual banking services and products for account and lending business, savings and investment business and the provision of internet banking and direct brokerage. Extended services for wealthy private customers range from the integrated advisory approach of asset structure analysis, financial planning, asset succession and inheritance and foundation management. The product range also includes investment loans and start-up advice for the middle-market company business.

Corporate Customers & Markets

The business segment includes, for the Corporate Customers Division, all of the NORD/LB business conducted with corporate customers in the core regions (excluding the Altes Braunschweiger Land region) and in neighbouring regions, and in particular Agricultural Banking and Residential Housing. The Markets Division covers the Financial Markets activities performed in Germany, the foreign branches and in the Group companies on behalf of customers. The Savings Bank Network division covers transactions with the public sector; institutional business with associated savings banks and syndicated business transacted with associated savings banks are reported.

As a full-service provider, banking products and banking services are offered. The services include traditional transaction management, tailored business financing, management of interest and currency risk and solutions for company pension schemes. In the segment comprehensive solutions are developed for complex business financing and for the strategic positioning of corporate customers. This division also provides its customers with a professional, conceptual liquidity and risk management, measures for the structuring of equity and innovative financing instruments.

Alternative products which are detached from retail banking including derivatives are also offered, e. g. special kinds of debt securities which are not standardised in respect of their interest and repayment, but instead offer alternatives in respect of returns and the type or time of repayment (structured securities). In the secondary business all kinds of securities are sold and traded. Tailored solutions for institutional customers such as for example the structuring of special funds, pool funds solutions, portfolio management mandates and institutional public funds are also offered.

The product range also includes Private Banking products for the savings banks, such as investment products in the form of for example open or closed funds with assets in German or foreign real estate or aircraft, products for individual asset management or inheritance or foundation management, which the savings banks require as direct customers for their own trading business or to complete their product range in their own business with private or corporate customers.

In the Energy and Infrastructure Customers, Ship and Aircraft Customers and Real Estate Banking Customers segments traditional lending products and innovative products are generally offered irrespective of the respective industry. This primarily concerns financing for specific purposes.

Energy and Infrastructure Customers

This business segment summarises the global business relations of the Group companies NORD/LB and Bremer Landesbank in the Infrastructure, Energy (in particular renewable energy) and Leasing divisions. Primarily project financing which is related to a specific project or asset is offered and accordingly tailored to meet the respective individual need. The structure of this financing is developed taking into account the respective political and economic risks, legal and task factors, social determinants and optimal equity structures. The aim is to tailor project requirements and cash flows to the respective customers.

Ship and Aircraft Customers

In this business segment the national and international activities of NORD/LB and Bremer Landesbank in ship and aircraft financing are reported. The customers of the Ship and Aircraft Customers segment are offered short to long-term financing for their projects, such as equity pre-financing, interim finance, construction period finance (short and medium term) and financing to completion (long term). Ships or aircraft are financed by the provision of loans or guarantees on a property-related and normally property-secured basis. Products such as for example swap, option, future or forward transactions complete the product range.

Real Estate banking Customers

Here NORD/LB's and Deutsche Hypo's national and international financing of commercial real estate and Bremer Landesbank's financing of community interest properties are aggregated. This normally concerns structured financing for large-volume commercial real estate projects and portfolios in Germany and abroad. Both interim finance for new construction projects and long-term loans for existing properties are offered.

Group Controlling / Others

This segment covers all other performance data directly related to the business activity such as Group companies not included in the segments, components of comprehensive income at Group level which are not allocated to the segments, general loan loss provisions, the profit / loss from other financial instruments (in particular from central valuation effects), financial assets and hedge accounting, projects covering the entire bank; consolidation items; profit / loss from interest-rate-change-risk control, balancing provision, liquidity management and self-induced assets (in particular Treasury and Bank Asset Allocation). Other operating profit/loss includes the bank levy.

Earnings after taxes in Group Controlling / Others totalled EUR-110 million in the fourth quarter of 2014.

Positive contributions were made by net interest income in the amount of € 295 million, and in particular € 273 million from Financial Markets activities recorded here. Also recognised in this segment under risk provisioning are reversals, primarily related to the consolidations, in the amount of approx. € 37 million.

Net commission income had a negative effect in the amount of € –45 million, due in particular to guarantees relating to securitisation transactions and consolidations.The profit / loss from financial instruments at fair value is negative in the amount of € 41 million due in particular to the central valuation effects reported here; variables are valuation losses from the counterparty-specific default risk with derivatives and US-$ / € base spread changes for currency derivatives and valuation results due to fair value option. The profit / loss from hedge accounting had a positive effect in the amount of approx. € 43 million.

Also reported in this segment are the effects from the profit/loss from financial assets (€ –23 million, in particular from impairments from AfS items) and the profit/loss from investments accounted for using the equity method (€ –37 million due to negative changes in the value of investments). The bank levy has a particular impact on the other operating profit / loss (€ –36 million).

Administrative expenses in this business segment total € 254 million. Administrative expenses in this segment result in the amount of € 95 million from the Financial Markets activities reported here and € 49 million from other Group companies. Further administrative expenses (€ 192 million) in this segment are for projects covering the entire bank and non-allocated service centre costs. This was offset in part by consolidations in the amount of € –82 million.

Furthermore, in the fourth quarter of 2014 reorganisation expenses (€ 49 million) and expenses related to public guarantees for reorganisation (€ 1 million) were incurred.

Reconciliations

Here the reconciliation items from internal accounting for the consolidated figures in the income statement are shown as well as reclassifications of profit and loss items that are reported differently in the internal reporting to in the external reporting. The shortfall in the regulatory capital requirement is converted into TREA within internal reporting and assigned to the operational units; the adjustment item resulting from the regulatory TREA report flows into the reconciliation.

Regions

The earnings before risk provisioning, earnings before taxes, segment assets and segment liabilities are allocated regionally based on the respective location of the branch or Group company. Consolidations are shown separately.

(19) Segment Reporting by Business Segments

1 Jan.–31 Dec. 2014/ 31 Dec. 2014 (in € million)	Private and Commercial Customers	Corporate Customers & Markets	Energy and Infrastructure Customers	Ship and Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	271	536	171	463	245	295	5	1 985
Loan loss provisions	– 3	2	–	721	50	– 37	4	735
Net interest income after loan loss provisions	**274**	**534**	**171**	**– 257**	**195**	**332**	**1**	**1 250**
Net commission income	39	110	66	45	4	– 45	– 35	185
Profit/loss from financial instruments at fair value through profit or loss	3	21	– 9	15	8	– 41	91	87
Profit/loss from hedge accounting	–	–	–	–	–	43	–	43
Profit/loss from financial assets	16	–	–	–	–	– 23	4	– 3
Profit/loss from investments accounted for using equity method	–	–	–	–	–	– 37	–	– 37
Administrative expenses	291	284	87	127	71	254	12	1 125
Other operating profit/loss	– 17	13	4	1	–	– 36	– 40	– 75
Profit/Loss before reorganisation and taxes	**24**	**394**	**146**	**– 324**	**136**	**– 60**	**10**	**325**
Reorganisation expenses	–	–	–	–	–	– 49	–	– 48
Expenses for public guarantees related to reorganisation	–	–	–	–	–	– 1	–	– 1
Earnings before taxes (EBT)	**24**	**394**	**146**	**– 324**	**136**	**– 110**	**10**	**276**
Taxes	–	–	–	–	–	–	71	71
Consolidated profit	**24**	**394**	**146**	**– 324**	**136**	**– 110**	**– 61**	**205**
Segment assets	7 729	62 799	15 535	28 238	16 487	65 712	1 107	197 607
of which: investments at equity	44	–	–	–	–	273	–	318
Segment liabilities	7 270	51 918	3 152	5 225	667	125 797	3 579	197 607
Total risk exposure amount	4 690	17 016	7 258	43 311	9 812	10 608	– 23 463	69 231
Capital employed[1)]	387	1 353	581	3 466	771	1 423	– 703	7 277
CIR	98.4 %	41.8 %	37.3 %	24.3 %	27.6 %			51.4 %
RoRaC/RoE[2)]	5.0 %	26.5 %	22.2 %	– 9.4 %	14.6 %			3.8 %

1 Jan.–31 Dec. 2013/ 31 Dec. 2013 (in € million)	Private and Commercial Customers	Corporate Customers & Markets	Energy and Infrastructure Customers	Ship and Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	286	495	159	489	258	198	45	1 931
Loan loss provisions	– 2	45	8	678	79	64	– 26	846
Net interest income after loan loss provisions	**288**	**450**	**151**	**– 188**	**180**	**134**	**71**	**1 085**
Net commission income	31	103	56	34	4	– 23	– 43	163
Profit/loss from financial instruments at fair value through profit or loss	3	55	12	23	17	– 13	– 14	83
Profit/loss from hedge accounting	–	–	–	–	–	– 10	–	– 10
Profit/loss from financial assets	13	–	–	–	–	16	– 18	11
Profit/loss from investments accounted for using equity method	–	–	–	–	–	33	–	33
Administrative expenses	329	285	79	115	74	272	13	1 167
Other operating profit/loss	32	8	4	5	–	41	– 41	49
Profit/Loss before reorganisation and taxes	**38**	**332**	**144**	**– 242**	**128**	**– 94**	**– 59**	**247**
Reorganisation expenses	–	–	–	–	–	– 38	–	– 38
Expenses for public guarantees related to reorganisation	–	–	–	–	–	– 69	–	– 69
Earnings before taxes (EBT)	**38**	**332**	**144**	**– 242**	**128**	**– 201**	**– 59**	**140**
Taxes	–	–	–	–	–	–	– 85	– 84
Consolidated profit	**38**	**332**	**144**	**– 242**	**128**	**– 201**	**25**	**224**
Segment assets	10 801	65 457	14 047	26 335	16 374	67 583	226	200 823
of which: investments at equity	–	–	–	–	–	306	–	306
Segment liabilities	11 145	43 364	2 952	4 974	733	136 308	1 346	200 823
Total risk exposure amount	5 489	15 422	7 231	43 287	13 018	14 156	– 30 103	68 500
Capital employed[1]	462	1 237	578	3 463	1 041	1 106	– 66	7 822
CIR	93.6 %	43.0 %	34.4 %	20.9 %	26.3 %			51.9 %
RoRaC/RoE[2]	8.2 %	19.8 %	19.1 %	– 7.0 %	10.1 %			1.8 %

(in € million)	31 Dec. 2014	31 Dec. 2013
Long-term equity under commercial law	7 277	7 822
Revaluation reserve	420	122
Silent participations in reported equity	205	224
Reported equity	**7 902**	**8 169**

[1] Transfer of long-term equity under commercial law to reported equity capital

[2] RoRaC at business level:
Earnings before taxes / committed core capital (8 per cent) of the higher of the RWA limits and the amount called on).

RoE at company level:
Earnings before taxes / long-term equity under commercial law
(= reported equity capital – revaluation reserve – Earnings after taxes).

The tables may include minor differences that occur in the reproduction of mathematical operations.

(20) Segment Reporting by Geographical Segment

1 Jan.–31 Dec. 2014 / 31 Dec. 2014 (in € million)	Federal Republic of Germany	Europe excluding Germany	America	Asia	Consolida-tion	NORD/LB Group
Earnings before risk provisioning [1]	2 098	252	88	63	– 313	2 188
Earnings before taxes (EBT)	152	187	70	52	– 185	276
Segment assets	193 858	27 165	4 604	4 025	– 32 044	197 607
Segment liabilities	195 050	25 973	4 604	4 025	– 32 044	197 607
Total risk exposure amount	61 191	9 211	2 176	1 921	– 5 268	69 231
Capital employed	6 718	737	174	154	– 506	7 277
CIR	51.5 %	31.1 %	38.4 %	23.5 %		51.4 %
RoRaC / RoE [1]	2.3 %	25.4 %	40.3 %	33.6 %		3.8 %

1 Jan.–31 Dec. 2013 / 31 Dec. 2013 (in € million)	Federal Republic of Germany	Europe excluding Germany	America	Asia	Consolida-tion	NORD/LB Group
Earnings before risk provisioning [1]	2 034	176	100	63	– 125	2 249
Earnings before taxes (EBT)	– 50	88	68	49	– 17	140
Segment assets	200 095	27 729	4 547	4 223	– 35 771	200 823
Segment liabilities	202 114	26 704	4 547	4 223	– 36 766	200 823
Total risk exposure amount	61 533	7 343	2 130	1 517	– 4 023	68 500
Capital employed	7 380	587	170	121	– 437	7 822
CIR	55.7 %	43.3 %	34.0 %	23.0 %		51.9 %
RoRaC / RoE [2]	– 0.7 %	15.1 %	39.9 %	40.6 %		1.8 %

[1] Earnings before risk provisioning are defined as the sum of net commission income, profit / loss from financial instruments 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.

[2] RoRaC at business level:
Earnings before taxes / committed core capital 8 %) of the higher of the RWA limit and the amount called on)

RoE at company level:
(Earnings before taxes) / long-term equity under commercial law (= reported equity capital – revaluation reserve – earnings after taxes)

The tables may include minor differences that occur in the reproduction of mathematical operations.

Notes to the Income Statement

(21) Net Interest Income

The items interest income and interest expense comprise interest received and paid, deferred interest and pro rata reductions of premiums and discounts relating to financial instruments. Due to the fact that under certain circumstances silent participations are to be classified as liabilities under IAS 32, payments to silent partners are reported as interest expense.

	1 Jan.– 31 Dec. 2014 (in € million)	1 Jan.– 31 Dec. 2013 (in € million)	Change (in %)
Interest income			
Interest income from lending and money market transactions	3 866	4 190	– 8
Interest income from debt securities and other fixed-interest securities	828	973	– 15
Interest income from financial instruments at fair value			
Interest income from trading profit/loss and hedge accounting derivatives	3 567	4 067	– 12
Interest income from fair value option	51	50	2
Current income			
from shares and other non fixed-interest securities	18	12	50
from investments	14	11	27
Interest income from other amortisations	574	482	19
Other interest income and similar income	1	2	– 50
	8 919	**9 787**	**– 9**
Interest expense			
Interest expenses from lending and money market transactions	1 886	2 127	– 11
Interest expenses from securitised liabilities	759	1 107	– 31
Interest expenses from financial instruments at fair value			
Interest expenses from trading profit/loss and hedge accounting derivatives	3 225	3 646	– 12
Interest expenses from fair value option	295	323	– 9
Interest expenses from subordinated capital	240	229	5
Interest expenses from other amortisations	439	346	27
Interest expenses from provisions and liabilities	71	71	–
Other interest expenses and similar expenses	19	7	> 100
	6 934	**7 856**	**– 12**
Total	**1 985**	**1 931**	**3**

Interest income from lending and money market transactions includes interest income relating to impaired loans (unwinding) of € 82 million (€ 77 million).

The interest income includes € 5,269 million (€ 5,646 million) relating to income from financial instruments which are not measured at fair value through profit or loss. The interest expenses include € 3,325 million (€ 3,809 million) relating to expenses from financial instruments which are not measured at fair value through profit or loss.

(22) Loan Loss Provisions

	1 Jan.–31 Dec. 2014 (in € million)	1 Jan.–31 Dec. 2013 (in € million)	Change (in %)
Income from provisions for lending business			
Reversal of specific valuation allowances	535	336	59
Reversal of lumpsum specific loan loss provisions	9	10	– 10
Reversal of general loan loss provisions	199	25	> 100
Reversal of loan loss provisions	60	65	– 8
Additions to receivables written off	37	21	76
	840	**457**	**84**
Expenses for provisions for lending business			
Allocation to specific valuation allowances	1 232	1 030	20
Allocation to lumpsum specific loan loss provisions	2	5	– 60
Allocation to general loan loss provisions	218	80	> 100
Allocation to loan loss provisions	20	54	– 63
Direct write-offs of bad debts	103	134	– 23
	1 575	**1 303**	**21**
Total	**735**	**846**	**– 13**

(23) Net Commission Income

	1 Jan.–31 Dec. 2014 (in € million)	1 Jan.–31 Dec. 2013 (in € million)	Change (in %)
Commission income			
Lending and guarantee business	126	106	19
Account management and payment transactions	40	41	– 2
Trust activities	5	5	–
Security transactions and custody service	38	36	6
Brokerage business	30	31	– 3
Insurance business	11	8	38
Other commission income	51	43	19
	301	**270**	**11**
Commission expense			
Lending and guarantee business	57	19	> 100
Account management and payment transactions	2	2	–
Security transactions and custody service	24	23	4
Brokerage business	5	9	– 44
Insurance business	23	32	– 28
Other commission expenses	5	22	– 77
	116	**107**	**8**
Total	**185**	**163**	**13**

Commission income includes earnings from financial instruments which are not measured at fair value in the amount of € 205 million (€ 183 million). Commission expenses include expenses from financial instruments which are not measured at fair value through profit/loss in the amount of € 83 million (€ 45 million).

(24) Profit/loss from Financial Instruments at Fair Value through Profit/loss

	1 Jan.– 31 Dec. 2014 (in € million)	1 Jan.– 31 Dec. 2013 (in € million)	Change (in %)
Trading profit/loss			
Profit/loss from debt securities and other fixed-interest securities	164	– 66	> 100
Profit/loss from shares and other non fixed-interest securities	1	4	– 75
Profit/loss from derivatives	385	– 80	> 100
Interest-rate risks	338	– 130	> 100
Currency risks	– 5	– 108	– 95
Share-price and other price risks	10	57	– 82
Credit derivatives	42	101	– 58
Profit/loss from receivables held for trading	178	– 41	> 100
Profit/loss from other trading activities	–	2	– 100
	728	**– 181**	**> 100**
Foreign exchange result	– 2	39	> 100
Other income	4	6	– 33
	730	**– 136**	**> 100**
Profit/loss from the fair value option			
Profit/loss from receivables to customers and banks	17	– 13	> 100
Profit/loss from debt securities and other fixed-interest securities	89	– 45	> 100
Profit/loss from shares and other non fixed-interest securities	1	1	–
Profit/loss from liabilties to banks and customers	– 667	383	> 100
Profit/loss from securitised liabilties	– 84	– 108	– 22
Profit/loss from subordinated capital	1	1	–
	– 643	**219**	**> 100**
Total	**87**	**83**	**5**

Net commission income from trading activities in the amount of € 4 million (€ 6 million) is reported under other income.

(25) Profit/Loss from Hedge Accounting

The profit/loss from hedge accounting includes fair value adjustments relating to the hedged risk of an underlying transaction and offset fair value adjustments to hedging instruments in effective fair value hedge relationships.

	1 Jan. – 31 Dec. 2014 (in € million)	1 Jan. – 31 Dec. 2013 (in € million)	Change (in %)
Profit/loss from micro fair value hedges			
from hedged underlying transactions	706	– 395	> 100
from derivatives employed as hedging instruments	– 719	373	> 100
	– 13	**– 22**	**– 41**
Profit/loss from portfolio fair value hedges			
from hedged underlying transactions	– 428	136	> 100
from derivatives employed as hedging instruments	484	– 124	> 100
	56	**12**	**> 100**
Total	**43**	**– 10**	**> 100**

(26) Profit/Loss from Financial Assets

Shown in the profit/loss from financial assets are profits/losses from disposals and estimated profits/losses relating to securities and company shares in the financial asset portfolio.

	1 Jan. – 31 Dec. 2014 (in € million)	1 Jan. – 31 Dec. 2013 (in € million)	Change (in %)
Profit/loss from financial assets classified as LaR	**2**	**– 12**	**> 100**
Profit/loss from financial assets classified as AfS (excluding investments)			
Profit/ loss from the disposal of			
debt securities and other fixed-interest securities	74	50	48
shares and other non fixed-interest securities	5	18	– 72
Other financial assets classified as AfS	–	– 2	– 100
Profit/loss from allowances for losses on			
debt securities and other fixed-interest securities	– 85	–	–
shares and other non fixed-interest securities	– 5	– 14	– 64
Other financial assets classified as AfS	6	– 4	> 100
	– 5	**48**	**> 100**
Profit/loss from shares in companies (not consolidated)	**–**	**– 25**	**– 100**
Profit/loss from shares of subsidiaries	**1**	**–**	**–**
Profit/loss of joint ventures and associated companies	**– 1**	**–**	**–**
Total	**– 3**	**11**	**> 100**

(27) Profit / Loss from Investments Accounted for using the Equity Method

The profit / loss from investments in companies accounted for using the equity method is summarised below. It shows the contributions to the profit / loss of joint ventures and associated companies accounted for using the equity method.

	1 Jan.– 31 Dec. 2014 (in € million)	1 Jan.– 31 Dec. 2013 (in € million)	Change (in %)
Shares in joint ventures			
Earnings	5	2	> 100
Expenses	3	–	–
	2	**2**	**–**
Shares in associated companies			
Earnings	34	37	– 8
Expenses	73	6	> 100
	– 39	**31**	**> 100**
Total	**– 37**	**33**	**> 100**

(28) Administrative Expenses

	1 Jan.– 31 Dec. 2014 (in € million)	1 Jan.– 31 Dec. 2013[1] (in € million)	Change (in %)
Staff expenses			
Wages and salaries	486	490	– 1
Social insurance contributions	68	68	–
Expenditure on pension schemes and other benefits	46	52	– 12
Other staff expenses	6	6	–
	606	**616**	**– 2**
Other administrative expenses			
Costs for IT and communications	212	237	– 11
Building occupancy costs	45	48	– 6
Expenses for marketing, communications and entertainment	27	28	– 4
Personnel-related material expenses	20	22	– 9
Costs for legal, auditing, appraisal and consulting services	72	67	7
Levies and contributions	26	18	44
Expenses for operating and office equipment	5	6	– 17
Other services	5	9	– 44
Other administrative expenses	33	37	– 11
	445	**472**	**– 6**
Amortisation and depreciation			
Property and equipment	40	40	–
Intangible assets	32	37	– 14
Investment properties	2	2	–
	74	**79**	**– 6**
Total	**1 125**	**1 167**	**– 4**

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

Included under staff expenses are expenses for defined contribution plans in the amount of € 1 million (€ 1 million).

(29) Other Operating Profit/Loss

	1 Jan.–31 Dec. 2014 (in € million)	1 Jan.–31 Dec. 2013[1)] (in € million)	Change (in %)
Other operating income			
from the reversal of provisions	312	327	–5
from insurance business	422	540	–22
from other business	181	226	–20
	915	**1 093**	**–16**
Other operating expenses			
from allocation to provisions	504	455	11
from insurance business	271	344	–21
from other business	215	245	–12
	990	**1 044**	**–5**
Total	**–75**	**49**	**> 100**

1) Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

Income from the reversal of provisions and expense from allocation to provisions primarily concern provisions relating to insurance business. Other operating income from insurance contracts is primarily the result of premium income (€ 380 million (€ 427 million)) and income from insurance business (€ 18 million (€ 83 million)).

Income from other business includes income from the disposal of receivables (€ 41 million (€ 84 million)), income from the chartering of ships relating to restructuring commitments in lending business (€ 38 million (€ 35 million)), rental income from investment property (€ 12 million (€ 11 million)), reimbursements of costs (€ 12 million (€ 10 million)), income from the repurchase of the Bank's debt securities (€ 6 million (€ 1 million)), and income from the disposal of property and equipment (€ 0 million (€ 17 million)).

Other operating expenses from insurance business mainly comprise indemnity expenses (€ 218 million (€ 284 million)) and expenses from reinsurance contracts (€ 38 million (€ 50 million)).

Expenses from other business essentially comprise expenses from the disposal of other liabilities (€ 58 million (32 million), expenses to generate charter income from ships (€ 28 million (€ 27 million)), expenses from the redemption of debt securities (€ 15 million (€ 46 million)), expenses from the disposal of claims (€ 8 million (€ 5 million)) and expenses from investment property (€ 6 million (€ 3 million)). The expenses from other business also include an amount of € 31 million (€ 37 million) provided for the bank levy set by the Restructuring Fund Act (Restrukturierungsfonds-Verordnung).

The expenses from other business also include unscheduled depreciation in the amount of € 15 million (€ 0 million). This is primarily the result of a fall in the market value of ships due to the ongoing crisis in the shipping market.

(30) Reorganisation Expenses

Reorganisation expenses relate to measures aimed at securing the long-term future and maintaining the competitiveness of the NORD/LB Group, with its material costs and staff expenses being reported separately due to their importance. The need for reorganisation is related to the efficiency improvement programme launched in 2011 and a capital-boosting programme which is the result of EU requirements. The reorganisation expenses include in the amount of € 46 million (€ 35 million) expenses from the allocation made to reorganisation provisions for contracted agreements already concluded concerning the termination of contracts of employment. They also include in the amount of € 2 million (€ 3 million) expenses from projects that aim to achieve significant cost synergies.

(31) Expenses for Public Guarantees related to Reorganisation

Expenses for public guarantees related to reorganisation totalling € 1 million (€ 69 million) concern the NORD/LB Group's capital-boosting programme. The amount is attributable to the payment of € 10 million (€ 69 million) for a guarantee provided by the states of Lower Saxony and Saxony-Anhalt, which ended in the second quarter, and associated expenses for services. This is contracted by income of € 9 million (€ 0 million) from the partial reversal of a provision made in the previous year.

(32) Income Taxes

	1 Jan.–31 Dec. 2014 (in € million)	1 Jan.–31 Dec. 2013 (in € million)	Change (in %)
Current taxes on income and earnings			
Tax expenses / income for the current year	80	81	– 1
Tax expenses / income for previous years	– 58	– 61	– 5
	22	**20**	**10**
Deferred taxes			
Deferred taxes due to the accrual / reversal of temporary differences and tax losses / tax credits not previously considered	45	– 122	> 100
Deferred taxes due to changes in tax legislation / tax rates	– 3	3	> 100
Deferred taxes due to temporary differences in previous periods not previously considered	7	15	– 53
	49	**– 104**	**> 100**
Total	**71**	**– 84**	**> 100**

The current tax expense for the current financial year is reduced by € 0 million (€ 25 million) due to the utilisation of tax losses previously not considered. Deferred taxes include income from tax losses previously not considered, tax credits and temporary differences of € 9 million (€ 90 million).

The following tax reconciliation statement shows an analysis of the difference between the expected income taxes which would result from applying the German income tax rate to earnings before tax in accordance with IFRS and the income taxes actually reported.

(in € million)	1 Jan. – 31 Dec. 2014	1 Jan. – 31 Dec. 2013
IFRS earnings before taxes	**276**	**140**
Anticipated income tax expenditure	87	51
Effects of reconciliation:		
Effects of differing tax rates	– 5	– 7
Taxes from previous years reported in the reporting period	– 51	– 46
Effects of changes in tax rates	– 3	3
Non-creditable income taxes	2	1
Non-deductible operational expenditure	28	22
Effects of tax-free earnings	– 9	– 37
Effect of permanent accounting-related effects	16	– 2
Effects of write-ups / write-downs / recognition adjustments	– 9	– 82
Other effects	15	13
Reported income tax expenses	**71**	**– 84**

Anticipated income tax expenditure in the tax reconciliation statement is calculated on the basis of the corporation tax rate of 15 per cent plus a solidarity surcharge of 5.5 per cent and the average trade tax rate of approximately 15.6 per cent, as valid in Germany in 2014. The income tax rate for Germany is therefore 31.5 per cent (31.5 per cent).

The deferred taxes of the Group entities in Germany are measured using the tax rate applicable as at or the future tax rate applicable as at the balance sheet date of 31.5 per cent (31.5 per cent).

Effects resulting from deviating tax rates are caused by differing tax rates in each country. The effects of valuation allowances / write-downs / recognition adjustments also include effects from the subsequent increase or decrease in the recognition of losses carried forward.

Notes to the Statement of Comprehensive Income

Income tax effects fall upon the individual components of other comprehensive income as follows:

(in € million)	1 Jan.– 31 Dec. 2014 Amount before taxes	1 Jan.– 31 Dec. 2014 Income tax effect	1 Jan.– 31 Dec. 2014 Amount after taxes	1 Jan.– 31 Dec. 2013 Amount before taxes	1 Jan.– 31 Dec. 2013 Income tax effect	1 Jan.– 31 Dec. 2013 Amount after taxes
Revaluation of the net liability from defined benefit pension plans	– 684	180	– 504	73	– 23	50
Changes in value for investments accounted for using the equity method recognised directly in equity	63	–	63	– 27	–	– 27
Increase / decrease from available for sale (AfS) financial instruments	449	– 129	320	345	– 82	263
Translation differences of foreign business units	86	–	86	– 36	–	– 36
Other	**– 86**	**51**	**– 35**	**355**	**– 105**	**250**

Notes to the Balance Sheet

(33) Cash Reserve

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Cash on hand	97	146	– 34
Balances with central banks	967	1 165	– 17
Total	**1 064**	**1 311**	**– 19**

Of the balances with central banks, € 844 million (€ 775 million) are credit balances with Deutsche Bundesbank.

(34) Loans and Advances to Banks

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
German banks	1 991	4 415	– 55
Foreign banks	2 845	2 172	31
	4 836	**6 587**	**– 27**
Other loans and advances			
German banks			
Due on demand	1 143	1 253	– 9
With a fixed term or period of notice	13 703	15 803	– 13
Foreign Banks			
Due on demand	2 117	1 823	16
With a fixed term or period of notice	1 766	2 015	– 12
	18 729	**20 894**	**– 10**
Total	**23 565**	**27 481**	**– 14**

(35) Loans and Advances to Customers

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)[1]	Change (in %)
Loans and advances resulting from money market transactions			
Domestic customers	1 287	1 846	– 30
Customers abroad	21	14	50
	1 308	**1 860**	**– 30**
Other loans and advances			
Domestic customers			
Due on demand	3 131	3 253	– 4
With a fixed term or period of notice	74 209	75 896	– 2
Customers abroad			
Due on demand	667	431	55
With a fixed term or period of notice	28 940	26 164	11
	106 947	**105 744**	**1**
Total	**108 255**	**107 604**	**1**

[1] Information from the previous year was adjusted for individual positions; see Note (2) Adjustment of figures for the previous year.

(36) Risk Provisioning

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)[1]	Change (in %)
Specific valuation allowance			
Domestic customers	1 890	1 420	33
Customers abroad	353	334	6
	2 243	**1 754**	**28**
Lumpsum specific loan loss provisions			
Domestic customers	7	14	– 50
	7	**14**	**– 50**
General loan loss provisions			
German banks	1	1	–
Foreign banks	1	2	– 50
Domestic customers	446	382	17
Customers abroad	49	93	– 47
	497	**478**	**4**
Total	**2 747**	**2 246**	**22**

[1] Information from the previous year was adjusted for individual positions; see Note (2) Adjustment of figures for the previous year.

Risk provisioning recognised on the asset side and loan loss provisions developed as follows:

	Specific valuation allowances		Lumpsum specific loan loss provisions		General loan loss provisions		Loan loss provisions		Total	
(in € million)	2014	2013 [1]	2014	2013	2014	2013	2014	2013	2014	2013
1 January	**1 754**	**1 491**	**14**	**19**	**478**	**437**	**124**	**136**	**2 370**	**2 083**
Allocations	1 232	1 030	2	5	218	80	20	54	1 472	1 169
Reversals	535	336	9	10	199	25	60	65	803	436
Utilisation	214	343	–	–	–	–	3	–	217	343
Unwinding	– 82	– 77	–	–	–	–	–	–	– 82	– 77
Effects of changes of foreign exchange rates and other changes	102	– 11	–	–	1	– 14	– 7	– 1	96	– 26
Changes of the basis of consolidation	– 14	–	–	–	– 1	–	–	–	– 15	–
31 December	**2 243**	**1 754**	**7**	**14**	**497**	**478**	**74**	**124**	**2 821**	**2 370**

[1] Information from the previous year was adjusted for individual positions; see Note (2) Adjustment of figures for the previous year.

(37) Balancing Items for Hedged Financial Instruments

This item includes the fair value adjustments to assets attributable to the hedged risk, for which there is a fair value hedge portfolio.

(38) Financial Assets at Fair Value through Profit or Loss

This item contains the trading assets (HfT) and financial assets designated at fair value (DFV). The trading activities of the Group comprise trading in debt securities and other fixed-interest securities, shares and other non-fixed-interest securities and derivative financial instruments which are not used for hedge accounting.

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Trading assets			
Debt securities and other fixed-interest securities			
Money market instruments			
issued by other borrowers	–	10	– 100
Bonds and debt securities			
issued by public-sector borrowers	361	918	– 61
issued by other borrowers	2 590	2 623	– 1
	2 951	**3 551**	**– 17**
Shares and other non fixed-interest securities			
Shares	55	46	20
	55	**46**	**20**
Positive fair values from derivatives			
Interest-rate risks	8 060	5 698	41
Currency risks	639	723	– 12
Share-price and other price risks	181	169	7
Credit derivatives	18	13	38
	8 898	**6 603**	**35**
Trading portfolio claims	2 451	2 320	6
	14 355	**12 520**	**15**
Financial assets as at fair value through profit or loss			
Loans and advances to banks and customers	257	246	4
Debt securities and other fixed-interest securities	1 694	765	> 100
Shares and other non fixed-interest securities	–	10	– 100
	1 951	**1 021**	**91**
Total	**16 306**	**13 541**	**20**

For receivables designated at fair value there is a maximum default risk of € 257 million (€ 246 million).

The change in the fair value, which is attributable to changes in the credit risk of receivables designated at fair value, amounts to € 7 million (€ 0 million) in the period under review; the cumulative change is € 11 million (€ 4 million). The credit-risk-induced change in fair value is calculated on the basis of considering the difference between two fair values, which are calculated on the basis of market data applicable at the start of the year. This difference is solely the result of the change in the relevant spread curves which takes place during the course of the financial year.

(39) Positive Fair Values from Hedge Accounting Derivatives

This item includes positive fair values of hedging instruments in effective micro fair value hedges and portfolio fair value hedges.

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Micro fair value hedge derivatives	2 498	2 116	18
Portfolio fair value hedge derivatives	985	1 756	– 44
Total	**3 483**	**3 872**	**– 10**

(40) Financial Assets

The balance sheet item financial assets includes all the debt securities and other fixed-interest securities classified as available for sale (AfS), shares and other non fixed-interest securities, shares in companies which are not measured in accordance with IAS 10, IAS 11 or IAS 28 and financial assets classified as loans and receivables (LaR).

Holdings in the equity of other companies and silent participations and participatory capital with loss sharing are allocated to the category (AfS).

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Financial assets classified as LaR	**3 181**	**3 117**	**2**
Debt securities and other fixed-interest securities			
issued by public-sector borrowers	1 603	1 450	11
issued by other borrowers	1 578	1 667	– 5
	3 181	**3 117**	**2**
Financial assets classified as AfS	**41 939**	**43 926**	**– 5**
Debt securities and other fixed-interest securities			
issued by public-sector borrowers	17 963	18 024	–
issued by other borrowers	23 349	24 893	– 6
	41 312	**42 917**	**– 4**
Shares and other non fixed-interest securities			
Shares	55	385	– 86
Investment certificates	104	138	– 25
Participation certificates	5	13	– 62
	164	**536**	**– 69**
Shares in companies (not consolidated)	334	348	– 4
Other financial assets classified as AfS	129	125	3
	463	**473**	**– 2**
Total	**45 120**	**47 043**	**– 4**

(41) Property and Equipment

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)[1]	Change (in %)
Land and buildings	295	343	– 14
Operating and office equipment	53	59	– 10
Ships	198	210	– 6
Other property and equipment	22	11	100
Total	**568**	**623**	**– 9**

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

The development of property and equipment is shown under Note (42) Investment property.

(42) Investment Property

The profit / loss from investment property is summarised as follows:

(in € million)	1 Jan. – 31 Dec. 2014	1 Jan. – 31 Dec. 2013
Rental income	12	11
Direct operating expenses	6	3

The development of cost and accumulated depreciation for property and equipment and investment property is shown as follows:

(in € million)	Land and buildings	Operating and office equipment	Ship [1]	Other property and equipment	**Total**	Investment property
Cost as at 1 January 2013	**713**	**302**	**268**	**9**	**1 292**	**108**
Additions	35	11	–	3	**49**	24
Disposals	63	47	–	–	**110**	18
Transfers	–	–	23	–	**23**	–
Changes from foreign exchange rates	–	– 1	– 4	–	**– 5**	–
Totals 31 December 2013	**685**	**265**	**287**	**12**	**1 249**	**114**
Accumulated depreciation as at 1 January 2013	**360**	**228**	**68**	**1**	**657**	**14**
as at 1 January 2012	13	17	10	–	**40**	2
Depreciations	–	6	–	–	**6**	–
Impairments (non-scheduled)	31	45	–	–	**76**	3
Changes from foreign exchange rates	–	–	– 1	–	**– 1**	–
Disposals	**342**	**206**	**77**	**1**	**626**	**13**
Totals 31 December 2013	**343**	**59**	**210**	**11**	**623**	**101**
Closing balance as at 31 December 2013	**714**	**265**	**285**	**12**	**1 276**	**118**
Additions	–	15	–	12	**27**	9
Disposals	19	27	–	–	**46**	15
Transfers	–	1	–	– 1	**–**	–
Changes of the basis of consolidation	– 59	– 9	–	–	**– 68**	– 46
Changes from foreign exchange rates	–	1	13	–	**14**	–
Total 31 Dec. 2014	**636**	**246**	**298**	**23**	**1 203**	**66**
Accumulated depreciation as at 1 January 2014	**371**	**206**	**76**	**1**	**654**	**16**
Depreciations	12	16	12	–	**40**	2
Impairments (non-scheduled)	6	–	9	–	**15**	6
Disposals	19	22	–	–	**41**	14
Changes of the basis of consolidation	– 29	– 7	– 1	–	**– 37**	– 24
Changes from foreign exchange rates	–	–	4	–	**4**	–
Total 31 Dec. 2014	**341**	**193**	**100**	**1**	**635**	**– 14**
Endbestand per 31 Dec. 2014	**295**	**53**	**198**	**22**	**568**	**80**

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

The transfers to other property and equipment relate entirely to assets under construction. € 5 million (€ 24 million) of the additions of investment property relates to an acquisition and € 4 million (€ 0 million) to the capitalisation of retrospective amortised costs.

(43) Intangible Assets

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Software			
Purchased	25	20	25
Internally developed	42	64	– 34
	67	**84**	**– 20**
Intangible assets under development	60	39	54
Other intangible assets	12	13	– 8
Total	**139**	**136**	**2**

Intangible assets under development refer primarily to internally generated software. Fully amortised software is still in use.

Expenses for research and development in the amount of € 74 million (€ 83 million) have been incurred. The research expenditure on internally developed software which is not eligible for capitalisation totals € 45 million (€ 76 million).

Impairments of intangible assets of € 2 million (€ 0 million) result from purchases of software.

The NORD/LB Group has intangible assets with an indefinite useful life in the amount of € 7 million (€ 7 million). These are accounted for entirely in other intangible assets acquired by payment.

The NORD/LB Group's significant intangible assets are shown in the table below:

	Carrying amount (in € million)		Remaining depreciation period (in years)	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Migration of IT applications	15	38	2	3
Internally developed software	11	11	12	13
Brand name	5	5	Unlimited	Unlimited

The development of intangible assets is as follows:

(in € million)	Software Purchased	Software Internally generated	Other Purchased	Other Internally generated	**Total**
Cost as at 1 January 2013	**138**	**237**	**17**	**28**	**420**
Additions	5	2	1	23	31
Disposals	11	–	10	–	21
Transfers	2	–	10	– 12	–
Total 31 December 2013	**134**	**239**	**18**	**39**	**430**
Accumulated depreciation as at 1 January 2013	**117**	**146**	**5**	**10**	**278**
Depreciations	8	29	–	–	37
Impairments (non-scheduled)	–	–	–	–	–
Transfers	–	–	10	– 10	–
Disposals	11	–	10	–	21
Total 31 December 2013	**114**	**175**	**5**	**–**	**294**
Closing balance as at 31 December 2013	**20**	**64**	**13**	**39**	**136**
Cost as at 1 January 2014	**134**	**239**	**18**	**39**	**430**
Additions	10	2	3	23	38
Disposals	2	–	–	–	2
Transfers	4	2	– 4	– 2	–
Changes of the basis of consolidation	– 23	–	–	–	– 23
Total 31 December 2014	**123**	**243**	**17**	**60**	**443**
Accumulated depreciation as at 1 January 2014	**114**	**175**	**5**	**–**	**294**
Depreciations	6	26	–	–	32
Impairments (non-scheduled)	2	–	–	–	2
Disposals	2	–	–	–	2
Changes of the basis of consolidation	– 22	–	–	–	– 22
Total 31 December 2014	**98**	**201**	**5**	**–**	**304**
Closing balance as at 31 December 2014	**25**	**42**	**12**	**60**	**139**

(44) Assets Held for Sale

As at 31 December 2014 the designated assets held for sale pursuant to IFRS 5 with a carrying amount totalling € 56 million (€ 0 million) include property and equipment (ships) in an amount of € 33 million (€ 0 million), financial assets in an amount of € 22 million (€ 0 million) and other assets in an amount of € 1 million (€ 0 million).

The ships are reported at fair value on 31 December 2014 for the first time within the full consolidation. A restructuring of the ships is intended in the second quarter.

The financial assets designated for sale relate to interests in an associated company that were previously valued using the equity method. Contractual negotiations are currently underway. Closing is anticipated for the first half of 2015. In accordance with IFRS 5.20, a value reduction of € 3 million was recorded in earnings at equity. Other comprehensive income includes € 1 million from assets designated for sale.

(45) Income Tax Assets

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Current income tax assets	57	69	– 17
Deferred tax assets	784	741	6
Total	841	810	4

Deferred tax assets reflect potential relief on income taxes from temporary differences in the values of assets and liabilities between the IFRS consolidated balance sheet and tax values in accordance with the tax regulations of the Group companies. Deferred tax assets which were recognised in other comprehensive income (OCI) totalled € 216 million as at 31 December 2014 (€ 217 million).

Deferred income tax assets were established in respect of the following balance sheet items and with tax losses not yet utilised:

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Assets			
Loans and advances to banks	147	13	> 100
Risk provisioning	148	132	12
Financial assets at fair value through profit or loss	644	328	96
Financial assets	51	277	– 82
Property and equipment	64	64	–
Other assets	216	221	– 2
Liabilities			
Liabilities to customers	559	375	49
Securitised liabilities	116	109	6
Financial liabilities at fair value through profit or loss	529	282	88
Negative fair values from hedge accounting derivatives	1 276	864	48
Provisions	522	368	42
Other liabilities	233	77	> 100
Tax losses carried forward	64	69	– 7
Total	**4 569**	**3 179**	**44**
Net	3 785	2 438	55
Total	**784**	**741**	**6**

In addition to deferred taxes recognised in the income statement, netted deferred income tax assets also comprise financial assets of € 0 million (€ 198 million) and provisions of € 216 million (€ 19 million) recognised in other comprehensive income. Active deferred taxes were applied in the reporting period for all losses carried forward from corporation tax and trade tax. There is no time limit on the utilisation of existing tax losses carried forward.

(46) Other Assets

	31 Dec. 2014 (in € million)	31 Dec. 2013[1] (in € million)	Change (in %)
Loans and advances on interim accounts	100	20	> 100
Collection items	–	5	– 100
Assets from insurance business	–	193	– 100
Rights to reimbursement from defined benefit plans	19	17	12
Other assets including prepaid expenses	326	177	84
Total	**445**	**412**	**8**

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

The receivables in interim accounts primarily relate to receivables in lending business and transactions in payment accounts.

Reimbursement claims from defined benefit plans include allocated provisions for pensions to the benefit of parties outside the Group.

Of the other assets, an initial margin accounts for a total of € 246 million (€ 82 million).

(47) Liabilities to Banks

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Deposits from other banks			
German banks	1 407	2 046	– 31
Foreign banks	887	183	> 100
	2 294	**2 229**	**3**
Liabilities resulting from money market transactions			
German banks	20 012	18 128	10
Foreign banks	8 389	7 809	7
	28 401	**25 937**	**9**
Other liabilities			
German banks			
Due on demand	3 117	2 671	17
With a fixed term or period of notice	21 491	22 374	– 4
Foreign banks			
Due on demand	1 512	2 037	– 26
With a fixed term or period of notice	2 171	3 933	– 45
	28 291	**31 015**	**– 9**
Total	**58 986**	**59 181**	**–**

(48) Liabilities to Customers

	31 Dec. 2014 (in € million)	31 Dec. 2013[1] (in € million)	Change (in %)
Savings deposits			
With an agreed notice period of three months			
Domestic customers	1 650	1 558	6
Customers abroad	15	18	– 17
With an agreed notice period of more than three months			
Domestic customers	78	343	– 77
Customers abroad	1	2	– 50
	1 744	**1 921**	**– 9**
Liabilities resulting from money market transactions			
Domestic customers	10 896	8 164	33
Customers abroad	1 940	2 172	– 11
	12 836	**10 336**	**24**
Other liabilities			
Domestic costumers			
Due on demand	13 719	11 738	17
With a fixed term or period of notice	27 523	29 309	– 6
Customers abroad			
Due on demand	791	692	14
With a fixed term or period of notice	1 383	863	60
	43 416	**42 602**	**2**
Total	**57 996**	**54 859**	**6**

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

(49) Securitised Liabilities

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Issued debt securities			
Pfandbriefe	9 350	8 947	5
Municipal debentures	10 106	13 417	– 25
Other debt securities	19 216	25 730	– 25
	38 672	**48 094**	**– 20**
Money market instruments			
Commercial paper	1 726	1 790	– 4
Certificates of deposit	316	344	– 8
	2 042	**2 134**	**– 4**
Total	**40 714**	**50 228**	**– 19**

Repurchased debt securities issued by the Bank itself have been directly deducted from securitised liabilities in the amount of € 5,140 million (€ 6,984 million).

(50) Balancing Items for Hedged Financial Instruments

This item includes the fair value adjustments to financial liabilities in portfolio fair value hedges for transactions classified as other liabilities (OL); these fair value adjustments are attributable to the hedged risk.

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

This item shows trading liabilities (HfT) and financial liabilities designated at fair value (DFV). Trading liabilities comprise negative fair values resulting from derivative financial instruments which are not used in hedge accounting and delivery obligations resulting from short sales of securities. The category financial liabilities designated at fair value includes liabilities to banks and customers, securitised liabilities and subordinated capital.

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives relating to			
interest-rate risks	7 147	5 666	26
currency risks	1 821	443	> 100
share-price and other price risks	2	3	– 33
credit derivatives	26	66	– 61
	8 996	**6 178**	**46**
Delivery obligations from short-sales	122	110	11
	9 118	**6 288**	**45**
Financial liabilities designated at fair value			
Liabilities to banks and customers	6 429	5 680	13
Securitised liabilities	2 598	3 138	– 17
Subordinated capital	24	25	– 4
	9 051	**8 843**	**2**
Total	**18 169**	**15 131**	**20**

The change in the fair value of liabilities designated at fair value is the result of changes in the credit risk and amounts to € –49 million (€ –24 million) in the period under review; the cumulative change is € –106 million (€ –73 million).

The credit risk induced change in fair value is calculated on the basis of difference consideration. The amount stated is the result of the difference between the fair value determined on the balance sheet date on the basis of current market data as well as the current NORD/LB spread curves and the fair values calculated with the help of current market data and the NORD/LB spread curves used in previous reporting periods.

The book value of liabilities designated at fair value as at 31 December 2014 is € 1,074 million higher (€ 466 million higher) than the corresponding repayment amount. The difference essentially comprises compounding effects from zero bond issues and is the difference between the discounted payment typical for zero bonds and their repayment at nominal value.

(52) Negative Fair Values from Hedge Accounting Derivatives

This item includes negative fair values of hedging instruments in effective micro fair value hedge relationships and portfolio fair value hedges.

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Micro fair value hedge derivatives	3 506	2 498	40
Portfolio fair value hedge derivatives	420	846	– 50
Total	**3 926**	**3 344**	**17**

(53) Provisions

Provisions are broken down as follows:

	31 Dec. 2014 (in € million)	31 Dec. 2013[1)] (in € million)	Change (in %)
Provisions for pensions and other obligations	**2 478**	**1 955**	**27**
Other provisions			
Provisions in lending business	74	124	– 40
Provisions for reorganisation measures	9	11	– 18
Provisions for contingent losses	1	27	– 96
Provisions for uncertain liabilities	284	244	16
Provisions for insurance business	–	1 943	– 100
	368	**2 349**	**– 84**
Total	**2 846**	**4 304**	**– 34**

1) Deductions from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

The fall in provisions from insurance business is due to deconsolidation of the companies Öffentliche Lebensversicherung Braunschweig and Öffentliche Sachversicherung Braunschweig.

Pensions and similar obligations

The net liability from a defined benefit plan is broken down as follows:

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Present value of defined benefit obligations	2 550	2 021	26
Less fair value of plan assets	– 71	– 66	8
Negative balance (net indebtness)	**2 479**	**1 955**	**27**

In the NORD/LB Group there are both defined benefit pension obligations and on a small scale defined contribution pension obligations.

Description of the pension plans

The NORD/LB Groups company pensions are based on several retirement benefit systems. On the one hand employees acquire an entitlement to a pension through a defined contribution made by the Group to an external pension fund (defined contribution plan). The pension entitlements are based on annual benefit components, the amount of which depend on the individual pensionable annual salary. In this case contributions are reported as current expenses on application of IAS 19 financial reporting regulations for defined contribution plans. No pension provisions need to be made.

Employees also acquire entitlements to pensions with defined benefits, dependent on factors such as anticipated wage and salary increases, age, length of service and a forecast pension trend (defined benefit plan). These mainly concern various pension modules, with benefits for reduction in earnings capacity and dependent's pensions also being granted in addition to a retirement pension, depending on the occurrence of the insured event. Plan assets of pension commitments are primarily supported by plan assets in the form of fixed interest securities. There are also entitlements to allowance payments.

Different occupational pension schemes are in place in the NORD/LB Group, with commitments based on collective bargaining employment agreements or on individual contractual commitments. Significant occupational pension schemes in this case are the total benefit commitment according to German civil service law, the benefit ordinance from 1973 and the benefit ordinance from 2000.

The defined pension commitment based on has also applied for members of the Managing Board since 1 January 2000 under the 2000 regulation. In addition, depending on the role of the member of the Managing Board and the number of reappointments to the Managing Board, in addition to the benefit components acquired in instalments, further initial components are awarded here. Members of the Managing Board who joined the company before 1 January 2000 received an individual total benefit commitment which was in accordance with the regulations as at 31 December 1999.

Both the 1973 and the 2000 regulation do not include any other employees. The 2000 was recently concluded with effect as at 31 December 2013.

Since 1 January 2014 the pension commitments for new starters at NORD/LB AöR have been mapped via the BVV Versorgungskasse des Bankgewerbes e.V., Berlin, (BVV) as a reinsured provident fund.

Additionally, all employees of the Bank may finance an additional pension via deferred remuneration through the BVV Versicherungsverein des Bankgewerbes a. G. (pension fund).

Risks from defined benefit pension plans

The NORD/LB Group is exposed to various risks from defined benefit pension plans.

As a registered public institute (Anstalt öffentlichen Rechts), NORD/LB was the subject of a guarantor liability up to and including 17 July 2001. This means that creditors, and therefore also employees, are entitled in respect of their pension entitlements to have the amounts owed to them paid by the respective guarantors of the registered public institute. On 17 July 2001 the guarantor liability for savings banks and landesbanks was abolished by the European Commission. Therefore pension commitments agreed at this time are covered indefinitely by the guarantor liability. Also covered by the guarantor liability are all pension commitments made up to 18 July 2005, provided the pension benefit can be claimed before 31 December 2015. All pension commitments agreed since 18 July 2001 and all commitments not covered by the transition rules are protected against insolvency by NORD/LB paying contributions to a pension guarantee association.

Both the liabilities from defined benefit obligations and the plan assets may fluctuate over time. This might have a negative or positive impact on the financing status. The fluctuations of defined benefit obligations result in particular from changes in financial assumptions such as interest rates as well as changes in demographic assumptions such as a change in life expectancy. Due to the arrangement of existing pension commitments, the amount of the benefits depends on the development of pensionable income, the earnings ceiling in the statutory pension insurance and the social security benefit. If these parameters do not develop as assumed when the provisions were calculated, additional finance might be necessary.

The NORD/LB Group reviews the pension payments schedule regularly (liquidity control), as well as the investment strategy and the level of investment. The level of investment and pension payments is calculated on each due date based on actuarial reports. Most of the amount invested is invested long term in government bonds which have at least an AA rating are listed in an active market. An investment is also made in the same amount of the pension payments in short-term, highly fungible other assets. The interest rate risk is largely reduced by the even rolling nature of the investment debt instruments (government bonds). The market and investment risk is countered by means of observing the minimum rating (AA) of the investments and the investment type (predominantly government bonds). The control of liquidity risk which is due among other things to the pension payments is described in the risk report.

Joint schemes from multiple employers

Along with other financial institutions in German, the NORD/LB Group is a member of the BVV Versorgungskasse des Bankgewerbes e.V. (BVV). Both the Group as an employer and also the employees with the requisite entitlement regularly make pension contributions to the BVV. The BVV's tariffs permit fixed pension payments with surplus contributions. The Group classifies the BVV plan as a benefit plan and treats it for accounting purposes as a contribution-defined plan as the available information is not sufficient for reporting as a benefit plan.

The employer's subsidiary liability vis-à-vis its own employees applies in the case of BVV. NORD/LB considers the likelihood of a claim arising from the subsidiary liability to be extremely low and thus has created neither a contingent liability nor a reserve for this eventuality.

The net liability of defined benefit obligations can be reconciled from the opening to the closing balance of the period taking into account the effects of the items shown below:

(in € million)	Defined benefit obligation 2014	Defined benefit obligation 2013	Fair value of plan assets 2014	Fair value of plan assets 2013	Negative balance (net indebtness) 2014	Negative balance (net indebtness) 2013	Change (in %)
Opening balance	**2 021**	**2 040**	**66**	**65**	**1 955**	**1 975**	**– 1**
Current service cost	38	42	–	–	38	42	– 10
Interest expense	73	73	– 3	– 2	76	71	7
Additional accounting current service costs	–	1	–	–	–	1	– 100
Consolidation adjustments	– 205	–	–	–	– 205	–	–
Effects from settlements / assignments (compensation payments)	–	1	–	–	–	1	– 100
Increase / decrease resulting from changes in foreign exchanges rates	3	– 1	2	– 1	1	–	–
Benefits paid	– 66	– 63	– 16	– 15	– 50	– 48	4
Employer contributions	–	–	14	14	– 14	– 14	–
	1 864	**2 093**	**69**	**65**	**1 795**	**2 028**	**– 11**
Revaluation							
Adjustments made on the basis of experience	33	– 11	–	–	33	– 11	> 100
Profit / losses from the change in demographic assumptions	1	1	–	–	1	1	–
Profit / losses from the change in financial assumptions	652	– 62	–	–	652	– 62	> 100
Without interest income	–	–	2	1	– 2	– 1	100
Closing balance	**2 550**	**2 021**	**71**	**66**	**2 479**	**1 955**	**27**

In addition to pension commitments, the present value of defined benefit obligations includes allowance payments in the amount of € 209 million (€ 147 million).

The defined benefit obligation is broken down as at the balance sheet date into amounts for defined benefit plans in the amount of € 2,012 million (€ 1,581 million) which are not financed through a fund and into amounts from defined benefit obligations in the amount of € 538 million (€ 440 million) which are either fully or partially financed through a fund.

The fair value of plan assets is broken down as follows:

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Equity instruments			
active market	19	18	6
Debt instruments			
active market	25	35	– 29
inactive market	12	–	–
	37	**35**	**6**
Other assets			
active market	11	10	10
inactive market	4	3	33
	15	**13**	**15**
Total	**71**	**66**	**8**

The fair value of plan assets includes the bank's own debt instruments in the amount of € 1 million (€ 2 million). Real estate used by the Bank is not included in the fair value of plan assets.

The table below shows the expected undiscounted defined benefit obligations broken down by time to maturity:

(in € million)	Pensions expenses 31 Dec. 2014	Pensions expenses 31 Dec. 2013
Less than 1 year	– 62	– 61
between 1 and 2 years	– 65	– 64
between 2 and 3 years	– 67	– 67
between 3 and 4 years	– 70	– 70
between 4 and 5 years	– 72	– 73
Total	**– 336**	**– 335**

The duration of the defined benefit pension obligation is 20 (15) years and is reviewed every year by an actuarial expert.
The contribution payments for plans are expected to be € 11 million (€ 11 million) in the next reporting period. Due to the actuarial assumptions, the defined benefit obligation is subject to change.

The following sensitivity analysis shows the impact of the change in the respective assumption on the amount of the defined benefit obligation under the premise that there are no correlations and there is no change in the other assumptions.

(in € million)	Increase 31 Dec. 2014	Decline 31 Dec. 2014	Increase 31 Dec. 2013	Decline 31 Dec. 2013
Actuarial interest rate	267	230	311	319
Wages	31	30	180	175
Pensions	70	67	205	196
Cost increase rate for allowance payments	50	38	31	24
Mortality, invalidity, etc.	101	90	59	212

A sensitivity of –/+ 0.50 (0.50) per cent was applied to the interest rate, –/+ 0.25 (0.25) per cent for both the salary and pension trend and 1 (1) per cent for allowances. To calculate the impact on the obligation of an increase in life expectancy, the probability of death was reduced to 90 (90) per cent. This results in an increase in life expectancy of 0.8 to 1.2 years (0.8 to 1.2 years) in the 20 to approx. 70 age range, an increase of 0.4 to 0.8 years (0.4 to 0.8 years) in the approx. 70 to 90 age range and less than 0.4 years (0.4 years) in the above approx. 80 age range. Due to reasons of materiality, a sensitivity analysis was only conducted for Germany.

Other provisions developed as follows in the year under review:

(in € million)	Provisions in lending business	Provisions for reorganisation	Provisions for contingent losses	Provisions for uncertain liabilities		Insurance business provisions	Total
				Provisions for liabilities to personnel	Other provisions for uncertain liabilities		
1 January	**124**	**11**	**27**	**165**	**79**	**1 943**	**2 349**
Utilisation	3	5	14	12	20	33	87
Reversals	60	–	13	2	5	305	385
Allocations	20	3	1	53	31	499	607
Transfers	– 8	–	–	2	–	–	– 6
Changes from foreign exchange rates	1	–	–	– 6	– 1	– 2 104	– 2 110
31 December	**74**	**9**	**1**	**200**	**84**	**–**	**368**

Provisions for reorganisation relate to the implementation of the business model initiated in 2005. Reported under provisions for liabilities to personnel are provisions for restructuring measures in the amount of € 90 million (€ 56 million) which are a result of the efficiency improvement programmed launched in 2011 (cf. Note (30) Reorganisation expenses). Of the provisions for liabilities to personnel, provisions due to early retirement schemes account for € 28 million (€ 31 million) and provisions for long-service awards account for € 4 million (€ 8 million).

The other provisions for uncertain liabilities include provisions for litigation and regress risks of € 38 million (€ 27 million). Uncertainty regarding the amount and time of these provisions result from low empirical values and the differentiated nature of the underlying circumstances.

The other provisions are mainly due in the long term.

(54) Liabilities Held for Sale

This position contains obligations of several companies held for sale totalling € 6 million (€ 0 million).

(55) Income Tax Liabilities

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Current Income tax liabilities	73	116	– 37
Deferred tax liabilities	100	48	> 100
Total	**173**	**164**	**5**

Current income tax liabilities comprise payment obligations from current income tax to domestic and foreign tax authorities.

Deferred tax liabilities reflect potential income tax liabilities from temporary differences between the values of assets and liabilities in the IFRS consolidated balance sheet and tax values in accordance with the tax regulations of the Group companies. Deferred tax liabilities which were recognised in other comprehensive income totalled € 79 million as at 31 December 2014 (€ 183 million).

Deferred tax liabilities relate to the following balance sheet items:

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Assets			
Loans and advances to banks	30	31	– 3
Loans and advances to customers	329	162	> 100
Risk provisioning	45	25	80
Financial assets at fair value through profit or loss	181	114	59
Fair values from hedge accounting derivatives	979	992	– 1
Financial assets	789	543	45
Intangible assets	24	26	– 8
Property and equipment	21	29	– 28
Other assets	11	12	– 8
Liabilities			
Liabilities to banks	179	4	> 100
Liabilities to customers	59	25	> 100
Securitised liabilities	6	5	20
Financial liabilities at fair value through profit or loss	1 211	484	> 100
Provisions	4	5	– 20
Other liabilities	17	29	– 41
Total	**3 885**	**2 486**	**56**
Net	3 785	2 438	55
Total	**100**	**48**	**> 100**

In addition to deferred taxes recognised in the income statement, deferred tax liabilities also comprise financial assets of € 79 million (€ 181 million) and provisions of € 0 million (€ 2 million) recognised in other comprehensive income.

(56) Other Liabilities

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Liabilities resulting from outstanding invoices	49	35	40
Liabilities from premiums	1	1	–
Liabilities from short-term employee remuneration	58	60	– 3
Deferred income	14	26	– 46
Liabilities from payable taxes and social insurance contributions	15	21	– 29
Liabilities from interim accounts	45	49	– 8
Liabilities from insurance contracts	–	44	– 100
Other liabilities	685	143	> 100
Total	**867**	**379**	**> 100**

Liabilities from short-term employee remuneration comprise residual leave entitlements as well as compensation payments and bonuses; the latter are to be paid to employees in the Group in the first half of 2015.

The liabilities in interim accounts primarily relate to liabilities in lending business and transactions in payment accounts.

(57) Subordinated Capital

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Subordinated liabilities	3 666	3 540	4
Participatory capital	188	209	– 10
Silent participations	992	964	3
Total	**4 846**	**4 713**	**3**

Subordinated liabilities are not paid back until the claims of all senior creditors have been satisfied. At € 2,632 million they satisfy the requirements of Art. 63 of EU Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR) valid since the start of 2014 for the inclusion as supplementary capital pursuant to Art. 62 CRR as at the reporting date. As at 31 December 2013 the subordinated liabilities totalling € 2,786 million satisfied the stipulations of §10 para. 5a of the old version of the German banking Act in force at that time (o.v. KWG) for the attribution to supplementary capital as per §10 para. 2b German Banking Act. Interest expenses for subordinated liabilities amount to € 154 million (€ 149 million).

Participatory capital comprises solely registered participatory capital. At € 53 million the participatory capital satisfies the requirements of Art. 63 CRR for attribution to supplementary capital pursuant to Art. 62 CRR as at the reporting date. As at 31 December 2013 the participatory capital in the amount of € 60 million meets the requirements of § 10 para. 5 of the German Banking Act as applicable at the time for attribution to supplementary capital in accordance with § 10 para. 2b of the German Banking Act. Interest expenses for participatory capital amount to € 11 million (€ 13 million).

Silent participations represent borrowed capital under IAS 32 due to their contractual structure and economic character. Of this, € 476 million satisfies the requirements of Art. 63 CRR for permanent attribution to supplementary capital pursuant to Art. 62 CRR as at the reporting date. In derogation therefrom, silent participations are attributed pro rate to the additional core capital under the applicable transitional arrangements under Art. 484 para. 4 CRR in conjunction with § 31 of the Solvabilitätsverordnung (German Solvency Regulation) until no later than the end of 2021 pursuant to Art. 51 CRR as at the reporting date. As at the reporting date, this ratio is 80 percent of the sum of the regulatory carrying amounts of the silent participations or € 709 million. As at 31 December 2013, the sum total of the regulatory carrying values of the silent participations at that time of € 813 million satisfied the requirements for recognition as Common Equity Tier 1 pursuant to §10 para. 2a sentence 1 no. 10 o.v. KWG. Interest expenses relating to silent participations amount to € 75 million (€ 68 million).

The actual attribution in the regulatory capital is additionally dependent on further conditions (e. g. residual terms and can be found in the regulatory disclosures on equity).

(58) Equity

The equity is made up as follows:

	31 Dec. 2014 (in € million)	31 Dec. 2013[1] (in € million)	Change (in %)
Issued capital	1 607	1 607	–
Capital reserves	3 332	3 332	–
Retained earnings	1 957	2 052	– 5
Revaluation reserve	420	122	> 100
Reserve for the change on foreign exchanges rates	– 10	– 6	67
Equity capital attributable to the owners of NORD/LB	7 306	7 107	3
Equity capital attributable to non-controlling interests	596	1 062	– 44
Total	**7 902**	**8 169**	**– 3**

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

As at 31 December 2014 the following shareholdings were held in the subscribed capital of NORD/LB: the federal state of Lower Saxony 59.13 per cent (59.13 per cent), the federal state of Saxony-Anhalt 5.57 per cent (5.57 per cent), the Association of the Savings Banks of Lower Saxony (SVN) 26.36 per cent (26.36 per cent), the Holding Association of the Savings Banks of Saxony-Anhalt (SBV) 5.28 per cent (5.28 per cent) and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania (SZV) 3.66 per cent (3.66 per cent).

The capital reserves include the amounts paid in capital increases by the owners of NORD/LB in addition to the subscribed capital and silent participations totalling € 10 million (€ 10 million), which due to their economic character represent equity in accordance with IAS 32. The profit share for silent participations in capital reserves is € 1 million (€ 1 million).

Retained profit include retained profit from previous reporting periods, allocations from profit less the share of minority interests in profit, the effects of the revaluation of the net liability from defined benefit pension plans as well as the changes in equity relating to the shares in associated companies and joint ventures accounted for using the equity method.

The revaluation reserve item reports the effects of the measurement of available for sale (AfS) financial instruments.

The currency translation reserve includes the effects of the translation of annual reports of foreign business units with a currency other than the euro relating to the application of the closing rate method.

In addition to the owners of the parent company NORD/LB, other shareholders have an interest in the equity of the NORD/LB Group. These hold shares in the equity of subsidiaries and are reported as non-controlling interests in consolidated equity.

For 2013 the dividend rate is 0.8 per cent (4.9 per cent). The dividend rate expresses ratio of dividends to owners and non-controlling interest in the period under review to the previous year's consolidated profit.

For 2014 it is proposed that a dividend of € 137 million be distributed.

Notes to the Cash Flow Statement

The cash flow statement shows the change in cash and cash equivalents for the reporting period as a result of cash flows from operating, investment and financing activities.

Cash and cash equivalents are defined as the cash reserve (cash on hand and balances with central banks).

The cash from operating activities is calculated based on the consolidated profit using the indirect method. Prior to this calculation, expenses which have no effect on cash in the accounting period are added and income which has no effect on cash in the year under review is deducted. Furthermore, all cash expenses and income which are not allocated to operating activities are eliminated. These payments are taken into account in cash flows from investing or financing activities.

In accordance with IASB recommendations, payments from loans and advances to banks and customers, trading securities, liabilities to banks and customers and from securitised liabilities are reported under cash flow from operating activities.

Cash flow from investing activities includes payments relating to investment and security portfolios classified as financial assets as well as cash receipts and payments relating to property and equipment and to the acquisition of subsidiaries.

Cash flow from financing activities includes cash flows from changes in capital, interest payments on subordinated capital and dividend payments to the owners of the parent company NORD/LB.

We refer to information contained in the risk report concerning liquidity risk management in the NORD/LB Group.

Other Disclosures

Notes to Financial Instruments

(59) Fair Value Hierarchy

The fair values of financial instruments are compared with their carrying amounts in the following table.

(in € million)	31 Dec. 2014 Fair Value	31 Dec. 2014 Carrying amount	31 Dec. 2014 Difference	31 Dec. 2013 Fair Value [3]	31 Dec. 2013 Carrying amount [3]	31 Dec. 2013 Difference
Assets						
Cash reserve	1 064	1 064	–	1 311	1 311	–
Loans and advances to banks	24 455	23 565	890	28 216	27 481	735
Loans and advances to customers	110 532	108 255	2 277	106 397	107 604	– 1 207
Risk provisioning	[1]	– 2 747	–	[1]	– 2 246	–
Sub-total of loans and advances to banks / customers (net after loan loss provisions)	**134 987**	**129 073**	**5 914**	**134 613**	**132 839**	**1 774**
Balancing items for financial instruments hedged in the fair value hedge portfolio	[2]	114	–	[2]	– 171	–
Financial assets at fair value through profit or loss	16 306	16 306	–	13 541	13 541	–
Positive fair values from hedge accounting derivatives	3 483	3 483	–	3 872	3 872	–
Financial assets not reported at fair value	2 968	3 220	– 252	2 864	3 164	– 300
Financial assets reported at fair value	41 901	41 901	–	43 879	43 879	–
Assets held for sale reported at fair value	56	56	–	–	–	–
Other assets not reported at fair value	20	20	–	17	17	–
Other assets reported at fair value	25	25	–	25	25	–
Total	**200 810**	**195 262**	**5 662**	**200 122**	**198 477**	**1 474**

[1] Amounts relating to loan loss provisions are shown in the corresponding fair values of loans and advances to banks and loans and advances to customers.
[2] Amounts relating to the assets and liabilities item "Adjustment item for financial instruments hedged in the fair value hedge portfolio" are reported in the fair values of the hedged financial instruments.
[3] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

(in € million)	31 Dec. 2014 Fair Value	Carrying amount	Difference	31 Dec. 2013 Fair Value [3]	Carrying amount [3]	Difference
Liabilities						
Liabilities to banks	60 251	58 986	1 265	59 836	59 181	655
Liabilities to customers	61 756	57 996	3 760	57 177	54 859	2 318
Securitised liabilities	41 691	40 714	977	51 116	50 228	888
Balancing items for financial instruments hedged in the fair value hedge portfolio	[2]	1 176	–	[2]	351	–
Financial liabilities at fair value through profit or loss	18 169	18 169	–	15 131	15 131	–
Negative fair values from hedge accounting derivatives	3 926	3 926	–	3 344	3 344	–
Other liabilities not reported at fair value	16	16	–	44	44	–
Other liabilities reported at fair value	1	1	–	–	–	–
Nachrangkapital	5 360	4 846	514	5 037	4 713	324
Total	**191 170**	**185 830**	**6 516**	**191 685**	**187 851**	**4 185**

[2] Amounts relating to the assets and liabilities item "Adjustment item for financial instruments hedged in the fair value hedge portfolio" are reported in the fair values of the hedged financial instruments.
[3] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

It was not possible to reliably determine a fair value for € 39 million (€ 47 million) of financial instruments. These are mainly investments. It is intended that these financial instruments remain fully retained in the company.

The table below shows the distribution of financial assets and liabilities recognised at fair value based on the fair value hierarchy:

(in € million)	Level 1 31 Dec. 2014	Level 1 31 Dec. 2013	Level 2 31 Dec. 2014	Level 2 31 Dec. 2013	Level 3 31 Dec. 2014	Level 3 31 Dec. 2013	Total 31 Dec. 2014	Total 31 Dec. 2013
Assets								
Assets held for trading	847	1 569	13 311	10 935	197	16	14 355	12 520
Debt securities and other fixed-interest securities	792	1 519	2 159	2 032	–	–	2 951	3 551
Shares and other non fixed-interest securities	55	46	–	–	–	–	55	46
Positive fair values from derivatives	–	4	8 898	6 599	–	–	8 898	6 603
Interest-rate risks	–	1	8 060	5 697	–	–	8 060	5 698
Currency risks	–	3	639	720	–	–	639	723
Share-price and other price risks	–	–	181	169	–	–	181	169
Credit derivatives	–	–	18	13	–	–	18	13
Trading portfolio claims	–	–	2 254	2 304	197	16	2 451	2 320
Financial assets as at fair value through profit or loss	935	111	1 016	910	–	–	1 951	1 021
Loans and advances to banks	–	–	–	6	–	–	–	6
Loans and advances to customers	–	–	257	240	–	–	257	240
Financial assets	935	111	759	664	–	–	1 694	775
Debt securities and other fixed-interest securities	935	101	759	664	–	–	1 694	765
Shares and other non fixed-interest securities	–	10	–	–	–	–	–	10
Positive fair values from hedge accounting derivatives	–	–	3 483	3 872	–	–	3 483	3 872
Positive fair values from employed micro fair value hedge derivatives	–	–	2 498	2 116	–	–	2 498	2 116
Interest-rate risks	–	–	2 383	1 948	–	–	2 383	1 948
Currency risks	–	–	115	168	–	–	115	168
Positive fair values from employed portfolio fair value hedge derivatives	–	–	985	1 756	–	–	985	1 756
Interest-rate risks	–	–	985	1 756	–	–	985	1 756
Financial assets at fair value	11 124	9 259	30 412	34 213	365	407	41 901	43 879
Debt securities and other fixed-interest securities	10 918	8 681	30 391	34 147	5	57	41 314	42 885
Shares and other non fixed-interest securities	162	527	2	9	–	–	164	536
Shares in companies (not consolidated)	44	43	19	25	231	227	294	295
Other financial assets classified as AfS	–	8	–	32	129	123	129	163
Assets held for sale reported at fair value	–	–	56	–	–	–	56	–
Other financial assets reported at fair value	17	17	8	8	–	–	25	25
Total	**12 923**	**10 956**	**48 286**	**49 938**	**562**	**423**	**61 771**	**61 317**

(in € million)	Level 1 31 Dec. 2014	Level 1 31 Dec. 2013	Level 2 31 Dec. 2014	Level 2 31 Dec. 2013	Level 3 31 Dec. 2014	Level 3 31 Dec. 2013	Total 31 Dec. 2014	Total 31 Dec. 2013
Liabilities								
Trading liabilities	80	41	9 021	6 242	17	5	9 118	6 288
Negative fair values from derivatives relating to	3	4	8 976	6 169	17	5	8 996	6 178
interest-rate risks	2	2	7 129	5 664	16	–	7 147	5 666
currency risks	–	–	1 820	442	1	1	1 821	443
share-price and other price risks	1	2	1	1	–	–	2	3
credit derivatives	–	–	26	62	–	4	26	66
Delivery obligations from short-sales and other trading assets	77	37	45	73	–	–	122	110
Financial liabilities reported at fair value	26	100	9 016	8 735	9	8	9 051	8 843
Liabilities to banks	–	–	564	590	–	–	564	590
Liabilities to customers	–	–	5 865	5 090	–	–	5 865	5 090
Securitised liabilities	26	100	2 563	3 030	9	8	2 598	3 138
Subordinated capital	–	–	24	25	–	–	24	25
Negative fair values from hedge accounting derivatives	–	–	3 926	3 344	–	–	3 926	3 344
Negative fair values from employed micro fair value hedge derivatives	–	–	3 506	2 498	–	–	3 506	2 498
Interest-rate risks	–	–	3 123	2 268	–	–	3 123	2 268
Currency risks	–	–	383	230	–	–	383	230
Negative fair values from employed portfolio fair value hedge derivatives	–	–	420	846	–	–	420	846
Interest-rate risks	**–**	**–**	**420**	**846**	**–**	**–**	**420**	**846**
Other financial liabilities reported at fair value	1	–	–	–	–	–	1	–
Total	**107**	**141**	**21 963**	**18 321**	**26**	**13**	**22 096**	**18 475**

The Level 3 financial assets recognised at fair value are valued using the counterparty price.

The designated assets held for sale at fair value are non-recurrent fair value valuations (cf. Notes (44) Assets held for sale).

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

2014 (in € million)	from Level 1 to Level 2	from Level 1 to Level 3	from Level 2 to Level 1	from Level 2 to Level 3	from Level 3 to Level 1	from Level 3 to Level 2
Assets held for trading	47	–	18	–	–	–
Debt securities and other fixed-interest securities	47	–	18	–	–	–
Financial assets at fair value	386	–	3 782	6	–	–
Debt securities and other fixed-interest securities	386	–	3 782	6	–	–
Trading liabilities	–	–	–	–	–	3
Negative fair values from derivatives relating to	–	–	–	–	–	3
– interest-rate risks	–	–	–	–	–	3
Designated financial liabilities reported at fair value	77	–	13	–	–	–
Securitised liabilities	77	–	13	–	–	–

2013 (in € million)	from Level 1 to Level 2	from Level 1 to Level 3	from Level 2 to Level 1	from Level 2 to Level 3	from Level 3 to Level 1	from Level 3 to Level 2
Assets held for trading	239	–	–	16	–	–
Debt securities and other fixed-interest securities	239	–	–	–	–	–
Loans and advances to trading and other trading assets	–	–	–	16	–	–
Designated financial assets reported at fair value	444	–	12	–	–	–
Financial assets	444	–	12	–	–	–
Debt securities and other fixed-interest securities	444	–	12	–	–	–
Financial assets at fair value	27 516	5	53	6	–	3
Debt securities and other fixed-interest securities	27 484	–	53	–	–	2
Shares in companies (not consolidated)	–	5	–	6	–	1
Other financial assets classified as AfS	32	–	–	–	–	–
Trading liabilities	–	–	–	3	–	–
Negative fair values from derivatives relating to	–	–	–	3	–	–
– currency risk	–	–	–	1	–	–
– interest-rate risks	–	–	–	2	–	–
Designated financial liabilities reported at fair value	160	–	53	5	–	–
Securitised liabilities	160	–	53	5	–	–

For asset-side financial instruments, a level assessment takes place on an individual transaction basis pursuant to HFA 47. This specifies how financial instruments are to be classified in the various levels. Accordingly, (mixed) prices calculated by price service agencies on the basis of reported prices are to be allocated to Level 2. Broker quotations have to come from an “active market” in order to be allocated to Level 1. If there are only a few broker quotations or if these involve big bid-ask spreads or price differences, it is assumed that there is no active market. As at the balance sheet date the transfers have been mostly between Level 1 and Level 2 compared to the previous end-of-year reporting date.

When measuring the Bank’s own structured issues (DFV), the use of market prices is reviewed as at the reporting date. Following this review, some issues generally move between Level 1 and 2 due to a change in trading activity. Transfers from Level 2 in Level 3 result from the unavailability of adequate market data for a Level 2 valuation.

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

Financial assets and liabilities in Level 3 of the fair value hierarchy developed as follows:

	Trading assets Loans and advances to trading and other trading assets	
(in € million)	2014	2013
1 January	**16**	**–**
Effect on the income statement [1]	16	–
Addition from purchase or issuance	181	–
Repayment/exercise	16	–
Addition from Level 1 and 2	–	16
31 December	**197**	**16**
Profit/losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement [1]	17	– 1

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement in positions (21) Net interest income and (24) Profit/loss from financial instruments at fair value through profit and loss.

(in € million)	Financial assets at fair value Fixed-income and book entry securities 2014	2013	Shares in companies (not consolidated) 2014	2013	Other financial assets classified as AfS 2014	2013
1 January	**57**	**60**	**227**	**217**	**123**	**146**
Effect on the income statement [1]	– 4	–	– 2	– 18	6	– 5
Effect on the equity capital	13	– 1	8	3	–	– 1
Addition from purchase or issuance	–	–	1	16	–	–
Disposal from sale	67	–	5	–	–	–
Repayment/exercise	–	–	– 2	1	–	17
Addition from Level 1 and 2	6	–	–	11	–	–
Disposal to Level 1 and 2	–	2	–	1	–	–
31 December	**5**	**57**	**231**	**227**	**129**	**123**
Profit/losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement[1]	–	–	– 1	– 18	6	– 5

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement in positions (21) Net interest income and (26) Profit/loss from Financial Assets.

(in € million)	Trading liabilities Trading liabilities Interest-rate risk 2014	2013	Trading liabilities Currency risks 2014	2013	Trading liabilities Credit derivatives 2014	2013
1 January	**–**	**–**	**1**	**–**	**3**	**4**
Effect on the income statement [1]	–	–	–	–	–	– 3
Addition from purchase or issuance	16	–	–	–	–	–
Addition from Level 1 and 2	–	–	–	1	–	2
Disposal to Level 1 and 2	–	–	–	–	3	–
31 December	**16**	**–**	**1**	**1**	**–**	**3**

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (21) Net interest income and (24) Profit/loss from financial instruments at fair value through profit or loss.

(in € million)	Designated financial liabilities reported at fair value Securitised liabilities 2014	2013
1 January	**9**	**–**
Addition from purchase or issuance	–	4
Addition from Level 1 and 2	–	5
31 December	**9**	**9**

For the fair value measurement of the financial instruments in Level 3, the following significant unobservable input data were used.

Product	Fair value 31 Dec. 2014 (in € million)	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Interest-bearing bonds (assets)	5	Fair Value	–	–
Interest-bearing bond (liabilities)	9	historical volatilities	15–35 %	22 %
Silent participations	114	Credit Spread	+ / – 100 Basispoints	+ / – 100 Basispoints
Participations	217	Spread	+ / – 100 Basispoints	+ / – 100 Basispoints
	29	Adjusted Beta	+ / – 60 Basispoints	+ / – 600 Basispoints
Loans	86	Rating	Ratingklassen (25er DSGV-Skala) 1 A	gemitteltes Rating 1(A)
	111	Rating	Ratingklassen (25er DSGV-Skala) 8–12	gemitteltes Rating 9,30
Forward transactions (liabilities)	16	Rating	Ratingklassen (25er DSGV-Skala) 8–10	gemitteltes Rating 8,53
Derivatives (liabilities)	1	historical volatilities	5 %	5 %

Interest-bearing securities that were previously valued in part via an intensity spread can currently be subjected to a Level 2 valuation. Additionally, there are further interest-bearing securities that qualify as Level 3 due to a lack of market data and corresponding recourse to counterparty prices. The sensitivity is approximated via a price amendment of 10 per cent and totals € 0.5 million.

Significant unobservable data in the fair value measurement of silent participations is the credit spread. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the credit spread was stressed in the measurement by increasing or reducing it by 100 basis points. Accordingly an imputed change in the parameter would result in a change in the fair value of all silent participations in Level 3 of € 3.8 million (€ 6 million).

Significant unobservable data in the fair value measurement of silent participations is the spread or adjusted beta. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the credit spread was stressed in the measurement by increasing or reducing it by 100 basis points. The adjusted beta was also stressed in the measurement by increasing or reducing it by 60 basis points. Accordingly an imputed change in the parameter would result in a change in the fair value of investments in Level 3 of € 5 million (€ 1 million).

A significant unobservable input parameter in the fair value measurement of loans is the internal rating. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the rating was moved up and down one class. Accordingly an imputed change in the parameter has resulted in a change in the fair value of the loans in Level 3 of € 1 million (€ 0 million).

There are derivatives that have been measured as part of syndicated loans and allocated to Level 3. These are forward transactions There are also derivatives that have been allocated to Level 3 based on historic volatility.

Significant non-observable input data in the fair value measurement of these derivatives are the rating and historic volatilities. Details concerning the sensitivity of historic volatilities are permissibly not given, as the historic volatilities are not calculated by the company itself, but are based on original market transactions. Significant changes in the ratings result in a significantly higher or lower fair value. As part of the sensitivity analysis, the rating was stressed by being moved up and down a level. Accordingly an imputed change would result in a change in the fair value of the derivatives in Level 3 of € 0.6 million (€ 0 million).

The sensitivity of the loans and derivatives of in each case approx. € 1 or 0.6 million (€ 0 million) also takes into account transactions whose performance based on parameters that cannot be observed in the market do not have any effect on the income statement due to economically inseparable relationships between individual underlying and hedging transactions. These concern loans intended for syndication and associated derivatives, which reflect the fixed forward sale. Changes in the value of loans are partly compensated for by changes in the value of derivatives. This compensation results in a net (income-statement-relevant) sensitivity of only € 0,4 million (€ 0 million).

The interest-bearing securities, investments and silent participations are mainly reported under financial assets, while derivatives and loans are reported under financial assets and liabilities at fair value through profit or loss.

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

If fair values are stated in the notes for assets and liabilities that are not measured at fair value in the balance sheet, these are to be classified in the fair value hierarchy.

	Level 1		Level 2		Level 3		Total	
(in € million)	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Assets								
Cash reserve	1 064	1 311	–	–	–	–	1 064	1 311
Loans and advances to banks	817	755	281	789	23 357	26 672	24 455	28 216
Mortage loans	–	–	–	47	23	26	23	73
Public-sector loans	–	–	–	297	5 464	8 185	5 464	8 482
Mortage-backed loans	–	–	–	–	46	43	46	43
Other loans	–	–	281	328	9 511	10 643	9 792	10 971
Current account and forward contracts	725	699	–	–	6 239	5 045	6 964	5 744
Other advances to banks	92	56	–	117	2 074	2 730	2 166	2 903
Loans and advances to customers	1 857	1 600	935	1 656	107 740	103 141	110 532	106 397
Mortage loans	–	–	–	25	14 552	14 020	14 552	14 045
Public-sector loans	168	–	798	1 456	31 646	33 702	32 612	35 158
Mortage-backed loans	–	–	–	2	5 360	5 015	5 360	5 017
Other loans	1	16	137	173	51 590	45 903	51 728	46 092
Current account and forward contracts	121	118	–	–	4 521	4 225	4 642	4 343
Other advances to customers	1 567	1 466	–	–	71	276	1 638	1 742
Financial assets not reported at fair value	12	10	2 950	2 781	6	73	2 968	2 864
Debt securities and other fixed-interest securities	12	3	2 950	2 781	6	32	2 968	2 816
Shares in companies (not consolidated)	–	7	–	–	–	41	–	48
Investment property	–	–	96	130	–	1	96	131
Other assets reported at fair value	–	1	–	–	20	16	20	17
Total	**3 750**	**3 677**	**4 262**	**5 356**	**131 123**	**129 903**	**139 135**	**138 936**

(in € million)	Level 1 31 Dec. 2014	Level 1 31 Dec. 2013	Level 2 31 Dec. 2014	Level 2 31 Dec. 2013	Level 3 31 Dec. 2014	Level 3 31 Dec. 2013	Total 31 Dec. 2014	Total 31 Dec. 2013
Liabilities								
Liabilities to banks	277	325	5 262	4 393	54 712	55 118	60 251	59 836
Liabilties to customers	1 230	190	11 050	10 518	49 476	46 469	61 756	57 177
Securitised liabilities	1 630	4 451	38 335	44 644	1 726	2 021	41 691	51 116
Issued debt securities	30	2 927	37 891	44 184	1 726	1 872	39 647	48 983
Money market instruments	1 600	1 524	444	460	–	149	2 044	2 133
Other liabilities not reported at fair value	–	–	–	–	16	44	16	44
Subordinated capital	344	555	3 276	2 591	1 740	1 891	5 360	5 037
Subordinated liabilities	–	273	3 109	2 426	954	1 126	4 063	3 825
Participatory capital	–	–	88	86	100	123	188	209
Silent participations	344	282	79	79	678	634	1 101	995
Other subordinated capital	–	–	–	–	8	8	8	8
Total	**3 481**	**5 521**	**57 923**	**62 146**	**107 670**	**105 543**	**169 074**	**173 210**

(60) Carrying Amounts by Measurement Category

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Assets			
Financial assets held for trading	14 355	12 520	15
Financial assets designated at fair value	1 951	1 021	91
Available for sale assets	41 939	43 926	– 5
Loans and receivables	132 273	136 028	– 3
Total	**190 518**	**193 495**	**– 2**
Liabilities			
Financial liabilities held for trading	9 118	6 288	45
Financial liabilities designated at fair value	9 051	8 843	2
Other liabilities	162 558	169 028	– 4
Total	**180 727**	**184 159**	**– 2**

Hedging instruments for hedge accounting as defined by IAS 39 and the cash reserve are not included since they are not allocated to any measurement category.

(61) Net Gains or Losses by Measurement Category

	1 Jan.–31 Dec. 2014 (in € million)	1 Jan.–31 Dec. 2013 (in € million)	Change (in %)
Financial Instruments Held for Trading	730	–136	> 100
Financial Instruments designated at Fair Value through Profit or Loss	–643	219	> 100
Available for Sale Assets	–4	23	> 100
Loans and Receivables	–741	–790	–6
Other Liabilities	–68	–38	79
Total	**–726**	**–722**	**1**

The category financial instruments held for trading relates solely to trading profit/loss, while the category financial instruments designated at fair value through profit or loss includes the profit/loss of the fair-value option. The category available for sale assets includes the profit/loss from financial assets classified as AfS and the profit/loss from shares in unconsolidated companies. The category loans and receivables comprises risk provisions, the profit/loss from LaR financial assets and the profit/loss from disposals of receivables. The category other liabilities includes solely income and expenses from the repurchase of own liabilities.

The net gains/losses of the measurement categories of financial instruments held for trading and financial instruments designated at fair value through profit or loss include the commission income for the related transactions. The profit/loss from hedge accounting is not included in the gains/losses since hedge accounting is not allocated to any of the categories.

(62) Impairments/Reversals of Impairment by Measurement Category

	1 Jan.–31 Dec. 2014 (in € million)	1 Jan.–31 Dec. 2013 (in € million)	Change (in %)
Available for Sale Assets			
Profit/loss from impairment of financial assets classified as AfS	–84	–18	> 100
Profit/loss from shares in not consilidated companies	–3	–25	–88
Loans and Receivables	**–87**	**–43**	**> 100**
Other liabilities			
Profit/loss from impairment of financial assets classified as AfS	–1	–9	–89
Profit/loss from impairment of advances	–776	–857	–9
	–777	**–866**	**–10**
Total	**–864**	**–909**	**–5**

(63) Offsetting of Financial Assets and Financial Liabilities

The effects or potential effects of offsetting financial assets and liabilities are shown in the table below.

31 Dec. 2014 (in € million)	Gross amount before balancing	Amount of the financially balancing	Net amount after balancing	Master netting arrangements and other without financially balancing: Financial instruments	Collaterals: Securities collateral	Collaterals: Cash collateral	Net amount
Assets							
Offsetting of current accounts	4 806	3 453	1 353	–	–	–	1 353
Derivatives	15 887	3 843	12 044	7 907	–	1 692	2 445
Securities lending and repos	1613	–	1 613	713	888	–	12
Liabilities							
Offsetting of current accounts	4 942	3 453	1 489	–	–	–	1 489
Derivatives	16 624	3 731	12 893	7907	–	4 320	666
Securities lending and repos	12 969	–	12 969	887	11 738	1	343

31 Dec. 2013 (in € million)	Gross amount before balancing	Amount of the financially balancing	Net amount after balancing	Master netting arrangements and other without financially balancing: Financial instruments	Collaterals: Securities collateral	Collaterals: Cash collateral	Net amount
Assets							
Offsetting of current accounts	5 958	4 482	1 476	–	–	–	1 476
Derivate	10 086	–	10 086	6 309	311	1 855	1 611
Securities lending and repos	3 704	–	3704	934	2 727	2	41
Liabilities							
Offsetting of current accounts	12 649	4 482	8 167	–	–	–	8 167
Derivatives	9 398	–	9 398	6 309	–	2 735	354
Securities lending and repos	11 565	–	11 565	934	10 599	6	26

In the NORD/LB Group the offsetting of liabilities to an account holder that are payable on demand and are not subject to any commitments against receivables owed by the same account holder that are due on demand is reported under the offsetting of current accounts measured at amortised cost in accordance with § 10 of the German Accounting Regulation for Credit and Financial Services Institutions (Kreditinstituts-Rechnungslegungsverordnung, RechKredV). This is the case where it has been agreed for the calculation of interest and commission that the account holder is treated in the same way as if the postings are made to a single account. The offsetting is in accordance with IAS 32.42. Receivables and liabilities in different currencies are not offset.

Business with derivative financial instruments and repos and securities lending business is generally conducted on the basis of bilateral framework agreements concluded with the counterparty. These only allow the offsetting of receivables and liabilities as well as collateral provided and received under certain conditions, e. g. in the event of a breach of contract or in the case of insolvency. There is therefore currently no right to offset in accordance with IAS 32.42. Selected derivative financial instruments financial instruments are entered into with central counterparties (clearing houses). A corresponding offsetting of claims, liabilities and collateral provided or received measured at amortised cost pursuant to IAS 32.42 for these financial instruments at fair value.

Assets and liabilities from securities lending and repos are measured at amortised cost.

(64) Transfer and Derecognition of Financial Assets

The risks and opportunities relating to transferred financial assets and associated liabilities that remain in the NORD/LB Group are shown in the table below. The table also shows the degree to which transferees' rights of recourse relate only to the respective transferred assets.

31 Dec. 2014 (in € million)	Full recognition of financial assets despite transfer		The transferee's right of recourse relates only to the respective transferred assets		
	Asset value of the assets	Asset value of the appropriate liabilities	Fair value of the assets	Fair value of the appropriate liabilities	Net position
Loans and advances to customers	1 401	–	1 401	–	1 401
Financial assets at fair value through profit or loss	111	79	111	79	32
Financial assets not reported at fair value	122	–	–	–	–
Financial assets reported at fair value	15 815	16 591	9 528	10 008	– 480
Total	**17 449**	**16 670**	**11 040**	**10 087**	**953**

31 Dec. 2013 (in € million)	Full recognition of financial assets despite transfer		The transferee's right of recourse relates only to the respective transferred assets		
	Asset value of the assets	Asset value of the appropriate liabilities	Fair value of the assets	Fair value of the appropriate liabilities	Net position
Loans and advances to customers	1 419	–	1 419	–	1 419
Financial assets at fair value through profit or loss	111	32	111	32	79
Financial assets reported at fair value	18 789	19 439	11 818	12 547	– 729
Total	**20 319**	**19 471**	**13 348**	**12 579**	**769**

Transferred financial assets within the positions Financial assets at fair value through profit or loss and Financial assets at fair value are primarily true repos and securities lending transactions. These continue to be reported on the Group balance sheet as the interest-rate, creditworthiness and other material risks and opportunities from growth in value and interest income remain within the Bank. The collateral furnished is subject to a full transfer of rights, i. e. the assignee may act as an owner and in particular effect disposals in the form of assignments and pledges. In the case of securities collateral, securities of the same type and value must be to be returned or supplied. A return of the issued collateral in the form of liquid funds is not permissible without the assignor's consent in the case of securities collateral.

(65) Derivative Financial Instruments

The NORD/LB Group employs derivative financial instruments for securing purposes in asset/liability management. Trading is also conducted in derivative financial transactions.

Nominal values constitute the gross volume of all purchases and sales. This item is a reference figure for calculating reciprocally agreed equalisation payments; it does not, however, refer to receivables and liabilities which may be recognised in the balance sheet. Counter to their representation on the balance sheet, the market values are specified prior to offsetting in the balance sheet pursuant to IAS 32.42.

The portfolio of derivative financial instruments comprises the following:

	Nominal values		Fair value positive		Fair value negative	
(in € million)	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Interest-rate risk						
Interest rate swaps	236 597	230 059	14 295	8 874	12 107	7 484
FRAs	2 000	1 729	–	–	–	–
Interest options						
Call	3 600	3 097	798	338	4	4
Put	7 668	7 934	20	4	2 011	1 101
Caps, floors	6 664	7 203	89	98	55	64
Stock exchange contracts	1 752	905	–	1	2	2
Other forward interest rate transactions	1 316	1 986	70	87	243	125
	259 597	**252 913**	**15 272**	**9 402**	**14 422**	**8 780**
Currency risk						
Forward exchange contracts	25 580	23 545	465	219	480	240
Currency swaps and interest rate/currency swaps	29 056	33 311	283	668	1 718	429
Currency options						
Call	170	141	4	3	1	1
Put	190	142	1	1	4	3
	54 996	**57 139**	**753**	**891**	**2 203**	**673**
Share price and other price risks						
Share price and other price risks	270	290	180	167	1	1
Stock options						
Call	28	87	1	2	–	–
Put	–	7	–	–	–	1
Stock exchange contracts	34	51	–	–	1	1
	332	**435**	**181**	**169**	**2**	**3**
Credit risk						
Assignor	218	239	1	3	1	1
Assignee	3 346	4 577	17	10	25	65
	3 564	**4 816**	**18**	**13**	**26**	**66**
Total	**318 489**	**315 303**	**16 224**	**10 475**	**16 653**	**9 522**

The residual terms to maturity of the derivative financial instruments are shown below.

Nominalwerte	Interest-rate risk		Currency risk		Share price and other price risk		Credit risk	
(in € million)	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Up to 3 months	18 852	25 491	21 899	20 934	41	85	445	61
More than 3 months up to 1 year	29 580	28 714	8 632	9 452	201	109	705	903
More than 1 year up to 5 years	97 987	91 805	14 250	16 253	82	234	2 083	3 429
More than 5 years	113 178	106 903	10 215	10 500	8	7	331	423
Total	**259 597**	**252 913**	**54 996**	**57 139**	**332**	**435**	**3 564**	**4 816**

The residual term is defined as the period between the balance sheet date and the contractual due date.

The table below shows the nominal values and a breakdown of the positive and negative gross fair values of derivative transactions by counterparty.

	Nominal values		Fair value positive		Fair value negative	
(in € million)	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Banks in the OECD	178 057	271 271	8 826	8 231	11 490	8 744
Banks outside the OECD	666	585	12	5	3	7
Public institutions in the OECD	6 075	7 380	512	283	187	122
Other counterparties (including stock exchange contracts)	133 691	36 067	6 874	1 956	4 973	649
Total	**318 489**	**315 303**	**16 224**	**10 475**	**16 653**	**9 522**

(66) Concessions due to Financial Difficulties

Financial assets may be restructured or their contractual conditions modified for a range of reasons, including change of market conditions, customer loyalty and other factors not connected to customers' current or anticipated financial difficulties.

The NORD/LB Group shall restructure or modify the contractual conditions of financial assets in order to enable debtors to continue to perform capital service in full or in part, despite current or anticipated financial difficulties. These concessions are entered into if it can be assumed that the debtor can meet the modified terms as contractually agreed.

In the case of concessions, the NORD/LB Group agrees more favourable contractual terms for the debtor that it would not have granted to comparable customers.

The amendment of contractual terms includes term extensions, changes to the payment dates for interest and redemption and amendments to the covenant.

31 Dec. 2014	Gross carrying amount of exposures with forbearance measures		Accumulated impairment	
(in € million)	Performing Exposure with borbearance measuries	Non-Performing Exposure with borbearance measuries	Performing Exposure with borbearance measuries	Non-Performing Exposure with borbearance measuries
Loans and advances	2 234	7 138	9	1 716
Debt instruments at amortised cost	2 234	7 138	9	1 716
Debt instruments other than held for trading	2 234	7 138	9	1 716
Loan commitments given	36	29	–	–

(67) Disclosures concerning to Selected Countries

The table below shows, in contrast to the exposure in the risk report (see Management Report), the reported values of transactions relating to selected countries (including credit derivatives). The disclosures by country include regional governments, municipalities and state-related public-sector companies.

	Financial Instruments Held for Trading		Financial Instruments designated at Fair Value through Profit or Loss		Available for Sale Assets	
(in € million)	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Ireland						
Country	– 1	– 5	–	95	22	27
Financing institutes / insurance companies	4	– 14	–	5	169	238
Companies / other	42	11	–	–	–	2
	45	**– 8**	**–**	**100**	**191**	**267**
Italy						
Country	26	–	269	221	1 455	1 274
Financing institutes / insurance companies	14	– 5	–	–	439	832
Companies / other	4	2	–	–	82	43
	44	**– 3**	**269**	**221**	**1 976**	**2 149**
Portugal						
Country	– 6	– 19	–	–	157	164
Financing institutes / insurance companies	– 3	9	–	–	–	126
Companies / other	–	–	–	–	21	21
	– 9	**– 10**	**–**	**–**	**178**	**311**
Slowenia						
Country	–	–	–	–	31	32
	–	**–**	**–**	**–**	**31**	**32**
Spain						
Country	40	–	–	–	215	329
Financing institutes / insurance companies	72	33	–	–	1 528	1 586
Companies / other	11	7	–	–	14	30
	123	**40**	**–**	**–**	**1 757**	**1 945**
Hungary						
Country	–	– 1	–	–	165	189
Companies / other	–	–	–	–	–	41
	–	**– 1**	**–**	**–**	**165**	**230**
Cyprus						
Country	14	13	–	–	–	–
	14	**13**	**–**	**–**	**–**	**–**
Total	**217**	**31**	**269**	**321**	**4 298**	**4 934**

For financial instruments categorised as available for sale with acquisition costs totalling € 3,914 million (€ 4,947 million), the cumulative valuation result of the selected countries reported in equity totals € 294 million (€ 82 million). In addition to this, depreciation of € 0 million (€ 1 million) was recognised in the income statement for the period.

	Loans and Receivables							
	Gross book value		Specific valuation allowances		General loan loss provisions		Fair value	
(in € million)	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Egpyt								
Financing institutes/insurance companies	–	9	–	–	–	–	–	9
	–	**9**	**–**	**–**	**–**	**–**	**–**	**9**
Greece								
Companies/other	214	229	51	21	1	5	181	188
	214	**229**	**51**	**21**	**1**	**5**	**181**	**188**
Ireland								
Financing institutes/insurance companies	233	270	–	–	–	3	238	263
Companies/other	2 217	1 862	–	–	3	3	2 260	1 873
	2 450	**2 132**	**–**	**–**	**3**	**6**	**2 498**	**2 136**
Italy								
Financing institutes/insurance companies	84	111	–	–	–	–	68	86
Companies/other	47	46	–	–	–	–	49	46
	131	**157**	**–**	**–**	**–**	**–**	**117**	**132**
Portugal								
Financing institutes/insurance companies	8	12	–	–	1	1	8	12
Companies/other	30	35	–	–	–	–	30	35
	38	**47**	**–**	**–**	**1**	**1**	**38**	**47**
Russia								
Financing institutes/insurance companies	158	130	–	–	–	–	157	129
Companies/other	48	50	5	–	–	–	48	50
	206	**180**	**5**	**–**	**–**	**–**	**205**	**179**

(in € million)	Loans and Receivables Gross book value 31 Dec. 2014	31 Dec. 2013	Specific valuation allowances 31 Dec. 2014	31 Dec. 2013	General loan loss provisions 31 Dec. 2014	31 Dec. 2013	Fair value 31 Dec. 2014	31 Dec. 2013
Slowenia								
Financing institutes/insurance companies	–	25	–	–	–	–	–	25
	–	**25**	**–**	**–**	**–**	**–**	**–**	**25**
Spain								
Country	52	52	–	–	–	1	54	53
Financing institutes/insurance companies	98	125	5	–	–	1	99	123
Companies/other	301	442	38	44	–	1	339	425
	451	**619**	**43**	**44**	**–**	**3**	**492**	**601**
Hungary								
Financing institutes/insurance companies	1	3	–	–	–	–	1	3
Companies/other	38	47	–	–	–	–	38	47
	39	**50**	**–**	**–**	**–**	**–**	**39**	**50**
Cyprus								
Companies/other	1 216	1 156	51	16	29	20	935	928
	1 216	**1 156**	**51**	**16**	**29**	**20**	**935**	**928**
Total	**4 745**	**4 604**	**150**	**81**	**34**	**35**	**4 505**	**4 295**

The nominal value of credit derivatives relating to the selected countries in the NORD/LB Group's portfolio is € 709 million (€ 1,446 million). Of this, states account for € 423 million (€ 495 million), financing institutions/insurance companies for € 260 million (€ 950 million) and companies/others for € 26 million (€ 1 million). The Group acts as both a provider and recipient of collateral. The netted fair value of the credit derivatives is € –11 million (€ –41 million).

(68) Underlying Transactions in Effective Hedges

Financial assets and liabilities which as underlying transactions are part of a hedge in accordance with IAS 39 continue to be reported together with unsecured transactions in the respective balance sheet items since the hedging transaction has no effect on the type of underlying transaction and its function. The balance sheet item for financial instruments (LaR and OL categories), otherwise reported at amortised cost, is adjusted by the change in fair value results in the hedged risk (in the fair value hedge portfolio by reporting the item in a separate balance sheet item). Financial instruments in the AfS category continue to be reported at their full fair value.

The financial assets and liabilities which are hedged underlying transactions in an effective micro fair hedge are shown below for information purposes:

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Assets			
Loans and advances to banks	850	1 016	– 16
Loans and advances to customers	7 700	7 333	5
Financial assets	10 337	12 868	– 20
Total	**18 887**	**21 217**	**– 11**
Liabilities			
Liabilities to banks	891	1 023	– 13
Liabilties to customers	8 363	8 802	– 5
Securitised liabilities	9 660	10 863	– 11
Subordinated capital	312	849	– 63
Total	**19 226**	**21 537**	**– 11**

The financial assets and liabilities which are hedged underlying transactions in an effective portfolio fair value hedge are shown below for information purposes:

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Assets			
Loans and advances to customers	14 734	5 336	> 100
Financial assets	816	1 008	– 19
Total	**15 550**	**6 344**	**> 100**
Liabilities			
Securitised liabilities	21 175	14 342	48
Total	**21 175**	**14 342**	**48**

(69) Residual Terms of Financial Liabilities

31 Dec. 2014 (in € million)	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total
Liabilities to banks	21 822	8 758	7 784	10 583	11 055	60 002
Liabilties to customers	23 057	3 940	7 147	10 601	17 577	62 322
Securitised liabilities	2 072	2 035	12 472	23 187	6 103	45 869
Financial liabilities at fair value through profit or loss (no derivatives)	184	211	1 522	1 796	9 046	12 759
Negative fair values from derivatives held for trading	355	388	1 347	4 481	5 305	11 876
Negative fair values from hedge accounting derivatives	87	126	472	1 954	2 084	4 723
Liabilities held for sale (financial assets only)	–	–	6	–	–	6
Other liabilities (financial instruments only)	1	1	–	–	–	2
Subordinated capital	3	18	1 315	1 276	3 139	5 751
Financial guarantees	4 417	33	100	646	1 103	6 299
Irrevocable credit commitments	6 069	61	147	2 581	480	9 338
Total	**58 067**	**15 571**	**32 312**	**57 105**	**55 892**	**218 947**

31 Dec. 2013 (in € million)	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total
Liabilities to banks	22 510	7 978	6 332	13 711	10 266	60 797
Liabilties to customers	19 512	2 113	6 895	12 596	19 718	60 834
Securitised liabilities	5 881	1 475	12 950	29 443	8 924	58 673
Financial liabilities at fair value through profit or loss (no derivatives)	91	82	556	2 854	10 882	14 465
Negative fair values from derivatives held for trading	110	275	824	2 460	2 343	6 012
Negative fair values from hedge accounting derivatives	106	147	404	1 612	1 151	3 420
Subordinated capital	3	17	524	1 945	2 992	5 481
Financial guarantees	3 496	30	18	659	925	5 128
Irrevocable credit commitments	2 426	248	719	6 736	437	10 566
Total	**54 135**	**12 365**	**29 222**	**72 016**	**57 638**	**225 376**

The residual term for undiscounted financial liabilities is defined as the period between the balance sheet date and the contractual due date.

(70) NORD/LB Group as Assignor and Assignee

The following financial assets have been pledged as collateral for liabilities (carrying amounts):

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Loans and advances to banks	15 894	16 073	– 1
Loans and advances to customers	37 040	40 330	– 8
Financial assets at fair value through profit or loss	830	798	4
Financial assets	21 215	26 270	– 19
Total	**74 979**	**83 471**	**– 10**

Collateral has been provided for borrowing undertaken within the scope of genuine repos. Additionally, collateral such as the cover assets in the cover pool of the Pfandbrief banks of the NORD/LB Group and the loans underlying securitisation transactions was provided for refinancing funds for specific purposes. Also, collateral for securities lending transactions as well as for transactions with clearing brokers and at stock exchanges was furnished.

Financial assets deposited as collateral for which the assignee has the contractual or customary right to sell or re-pledge the collateral amount to € 6,118 million (€ 5,101 million). This is primarily cash collateral and / or securities collateral.

Assets were assigned as collateral to the amounts shown for the following liabilities:

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Liabilities to banks	19 869	21 235	– 6
Liabilties to customers	9 209	8 956	3
Securitised liabilities	19 237	20 956	– 8
Financial liabilities at fair value through profit or loss	15 041	8 462	78
Total	**63 356**	**59 609**	**6**

For collateral received in particular for repo and securities lending transactions which may be re-pledged or re-sold even if the assignor does not default, the fair value is € 1,685 million (€ 2,702 million). Collateral which may be re-pledged or re-sold even if the assignor does not default was realised. The repayment obligation at current market value is € 948 million (€ 206 million).

Repo and securities lending transactions are monitored daily from the perspective of the collateralisation via a valuation of the transactions. If a negative balance arises, the assignee may demand that the assignor furnishes additional collateral to increase the coverage if a specific threshold defined in the contract is exceeded. If the assignor has furnished collateral and if the market situation changes such that over-collateralisation arises, it is entitled to request that the assignee provides a release of collateral if a specific threshold defined in the contract is exceeded. The collateral furnished is subject to a full transfer of rights, i.e. the assignee may act as an owner and in particular effect disposals in the form of assignments and pledges. In the case of securities collateral, securities of the same type and value must be to be returned or supplied. A return of the issued collateral in the form of liquid funds is not permissible without the assignor's consent in the case of securities collateral.

Other Notes

(71) Equity Management

Equity is managed for the NORD/LB Group in the parent company NORD/LB. The aim is to secure an adequate supply of capital resources in terms of quantity and quality, to achieve an adequate return on equity and to permanently comply with regulatory minimum capital ratios at Group level in each case. In the reporting period key capital figures for equity management were the "long-term equity under commercial law" derived from the reported equity as a factor for measuring the return on equity, the regulatory Common Equity Tier 1 pursuant to EU Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR) valid since the start of 2014 including the transitional arrangements until the end of 2017 provided therein, the arithmetic Common Equity Tier 1 pursuant to CRR without taking account of the transitional arrangements, the regulatory Common Equity Tier 1 pursuant to CRR and the attributable regulatory Common Equity Tier 1 under CRR.

Statutory minimum capital ratios apply to the regulatory capital figures under which numerator represents the respective capital figure and the denominator consists of the respective total risk exposure from Art.92 para. 3 CRR. Under CRR these minimum capital ratios were 4.0 per cent for the regulatory Common Equity Tier 1, 5.5 per cent for the regulatory core capital and 8.0 per cent for the regulatory capital in 2014. For 2015 to 2019 the CRR provides for an incremental rise in the minimum ratios of each of the regulatory Common Equity Tier 1, regulatory core capital and regulatory capital by up to 3.0 percentage points.

Additionally, until December 2014 there was an individual capital-side stipulation of the European Banking Authority (EBA) that anticipates compliance with a Common Equity Tier 1 ratio of at least 7.0 per cent at NORD/LB Group level as per CRR with no recourse to the transitional arrangements. The European Central Bank (ECB), which has been responsible for the supervision of the NORD/LB Group since November 2014 (ECB), announced the approval of its own capital-side stipulation in January 2015.

Alongside these regulatory stipulations, internal target equity ratios have been specified internally at Group level for some of the above capital figures that are in part higher. For example, at Group level the target value for the Common Equity Tier 1 ratio including transitional provisions was 9.5 per cent to the end of 2014. From the start of 2015, this target will rise to a corridor value of 10.0 to 10.5 per cent.

In the year under review 2014, the core task of capital management lay both in further optimising the capital structure and also in the ongoing control of capital in order to achieve the internal target equity ratios and to permanently comply with the regulatory minimum capital ratios expected by the EBA.

In future the equity management requirements will increase further, driven both by the provisions of CRR as well as special regulatory requirements (e.g. stress tests). The most important capital figure, in terms of both regulatory laws and control within the Group, will be the Common Equity Tier 1 as defined by the CRR. In order to strengthen this, the capital structure of the Group will continue to be optimised.

In addition to this, within the scope of capital management, targets and forecasts are prepared for the relevant capital figures and the related capital ratios as required. Their actual and planned development is reported to management, the supervisory bodies, the owners of the bank and/or the EBA. If these calculations indicate any risk for the defined target capital ratios either adjustment measures are taken in terms of RWA or, with the agreement of the owners of the bank, procurement or optimisation measures will be taken for individual capital figures.

In 2013 and 2014 NORD/LB complied with the regulatory minimum Common Equity Tier 1 ratios at Group and individual bank level at all times. The regulatory Common Equity Tier 1 ratio (taking the transitional arrangements into account), the regulatory core capital ratio and the regulatory capital ratio at the end of each year are reported in Note (72) Regulatory data. In the reporting year, the regulatory Common Equity Tier 1 ratio without taking the transitional arrangements into account was above the minimum ratio of 7.0 per cent expected by the banking supervisory authorities until the end of 2014.

(72) Regulatory Data

The consolidated regulatory capital below was calculated as at the reporting date in accordance with the EU Capital Requirements Regulation (CRR) applicable from 1 January 2014. The reference figures as at 31 December 2013 are still essentially based on the regulations of the German Banking Act that were applicable to the end of 2013, but have been adjusted based on the CRR regulations.

(in € million)	31 Dec. 2014	31 Dec. 2013
Total risk expusure amount	**69 231**	**68 500**
Capital requirements for credit risk	4 837	4 933
Capital requirements for operational risks	382	392
Capital requirements for market risks	220	155
Capital requirements for loan amount adjustments	99	–
Capital requirements	**5 538**	**5 480**

The following schedule shows the composition of regulatory capital for the group of institutes in accordance with Art. 25 ff. of the CRR:

(in € million)	31 Dec. 2014	31 Dec. 2013
Paid-up capital including premium	4 960	4 980
Reserves	2 187	2 063
Eligible components of CET 1 capital at subsidiaries	786	–
Other components of CET 1 capital	85	1 517
– Deductible items (from CET 1 capital)	– 2 199	–
Adjustments due to transition rules	1 710	–
Balancing item to prevent negative AT 1 capital	– 148	– 448
Common Equity Tier 1 capital	**7 381**	**8 112**
Paid-up instruments of AT 1 capital	–	813
Grandfathered AT1 instruments	709	–
– Deductible items (from AT 1 capital)	–	– 1 261
Adjustments due to transition rules	– 857	–
Balancing item to prevent negative AT 1 capital	148	448
Tier 1 capital	**7 381**	**8 112**
Paid-up instruments of Tier 2 capital	2 788	2 846
Eligible components of Tier 2 capital at subsidiaries	387	–
Other components of Tier 2 capital	–	3
– Deductible items (from Tier 2 capital)	– 1	– 1 150
Adjustments due to transition rules	– 1 432	–
Tier 2 capital	**1 742**	**1 699**
Own funds	**9 123**	**9 811**

(in %)	31 Dec. 2014	31 Dec. 2013
Common equity tier 1 capital ratio	10.66 %	11.84 %
Tier 1 capital ratio	10.66 %	11.84 %
Total capital ratio	13.18 %	14.32 %

(73) Foreign Currency Volume

As at 31 December 2014 and 31 December 2013 the NORD/LB Group had the following assets and liabilities in foreign currency:

(in € million)	USD	GBP	JPY	Other	Total 31 Dec. 2014	Total 31 Dec. 2013
Assets						
Loans and advances to banks	1 552	232	24	217	2 025	1 692
Loans and advances to customers	24 046	3 738	140	1 827	29 751	27 540
Risk provisioning	– 984	– 1	– 4	– 11	– 1 000	– 427
Financial assets at fair value through profit or loss	12 543	2 125	713	3 134	18 515	18 145
Financial assets	3 259	639	340	1 010	5 248	5 146
Other	229	41	40	102	412	360
Total	**40 645**	**6 774**	**1 253**	**6 279**	**54 951**	**52 456**
Liabilities						
Liabilities to banks	6 994	1 665	4	112	8 775	7 534
Liabilties to customers	2 386	196	5	231	2 818	2 981
Securitised liabilities	3 990	8	795	1 022	5 815	5 872
Financial liabilities at fair value through profit or loss	25 777	3 719	642	4 120	34 258	31 202
Other	1 678	144	47	148	2 017	910
Total	**40 825**	**5 732**	**1 493**	**5 633**	**53 683**	**48 499**

Existing exchange rate risks are eliminated by concluding transactions with matching maturities.

(74) Longer-term Assets and Liabilities

For balance sheet items which include both current and longer-term assets and liabilities, the assets and liabilities which are to be realised or settled after more than twelve months are shown below.

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)[1]	Change (in %)
Assets			
Loans and advances to banks	12 174	16 949	– 28
Loans and advances to customers	85 184	84 130	1
Balancing items for financial instruments hedged in the fair value hedge portfolio	54	– 171	> 100
Assets held for trading	15 574	5 983	> 100
Loans and advances to banks reported at fair value	–	6	– 100
Loans and advances to customers reported at fair value	202	235	– 14
Financial assets reported at fair value	586	723	– 19
Positive fair values from hedge accounting derivatives	4 492	3 273	37
Financial assets classified as LaR	2 977	3 052	– 2
Financial assets classified as AfS	28 278	37 277	– 24
Other assets	34	45	– 24
Total	**149 555**	**151 502**	**– 1**
Liabilities			
Liabilities to banks	20 334	19 882	2
Liabilities to customers	25 634	28 105	– 9
Securitised liabilities	27 446	36 277	– 24
Balancing items for financial instruments hedged in the fair value hedge portfolio	868	228	> 100
Liabilities held for trading	9 809	5 353	83
Liabilities to banks reported at fair value	430	582	– 26
Liabilities to customers reported at fair value	5 561	4 988	11
Securitised liabilities reported at fair value	1 804	2 430	– 26
Subordinated capital reported at fair value	–	25	– 100
Negative fair values from hedge accounting derivatives	4 941	3 014	64
Provisions	77	1 812	– 96
Other liabilities	–	34	– 100
Subordinated capital	3 180	3 774	– 16
Total	**100 084**	**106 504**	**– 6**

[1] Information from the previous year was adjusted for individual items; see Note (2) Adjustment of figures for the previous year.

(75) Lease Agreements

The NORD/LB Group is the lessee in operating lease agreements.

A service contract exists which includes an operating lease agreement and pools the IT infrastructure services with one service provider. The contract, which runs to 30 June 2020, may be terminated extraordinarily from 2016 with effect of 30 June of any year and with a notice period of one year against payment of a staggered sales-related termination payment; it may also be terminated if there is a compelling reason. Price adjustments are possible due to higher or lower volumes and from October 2015 on an annual basis depending on the performance of a reference index. The contract does not include an option to extend or purchase or restrictions in the sense of IAS 17.35d(iii). Further, there is a lease for a building in the scope of the operating lease agreement with a term of 15 years. The lease may be extended up to two times by a further two or five years. Rent adjustments are possible from the fourth year and are based on the consumer price index for Germany produced by the German Federal Statistical Office.

The Group's future minimum leasing lease payments from operating lease agreements are as follows:

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Future minimum leasing lease payments up to 1 year	7	5	40
Future minimum leasing lease payments more than 1 year up to 5 years	23	20	15
Future minimum leasing lease payments more than 5 years	22	1	> 100
Total future minimum leasing lease payments	**52**	**26**	**100**

In the year under review minimum lease payments from operating lease agreements totalled € 5 million (€ 3 million). Earnings of € 6 million (€ 0 million) are expected from non-terminable sub-leases.

No finance lease agreements have been concluded with the NORD/LB Group as the lessee.

No operating lease agreements have been concluded in 2014 with the NORD/LB Group as the lessee.

The NORD/LB Group is the lessor in finance lease agreements.
NORD/LB has bought water pipelines that are let under a finance lease agreement. The debtor is subject to an obligation to pay an annual rent. The variable interest rate is adjusted on the basis of the current LIBOR rate. The debtor may repurchase the leased property during or at the end of the leasing period. The lease term is 30 years and ends in 2035.

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Present value of outstanding minimum lease payments up to 1 year	7	7	–
Present value of outstanding minimum lease payments 1 year to 5 years	16	15	7
Present value of outstanding minimum lease payments over 5 years	21	20	5
Total present value of outstanding minimum lease payments	**44**	**42**	**5**
plus interest	22	22	–
Total minimum lease payments	**66**	**64**	**3**
Total gross investment	**66**	**64**	**3**
of which: up to 1 year	7	7	–
of which: 1 year to 5 years	17	16	6
of which: over 5 years	41	41	–
less financial income not yet realised	1	1	–
Net investment	**65**	**63**	**3**

The minimum lease payments guarantee residual values of € 3 million (€ 3 million).

(76) Contingent Liabilities and Other Obligations

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	5 315	6 779	– 22
	5 315	**6 779**	**– 22**
Other obligations			
Irrevocable credit commitments	9 337	10 566	– 12
Total	**14 652**	**17 345**	**– 16**

Liabilities from guarantees and other indemnity agreements include credit guarantees, trade-related guarantees and contingent liabilities from other guarantees and indemnity agreements.
NORD/LB ensures that the following companies are able to meet their obligations:

- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover
- NIEBA GmbH, Hanover
- Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel / Luxembourg
- NORD/LB Asset Management Holding GmbH, Hanover
- NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel / Luxembourg
- Skandifinanz AG, Zurich / Switzerland

Information on uncertainty concerning the amount or the timing of outflows of capital and on possible equalisation payments is not given for reasons of practicality.

(77) Other Financial Obligations

The Group vouches for the obligations of the Sparkassenverband Niedersachsen (Association of the Savings Banks of Lower Saxony, SVN) resulting from its membership in the Deutscher Sparkassen- und Giroverband (German Association of Savings Banks and Girobanks) and the DekaBank Deutsche Girozentrale. In addition joint liability has been assumed for DekaBank Deutsche Girozentrale with the other shareholders of this bank within the scope of the guarantor function.
NORD/LB, together with Sparkassenverband Niedersachsen (SVN) and Landesbank Berlin Holding AG, also acts as guarantor for LBS Norddeutsche Landesbausparkasse Berlin-Hannover.
In connection with the acquisition of Deutsche Hypothekenbank (Actien-Gesellschaft), the Group is obliged to reimburse Deutscher Sparkassen- and Giroverband e. V. as the guarantor of the security reserve for landesbanks and giro centres all expenditure including interest and interest lost for supporting measures which cannot be paid from the fund established for Deutsche Hypothekenbank in accordance with the agreement concluded between Deutscher Sparkassen- und Giroverband e.V. and Deutsche Hypothekenbank AG on 19 December 2008.
There was also an obligation to release Bundesverband deutscher Banken e.V. (Association of German Banks) from all losses which were a result of measures in accordance with § 2 para. 2 of the statute of the “Einlagensicherungsfond” (deposit protection fund) for the Deutsche Hypothekenbank (Actien-Gesellschaft). The participation of Deutsche Hypothekenbank (Actien-Gesellschaft) in the German banks’ deposit protection fund was terminated as at 31 December 2008. In accordance with § 6 no. 8 of the statute of the deposit protection fund NORD/LB may still be liable for commitments previously entered into by Deutsche Hypothekenbank (Actien-Gesellschaft).
Due to its investment in Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG, Braunschweig, NORD/LB is liable to the effect that the limited partners have released the general partner from liability.
In a joint participating interest with other limited partners in Immobilien Development und Beteiligungsgesellschaft Niedersachsen mbH IDB & Co. – Objekt Zietenterrassen – KG, one limited partner has indemnified the general partner from liability. In the internal relationship the Group assumes 50 per cent of obligations that may result from this declaration of liability.
With regard to the inclusion of the shares in FinanzIT GmbH, Frankfurt am Main, the withdrawing partners NORD/LB, Bremer Landesbank and Landesbank Saar have committed, together with the remaining partners of FinanzIT, to bear the risks of the company from the time up to their withdrawal, provided they have actually occurred

and are not already covered by provisions which have already been made.

An obligation towards two companies (two companies) involves the granting of a shareholder loan to the amount of € 3 million (€ 7 million).

The Group is also obliged to make additional contributions up to an amount of € 120 million (€ 135 million) to the security reserve for landesbanks and giro centres. In the event of a need for support these subsequent contributions could be collected immediately.

Other obligations to make additional contributions amount to € 34 million (€ 34 million) in addition to further joint liabilities for other shareholders towards Liquiditäts-Konsortialbank GmbH.

The personally liable partners of a real estate investment fund have been released from their statutory liability.

Call-in obligations for shares and other interests amounted to € 22 million at year-end (€ 64 million).

In the course of normal business activities NORD/LB has provided collateral in the nominal amount of € 1,505 million (€ 1,781 million) in the form of securities.

In connection with the measures to boost the amount of NORD/LB's regulatory capital by converting silent participations into share capital and reserves, NORD/LB has made a commitment to the other owners of Bremer Landesbank that in the event of a further retention of profits and until a distribution takes place, to finance it in advance with the funds it requires at terms that are still to be negotiated.

The Group intends, in order ease the pressure on regulatory equity, to transfer part of the credit risk of a credit portfolio defined precisely by a finance guarantee ("Northvest") to an external third party. The finance guarantee will result in a financial burden with charges in the amount of € 40 million in 2015. In the next few years the fees will fall steadily until the guarantee ends.

A framework contract has been concluded with Wincor Nixdorf International GmbH, Paderborn, to regulate collaboration in the area of information technology. The contract, which bundles the IT infrastructure services with one service provider, commences with effect of 1 July 2013 and will run to 30 June 2020. The annual costs are volume-dependent; the value of the contract over the entire term is approx. € 200 million.

Obligations pertaining to existing rental and lease agreements are within the scope of standard business.

In accordance with the Restructuring Fund Regulation (Restrukturierungsfonds-Verordnung, RstruktFV), the Group has to pay a bank levy. On 1 January 2015 the Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 with regard to ex ante contributions to resolution financing arrangements entered into force. The regulation supplements the Bank Recovery and Resolution Directive (BRRD; Directive 2014/59/EU) and will result in a permanently higher bank levy.

(78) Subordinated Assets

Assets are considered to be subordinated if they are only met after the claims of other creditors in the event of the liquidation or the insolvency of a debtor. The following subordinated assets are included in balance sheet assets:

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Loans and advances to banks and customers	63	14	> 100
Financial assets at fair value through profit or loss	32	79	– 59
Financial assets	634	580	9
Total	**729**	**673**	**8**

(79) Trust Activities

In compliance with IFRS regulations, trust activities are not shown in the consolidated balance sheet of the NORD/LB Group; however, they are present in the Group. Trust activities are broken down as follows:

	31 Dec. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Assets held in trust			
Loans and advances to customers	57	65	– 12
Financial instruments at fair value through profit or loss	–	10	– 100
Other assets held in trust	46	55	– 16
Total	**103**	**130**	**– 21**
Liabilities held in trust			
Liabilities to banks	40	44	– 9
Liabilities to customers	17	31	– 45
Other liabilities held in trust	46	55	– 16
Total	**103**	**130**	**– 21**

Related Parties

(80) Number of Employees

The average number of employees in the NORD/LB Group for the period under review is shown as follows:

	Male 1 Jan.– 31 Dec. 2014	Male 1 Jan.– 31 Dec. 2013	Female 1 Jan.– 31 Dec. 2014	Female 1 Jan.– 31 Dec. 2013	Total 1 Jan.– 31 Dec. 2014	Total 1 Jan.– 31 Dec. 2013
NORD/LB	2 069	2 101	2 152	2 190	4 221	4 291
Bremer Landesbank	579	569	574	575	1 153	1 144
NORD/LB Luxembourg	138	137	64	64	202	201
Deutsche Hypothenbank	223	237	165	173	388	410
ÖVBS	102	145	160	201	262	346
Other	**3 111**	**3 189**	**3 115**	**3 203**	**6 226**	**6 392**

(81) Disclosure of Interests in Other Entities

Consolidated subsidiaries

Of 50 (57) subsidiaries included in the consolidated financial statements, 25 (25) are structured companies. Interests in 14 (11) consolidated companies are also held by third parties (non-controlling interests). Non-controlling interests in 1 (1) subsidiary were of significant importance for the NORD/LB Group as at 31 December 2014 or 31 December 2013 due to their share in the consolidated equity or consolidated profit and can be seen in the following table.

Registered office and name	Shareholding in non-controlling interest (in %)		Voting rights in non-controlling interest (in %)	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – ; Bremen	45,17	45,17	45,17	45,17

For Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale -, Bremen (Bremer Landesbank), the following financial information is provided on the basis of the contributions of the IFRS sub-group accounts applying uniform accounting and valuation methods, but prior to internal eliminations.

	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –	
(in € million)	31 Dec. 2014	31 Dec. 2013
Interest income	1 425	1 654
Interest expenses	988	1 224
Commission income	50	49
Commission expenses	7	8
Trading profit / loss	– 14	49
Other income / expenses	– 435	– 471
Earnings after taxes	**31**	**49**
of which: Income attributable to non-controlling interests	14	22
Comprehensive income	**– 57**	**73**
Loans and advances to banks	3 637	4 180
Loans and advances to customers	22 933	22 726
Other assets	5 570	6 109
Liabilities to banks	11 186	10 972
Liabilities to customers	9 027	10 009
Other liabilities	10 235	10 286
Net assets	**1 692**	**1 748**
of which: Net assets attributable to non-controlling interests	764	790
Cash flow from operating activities	– 475	– 894
Cash flow from investment activities	641	872
Cash flow from financing activities	– 20	11
Change in cash and cash equivalents	**146**	**– 11**

No dividend was paid to non-controlling interests in either 2013 or 2014. Statutory, contractual or regulatory restrictions as well as protective rights of non-controlling interests may limit the ability of the NORD/LB Group to gain access to the Group's assets or transfer these between companies unimpeded and settle the Group's obligations. At the NORD/LB Group there are restrictions in terms of the collateral provided. There are also restrictions in terms of the plan assets pursuant to IAS 19 and the minimum liquidity reserve. In terms of the restrictions relating to collateral provided, please refer to Note (70) NORD/LB Group as protection seller and protection buyer. The disclosures also relate to the cover assets of the Pfandbrief banks of the NORD/LB Group contained in the cover pool as well as loans pooled due to securitisation transactions.

Limitations as part of plan assets can be found in Note (53) Provisions.

On the reporting date substantial stakes attributable to non-controlling interests existed at the subsidiary Bremer Landesbank. Restrictions due to protective rights of these shareholders existed to the extent that, alongside the articles of association, a state treaty governs the extent to which changes to the ownership and interests held are subject to additional rules. Desired changes require qualified majorities or the approval of all other owners.

As set out at Note (4) Consolidation principles, structured companies are consolidated if the relationship between the Group and the structured companies shows that the latter are controlled by the Group.

As at the reporting date, 1 (1) structured company, Conduit Hannover Funding Company LLC (Hannover Funding), was consolidated. The Group is contractually obliged to provide financial assistance to the company as need be. The company Hannover Funding buys claims from corporate customers and finances these transactions by issuing commercial papers. NORD/LB grants the company a liquidity facility to the extent that, in the event of finance and liquidity bottlenecks, Hannover Funding may have recourse to NORD/LB. This arrangement is governed by the Liquidity Asset Purchase Agreement (LAPA). Contractual arrangements mean that NORD/LB has no access to the assets and liabilities of Hannover Funding.

Associated companies and joint ventures

Of the 12 (10) associated companies and 2 (1) joint ventures included in the consolidated financial statements, 1 (1) associated company is of material importance to the Group due to the proportional income and the proportional comprehensive income of the associated company.

As at the reporting date, the NORD/LB Group holds the following interests in this company:

Registered office and name	Nature of the relationship	Shareholding (in %)		Voting rights (in %)	
		31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
LBS Norddeutsche Landesbausparkasse Berlin-Hannover; Hanover	LBS Norddeutsche Landesbausparkasse Berlin-Hannover; Hanover	44.00	44.00	44.00	44.00

The following table presents the financial information from the IFRS statement of this company following continual amendments via the use of the equity method pursuant to IAS 28.32-35.

		LBS
(in € million)	31 Dec. 2014	31 Dec. 2013
Interest income	271	290
Interest expenses	131	153
Commission income	44	43
Commission expenses	63	59
Trading profit / loss	– 1	–
Other income / expenses	– 86	– 92
Profit / loss from continuing operations	**34**	**29**
Other comprehensive income	102	– 63
Comprehensive income	**136**	**– 34**
Short-term assets	1 043	1 017
Long-term assets	7 407	6 798
Short-term liabilities	1 039	929
Long-term liabilities	6 761	6 371
Net assets	**650**	**515**
of which: NORD/LB Group’s share	286	226
Accumulated unscheduled write-downs to the investment book value	180	114
Carrying amount of NORD/LB Group’s share	**106**	**112**

No dividends were taken from LBS in 2013 nor in 2014. Summarised financial information on the non-material associated companies when considered individually can be found in the following table:

(in € million)	31 Dec. 2014	31 Dec. 2013
Carrying amount of the shares of non-significant associated companies	210	168
NORD/LB Group’s share in		
Profit/loss from continuing operations	20	23
Other income	– 1	1
Comprehensive income	**19**	**24**

Summarised financial information on the non-material joint ventures when considered individually can be found in the following table:

(in € million)	31 Dec. 2014	31 Dec. 2013
Carrying amount of the shares of non-significant joint ventures	2	27
NORD/LB Group's share in		
Profit/loss from continuing operations	1	2
Comprehensive income	**1**	**2**

There were contingent liabilities to associated companies of € 4 million (€ 2 million) on the reporting date.

Non-consolidated structured companies

The NORD/LB Group is involved in structured companies that are not included as subsidiaries in the consolidated financial statements.

Structured companies are companies that are designed in such a way that voting or comparable rights are not the dominant factor in the assessment of who controls these companies. This would be the case e. g. if voting rates only apply to administrative tasks and relevant activities are managed by contractual agreements.

At the NORD/LB Group, structured companies exist in the form of securitisation companies, investment companies, Leasing companies and other loan-financed real estate and project companies.

The subject matter of this Notes disclosure are structured companies that the Group does not consolidate because it does not control them via voting rights, contractual rights, finance agreements or other means.

Securitisation companies

Securitisation companies invest finance in diversified pools of assets. These include fixed-interest securities, company loans and commercial and private real-estate loans. The securitisation vehicles finance these purchases through the issue of various tranches of debt and equity securities, the repayment of which is coupled to the performance of the assets of the vehicles. The Group can assign assets synthetically or actually to securitisation companies and provide these with liquid funds in the form of finance.

Investment companies

The NORD/LB Group invests in funds that are sponsored by third parties. A Group company can also perform the function of a fund manager, a capital-management company or another function. The financing of the fund is usually collateralised via the assets underlying the fund. Group companies also provide start-up finance in the form of seed money.

Leasing companies

The NORD/LB Group acts as creditor to companies that are founded exclusively for the purpose of acquiring or developing different commercial properties, usually by renowned leasing companies. The finance is collateralised by the financed real estate. The leasing companies are typically managed under the corporate form of a GmbH & Co. KG. Under the contractual arrangements, these are usually managed by the respective lessee. The financing of leasing companies also takes place in the area of project finance and aircraft commitments.

Property and project finance

The company provides funding for structured companies that usually each hold one asset such as a real estate or an aircraft. These structured companies usually operate as partnerships. The equity of these companies is very low compared to the third-party funding provided.

Shares in structured companies

Shares held by the Group in non-consolidated structured companies consist of contractual or non-contractual commitments in these companies via which the Group is subject to variable remuneration from the performance of the structured companies. Examples of shares in non-consolidated structured companies comprise debt or equity instruments, liquidity facilities, guarantees and various derivative instruments via which the Group absorbs risks from structured entities.

Shares in non-consolidated structured companies do not contain any instruments via which the Group solely transfers risks to the structured company. If for instance the Group buys credit default insurance from the non-consolidated structured companies that has the aim of transferring credit risks to an investor, the Group transfers this risk to the structured company and no longer bears it itself. Such credit default insurance thus does not represent a share in a structured company.

Income from shares in structured companies

The Group generates income from fund-linked asset-management services that are based on the change in value of the fund assets and are to an extent also performance related. Further, dividend income including distributions and foreign-exchange profits are received from the funds. Interest income is generated from the financing of structured companies. All earnings from the trade in derivatives with structured companies and the change in value of the securities held are recorded in the income statement under the Trading profit / loss item.

Size of structured companies

The size of a structured company is determined by the type of business activity of the structured company. It may be specified differently from company to company. The NORD/LB Group considers the following key figures to be appropriate indicators of the size of the structured companies:

- Securitisation companies: the current overall volume of the tranches issued
- Investment funds: Fund assets
- (Leasing) property companies: Total assets of the (leasing) property company
- Other companies: Sum of assets

Maximum risk of loss

The maximum risk of loss is the maximum loss that the company may have to record from its involvement in non-consolidated structured companies in the income statement as well as the statement of comprehensive income. The consideration of collateral or hedging transactions is dependent on the likelihood of occurrence of a loss. The maximum possible risk of loss need therefore not correspond to the economic risk.

The maximum possible risk of loss is determined based on the type of involvement in a structured company. The maximum possible risk of loss from claims from loan transactions including debt securities exists in the carrying amount recorded on the balance sheet. The same apples to trading assets and ABS, MBS and CDO positions. The maximum possible loss of off-balance-sheet transactions, such as guarantees, liquidity facilities and loan commitments, is represented by the nominal value. The nominal value also represents the maximum possible risk of loss for derivatives.

The following table shows, by type of non-consolidated structured company, the carrying amounts of the Group's commitments that are recorded in the consolidated balance sheet as well as the maximum possible loss that could result from these interests. It also provides an indication of the size of the non-consolidated structured companies. The values do not depict the Group's economic risk from these investments, as they do not take into account any collateral or hedging transactions.

	Securitisation companies (lenders)	Investment companies	Leasing companies	Property and project finance	Other	Total
(in € million)	31 Dec. 2014	31 Dec. 2014	31 Dec. 2014	31 Dec. 2014	31 Dec. 2014	31 Dec. 2014
Size of the non-consolidated structured company	63 581	50 528	1 885	74	5	116 073
Loans and advances to customers	1 297	–	724	21	–	2 042
Risk provisioning	–	–	–	–	–	–
Financial assets at fair value through profit or loss	211	60	–	–	–	271
Positive fair values from hedge accounting derivatives	–	–	–	–	–	–
Financial assets	586	94	–	–	5	685
Other assets	–	17	–	–	–	17
Assets reported in the balance sheet of the NORD/LB Group	**2 094**	**171**	**724**	**21**	**5**	**3 015**
Maximum risk of loss	2 094	1 597	724	21	5	4 441

The NORD/LB Group is deemed the sponsor of a structured company if the market participant is justified in linking it to the structured company. Sponsorship exists at the NORD/LB Group if

- the NORD/LB Group was involved in setting up the structured company and cooperated in its objectives and design,
- the designation of the structured company contains elements creating a connection with NORD/LB Group;
- management of the assets and liabilities of the structured company is done on the basis of a strategy developed by the Group;
- the NORD/LB Group issued or purchased the assets before they were incorporated into the structured company (i. e. NORD/LB is the originator of the structured company).

Earnings of € 4 million from sponsored non-consolidated structured companies in which the NORD/LB Group had no share as at the reporting date exist. These are connected to securitisation companies in the founding of which the NORD/LB Group was involved or is the originator. The earnings include earnings of € 2 million from transfers of assets; the carrying value of these assets were € 38 million at the point of transfer. A sum of € 2 million further relates to the derecognition of a specific risk provision relating to a company being wound up.

(82) Related Parties

All the consolidated and unconsolidated subsidiaries, associated companies, joint ventures and subsidiaries of joint ventures qualify as related parties. The owners of NORD/LB, their subsidiaries and joint ventures and the provident funds and companies controlled by or under the joint management of related parties are also related parties of the NORD/LB Group.

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

Business transacted with related parties is concluded at standard market terms and conditions.

The scope of transactions conducted with related parties in 2013 and 2014, excluding those to be eliminated under consolidation, can be seen in the following statements:

31 Dec. 2014 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**281**	**–**	**229**
of which: money market transcations	–	–	–	125	–	–
of which: loans	–	–	–	155	–	230
of which: public-sector loans	–	–	–	–	–	13
of which: other loans	–	–	–	155	–	217
Loans and advances to customers	**2 815**	**11**	**25**	**323**	**1**	**766**
of which: money market transcations	24	–	–	9	–	31
of which: loans	2 771	11	25	314	1	736
public-sector loans	2 715	–	–	16	–	696
mortage-backed loans	–	10	23	98	1	26
other loans	56	1	2	200	–	14
Financial assets at fair value through profit or loss	**141**	**–**	**–**	**73**	**–**	**171**
of which: Debt securities and other fixed-interest securities	4	–	–	–	–	–
of which: Positive fair values from derivatives	85	–	–	73	–	3
of which: Trading portfolio claims	52	–	–	–	–	168
Positive fair values from hedge accounting derivatives	**142**	**–**	**–**	**–**	**–**	**–**
Financial assets	**2 011**	**–**	**–**	**16**	**–**	**–**
of which: Debt securities and other fixed-interest securities	2 011	–	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	–	16	–	–
Total	**5 109**	**11**	**25**	**693**	**1**	**1 166**

31 Dec. 2014 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Liabilities to banks	**–**	**–**	**–**	**386**	**–**	**117**
Liabilities to customers	**610**	**44**	**131**	**359**	**4**	**330**
of which: saving deposits	–	–	–	–	1	–
of which: money market transcations	83	27	–	30	–	125
Securitised liabilities	–	–	–	–	–	1
Financial liabilities at fair value through profit or loss	**60**	**–**	**–**	**1**	**–**	**159**
of which: negative fair values from derivatives	23	–	–	1	–	28
Negative fair values from hedge accounting derivatives	**7**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**541**	**3**	**–**	**–**	**15**
Total	**678**	**585**	**134**	**746**	**4**	**621**
Guarantees / sureties received	424	–	–	–	–	–
Guarantees / sureties granted	–	–	–	20	–	8

1 Jan.–31 Dec. 2014 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expenses	50	54	–	36	–	14
Interest income	149	1	–	26	–	43
Commission expenses	1	–	–	–	–	–
Commission income	–	–	–	1	–	–
Other income and expenses	164	–	–	26	– 6	– 23
Total contributions to income	**262**	**– 53**	**1**	**17**	**– 6**	**6**

31 Dec. 2013 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**602**	**–**	**228**
of which: money market transcations	–	–	–	205	–	–
of which: loans	–	–	–	397	–	228
of which: public-sector loans	–	–	–	–	–	13
of which: other loans	–	–	–	397	–	215
Loans and advances to customers	**3 010**	**40**	**8**	**326**	**1**	**917**
of which: money market transcations	39	–	–	–	–	36
of which: loans	2 971	39	8	326	1	881
of which: public-sector loans	2 915	–	–	16	–	820
of which: mortage-backed loans	–	15	–	106	–	27
of which: other loans	56	24	8	204	1	34
Financial assets at fair value through profit or loss	**270**	**–**	**–**	**48**	**–**	**91**
of which: Debt securities and other fixed-interest securities	215	–	–	–	–	–
of which: Positive fair values from derivatives	30	–	–	48	–	3
of which: Trading portfolio claims	24	–	–	–	–	88
Positive fair values from hedge accounting derivatives	**47**	**–**	**–**	**–**	**–**	**–**
Financial assets	**2 250**	**–**	**–**	**17**	**–**	**–**
of which: Debt securities and other fixed-interest securities	2 250	–	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	–	17	–	–
Total	**5 577**	**40**	**8**	**993**	**1**	**1 236**

31 Dec. 2013 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Loans and advances to customers	**–**	**–**	**–**	**452**	**–**	**118**
of which: money market transcations	–	–	–	–	–	53
of which: deposits from other banks	–	–	–	134	–	13
Liabilities to customers	**347**	**33**	**85**	**282**	**3**	**288**
of which: money market transcations	26	16	–	21	–	152
Securitised liabilities	–	–	–	–	–	1
Financial liabilities at fair value through profit or loss	**39**	**–**	**–**	**–**	**–**	**134**
of which: negative fair values from derivatives	15	–	–	–	–	11
Negative fair values from hedge accounting derivatives	**9**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**496**	**3**	**–**	**–**	**15**
Total	**396**	**529**	**88**	**734**	**3**	**555**
Guarantees / sureties received	2 541	–	–	–	–	–
Guarantees / sureties granted	3 000	1	1	11	–	8

1 Jan. – 31 Dec. 2013 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expenses	40	49	–	36	–	16
Interest income	160	3	1	38	–	42
Commission expenses	18	–	–	–	–	–
Commission income	–	–	–	–	–	–
Other income and expenses	– 136	–	–	– 13	– 5	13
Total contributions to income	**– 34**	**– 46**	**1**	**– 11**	**– 5**	**39**

As at the balance sheet date there are valuation allowances for loans and advances to associated companies in the amount of € 2 million (€ 2 million).

The issue programme (G-MTN programme) guaranteed by the states of Lower Saxony and Saxony-Anhalt for the refinancing of the NORD/LB Group expired as scheduled in the first quarter of 2014.

The table below shows the maximum balances for NORD/LB transactions with related parties in the period under review and the previous year.

(in € million)	2014	2013
Assets		
Loans and advances to banks	868	1 037
Loans and advances to customers	4 432	4 302
Other unsettled assets	2 554	2 776
Total	**7 854**	**8 115**
Liabilities		
Liabilities to banks	520	575
Liabilties to customers	1 829	1 152
Other unsettled assets	788	723
Total	**3 137**	**2 450**
Guarantees and sureties received	541	4 194
Guarantees and sureties granted	32	5 271

The remuneration of persons in key positions is broken down as follows:

(in € million)	2014	31 Dec. 2013
Employment-related payments due in the short term	6	5
Post-employment payments	1	1
Other long-term benefits	2	–
Total remuneration	**9**	**6**

Total remuneration of and loans to governing bodies in accordance with commercial law are presented in Note (84) Remuneration of and Loans to Governing Bodies.

(83) Members of Governing Bodies and List of Mandates

1. Members of the Managing Board

Dr. Gunter Dunkel
(Chairman)

Dr. Johannes-Jörg Riegler
(Deputy Chairman to 28 February 2014)

Ulrike Brouzi

Thomas S. Bürkle
(since 1 January 2014)

Eckhard Forst

Dr. Hinrich Holm

Christoph Schulz

2. Members of the Supervisory Board

Peter-Jürgen Schneider (Chairman)
Finance Minister of Lower Saxony

Thomas Mang (First Deputy Chairman)
President of Sparkassenverband Niedersachsen

Jens Bullerjahn (Second Deputy Chairman)
Finance Minister of Saxony-Anhalt

Frank Berg
Chairman of the Managing Board
OstseeSparkasse Rostock

Norbert Dierkes
Chairman of the Managing Board
Sparkasse Jerichower Land

Edda Döpke
Bank employee, NORD/LB Hanover

Ralf Dörries
Senior Bank Director, NORD/LB Hanover

Dr. Elke Eller
Personnel Director, VW Commercial Vehicles,
Volkswagen AG (since 1 July 2014)

Hans-Heinrich Hahne
Chairman of the Managing Board
Sparkasse Schaumburg

Frank Hildebrandt
Bank employee, NORD/LB Braunschweig

Martin Kind
Managing Director
KIND Hörgeräte GmbH & Co. KG
(to 30 June 2014)

Frank Klingebiel
Mayor of Salzgitter

Prof. Dr. Susanne Knorre
Management Consultant

Ulrich Mägde
Mayor of the Hanseatic City of Lüneburg

Antje Niewisch-Lennartz
Justice Minister of Lower Saxony

Heinrich von Nathusius
IFA ROTORION – Holding GmbH

Freddy Pedersen
ver.di Trade Union

Jörg Reinbrecht
ver.di Trade Union

Ilse Thonagel
Bank employee, Landesförderinstitut
Mecklenburg-Vorpommern

As at 31 December 2014 the following mandates were held at large corporations by appointed members of the Managing Board of the NORD/LB Group. Banks are treated as large corporations.

Name	Company
Dr. Gunter Dunkel	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel Continental AG, Hanover
Ulrike Brouzi	Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel NORD/LB Asset Management, Hanover Salzgitter AG Stahl und Technologie, Salzgitter
Thomas Bürkle	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover LHI Leasing GmbH, Pullach
Eckhard Forst	Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen LHI Leasing GmbH, Pullach
Dr. Hinrich Holm	NORD/LB Asset Management, Hanover Investitionsbank Sachsen-Anhalt, Magdeburg LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover Liquiditäts- und Konsortialbank GmbH (until 1 June 2014) Lotto-Toto GmbH Sachsen-Anhalt, Magdeburg
Christoph Schulz	Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover Toto-Lotto Niedersachsen GmbH, Hanover

(84) Remuneration of and Loans to Governing Bodies

(in € million)	1 Jan. – 31 Dec. 2014	1 Jan. – 31 Dec. 2013
Total emoluments paid to active members of governing bodies		
Managing Board	4	4
Total emoluments paid to former members of governing bodies and their dependants		
Managing Board	4	4
Advance payments, loans and contingencies		
Managing Board	1	1

Total remuneration of the active members of the Supervisory Board is € 478k (€ 431k).
In 2014 commitments of € 1 million (€ 0 million) were made for remuneration which are dependent on the occurrence or expiry of future conditions.

Pension obligations to previous executive board members and their surviving dependants exist in the amount of € 64 million (€ 52 million).

(85) Group Auditor's Fees

(in € 000)	1 Jan. – 31 Dec. 2014	1 Jan. – 31 Dec. 2013
Group Auditor's Fees for		
the statutory audit	5 418	5 187
other audit-related services	2 038	2 098
other services	2 460	1 761

(86) Equity Holdings

The list of equity holdings includes all of the companies includes in the consolidated financial statements, the non-consolidated companies, joint ventures, associated companies and other equity holdings from 20 per cent. The information on the companies was taken from the most recent available annual financial statements which have been adopted. The disclosures on equity holdings represent an additional disclosure under § 315a German Commercial Code; the previous year's figures are therefore not reported.

Company name and registered office	Shares (%) direct	Shares (%) indirect
a) Companies included in the consolidated financial statements		
aa) Subsidiaries included in the consolidated financial statements		
BLB Grundbesitz KG, Bremen	100.00	–
BLBI Investment GmbH & Co. KG, Bremen	100.00	–
BLB Immobilien GmbH, Bremen	100.00	–
BLB Leasing GmbH, Oldenburg	100.00	–
Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen	–	54.83
Bremische Grundstücks-GmbH, Bremen	100.00	–
Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover 2)	–	100.00
KreditServices Nord GmbH, Braunschweig 2)	–	100.00
MALIBO GmbH & Co. Unternehmensbeteiligungs KG, Pullach im Isartal	–	77.81
Nieba GmbH, Hanover 2)	–	100.00
NOB Beteiligungs GmbH & Co. KG, Hanover 3)	100.00	–
Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel / Luxembourg	–	100.00
NORD/FM Norddeutsche Facility Management GmbH, Hanover 2)	–	100.00
NORD/LB Asset Management AG, Hanover	100.00	–
NORD/LB Asset Management Holding GmbH, Hanover	–	100.00
NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel / Luxembourg	100.00	–
NORD/LB Vermögensmanagement Luxembourg S. A., Luxembourg-Findel / Luxembourg 3)	–	100.00
Nord-Ostdeutsche Bankbeteiligungs GmbH, Hanover 2)	–	100.00
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	–
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	100.00	–

Company name and registered office	Shares (%) direct	Shares (%) indirect
ab) Special Purpose Entities included in the consolidated financial statements		
Beteiligungs-Kommanditgesellschaft MS „Buxmelody“ Verwaltungs- und Bereederungs GmbH & Co., Buxtehude	–	–
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal	–	–
Fürstenberg Capital Erste GmbH, Fürstenberg	–	–
Fürstenberg Capital II. GmbH, Fürstenberg	–	–
GEBAB Ocean Shipping II GmbH & Co. KG, Hamburg	–	–
GEBAB Ocean Shipping III GmbH & Co. KG, Hamburg	–	–
Hannover Funding Company LLC, Dover (Delaware) / USA	–	–
KG Schifffahrtsgesellschaft MS Klara mbH & Co., Jork	–	–
KMU Shipping Invest GmbH, Hamburg	–	–
MS „Hedda Schulte“ Shipping GmbH & Co. KG, Hamburg	–	–
MT „BALTIC CHAMPION“ Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT „BALTIC COMMODORE“ Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT „NORDIC SCORPIUS“ Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT „NORDIC SOLAR“ Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT „NORDIC STAR“ Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
Niraven Gruppe	–	–
Niraven B.V., Badhoevedorp / Netherland	–	–
Olympiaweg 4 BV, Rotterdam / Netherland	–	–
Rochussen CV, Amstelveen / Netherland	–	–
Rochussenstraat 125 BV, Badehoevedorp / Netherland	–	–
Zender CV, Amstelveen / Netherland	–	–
Zenderstraat 27 BV, Amstelveen / Netherland	–	–
NORD/LB Objekt Magdeburg GmbH & Co. KG, Pullach im Isartal	–	–
OLIVIA Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
OLYMPIA Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
PANDORA Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
PRIMAVERA Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
QUADRIGA Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
ac) Investment funds included in the consolidated financial statements		
NORD/LB AM ALCO	–	100.00

Company name and registered office	Shares (%) direct	Shares (%) indirect
ad) Companies / investment funds accounted for in the consolidated financial statements using the equity method		
Joint ventures		
caplantic GmbH, Hanover	–	50.00
Associated companies		
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	–
BREBAU GmbH, Bremen	48.84	–
Deutsche Factoring Bank Deutsche Factoring GmbH & Co., Bremen	27.50	–
GSG Oldenburg Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	22.22	–
LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover	44.00	–
LINOVO Productions GmbH & Co. KG, Pöcking	–	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hanover	–	28.66
Öffentliche Lebensversicherung Braunschweig, Braunschweig [12)]	–	75.00
Öffentliche Sachversicherung Braunschweig, Braunschweig [12)]	–	75.00
SALEG Sachsen-Anhaltinische-Landesentwicklungsgesellschaft mbH, Magdeburg [5)]	–	56.61
Toto-Lotto Niedersachsen GmbH, Hanover	–	49.85
Investment funds		–
Lazard-Sparkassen Rendite-Plus-Fonds	49.18	–
ae) After IFRS 5 valuated companies		
Subsidiaries		
KG Schifffahrtsgesellschaft MS Klara mbH & Co., Jork	–	–
Nordic Buxtehude Schifffahrtsgesellschaft mbH & Co. KG	–	–
Nordic Stade Schifffahrtsgesellschaft mbH & Co. KG	–	–
Joint ventures		
LHI Leasing GmbH, Pullach im Isartal [4)]	43.00	6.00

Company name and registered office	Share of capital held (in %)	Equity [1] (in € 000)	Profit/Loss (in € 000)
b) Companies not included in the consolidated financial statements with an equity capital of greater or equal +/– € 1 million			
BGG Oldenburg GmbH & Co. KG, Bremen	100.00	8 015	907
Braunschweig Gesellschaft mit beschränkter Haftung, Braunschweig [2]	100.00	9 061	–
Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG, Braunschweig [10]	66.67	1 052	444
Deutsche Hypo Delaware Blocker Inc., Wilmington (Delaware) / USA	100.00	8 018	– 2 798
LBT Holding Corporation Inc., Wilmington (Delaware) / USA [10]	100.00	7 875	– 146
LHI Leasing GmbH & Co. Immobilien KG, Pullach im Isartal [10]	90.00	1 023	17
Norddeutsche Investitionen Beteiligungsgesellschaft mbH, Hanover [10]	100.00	15 272	4
NORD/LB RP Investments LLC, Wilmington (Delaware) / USA [10]	100.00	10 769	3 590
Porzellanmanufaktur FÜRSTENBERG GmbH, Fürstenberg / Weser [2] [10]	98.00	3 088	–
Terra Grundbesitzgesellschaft am Aegi mbH, Hanover [10]	100.00	1 121	679
Themis 1 Inc., Wilmington (Delaware) / USA [10]	100.00	3 225	441
Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen [10]	100.00	31 006	3 212
Vermögensverwaltungsgesellschaft Thiede mit beschränkter Haftung, Braunschweig [2] [11]	100.00	1 278	–
Vermögensverwaltungsgesellschaft Thiede GmbH & Co. Objekt Celle-Altenhagen Vermietungs-KG, Hanover [9] [10]	72.70	– 2 623	564
c) Capital share of greater or equal 20 % in companies with an equity capital of greater or equal +/– € 1 million			
Joint ventures / associated companies / other			
Adler Funding LLC, Dover / USA [10]	21.88	5 630	– 958
Brocken Verwaltungs- und Vermietungs-GmbH & Co. KG, Wernigerode [10]	50.00	4 100	403
Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin [10]	20.89	15 794	306
Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg [10]	20.44	14 782	2 157
Gewobau Gesellschaft für Wohnungsbau, Vechta, mbH, Vechta [10]	20.46	11 090	306
Grundstücksgemeinschaft Escherweg 5 GbR, Bremen	50.00	– 2 698	– 379
Grundstücksgemeinschaft Escherweg 8 GbR, Bremen	50.00	– 1 035	– 279
Immobilien Development und Beteiligungsgesellschaft Niedersachsen mit beschränkter Haftung IDB & Co. – Objekt Zietenterrassen – KG, Göttingen [6] [10]	52.56	6 825	3 596
INI International Neuroscience Institute Hannover GmbH, Hanover [10]	22.70	– 15 172	– 3 655
LUNI Productions GmbH & Co. KG, Pöcking [9] [10]	24.29	– 115 633	– 48
Medical Park Hannover GmbH, Hanover [10]	50.00	2 735	250
Medicis Nexus GmbH & Co. KG, Icking [7] [11]	66.01	8 142	– 1 575
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH, Schwerin [10]	26.00	11 876	835
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung, Hanover [10]	39.82	10 938	501
NBV Beteiligungs-GmbH, Hanover [10]	42.66	14 996	2 218
Öffentliche Versicherung Bremen, Bremen [10]	20.00	5 050	– 910
Wohnungsbaugesellschaft Wesermarsch mit beschränkter Haftung, Brake [10]	21.72	19 086	419

Company name and registered office	Share of capital held (in %)
d) Subsidiaries not included in the consolidated financial statements with an equity capital of greater or equal +/– € 1 million	
BGG Bremen GmbH & Co. KG, Bremen	100.00
BLBI Beteiligungs-GmbH, Bremen	100.00
Braunschweig Grundstücksentwicklungsgesellschaft mbH, Braunschweig	50.00
Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen	100.00
Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn, Bremen	100.00
City Center Magdeburg Hasselbach-Passage Grundstücksgesellschaft mbH, Hanover	100.00
FL FINANZ-LEASING GmbH, Wiesbaden	58.00
Galimondo S.a.r.l., Luxemburg-Findel, Luxembourg [3]	100.00
General Partner N666DN GP, LLC, Wilmington (Delaware) / USA	100.00
NBN Grundstücks- und Verwaltungs-GmbH, Hanover	100.00
NBN Norddeutsche Beteiligungsgesellschaft für Immobilien in Niedersachsen mbH, Hanover	90.00
New Owner Participant – N666DN OP, L.P., Wilmington (Delaware) / USA	100.00
NORD/Advisors Norddeutsche Financial & Strategic Advisors GmbH, Hanover	100.00
NORD/LB G-MTN S.A., Luxemburg-Findel / Luxembourg	100.00
NORD/LB Informationstechnologie GmbH, Hanover [2]	100.00
NORD/LB Project Holding Ltd., London / Great Britain	100.00
N666DN LP LLC, Wilmington (Delaware) / USA	100.00
PLM Grundstücksverwaltung Gesellschaft mit beschränkter Haftung, Hanover	100.00
Ricklinger Kreisel Beteiligungs GmbH, Hanover	100.00
Skandifinanz AG, Zurich / Switzerland	100.00
Schiffsbetriebs-Gesellschaft Bremen mbH i.L., Bremen	100.00
SGK Servicegesellschaft Kreditmanagement mbH, Frankfurt am Main	100.00
TANGENS Grundstücksverwaltung GmbH & Co. Vermietungs-KG, Pullach im Isartal	100.00
Vermögensverwaltungsgesellschaft Thiede GmbH u. Co. Grundschulen-Vermietungs-KG, Hanover	79.80
Vermögensverwaltungsgesellschaft Thiede GmbH & Co. Tiefgarage Stade Vermietungs KG, Hanover	90.00

Notes:
1) Equity definition in accordance with §§ 266 and 272 HGB less outstanding participations.
2) A profit / loss transfer agreement exists with the company.
3) Established in the financial year.
4) Due to the joint management, this company is classified as a joint venture.
5) Due to the “potential voting rights” of third parties, this company is classified as an associated company.
6) Due to the share in voting rights of 50.00 per cent, this company is not classified as a subsidiary.
7) Due to the rebuttal of the definition of control / significant influence, this company is allocated to other investments.
8) No disclosures relating to equity and earnings are made in accordance with § 313 para. 2 no. 4 clause 3 of the German Commercial Code.
9) The company is not actually overindebted.
10) No data is available as at 31 December 2013
11) No data is available as at 31 December 2012
12) Due to the structure under company law, this company is classified as an associated company.

The group management report is neither included nor incorporated by reference into this Prospectus.

Auditor's Opinion

We have audited the condensed consolidated financial statements, consisting of the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and notes to the consolidated financial statements as well as the Group management report prepared by Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig and Magdeburg (NORD/LB) for the financial year of 1 January to 31 December 2014. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law in accordance with § 315a para. 1 of the German Commercial Code, is the responsibility of NORD/LB's Managing Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB) and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). These standards require that we plan and conduct the audit such that misstatements materially affecting the presentation of the assets, financial and earnings position in the consolidated financial statements taking into account applicable accounting regulations and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the information in the consolidated financial statements and Group management report are examined primarily on a random sample basis within the framework of the audit. The audit includes assessing the annual financial statements of those companies included in consolidation, the determination of companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and additional requirements of German commercial law in accordance with § 315a para. 1 of the German Commercial Code and give a true and fair view of the assets, financial and earnings position of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and on the whole conveys a true picture of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, 19 March 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Ufer
Wirtschaftsprüfer
[German Public Auditor]

Leitz
Wirtschaftsprüfer
[German Public Auditor]

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Annual Accounts 2014
of Norddeutsche Landesbank Girozentrale
(Anstalt öffentlichen Rechts)

Annual Account

Assets **Norddeutsche Landesbank Girozentrale**

	€	€	€	31 Dec. 2013 € 000
1. Cash reserve				
a) Cash on hand		60 333 650.86		61 943
b) Balances with central banks		716 908 420.72		986 535
of which: with the "Deutsche Bundesbank" € 594 807 546.72			**777 242 071.58**	1 048 478 (650 542)
2. Claims on banks				
a) mortgage loans		44 329 294.14		41 546
b) municipal loans		10 075 768 801.35		12 918 441
c) Other claims		14 146 215 246.11		13 770 067
of which: Due on demand € 3 871 630 941.77			**24 266 313 341.60**	26 730 054 (2 644 928)
against securities lending € 0.00				(0)
3. Claims on customers				
a) mortgage loans		4 940 756 813.18		4 730 086
b) municipal loans		19 524 241 931.20		22 363 641
c) Other claims		33 640 280 457.02		31 853 044
of which: against securities lending € 0.00			**58 105 279 201.40**	58 946 771 (0)
4. Debt securities and other fixed-interest securities				
a) Money-market instruments				
aa) Issued by public sector borrowers	12 752 745.44			6 025
of which: eligible as collateral for "Deutsche Bundesbank" advances € 0.00				(0)
ab) Issued by other borrowers	12 355 036.65			10 878
of which: eligible as collateral for "Deutsche Bundesbank" advances € 0.00		25 107 782.09		16 903 (0)
b) Bonds and debt securities				
ba) vIssued by public sector borrowers	8 588 013 123.80			8 716 025
of which: eligible as collateral for "Deutsche Bundesbank" advances € 8 522 509 630.09				(8 628 349)
bb) Issued by other borrowers	17 031 302 325.13			16 293 446
of which: eligible as collateral for "Deutsche Bundesbank" advances € 14 803 842 182.08		25 619 315 448.93		25 009 471 (13 922 752)
c) Debt securities, issued by the institution itself		217 255 459.94		385 994
Nominal amount € 212 072 746.07				(381 010)
			25 861 678 690.96	25 412 368
Amount carried forward			**109 010 513 305.54**	112 154 574

Balance Sheet NORD/LB Bank as at 31 December 2014

Assets

		€	€	€	31 Dec. 2013 € 000
Amount carried forward				**109 010 513 305.54**	112 154 574
5. Shares and other non fixed-interest securities				**1 249 696 739.03**	1 208 606
5a. Trading portfolio				**11 515 629 470.60**	8 827 061
6. Participating interests				**138 628 373.26**	94 780
of which: in banks	€ 296 480.46				(4 197)
in financial institutions	€ 266 670.94				(2 226)
7. Investments in affiliated companies				**1 967 564 545.25**	1 952 346
of which: in banks	€ 1 458 201 750.52				(1 407 729)
in financial institutions	€ 0.00				(0)
8. Assets held in trust				**4 450 467 308.71**	4 542 444
of which: loans on a trust basis	€ 4 450 467 308.71				(4 542 444)
9. Intangible assets					
a) internally generated industrial property rights and similar rights and values			52 048 127.53		50 231
b) Concessions, industrial property rights and similar rights and values including its licences against payment			43 131 400.06		32 512
d) Advance payments made			0.00		68
				95 179 527.59	82 811
10. Tangible assets				**203 958 477.54**	218 858
11. Other assets				**1 453 233 780.17**	1 432 221
12. Prepaid expenses					
a) from new issue and lending business			389 981 867.10		449 638
b) other			547 283 647.40		673 649
				937 265 514.50	1 123 287
Total assets				**131 022 137 042.19**	131 620 085

Liabilities — **Norddeutsche Landesbank Girozentrale**

		€	€	€	31 Dec. 2013 € 000
1. Liabilities to banks					
a) issued registered mortgage Pfandbriefe			15 308 313.70		50 866
b) issued registered public sector Pfandbriefe			1 036 736 727.13		1 245 552
c) Other liabilities			39 307 052 209.50		39 535 971
				40 359 097 250.33	40 832 389
of which: Due on demand €	5 984 539 333.61				(5 111 391)
ensuring loans taken up registered mortgage Pfandbriefe transferred to lender €	0.00				(0)
and registered public sector Pfandbriefe €	116 593 697.27				(342 406)
2. Liabilities to customers					
a) issued registered mortgage Pfandbriefe			785 988 168.71		360 524
b) issued registered public sector Pfandbriefe			9 094 930 901.78		9 838 051
c) Savings deposits					
ca) with an agreed notice period more than three months		1 453 841 015.29			1 369 325
cb) with an agreed notice period more than three months		71 097 052.64	1 524 938 067.93		332 392
d) Other liabilities			28 740 126 000.90		25 209 433
				40 145 983 139.32	37 109 725
of which: Due on demand €	12 253 684 041.17				(12 248 847)
ensuring loans taken up					
registered mortgage Pfandbriefe transferred to lender €	0.00				(0)
and registered public sector Pfandbriefe €	0.00				(0)
3. Securitised liabilities					
a) Issued debt securities					
aa) mortgage Pfandbriefe		2 216 446 992.59			1 742 124
ab) public sector Pfandbriefe		7 694 012 964.09			8 575 029
ac) other debentures		14 318 340 977.18	24 228 800 933.86		21 886 320
b) Other securitised liabilities			399 197 104.36		418 855
				24 627 998 038.22	32 622 328
of which: money-market instruments €	316 177 807.62				(234 653)
3a. Trading portfolio				**5 927 076 458.58**	2 295 562
4. Liabilities held in trust				**4 450 467 308.71**	4 542 444
of which: loans on a trust basis €	4 450 467 308.71				(4 542 444)
5. Other liabilities				**2 608 316 195.77**	1 483 913
Amount carried forward				**118 118 938 390.93**	118 886 361

Balance Sheet NORD/LB Bank as at 31 December 2014 **Liabilities**

	€	€	€	31 Dec. 2013 € 000
Amount carried forward			**118 118 938 390.93**	118 886 361
6. Deferred income				
a) from new issue and lending business		462 514 805.79		521 201
b) other		340 917 211.53		406 737
			803 432 017.32	927 938
7. Provisions				
a) Provisions for pensions and similar obligations		960 121 165.05		828 704
b) Tax provisions		75 230 684.84		105 260
c) Other provisions		457 060 732.80		418 010
			1 492 412 582.69	1 351 974
8. Subordinated liabilities			**2 817 572 575.53**	2 667 538
9. Participatory capital			**95 000 000.00**	115 000
of which: there of falling due in less than two years € 95 000 000.00				(55 000)
10. Funds for general banking risks			**912 632 805.66**	927 633
of which: special item for general banking risks in accordance with § 340e, para. 4 of the German Commercial Code € 60 000 000.00				(75 000)
11. Equity				
a) Subscribed capital				
aa) Share capital	1 607 257 810.00			1 607 258
ab) Capital contribution as per § 15 para. 1 State treaty	0.00			0
ac) Other Capital contributions	797 063 092.13	2 404 320 902.13		896 270
b) Capital reserves				
ba) Contribution as per § 15 para. 1 State treaty	0.00			0
bb) Other reserves	3 324 313 451.76	3 324 313 451.76		3 324 314
c) Retained earnings		702 546 457.02		692 571
d) Profit shown on the balance sheet after appropriation to or transfer from reserves		350 967 859.15		223 228
			6 782 148 670.06	6 743 641
Total liabilities			**131 022 137 042.19**	131 620 085
1. Contingent liabilities				
a) Contingent liabilities under rediscounted bills of exchange		0.00		0
b) Liabilities from guarantees and other indemnity agreements		6 074 431 662.69		5 288 696
c) Liabilities from assets pledged as collateral for third-party liabilities		0.00		0
			6 074 431 662.69	5 288 696
2. Other obligations				
a) Repurchase obligations from non-genuine partial repurchase agreements		0.00		0
b) Placement and underwriting obligations		0.00		0
c) Irrevocable credit commitments		6 858 588 512.16		8 229 815
			6 858 588 512.16	8 229 815

Norddeutsche Landesbank Girozentrale

	€	€	€	2013 € 000
1. Interest income from				
a) Lending and money market transactions	2 473 983 628.50			2 663 020
b) Fixed-income and book entry securities	485 448 623.35			521 134
c) Current income from trading portfolio	888 651 665.50	3 848 083 917.35		835 204
2. Interest expenses		2 518 130 677.06		2 847 681
			1 329 953 240.29	1 171 677
3. Current income from				
a) Shares and other non fixed-interest securities		10 104 558.73		9 974
b) Participating interests		12 161 675.81		12 284
c) Shares in affiliated companies		33 108 149.33		40 088
			55 374 383.87	62 346
4. Income from profit pooling, profit transfer and partial profit transfer agreements			**35 734 010.07**	64 137
5. Commission income		234 223 615.93		203 971
6. Commission expenses		95 843 575.87		121 059
			138 380 040.06	82 912
7. Net income deriving from trading business			**16 186 072.34**	160 736
8. Other operating income			**105 755 621.83**	124 199
9. General administrative expenses				
a) Staff expenses				
aa) Wages and salaries	301 034 715.75			298 106
ab) Social security contributions and expenses for pension provision and other employee benefits	160 681 714.80	461 716 430.55		81 878
of which: for pensions € 6 139 814.26				(35 711)
b) Other administrative expenses		353 581 364.65		358 902
			815 297 795.20	738 886
10. Depreciations and write-downs of intangible assets			**37 002 163.84**	36 018
11. Other operating expenses			**170 228 964.78**	161 424
12. Write-downs of and value adjustments to claims and certain securities and allocations to loan loss provisions			**472 356 212.31**	473 191
Amount carried forward			**186 498 232.33**	256 488

Income Statement for the reporting period from 1 January 2014 to 31 December 2014

	€	€	€	2013 € 000
Amount carried forward			**186 498 232.33**	256 488
13. Earnings from write-ups to claims and certain securities and allocations to loan loss provisionsren			**98 821 919.16**	9 257
14. Expenses on assumption of losses			**27 660 569.94**	7 845
15. Profit on ordinary activities			**257 659 581.55**	257 900
16. Extraordinary income		0.00		0
17. Extraordinary expenses		54 332 126.66		46 546
18. Extraordinary result			**– 54 332 126.66**	– 46 546
19. Refund from income taxes		– 8 094 763.61		– 6 766
20. Refund from other taxes not show under item 11		3 916 997.68		– 7 138
			4 177 765.93	– 13 904
21. Income from profit pooling, profit transfer and partial profit transfer agreements			**69 790 564.67**	70 630
22. Annual profit			**137 714 656.15**	154 628
23. Earnings brought forward from the previous year			**213 253 203.00**	68 600
24. Profit			**350 967 859.15**	223 228

Notes to the Consolidated Financial Statements

I. Disclosures concerning the Accounting Policies and Principles for Currency Translation

(Previous year figures for the 2014 accounting period or as at 31 December 2013 are shown in brackets.)

Principles for the Preparation of the Annual Financial Statements
The annual financial statements of Norddeutsche Landesbank Girozentrale Hannover, Braunschweig, Magdeburg, (NORD/LB) as at 31 December 2014 were prepared in accordance with the regulations of the German Commercial Code (Handelsbesetzbuch, HGB), the German Accounting Regulation for Credit and Financial Services Institutions (Kreditinstituts-Rechnungslegungsverordnung, RechKredV) and the Covered Bond Act (Pfandbriefgesetz, PfandBG).

The layout of the balance sheet and the income statement is based on the RechKredV.

The balance sheet has been prepared in accordance with § 268 para. 1 of the German Commercial Code taking into account partial appropriation of the annual profit.

In 2012, against the background of the European Banking Authority's (EBA) tighter requirements concerning minimum Tier 1 common capital ratio for banks and the future Basel III requirements, NORD/LB agreed a capital-boosting programme with its owners. In order for the capital measures to be implemented in 2012, the measures needed to be reviewed and approved by the EU Commission on the basis of a restructuring plan submitted by NORD/LB. One of these measures concerned a guarantee provided by the states of Lower Saxony and Saxony-Anhalt for the mezzanine tranch of a credit portfolio of NORD/LB brought into a securitisation structure. This guarantee was terminated early by NORD/LB with the effect of 30 June 2014. The expenses for this are reported in the expenses for public guarantees related to reorganisation.

Taking into account the new Capital Requirements Regulation applicable in the European Union since the start of 2014, individual components of the capital-boosting programme from 2012 were continued in the past year (limiting of risk-weighted assets, optimisation of the capital structure). In order to limit risk-weighted assets, since the start of March 2014 NORD/LB has allowed parts of a credit portfolio to be guaranteed by private investors. Compared to the guarantee provided by the states of Lower Saxony and Saxony-Anhalt that was terminated in 2014, this guarantee provided by private investors for NORD/LB is more efficient at providing regulatory capital relief. The premium paid for this is reported under commission expenses.

Further commitments by NORD/LB in connection with the reorganisation plan continued to have an effect in 2014. These include in particular an efficiency-improvement programme, for which costs were again incurred in 2014 and which are reported under reorganisation expenses.

Accounting Policies – Trading Portfolio
Financial instruments in the trading portfolio are valued in accordance with § 340e para. 3 clause 1 of the German Commercial Code at fair value less a risk premium. The change in fair value compared to the previous balance sheet date or compared to the acquisition cost, the valuation result, is recorded under the item net income or net expenses of the trading portfolio. Expenses relating to the allocation to the special item in accordance with § 340e para. 4 of the German Commercial Code are not reported under net income or net expenses of the trading portfolio, but under the item "expenses relating to the allocation to the funds for general banking risks". As regards the calculation of the fair values, the chapter "Calculation of fair values" is referred to.

The current interest income and expenses relating to trading transactions are shown under interest income. Dividend income from trading transactions is recorded under the item "current income from shares and other variable-yield securities".

As there is currently no difference in terms of balance between the trading portfolio reported in the balance sheet and the regulatory trading book, NORD/LB has used the Value-at-Risk (VaR) calculated for regulatory purposes directly as a risk premium in terms of § 340e para. 3 clause 1 of the German Commercial Code, i. e. it has deducted the VaR value calculated for regulatory purposes from trading assets. The method used to calculate the VaR is the historical simulation method.

The VaR parameters used in accordance with banking regulations, and which are therefore also relevant for reporting in accordance with commercial law, are:

- Use of a correlated VaR for the following risk types:
  - General interest rate risk
  - Specific interest rate risk (issuer-specific credit spread risk, no risk of default),
  - Currency risk
  - Share-price risk
  - Option-price risk
- Confidence level: 99 per cent;
- Holding period: 10 days;
- Monitoring period: 1 year

The average rate is used for the valuation of the trading portfolio. The effects of the inclusion of counterparty-specific default risks for OTC derivatives are also reported. The bank also uses OIS discounting for the valuation of secured OTC derivatives where OIS discounting has developed at the current market standard.

Accounting Policies – Non-Trading Portfolio (Banking Book)
The cash reserve is reported at nominal value.

Loans and advances to customers and banks are reported at nominal value or at acquisition cost. If there are differences between the nominal values and the amounts paid out for mortgage loans and other loans and advances which are of an interest nature, the items are reported at nominal value in accordance with § 340e para. 2 of the German Commercial Code. The differences are reported under prepaid expenses and are liquidated in a scheduled write-back.

Sufficient consideration is given to identifiable risks in lending business by making specific valuation allowances and loan loss provisions. The provisions for country risks were calculated based on principles which have not changed. Appropriate lumpsum loan loss provisions have been made for other general credit risks. Lumpsum loan loss provisions are still calculated in accordance with the communiqués of the BFA 1/1990 and the BMF Circular of 10 January 1994.

Securities in the liquidity reserve are valued in accordance with the strict lower-of-cost-or-market principle. Securities in fixed assets are valued at acquisition cost in accordance with the mitigated lower-of-cost-or-market principle provided that they are not the subject of a likely permanent loss in value.

Structured products are broken down into their components (basic instrument and embedded derivatives) in accordance with IDW RS HFA 22 and reported separately. The relevant accounting methods are applied for the components. The separate derivatives are considered in the loss-free valuation of the banking book or included in valuation units. Structured products that are valued at fair value or in accordance with the strict lower-of-cost-or-market principle are not reported separately.

Option premiums and future-margin payments relating to transactions not yet due and pro-rata interest relating to interest rate swap transactions are reported under other assets or other liabilities; amounts relating to interest rate caps which have not yet been amortised and up-front amounts relating to interest rate swap transactions are included under prepaid expenses.

Credit default swaps (CDS) where the bank is the provider of security are treated in the balance sheet using the same procedure as for contingent assets and liabilities relating to sureties and guarantees. If it is expected that a CDS will be used, a provision is made. Earnings components relating to CDS where the bank is the provider of security are reported under commission income. If CDS were transacted to hedge securities (the bank is the provider of security), the hedge effect of the CDS is considered when assessing the write-down requirement for the security. The risk of a doubtful credit rating for the provider of security (the counterparty in the CDS contract) is to be considered separately; this is done using the same procedure as for a guarantee. Earnings components relating to CDS where the bank is the recipient of security are reported under interest income.

In cases in which risks from the non-trading portfolio are transferred to the trading portfolio, internal transactions are, like external transactions, considered under commercial law in accordance with the deputisation principle.

Investments and shares in affiliated companies are reported at acquisition cost or at the lower fair value in the case of permanent impairment. If the reasons for unscheduled depreciation no longer exist, the value is written up to no more than the acquisition cost.

Property, plant and equipment are reported at acquisition cost and, if they have a finite useful life, are subject to scheduled depreciation. The useful life is based on the tax options. There was an unscheduled depreciation in accordance with § 253 para. 3 clause 3 of the German Commercial Code in the year under review of € 48 million.

Fixed assets with an acquisition cost of between € 150 and € 1,000 are capitalised under a collective item and depreciated at a flat rate of 20 per cent per annum over five years. Low-value fixed assets with an acquisition cost of up to € 150 are written off completely in the year of acquisition.

NORD/LB has made use of the option in accordance with § 248 para. 2 of the German Commercial Code and reported self-made intangible fixed assets. Here the external costs incurred during the development phase and internal development services are recognised. The useful life of self-made software is set at five years.

Where it is likely that a permanent loss in value has occurred, NORD/LB reduces the value with unscheduled depreciation. If the reasons for this no longer exist, the value is written up to no more than the amortised cost.

Liabilities to customers and banks are reported at their settlement values. The differences between borrowing and repayment amounts of an interest nature are reported under prepaid expenses and are liquidated according to schedule.

Zero bonds are reported at their market price when issued plus a mark-up for interest in line with the yield on the acquisition price.

Provisions are valued at the necessary settlement value based on reasonable commercial assessment. Provisions with a term of more than one year are discounted using the average market interest rate relevant for the residual term calculated and published by the Deutsche Bundesbank in accordance with the Provisions Discounting Regulation (Rückstellungsabzinsungsverordnung, RückAbzinsV). Income and expenses from the discounting of provisions are reported under other operating income and expenses.

The bank makes use of the option to offset expenses and income in accordance with § 340 f para. 3 of the German Commercial Code.

Calculation of Fair Values

Fair values have to be calculated on the one hand for accounting purposes (valuation of derivative and non-derivative financial instruments in the trading portfolio at fair value) and on the other hand for disclosure purposes (disclosure of the fair value for derivative financial instruments in the asset portfolio). For both purposes the fair values are calculated in the same way as follows.

For financial instruments traded on an active market the fair value corresponds directly to the stock-exchange or market price, i. e. in this case no adjustments or present value calculations are made to calculate the fair value. If publicly-listed stock-exchange prices are available, these are used; otherwise other price sources are used (e. g. prices quoted by market makers). Examples of financial instruments traded on an active market at NORD/LB are securities, options and futures traded on the stock exchange.

In all other cases the fair value is calculated using generally accepted valuation methods. The generally accepted valuation methods used by NORD/LB include in the area of derivative and non-derivative trading transactions the following methods:

Valuation method	Application	Significant input parameters
Discounted Cashflow Method	Illiquid interest-bearing Securities	Swap curves, Credit rating information
	Credit Default Swaps	Swap curves, credit-spreads and where applicable credit rating information
	Interest-rate swaps, FRAs	Swap curves
	Securities forward contracts	Contract data, specific -securities forward prices, swap curves
	Interest-rate currency swaps, Forward exchange contracts transactions	Swap curves in the currencies exchanged, basic swap spreads, exchange rate
Hull & White Model for Options	Bermudan swaptions	Volatility of the underlying market price, risk-free interest rate, swap rate, mean reversion
Black-Scholes Model	FX options	Exchange rates volatility of the underlying market price, risk-free interest rate for both currencies
	OTC share options (European)	Volatility of the underlying market price, risk-free interest rate, underlying (share), dividends
Barone-Adesi, Whaley-Modell	OTC share options (American)	Volatility of the underlying market price, risk-free interest rate, underlying (share), dividends
Black-76 Model	Caps and floors Swaptions Bond options	Exchange rates volatility of the underlying market price, risk-free interest rate
CVA/DVA Add-On Method	All derivatives	Internal ratings, swap curves

The significant input parameters were reliably established for all of the trading transactions valued using the above-mentioned valuation methods; there were no cases at NORD/LB where it was not possible to calculate the fair value.

Accounting of Securities Lending

NORD/LB assigns the beneficial ownership in securities lending to the lender. The consequence of this is that lent securities remain in the balance sheet of NORD/LB and are valued in accordance with the valuation rules of the respective security category (they often concern securities in the trading portfolio). If NORD/LB borrows securities, the securities are not reported by NORD/LB as the economic benefit has not been assigned to it.

Pension Obligations

NORD/LB's pension obligations have been valued in accordance with the projected unit credit method since the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) came into effect. Using this method current pensions as at the balance sheet date and the part apportioned to the period of employment served to date, the defined benefit obligation, are valued. Increases which are expected in the future due to increases in salary or pension adjustments which are apportionable here are also considered. The defined benefit obligation is calculated by the expected future benefit (the settlement value in terms of § 253 para. 1 clause 2 of the German Commercial Code) being discounted in accordance with § 253 para. 2 of the German Commercial Code with the average market interest rate for the previous seven years. In the process the simplification rule in accordance with § 253 para. 2 clause 2 of the German Commercial Code is used and the interest rate is set at a flat rate for a remaining term of 15 years.

As at 1 January 2014 the present value of pension obligations in accordance with the German Accounting Law Modernisation Act (BilMoG) was € 1,043.275 million. The difference resulting from the change in the valuation of pension obligations in accordance with the German Accounting Law Modernisation Act (BilMoG) as at 1 January 2010 totals € 301.921 million for the registered public institute. Using the simplification rule in accordance with art. 67 para. 1 clause 1 Introductory Act of the German Commercial Code (EGHGB), the allocation will be spread over 15 years. The value in 2014, after taking into account repayments, was € 18.746 million and was shown under extraordinary expenses. The first-time effect for the New York branch, however, was already recognised in full through profit or loss in 2010. The provision as at 31 December 2014 was € 960.121 million, whereby an obligation of € 196.258 million is not shown in the balance sheet.

When calculating the pension obligations the following assumptions were used for the bank in Germany:

	31 Dec. 2014	31 Dec. 2013
Interest rate	4.54 %	4.88 %
Salary increases	2.00 %	2.00 %
Pension increases	2.75 %/2.87 %/1.00 %	2.75 %/2.87 %/1.00 %
Fluctuation	3.00 %	3.00 %

NORD/LB's pension obligation was valued based on the "Richttafeln 2005 G" mortality tables published by Dr. Klaus Heubeck.

For the branch in New York, the bank has offset the cover assets against the related pension obligations in accordance with § 246 para. 2 of the German Commercial Code (new version). The settlement value of the pension obligation (converted into euros) as at the balance sheet date was € 4.883 million. This is seen alongside the fair value of the cover assets as at 31 December 2014 in the amount of € 3.738 million. Acquisition costs total € 2.443 million.

The allocation to the pension obligation for 2014 was € 213 thousand. This is seen alongside income generated from the cover assets in the amount of € 422 thousand.

For the indirect pension obligations of the London branch there was a shortfall as at 31 December 2014 of € 4.506 million.

Based on a service agreement, the employees of NORD/LB have the option of placing the credit balance of time credits and deferred remuneration in long-term working time credit accounts which are invested in a special fund by a trustee.

This is a securities-linked commitment, so that in accordance with § 253 para. 1 of the German Commercial Code the relevant provision is to be set in the amount of the fair value of the fund assets and netted with the cover assets.

As at 31 December 2014 the fair value of the special fund is € 5.3 million against an acquisition cost of € 5.3 million.

The expenses and income from the cover assets and the corresponding provisions are offset under other operating profit/loss.

Currency Translation

The currency translation takes place in the non-trading portfolio in accordance with the principles of § 256a in conjunction with § 340h of the German Commercial Code ("special cover") and the statement made by the "Bankenfachausschuss" (Banking Committee) of the "Institut der Wirtschaftsprüfer" (Institute of Public Auditors in Germany) (IDW RS BFA 4), as the bank controls currency risk via separate currency positions and carries the individual currency items in the currency positions. The special cover comprises all assets, liabilities and pending transactions which are not allocated to the trading portfolio, are financial instruments and are in a foreign currency.

The assets and liabilities and the valuation of forward foreign exchange transactions and spot exchange transactions which have not yet been completed are translated using the average spot exchange rate (ECB reference exchange rate) or rates from other reliable sources on the balance sheet date.

For futures transactions in the non-trading portfolio, the pro-rata, swap mark-ups/mark-downs which have not yet been amortised are valued at the current swap rates for the remaining term of the transactions.

The results from the valuation of the remaining positions are added by currency; losses are deducted. Any remaining positive results, such as unrealised profits from open items, are not considered.

For financial instruments in the trading portfolio the currency translation takes place in accordance with the relevant accounting policies. The results of the currency translations are reported under the item net income or net expenses of the trading portfolio.

Overall the value of NORD/LB's assets and liabilities in foreign currencies totals € 43,685.3 million (€ 41,043.1 million) and € 41,968.4 million (€ 41,119.9 million) respectively.

Formation and Accounting of Valuation Units
At NORD/LB in the following cases economic hedging relationships are shown in the balance sheet by forming valuation units:

- Individual-transaction-specific interest hedges of fixed-interest securities in the liquidity reserve with interest rate swaps (€ 1,065.264 million; previous year € 831.768 million);

- Individual-transaction-specific hedges of the underlying share-price or currency-exchange-rate risks of certain structured issues with share-price or currency-exchange-rate-specific derivatives (€ 347.562 million; previous year: € 313,047 million);

- Individual-transaction-specific hedge of the currency risk of the highly likely repayment of a hybrid capital bond issued in USD with a currency swap (€ 411.828 million; previous year: € 362.555 million);

- Individual-transaction-specific passing on of inflation risk hedged against customers to the market (€ 145.957 million; previous year: € 142,679 million).

In addition to the above-mentioned hedging relationships shown as valuation units, there are the following economic hedging relationships which are not shown in the balance sheet by forming valuation units, but by the measures below:

- Currency hedges in the banking book. The economic hedging relationship is presented in the balance sheet by the translation of the foreign-currency assets, foreign-currency liabilities and pending currency transactions in accordance with § 256a in conjunction with § 340h of the German Commercial Code.

- Hedging of general interest rate risk in the banking book within the scope of asset / liability management (Overall Bank Management). The economic control relationship is taken into account when assessing whether the requirements for loss-free valuation in the banking book have been complied with by considering all of the interest-bearing banking book assets and liabilities and all interest derivatives in the banking book.

- Hedging of the default risk relating to banking book assets with CDS contracts. The economic hedging relationship is presented in the balance sheet by the hedge effect of the CDS contracts being considered in the calculation of the revaluation requirement for the hedged assets like a loan security.

Where valuation units are formed, at NORD/LB the net hedge presentation method is used.

Loss-free Valuation of Interest-rate-based Transactions in the Banking Book (Interest Book)
Interest-rate-based financial instruments in the banking book (interest book) are subject to a loss-free valuation in accordance with IDW RS BFA 3. If the value of the payment obligation from the interest-bearing transaction is greater than the value of the counterperformance, a provision for anticipated loss in the amount of the net liability is to be made.

In the present value approach, NORD/LB compares the cash flows, discounted as at the balance sheet date, of all on-balance-sheet and off-balance-sheet interest-rate-based financial instruments not in the trading portfolio with their carrying amounts taking into account the expected refinancing, risk and administrative expenses. As at the balance sheet date there is no net liability.

II. Disclosures and Notes to the Balance Sheet and Income Statement

The notes below concerning the individual items of the balance sheet and income statement appear in the order that the items are reported:

Notes to the Balance Sheet **Assets**

(in € 000)	31 Dec. 2014	31 Dec. 2013
2. Claims on banks		
with a residual term of		
Due on demand	3 828 852	4 173 057
less than 3 months	5 020 662	6 233 983
more than 3 months but less than 1 year	4 119 734	3 205 188
more than 1 year less than 5 years	5 363 735	7 479 240
more than 5 years	5 933 330	5 638 585
Balance sheet value	**24 266 313**	**26 730 053**
of which		
Claims on affiliated companies	5 131 771	6 081 251
Claims on companies in which an equity investment exists	344 421	861 844
Subordinated receivables	685 695	873 395
Used to cover old stock	471 723	905 431
The full amount of receivables from banks includes:		
Claims on affiliated savings banks	5 608 943	6 499 249
3. Claims on customers		
with a residual term of		
less than 3 months	5 288 860	5 613 257
more than 3 months but less than 1 year	3 101 170	4 637 843
more than 1 year less than 5 years	15 762 341	15 490 935
more than 5 years	33 952 908	33 204 736
Balance sheet value	**58 105 279**	**58 946 771**
of which		
Claims on affiliated companies	598 175	686 667
Claims on companies in which an equity investment exists	335 999	251 191
Subordinated receivables	38 393	20 042
Used to cover old stock	1 914 159	2 986 519
With an indefinite term	1 849 875	1 725 559
4. Debt securities and other fixed-interest securities		
a) Money-market instruments		
aa) Issued by public sector issuers		
Balance sheet value	**12 753**	**6 025**
of which		
due in the following year	12 753	6 025
marketable and unlisted money-market instruments	12 753	6 025

Assets

(in € 000)	31 Dec. 2014	31 Dec. 2013
ab) Issued by other issuers		
Balance sheet value	**12 355**	**10 878**
of which		
due in the following year	12 355	10 878
marketable and listed money-market instruments	–	10 878
b) Bonds and debt securities		
ba) Issued by public sector issuers		
Balance sheet value	**8 588 013**	**8 716 025**
of which		
due in the following year	2 254 401	1 369 817
marketable and listed money-market instruments	8 546 400	8 676 004
marketable and unlisted money-market instruments	41 613	40 022
Used to cover old stock	448 150	395 378
bb) Issued by other issuers		
Balance sheet value	**17 031 302**	**16 293 446**
of which		
due in the following year	6 648 006	2 756 390
marketable and listed money-market instruments	16 305 371	15 524 896
marketable and unlisted money-market instruments	725 931	768 772
Affiliated company securities	2 860 428	2 582 616
Subordinated debt securities	495 399	665 908
c) Debt securities, issued by the institution itself		
Balance sheet value	**217 255**	**385 994**
of which		
due in the following year	134 722	137 561
marketable and listed money-market instruments	217 255	385 994
5. Shares and other non fixed-interest securities		
Balance sheet value	**1 249 697**	**1 208 606**
of which		
marketable and listed shares and other non fixed-interest securities	291	1 460
5a. Trading portfolio		
Balance sheet value	**11 515 629**	**8 827 061**
of which		
Derivative financial instruments	5 941 423	2 380 065
Claims	2 222 255	2 437 830
Debt securities and other fixed-interest securities	3 206 527	3 872 995
Shares and other non fixed-interest securities	152 783	139 505
Risk discount	7 359	3 333

Assets

(in € 000)	31 Dec. 2014	31 Dec. 2013
6. Participations		
Balance sheet value	**138 628**	**94 780**
of which		
Marketable unlisted shares	10 836	10 836
The equity holding is shown in III. Paragraph 9		
7. Investments in affiliated companies		
Balance sheet value	**1 967 565**	**1 952 346**
of which		
Marketable unlisted shares	1 055 373	1 003 391
The equity holding is shown in III. Paragraph 9		
8. Assets held in trust		
Balance sheet value	**4 450 467**	**4 542 444**
of which		
Claims on banks	596 313	526 018
Claims on customers	3 854 154	4 016 426
9. Intangible assets		
Balance sheet value	**95 180**	**82 811**
of which		
internally generated software	52 048	50 231
Creation of software implementation expenses incurred in the amount of € 15.4 million (€ 7.0 million) in the reporting year 2014. Research expenses are not incurred.		
10. Tangible assets		
Balance sheet value	**203 958**	**218 858**
of which		
Own used land and buildings	165 799	170 299
Operating and office equipment	38 159	48 559
12. Other assets		
Balance sheet value	**1 453 234**	**1 432 221**
of which		
The following are reported as significant items:		
Option premiums and margins	713 269	612 077
Interest and interest due from interest-rate swaps	555 216	735 142
Reported assets on interim accounts	99 565	18 595
Claims against fiscal authorities	43 920	42 797
Balancing item from currency valuation	20 048	–
Pro rata interest claims from flat-traded securities of the trading portfolio	12 343	14 234
13. Deferred expenses and accrued income		
Balance sheet value	**937 266**	**1 123 287**
of which		
deferred premiums in accordance with § 340e Paragraph 2 HGB	318 686	358 061
discounts and maturing premiums	71 296	91 577

Assets

The table below shows the changes to fixed assets:

(in € 000)	Aquisition/ manufac- turing cost	Additions	Disposals	Accu- mulative depreciation	Balance sheet value 31 Dec. 2014	Balance sheet value 31 Dec. 2013	Deprecia- tion for the account- ing-period
Intangible assets	183 333	29 215	8	117 360	95 180	82 811	16 774
Tangible assets	475 296	9 293	15 981	264 650	203 958	218 858	20 227
		Change[1]					
Participating interests		43 848			138 628	94 780	
Investments in affiliated companies		15 219			1 967 565	1 952 346	
Securities in fixed assets		– 1 302 039			9 509 243	10 811 282	
of which:							
Bonds and debt securities		– 1 178 655			9 509 243	10 687 897	
Shares		– 123 384			–	123 384	

[1] The possibility of a summary according to § 34, para. 3 RechKredV was used.

Liabilities

(in € 000)	31 Dec. 2014	31 Dec. 2013
1. **Liabilities to banks**		
a) **Due on demand**		
Balance sheet value	**5 984 539**	**5 111 391**
of which		
Liabilities to affiliated companies	176 356	111 978
b) **With an agreed term or notice period**		
of which with a residual term of		
less than 3 months	17 066 567	18 517 190
more than 3 months but less than 1 year	4 506 169	2 565 580
more than 1 year but less than 5 years	4 226 536	5 157 624
more than 5 years	8 575 286	9 480 604
Balance sheet value	**34 374 558**	**35 720 998**
of which		
Liabilities to affiliated companies	339 379	356 944
Liabilities to companies in which an equity investment exists	306 824	320 093
Assets pledged as collateral	14 685 728	16 800 243
The full amount of bank loans and overdrafts includes:		
Liabilities to affiliated savings banks	2 739 273	3 078 949
2. **Liabilities to customers**		
a) **Savings deposits**		
aa) **with an agreed notice period of three months**		
Balance sheet value	**1 453 841**	**1 369 325**
ab) **Savings deposits with an agreed notice period of more than three months**		
of which with a residual term of		
less than 3 months	42 759	39 716
more than 3 months but less than 1 year	10 083	238 139
more than 1 year but less than 5 years	16 893	54 346
more than 5 years	1 362	191
Balance sheet value	**71 097**	**332 392**

[1] Collateral has been provided for borrowing undertaken within the scope of genuine repos. Collateral has also been provided for refinancing funds for specific purposes and open market transactions to the Deutsche Bundesbank.
[2] The previous year's figure for assets assignet as collateral under liabilities to banks was adjusted.

Liabilities

(in € 000)	31 Dec. 2014	31 Dec. 2013
b) Other liabilities		
ba) Due on demand		
Balance sheet value	**12 253 684**	**12 248 847**
of which		
Liabilities to affiliated companies	65 103	68 831
Liabilities to companies in which an equity investment exists	151 328	88 095
bb) With an agreed term or notice period		
of which with a residual term of		
less than 3 months	8 429 157	4 112 797
more than 3 months but less than 1 year	3 030 639	2 610 038
more than 1 year but less than 5 years	3 996 256	4 797 545
more than 5 years	10 911 309	11 638 781
Balance sheet value	**26 367 361**	**23 159 161**
of which		
Liabilities to affiliated companies	116 979	135 371
Liabilities to companies in which an equity investment exists	313 752	329 462
Assets assigned as collateral	177 267	–
3. Securitised liabilities		
a) Issued debt securities		
Balance sheet value	**24 228 801**	**32 203 473**
of which		
Due in the following year	8 822 723	10 658 128
Liabilities to affiliated companies	1 401 127	3 557 602
Liabilities to companies in which an equity investment exists	67 502	77 508
b) Other securitised liabilities		
of which with a residual term of		
less than 3 months	233 571	154 649
more than 3 months but less than 1 year	83 328	80 004
more than 1 year but less than 5 years	1 648	111 290
more than 5 years	80 650	72 912
Balance sheet value	**399 197**	**418 855**
3a. Trading portfolio		
Balance sheet value	**5 927 076**	**2 295 562**
of which		
Derivative financial instruments	5 804 870	2 185 602
Liabilities (for short-term securities)	122 206	109 960
4. Liabilities held in trust		
Balance sheet value	**4 450 467**	**4 542 444**
of which		
Liabilities to banks [1)]	1 599 613	1 605 103
Liabilities to customers	2 850 854	2 937 341

[1)] Including the equity of Investitionsbank Sachsen-Anhalt in the amount of € 150.9 million.

Liabilities

(in € 000)	31 Dec. 2014	31 Dec. 2013
5. Other liabilities		
Balance sheet value	**2 608 316**	**1 483 913**
of which		
reported as significant items:		
Balancing item from currency valuation	1 609 136	340 608
Countervalues for outstanding securities purchases	457 275	526 299
Interest payable and accrued interest from swaps	364 177	410 247
Interest payable from profit participation rights, subordinated liabilities and capital contributions	113 440	113 051
Outstanding items on interim accounts, not classified	36 775	46 899
Trade payables	16 779	31 331
6. Deferred income		
Balance sheet value	**803 432**	**927 938**
of which		
Separation of premiums from issuing and loan business	421 937	472 667
deferred discounts in accordance with § 340e Paragraph 2 HGB	40 887	47 630
7. Provisions NORD/LB forms provisions for pensions and similar duties, tax provisions and other provisions for uncertain liabilities.		
Basically the following items are shown under other provisions:		
Provisions for uncertain liabilities		
Staff expenses – other	187 166	179 318
Risks from lending business	84 762	77 309
Staff expenses – reorganisation provisions (efficiency improvement programme)	73 098	46 088
Legal risks	36 400	24 348
Other	75 635	90 947
	457 061	**418 010**
8. Subordinated liabilities		
Balance sheet value	**2 817 573**	**2 667 538**
of which [1]		
due within two years in accordance with the German Banking Act	–	1 190 968
due within five years in accordance with the CRR	1 410 245	–

NORD/LB's expenses for subordinated liabilities were € 143.698 million (€ 123.767 million).
The following subordinated liabilities exceed 10 % of the total amount:

Currency amount	Interest rate	Due on
€ 580 million	5.75 % p.a.	1 Dec. 2015
€ 350 million	6.00 % p.a.	29 Jun. 2020
500 million USD	6.25 % p.a.	10 Apr. 2024

An early repayment obligation only exists if a change in taxation results in additional payments to the transferee. The subordination conditions for these funds are in accordance with the German Banking Act. The conversion of these funds into capital or any other form of debt has not been agreed and is not planned.

[1] The difference is due to the the different legal regulations that applied in financial years 2013 and 2014 for calculating regulatory capital.

Liabilities

(in € 000)	31 Dec. 2014	31 Dec. 2013
10. Participatory capital		
Balance sheet value	**95 000**	**115 000**
of which [1]		
due within two years in accordance with the German Banking Act	–	55 000
due within five years in accordance with the CRR	95 000	–

With the exception of those capital components which have a maturity of less than two years, the other tranches of the participatory capital issued by NORD/LB meet in full the conditions of § 10 para. 5 of the German Banking Act and are therefore to be allowed for.

11. Equity

The balance sheet profit includes the profit carried forward from the previous year in the amount of +€ 213,253,203.00.

Of the silent participations in NORD/LB's portfolio which are reported in the balance sheet under other capital contributions, as at 31 December 2014 participations in the nominal amount of € 0.0 million have been cancelled.

As part of the scope of the capital-boosting measures, NORD/LB acquired capital notes in the amount of € 400 million held indirectly by the state of Lower Saxony in 2012. These securities were issued by special purpose entities in order to refinance silent participations at NORD/LB. In 2013 capital notes purchased in 2013 by NORD/LB were recalled and repaid by the special purpose entities Fürstenberg Capital Erste GmbH and Fürstenberg Capital II GmbH. At the same time silent participations held by the two special purpose entities were cancelled in the same amount.

NORD/LB continued this procedure in the year under review. For this purpose, of the capital notes remaining in 2013, further securities in the amount of € 92.2 million were purchased by way of a tender and paid back in 2014. In the previous year these capital notes were reported on the assets side under debt securities. The silent participations in NORD/LB held by the special purpose entities based in Fürstenberg were equally reduced.

Beforehand NORD/LB had taken on subordinated liabilities in the amount of € 300 million in 2013 in order to implement a banking regulatory requirement; it had to ensure that it had adequate replacement capital in accordance with regulatory law for the silent participations lost due to the purchase of the capital notes.

1. Contingent liabilities

Under contingent liabilities there are as at 31 December 2014 nine significant liabilities relating to sureties and guarantees. The individual values range from € 53.9 million to € 149.8 million.

NORD/LB's maximum liability to customers from guarantees is € 4,177.4 million and from letters of credit € 185.7 million.

The risk of the contingent liabilities being used is considered to be low as the liabilities are arranged and monitored on a credit-related basis. A risk provisioning in the amount of € 57.1 million (€ 50.0 million) has been allocated.

2. Other obligations

Irrevocable credit commitments in 2014 are broken down as follows:

– Commercial enterprises	6,226,073
– Private persons	310,042
– Banks	220,532
– Public authorities	101,942

Based on credit rating analyses that have been conducted, it is largely expected that the borrowers will meet their obligations. Risks may arise from a drop in the customers' credit ratings, for which an appropriate provision has been made. The provision is € 23.7 million (€ 6.7 million).

3. Hard Comfort Letters

NORD/LB ensures that the following companies are able to meet their obligations:
- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover,
- Nieba GmbH, Hanover,
- Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel/Luxembourg,
- NORD/LB Asset Management Holding GmbH, Hanover,
- NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel/Luxembourg,
- Skandifinanz AG, Zurich/Switzerland.

[1] The difference is due to the the different legal regulations that applied in financial years 2013 and 2014 for calculating regulatory capital.

Notes to the Income Statement

The total balance of the income statement items 1, 3, 5, 7 and 8 is spread across the following regions:

(in € 000)	Federal Republic of Germany	Europe (excl. of Federal Republic of Germany)	North America	Asia	Total
1. Net interest income	3 561 789 (3 713 362)	90 968 (93 200)	101 986 (117 270)	93 341 (95 526)	3 848 084 (4 019 358)
3. Current income	55 374 (62 346)	0 (0)	0 (0)	0 (0)	55 374 (62 346)
5. Net commision income	182 934 (162 847)	12 036 (14 447)	28 310 (21 916)	10 944 (4 761)	234 224 (203 971)
7. Net profit of trading portfolio	20 764 (159 606)	260 (– 196)	– 7 004 (1 629)	2 166 (– 303)	16 186 (160 736)
8. Other operating income	103 238 (123 547)	1 625 (234)	541 (207)	352 (212)	105 756 (124 200)
Income statement items	3 924 099 (4 221 708)	104 889 (107 685)	123 833 (141 022)	106 803 (100 196)	4 259 624 (4 570 611)

(in € 000)	2014	2013
7. Net profit/loss of trading portfolio		
The following are reported as material items:		
Net income from securities	156 750	–
Net expediture from securities	–	59 391
Net income from loans	161 061	–
Net expediture from loans	–	42 240
Net income from derivatives	–	240 186
Net expediture from derivatives	– 328 130	–
Income from the change in value at risk reduction	–	4 833
Expense from the change in the Value at Risk deduction	– 4 026	–
The net result therefore includes an amount of € 15 million from the reversal of the special item in accordance with § 340e para. 4 clause 2 no. 4 of the German Commercial Code.		
8. Other operating income		
The following are reported as material items:		
Reversal of provisions	30 172	39 785
Income from repayments	23 501	–
Income from the resale of hardware, software and services	13 925	17 249
Income from rents	5 863	4 889
IT services for third parties	5 106	5 454
Offsetting of services with promotion institutes	4 724	3 349
Foreign exchange of investment book	4 137	–
Profit from hedge derivatives of own issues	1 490	22 289
Book profits from disposal of property and equipment	743	119
Interest income from tax refunds	71	4 053
Reimbursement of costs from shipping exposures	10	5 753
Settlement payments	–	5 670
11. Other operating expenses		
The following are reported as material items:		
Interest expenses from the valuation of provisions	56 284	54 977
Price losses from redemption of promissory notes and registered bonds	55 266	43 085
Payments to the restructuring fund for banks	22 410	27 617
Expenses for the resale of hardware, software and services purchased	13 906	16 231
Expenses for KSN services	12 151	12 481
Allocation to provisions for recourse risks	5 532	–
Interest expenses for payments of tax arrears	1 673	208
Concession fee for BLSK	1 100	1 450
Expenses for losses resulting from operational risks	502	268

18. Extraordinary expenses

Extraordinary expenses include the transition effects of the valuation of provisions in the amount of € 18.7 million (€ 18.7 million) as a result of the implementation of the German Accounting Law Modernisation Act (BilMoG) and reorganisation expenses in the amount of € 35.6 million (€ 27.8 million). These mainly concern employee-related expenses for measures to reduce material costs, staff expenses and commission expenses as part of the efficiency-improvement programme.

Other Financial Obligations

With regard to the security reserve for landesbanks, NORD/LB's maximum obligation to make additional contributions is € 61.0 million (€ 57.9 million). In the event of a need for support these subsequent contributions could be collected immediately. Following the publication of the EU Directive 2014/49/EU and the transposition into national law in 2015, the method for calculating the deposit protection system will change and increase the amount of the payment obligations.

NORD/LB has further obligations to make additional contributions to the amount of € 0.0 million (previous year € 30.5 million) in addition to extra joint liabilities for other partners on the part of Liquiditätskonsortialbank GmbH i. L.

NORD/LB furthermore vouches for the obligations of the Sparkassenverband Niedersachsen (Association of the Savings Banks of Lower Saxony) resulting from its membership in the Deutscher Sparkassen- und Giroverband (German Association of Savings Banks and Girobanks) and the DekaBank Deutsche Girozentrale. In addition joint liability has been assumed for DekaBank Deutsche Girozentrale with the other shareholders of this bank within the scope of the guarantor function.

Furthermore NORD/LB is, alongside the state of Bremen and the Sparkassenverband Niedersachsen (SVN, Association of the Savings Banks of Lower Saxony), guarantor of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, and, together with Sparkassenverband Niedersachsen (SVN) and Landesbank Berlin Holding AG, also acts as guarantor for LBS Norddeutsche Landesbausparkasse Berlin-Hannover.

NORD/LB has a 100 per cent holding in Deutsche Hypothekenbank (Actien-Gesellschaft). It is obliged to reimburse Deutscher Sparkassen- and Giroverband e.V. as the guarantor of the security reserve for landesbanks and giro centres all expenditure including interest and interest lost for supporting measures which cannot be paid from the fund established for Deutsche Hypothekenbank in accordance with the agreement concluded between Deutscher Sparkassen- und Giroverband e.V. and Deutsche Hypothekenbank AG on 19 December 2008.

NORD/LB had undertaken to release the Bundesverband deutscher Banken e.V. (Association of German Banks) from all losses which were a result of the measures in accordance with § 2 paragraph 2 of the statute of the "Einlagensicherungsfond" (deposit protection fund) for the Deutsche Hypothekenbank (Actien-Gesellschaft). The participation of Deutsche Hypothekenbank (Actien-Gesellschaft) in the German banks' deposit protection fund was terminated as at 31 December 2008. In accordance with § 6 no. 8 of the statute of the deposit protection fund NORD/LB may still be liable for commitments previously entered into by Deutsche Hypothekenbank (Actien-Gesellschaft).

With regard to NORD KB Beteiligungsgesellschaft mbH and NORD KB Dachfonds II Beteiligungsgesellschaft mbH, NORD/LB has an obligation to grant partnership loans totalling approximately € 2.9 million (€ 7.0 million).

NORD/LB also holds an interest with other limited partners in Immobilien Development und Beteiligungsgesellschaft Niedersachsen mbH IDB & Co. Objekt Zietenterrassen KG. One limited partner has indemnified the general partner from liability. In the internal relationship NORD/LB assumes 50 per cent of the possible obligations from this declaration of liability.

NORD/LB has, together with the other limited partner Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co., indemnified the general partner from liability.

With regard to the inclusion of the shares in FinanzIT GmbH, the withdrawing partners NORD/LB, Bremer Landesbank and Landesbank Saar have committed, together with the remaining partners of FinanzIT, to bear the risks of the company from the time up to their withdrawal, provided they have actually occurred and are not already covered by provisions which have already been made.

Call-in obligations for shares and other interests amounted to € 17.4 million at year-end (€ 12.8 million).

In the course of normal business activities NORD/LB has provided security in the nominal amount of € 1,394.0 million (€ 2,138.2 million) in the form of securities.

NORD/LB has, in order to ease the pressure on regulatory equity, transferred part of the credit risk of a credit portfolio defined precisely by a finance guarantee ("Northvest") to an external third party. The finance guarantee will result in a financial burden with charges in the amount of € 40 million in 2015. In the next few years the fees will fall steadily until the guarantee ends in 2024.

NORD/LB has concluded a framework contract with Wincor Nixdorf International GmbH, Paderborn, to regulate the collaboration in the area of information technology. The contract, which bundles the IT infrastructure services with one service provider, commenced with effect of 1 July 2013 and will run to 30 June 2020. The annual costs are volume-dependent; the value of the contract over the entire term is approx. € 150 million.

NORD/LB has obligations from long-term rental and lease agreements for land and buildings to 2044 in the nominal amount of € 401.5 million (€340.9 million), € 275.0 million (€ 293.4 million) of which towards affiliated companies.

In accordance with the Restructuring Fund Regulation (Restrukturierungsfonds-Verordnung, RstruktFV), NORD/LB has to pay a bank levy. On the 1 January 2015 the Commission Delegated Regulation (EU) 2015/63 of the 21 October 2014 with regard to ex ante contributions to resolution financing arrangements entered into force. The regulation supplements the Bank Recovery and Resolution Directive (BRRD; Directive 2014/59/EU) and will result in a permanently higher bank levy.

III. Other Disclosures

1. Members of the Managing Board

Dr. Gunter Dunkel
(Chairman)

Dr. Johannes-Jörg Riegler
(Deputy Chairman) (until 28 February 2014)

Ulrike Brouzi

Thomas Bürkle
(since 1 January 2014)

Eckhard Forst

Dr. Hinrich Holm

Christoph Schulz

2. Members of the Supervisory Board

Peter-Jürgen Schneider (Chairman)
Finance Minister of Lower Saxony

Thomas Mang (First Deputy Chairman)
President of Sparkassenverband Niedersachsen

Jens Bullerjahn (Second Deputy Chairman)
Finance Minister of Saxony-Anhalt

Frank Berg
Chairman of the Managing Board
OstseeSparkasse Rostock

Norbert Dierkes
Chairman of the Managing Board
Sparkasse Jerichower Land

Edda Döpke
Bank employee
NORD/LB Hanover

Ralf Dörries
Senior Bank Director
NORD/LB Hanover

Dr. Elke Eller
Personnel Director, VW Commercial Vehicles,
Volkswagen AG
(since 1 July 2014)

Hans-Heinrich Hahne
Chairman of the Managing Board
Sparkasse Schaumburg

Frank Hildebrandt
Bank employee
NORD/LB Braunschweig

Martin Kind
Managing Director
KIND Hörgeräte GmbH & Co. KG
(until 30 June 2014)

Frank Klingebiel
Mayor of Salzgitter

Prof. Dr. Susanne Knorre
Management Consultant

Ulrich Mägde
Mayor of the Hanseatic City of Lüneburg

Antje Niewisch-Lennartz
Justice Minister of Lower Saxony

Heinrich von Nathusius
IFA ROTORION – Holding GmbH

Freddy Pedersen
ver.di Trade Union

Jörg Reinbrecht
ver.di Trade Union

Ilse Thonagel
Bank employee
Landesförderinstitut
Mecklenburg-Vorpommern

3. Disclosures concerning Mandates

As at 31 December 2014 the following mandates were held in accordance with § 340a para. 4 no. 1 of the German Commercial Code by members of NORD/LB:

Managing Board

Name	Society [1]
Dr. Gunter Dunkel	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel Continental AG, Hanover
Ulrike Brouzi	Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel NORD/LB Asset Management, Hanover Salzgitter AG Stahl und Technologie, Salzgitter
Thomas Bürkle	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover LHI Leasing GmbH, Pullach
Eckhard Forst	Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen LHI Leasing GmbH, Pullach
Dr. Hinrich Holm	NORD/LB Asset Management, Hanover Investitionsbank Sachsen-Anhalt, Magdeburg LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover Liquiditäts- und Konsortialbank GmbH (until 1 June 2014) Lotto-Toto GmbH Sachsen-Anhalt, Magdeburg
Christoph Schulz	Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover Toto-Lotto Niedersachsen GmbH, Hanover

[1] Banks are treated as large corporations.

Other employees

Name	Society [1]
Dr. Rüdiger Fuhrmann	Niedersächsische Landgesellschaft mbH, Hanover
Dr. Michael Lange	Toto-Lotto Niedersachsen GmbH, Hanover
Dr. Ulf Meier	LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover
Ingo Wünsche	Niedersächsische Bürgschaftsbank (NBB) GmbH, Hanover
Berit Zimmermann	Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg
Werner Schilli	Öffentliche Sachversicherung Braunschweig, Braunschweig Öffentliche Lebensversicherung Braunschweig, Braunschweig

[1] Banks are treated as large corporations.

4. Remuneration of and Loans to Governing Bodies

(in € 000)	2014	2013
Total remuneration of current board members		
Managing Board	4 198	3 335
Supervisory Board	445	386
	4 643	**3 721**
Total remuneration of former board members and their surviving dependents		
Managing Board	4 036	4 081
Advances and loans granted		
Managing Board	708	1 331
Supervisory Board	52	60

€ 36.830 million (€ 33.599 million) was put back for pension obligations towards former members of governing bodies and their surviving dependents, whereby an obligation of € 12.360 million (€ 12.275 million) is not reported in the balance sheet.

5. Auditor’s fees

NORD/LB has made use of the option in accordance with 285 no. 17 of the German Commercial Code of reporting the auditor’s fees in the consolidated financial statements.

6. Average number of employees

	Male 2014	Male 2013	Female 2014	Female 2013	Total 2014	Total 2013
Employees	2 069	2 101	2 152	2 190	4 221	4 291

Investitionsbank Sachsen-Anhalt and Landesförderinstitut Mecklenburg-Vorpommern account for an additional 631 employees (619 employees).

7. Further Disclosures

Services performed for third parties

Significant services performed for third parties concern:

- the management of trust assets
- the management of custodian accounts
- the brokering building loan contracts, investment products, loans and insurance
- the brokering of foreign notes and coins and precious metals for associated savings banks
- asset management
- the brokering of loans and investment products

No write-down to lower fair value

The items “debt securities and other fixed-interest securities” and “shares and other variable-yield securities” include securities valued like fixed assets which have not been written down to their lower fair value. These concern the following securities (all book values and fair values disclosed do not include accumulated interest):

(in € 000)	Book values 31 Dec. 2014	Fair values 31 Dec. 2014	omitted depriation 31 Dec. 2014	Book values 31 Dec. 2013	Fair values 31 Dec. 2013	omitted depriation 31 Dec. 2013
Bonds and debt securities	1 568 356	1 496 342	72 013	2 817 125	2 734 870	82 255
Shares	0	0	0	0	0	0

NORD/LB assumes with all bonds and debt securities that the loss of value is not permanent as the securities are held to final maturity and the issuers are all issuers with first-class credit ratings. If as at the balance sheet date there are valuation units consisting of interest-bearing securities and interest rate swaps, the net fair value of the security and interest rate swap are entered in the above table as the fair value of the security.

The intention is to hold the shares long term. Write-downs are only to be made if there is a likely permanent loss in value. There were no reasons for a write-down to lower fair value as at the balance sheet date.

The following securities in fixed assets include hidden reserves, i.e. the fair value is above the book value (all book values and fair values disclosed do not include accumulated interest):

(in € 000)	Book values 31 Dec. 2014	Fair values 31 Dec. 2014	Book values 31 Dec. 2013	Fair values 31 Dec. 2013
Bonds and debt securities	6 189 774	6 518 007	6 545 680	6 873 573
Shares	0	0	123 384	125 226

Marketable securities not valued at lower of cost or market

The items “debt securities and other fixed-interest securities” and “shares and other variable-yield securities” include marketable securities not valued at lower of cost or market, i.e. they are treated as fixed assets (book values do not include accumulated interest).

(in € 000)	31 Dec. 2014	31 Dec. 2013
Debt securities and other fixed-interest securities	9 427 899	10 665 237
Shares and other non fixed-interest securities	0	0

The marketable securities not valued at lower of cost or market were separated from the marketable securities valued at lower of cost or market on the basis of the asset category deposited in the portfolio and the valuation method chosen.

The tables below also include the disclosures in accordance with § 36 of the RechKredV concerning the foreign currency, interest-based and other futures transactions which have not yet been completed as at the balance sheet date.

Derivatives not valued at fair value in external relations (derivatives in the non-trading portfolio)

(in € million)	Nominal values 31 Dec. 2014	Positive fair values 31 Dec. 2014	Negative fair values 31 Dec. 2014	Book values 31 Dec. 2014	Recorded in balance sheet item 31 Dec. 2014
Interest-rate risks					
Interest-rate swaps	5 334	1 413	– 224	219	Assets 13./ Liabilities 6.
FRAs	–	–	–	–	–
Interest-rate options					
purchases	4 591	1 625	–	459	Assets 12.
sales	1 193	–	– 824	– 264	Liabilities 5.
Caps, Floors	3 091	16	– 56	– 20	Assets 13./ Liabilities 6.
Stock-exchange contracts	–	–	–	–	–
Other forward interest rate transactions	1 472	4	– 198	–	–
Interest-rate risks – total –	**15 681**	**3 058**	**– 1 302**	**394**	
Currency risks					
Forward foreign exchange transactions	1 977	6	– 28	– 22	Liabilities 5.
Currency swaps / interest-rate currency swaps	188	14	–	11	Assets 13./ Liabilities 5./ Liabilities 6.
Currency options					
purchases	–	–	–	–	–
sales	–	–	–	–	–
Currency risks – total –	**2 165**	**20**	**– 28**	**– 11**	
Shares and other price risks					
Share futures contracts	–	–	–	–	–
Share swaps	–	–	–	–	–
Share options					
purchases	–	–	–	–	–
sales	–	–	–	–	–
Stock-exchange contracts	4	–	–	–	–
Shares and other price risks – total –	**4**	**–**	**–**	**–**	
Credit derivatives					
Assignor	44	–	– 1	–	Assets
Assignee	1 768	16	– 1	12	Assets
Credit derivatives – total –	**1 812**	**16**	**– 2**	**12**	
Derivatives not valued at fair value – total	**19 662**	**3 094**	**– 1 332**	**395**	

The derivatives primarily concern transactions which were completed to cover interest rate, exchange rate and other market price risk positions in the asset portfolio.

Nominal values constitute the gross volume of all purchases and sales and long and short positions.

With share options, to calculate the nominal value the closing rate of the underlying transaction is multiplied by the number of shares. For all contracts, fair values and book values excluding accrued interest are shown. Positive and negative fair values of contracts with the same counterparty were not offset against each other.

All of the fair values included in the above table were calculated reliably. Concerning the valuation methods used, the section "Calculation of fair values" is referred to.

Derivatives valued at fair value in external relations (derivatives in the trading portfolio)
Derivatives valued at fair value – broken down by risk type and transaction type:

(in € million)	Nominal values 31 Dec. 2014
Interest-rate risks	
Interest-rate swaps	165 656
FRAs	1 800
Interest-rate options	
purchases	3 555
sales	6 111
Caps, Floors	4 667
Stock-exchange contracts	–
Other forward interest rate transactions	414
Interest-rate risks – total –	**182 203**
Currency risks	
Forward foreign exchange transactions	18 425
Currency swaps/interest-rate currency swaps	22 316
Currency options	
purchases	162
sales	184
Currency risks – total –	**41 087**
Shares and other price risks	
Share futures contracts	–
Share swaps	–
Share options	
purchases	28
sales	–
Stock-exchange contracts	30
Shares and other price risks – total –	**58**
Credit derivatives – total –	
Assignor	26
Assignee	23
Credit derivatives – total –	**49**
Derivatives valued at fair value – total	**223 397**

Nominal values constitute the gross volume of all purchases and sales and long and short positions. With share options, to calculate the nominal value the closing rate of the underlying transaction is multiplied by the number of shares.

The amount, dates and reliability of future cash flows relating to derivatives are uncertain. The main factors which affect this are the future development of interest rates, exchange rates and share prices. Counterparty risk also exists. The tables below provide an overview of the volumes affected by these factors.

Derivatives valued at fair value – broken down by risk type and residual term to maturity:

(in € million)	Nominal values 31 Dec. 2014
Interest-rate risks	
Residual terms to maturity	
up to 3 months	9 166
up to 1 year	18 516
up to 5 years	67 934
more than 5 years	86 587
	182 203
Currency risks	
Residual terms to maturity	
up to 3 months	13 146
up to 1 year	6 937
up to 5 years	12 338
more than 5 years	8 666
	41 087
Shares and other price risks	
Residual terms to maturity	
up to 3 months	39
up to 1 year	17
up to 5 years	2
more than 5 years	–
	58
Credit derivatives	
Residual terms to maturity	
up to 3 months	40
up to 1 year	6
up to 5 years	3
more than 5 years	–
	49

Derivatives valued at fair value – broken down by counterparty:

(in € million)	Nominal values 31 Dec. 2014
Banks in the OECD	92 112
Banks outside the OECD	92
Public institutions in the OECD	5 977
Other counterparties [1]	125 216
Total	**223 397**

[1] including stock exchange contracts

Disclosures concerning valuation units
NORD/LB has included the following assets, liabilities and pending transactions as underlying transactions in valuation units (assets and liabilities disclosed at book value not including accumulated interest; pending transactions disclosed in nominal volume):

	31 Dec. 2014 Underlying transaction hedged against			
(in € 000)	Interest rate risk	Share price risk	Inflation risk	Currency risk
Assets				
Fixed-interest securities for the liquidity reserve	1 153 337	–	–	–
Assets – total	**1 153 337**	**–**	**–**	**–**
Pending transactions				
Derivatives separated from structured issues				
share-price-related derivatives	–	266 241	–	–
exchange-rate-related derivatives	–	–	–	81 321
Other	–	–	145 957	–
Pending transactions – total	**–**	**266 241**	**145 957**	**81 321**
Transactions expected with a high probability[1)]				
Repayment of an issued USD hybrid capital bond	–	–	–	411 828
Transactions expected with a high probability – total	**–**	**–**	**–**	**411 828**
Valuation units – total	**1 153 337**	**266 241**	**145 957**	**493 149**

1) The transaction expected with high probability concerns the repayment of a hybrid capital bond issued by NORD/LB in US-Dollars. The repayment of the bond will with high probability be made at the earliest possible time (30 June 2020), as otherwise the interest coupon to be paid would increase (so-called step-up).

The total of all underlying transactions included in valuation units is therefore € 2,058.683 million.

The prospective and retrospective effectiveness of all valuation units is measured using the Critical Terms Match method. Basically the final maturity of the underlying transactions corresponds to the final maturity of the hedging instrument. The underlying transactions will mature between 2015 and 2044.

Deferred taxes
The deferred taxes of NORD/LB in Germany are measured using the tax rate which is applicable as at the balance sheet date and also in the future of 31.5 per cent. This combined income tax rate comprises corporation tax, trade tax and the solidarity surcharge. Different tax rates apply for the foreign branches.

Deferred tax liabilities relating to the different tax approach for debt securities, intangible assets, property, plant and equipment, the trading portfolio and other liabilities were offset with deferred tax assets against temporary differences in loans and advances to customers, pension provisions and other provisions.

The recoverable deferred tax assets were offset against deferred tax liabilities. Deferred tax assets beyond those offset are not reported in accordance with the option provided for in § 274 para. 1 clause 2 of the German Commercial Code.

Values subject to dividend payout restrictions
After the deduction of deferred tax liabilities, self-made intangible fixed assets in the amount of € 35.2 million remain. The difference between the present value and the acquisition cost of the cover

assets after the deduction of deferred tax liabilities is € 0.8 million. The dividend payout restriction for such values enshrined in § 268 para. 8 of the German Commercial Code does not affect the profit for the financial year 2014 as the disposable reserves plus the profit carried forward are greater than the intangible fixed assets and the cover assets.

Repos

Repos are reported in accordance with § 340b of the German Commercial Code. Only genuine repos are completed.

Securities and other assets with a book value totalling € 5,427.6 million (€ 3,889.3 million) were committed by NORD/LB within the scope of genuine repos. The counterparty risk is manageable.

Special investment assets

Name of the special asset	NORD/LB AM ALCO	NORD/LB Horizont Fonds-TF B	Nordlux Pro-Aktiv-B
Former	–	–	–
Type of special asset	Special asset	Mutual fund	Mutual fund
Investment objective	The fund is part of the ALCO-portfolio and thus part of the strategic investments.	The fund is for conservative investors sensitive to inflation. NORD/LB holds a strategic share in order to have a positive argument for customers in selling.	The fund follows the principle of asset management, is actively managed and invests in international capital market products or currencies. It was launched on 1 April 2014 and is currently in the start-up finance phase, which should last until mid-2016.
Reporting date	31 Dec. 2014	31 Dec. 2014	31 Dec. 2014
Special assets (in € 000)	1 250 373	34 330	16 138
Shares – total	11 902 648	343 492	160 365
Currency of shares	EUR	EUR	EUR
Shares of NORD/LB as at the reporting date	11 902 648	101 720	151 256
Values of the shares according to § 26 of the German Investment Act (InvG) as at reporting date	105.05	99.78	101
Carrying amount (in € 000)	1 224 536	9 944	14 926
Difference between fair value and carrying amount (in € 000)	25 837	205	292
Dividends paid out in the final year acc. to shares of NORD/LB (gross in € 000)	7 900	–	–
Reporting year of NORD/LB	1 Jan. – 31 Dec.	1 Jan. – 31 Dec.	1 Jan. – 31 Dec.
Reporting year of the special asset	1 Jan. – 31 Dec.	1 Oct. – 30 Sep.	1 Oct. – 30 Sep.
Restrictions in the possibility of daily return	None	None	None
Reasons for no write-down § 253 para. 3 clause 4 of the German Commercial Code	–	–	–
Pointers for the loss of value not being permanent	–	–	–

8. Cover statement (Old portfolio/issues before 19 July 2005)

(in € 000)	31 Dec. 2014	31 Dec. 2013
Mortgage bond coverage		
Liabilities requiring cover		
Pfandbriefe	0	0
discharged and cancelled items	0	0
Registered Pfandbriefe (as security on loans taken up)	0	0
	0	**0**
Covering assets		
Loans to customers secured by mortgages	0	0
Public issuer securities	0	0
Substitute credit institution cover	0	0
	0	**0**
Surplus cover	**0**	**0**
Municipal cover		
Liabilities requiring cover		
Municipal debentures	1 698 223	2 787 210
discharged and cancelled items	0	0
Registered municipal debentures (to secure loans taken up)	0	300 962
	1 698 223	**3 088 172**
Covering assets		
Municipal loans		
to financial institutions	421 723	905 431
to customers	1 914 159	2 886 519
Public issuer securities	448 150	395 378
Fixed deposits from public-sector banks	0	0
Substitute credit institution cover	50 000	100 000
	2 834 031	**4 287 329**
Surplus cover	**1 135 808**	**1 199 157**

This old portfolio (cover and in circulation) was encapsulated in accordance with § 51 of the Covered Bond Act and is held separately from the new cover in accordance with the regulations applicable up until the Covered Bond Act came into effect.

9. Cover statement for NORD/LB in accordance with § 28 of the Covered Bond Act

The total value of **Hypothekenpfandbriefe** in circulation and the cover assets used for this are broken down as follows:

(in € million)	Nominal value	Present value	Risk-adjusted present values [1] + 250 bp	Risk-adjusted present values [1] – 250 bp	Risk-adjusted present values [1] Currency stress
Hypothekenpfandbriefe					
Total Pfandbriefe in circulation	1 913.2 (1 542.8)	1 981.4 (1 610.5)	1 938.7 (1 560.1)	1 988.9 (1 639.8)	1 938.7 (1 560.1)
Total cover pool	2 955.4 (2 662.6)	3 274.7 (2 884.0)	3 035.8 (2 703.6)	3 325.3 (2 994.5)	3 026.5 (2 686.6)
Over-collateralisation	**1 042.2** (1 119.8)	**1 293.3** (1 273.5)	**1 097.1** (1 143.5)	**1 336.4** (1 354.7)	**1 087.8** (1 126.5)
Over-collateralisation in %	54.5 (72.6)	65.3 (79.1)	56.6 (73.3)	67.2 (82.6)	56.1 (72.2)
Net present value per foreign currency item					
USD	– (–)	– (–)	– (–)	– (–)	55.9 (–)

[1] Static method in accordance with §§ 5, 6 of the Pfandbrief Present Value Regulation (PfandBarwertV)

Disclosures concerning further cover assets for Hypothekenpfandbriefe in accordance with § 28 para. 1 no. 4, no. 5 and no. 6:

(in € million)	Balancing receivables in accordance with § 19 (1) no. 1 PfandBG	Loans and advances to banks in accordance with § 19 (1) no. 2 PfandBG	Loans and advances to banks in accordance with § 19 (1) no. 2 PfandBG of which: covered debt securities [1]	Loans and advances to the public sector in accordance with § 19 (1) no. 3 PfandBG	Total
Germany	0.0 (–)	35.0 (–)	0.0 (–)	40.0 (–)	75.0 (–)

[1] in accordance with Article 129 of the Regulation (EU) no. 575/2013

Key figures for Hypothekenpfandbriefe and their cover assets:

(in € million)	31 Dec. 2014	31 Dec. 2013
Pfandbriefe in circulation	**1 913.2**	**1 542.8**
Share of fixed-interest Pfandbriefe in %	23.56	–
Share of derivates	0.0	0.0
Cover pool	**2 955.4**	**2 662.6**
Share of fixed-interest cover assets in %	76.30	–
Share of derivates	0.0	0.0
Total value of receivables that exceed the limits of § 13 para. 1	0.0	–
Total value of receivables that exceed the limits of § 19 para. 1 no. 2	0.0	–
Total value of receivables that exceed the limits of § 19 para. 1 no. 3	0.0	–
Volume-weighted average of the time passed since loan issue in years	6.5	–
Average weighted loan-to-value ratio in %	max. 60.0	–

Maturity structure of Hypothekenpfandbriefe and fixed-interest periods of cover assets:

(in € million)	31 Dec. 2014 Pfandbriefe in circulation	31 Dec. 2014 Cover pool	31 Dec. 2013 Pfandbriefe in circulation	31 Dec. 2013 Cover pool
Less than 6 months	64.0	482.4	–	–
More than 6 but less than 12 months	40.0	180.1	–	–
Less than 12 months	**104.0**	**662.5**	**30.0**	**373.0**
More than 12 but less than 18 months	257.5	132.6	–	–
More than 18 months but less than 2 years	40.0	228.2	–	–
Less than 2 years	**297.5**	**360.8**	**74.0**	**313.0**
More than 2 but less than 3 years	40.0	309.1	257.5	367.1
More than 3 but less than 4 years	40.0	274.3	0.0	297.2
More than 4 but less than 5 years	859.2	312.6	0.0	227.9
More than 5 but less than 10 years	572.5	920.3	1 131.3	1 045.1
More than 10 years	0.0	115.8	50.0	39.2
Key figures total	**1 913.2**	**2 955.4**	**1 542.8**	**2 662.5**

Breakdown of cover assets for Hypothekenpfandbriefe by size category:

(in € million)	31 Dec. 2014	31 Dec. 2013
Less than € 300 thousand	1 124.1	–
More than € 300 thousand but less than € 1 million	269.1	–
More than € 1 million but less than € 10 million	673.7	–
More than € 10 million	813.5	–
Size categories total	**2 880.4**	**–**

Breakdown of cover assets for Hypothekenpfandbriefe by country and type of use (residential):

	Property used for residential purposes					
(in € million)	Owner-occupied apartments	Single and twofamily houses	Apartment buildings	Unfinished new buildings not yet capable of yielding a return	Construction sites	Total
Germany	195.9 (182.8)	712.0 (655.3)	1.101.4 (831.4)	0.0 (0.0)	0.3 (0.6)	2.009.6 (1 670.1)
Luxembourg	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
Austria	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
USA	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
Receivables by country total	**195.9** (182.8)	**712.0** (655.3)	**1 101.4** (831.4)	**0.0** (0.0)	**0.3** (0.6)	**2 009.6** (1 670.1)

Breakdown of cover assets for Hypothekenpfandbriefe by country and type of use (commercial):

	Property used for commercial purposes						
(in € million)	Office Buildings	Retail buildings	Industrial building	Other buildings used for commercial purposes	Unfinished new buildings not yet capable of yielding a return	Construction sites	Total
Germany	259.7 (266.1)	217.4 (160.0)	8.5 (10.7)	204.4 (174.9)	0.0 (0.0)	0.1 (0.0)	690.1 (611.7)
Luxembourg	119.8 (115.7)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	119.8 (115.7)
Austria	0.0 (0.0)	8.5 (8.7)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	8.5 (8.7)
USA	52.4 (92.4)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (3.9)	52.4 (96.3)
Receivables by country total	**431.9 (474.2)**	**225.9 (168.7)**	**8.5 (10.7)**	**204.4 (174.9)**	**0.0 (0.0)**	**0.1 (3.9)**	**870.8 (832.4)**

Breakdown of the total value of payments for Hyptohekenpfandbriefe outstanding by at least 90 days by country:

(in € million)	31 Dec. 2014 Total value of payments outstanding by at least 90 days	31 Dec. 2014 Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable	31 Dec. 2013 Total value of payments outstanding by at least 90 days	31 Dec. 2013 Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable
Germany	0.0	0.0	0.0	–
Luxembourg	0.0	0.0	0.0	–
Austria	0.0	0.0	0.0	–
USA	0.0	0.0	0.0	–
Total value	**0.0**	**0.0**	**0.0**	**0.0**

There were no cases of forced sale, forced receivership or takeovers of land to prevent losses. The total arrears on interest to be paid by mortgage debtors is € 181 thousand (€ 42 thousand) for commercial property and € 125 thousand (€ 439 thousand) for residential property.

The total value of **Öffentliche Pfandbriefe** in circulation and the cover assets used for this are broken down as follows:

(in € million)	Nominal value	Present value	Risk-adjusted present values [1] + 250 bp	Risk-adjusted present values [1] – 250 bp	Risk-adjusted present values [1] Currency stress
Öffentliche Pfandbriefe					
Total Pfandbriefe in circulation	15 785.7 (16 519.1)	18 658.4 (18 474.7)	16 505.6 (16 321.3)	19 533.2 (20 645.4)	17 047.7 (16 827.1)
Total cover pool	21 043.8 (23 128.8)	24 285.1 (25 427.1)	21 655.5 (22 811.3)	25 342.4 (28 025.7)	21 772.7 (22 910.8)
Over-collateralisation	**5 258.1** (6 609.7)	**5 626.7** (6 952.4)	**5 149.9** (6 490.0)	**5 809.2** (7 380.3)	**4 725.0** (6 083.7)
Over-collateralisation in %	33.3 (40.0)	30.2 (37.6)	31.2 (39.8)	29.7 (35.7)	27.7 (36.2)
Net present value per foreign currency item					
CHF	– (–)	– (–)	– (–)	– (–)	1.7 (–)
JPY	– (–)	– (–)	– (–)	– (–)	– 128.3 (–)
USD	– (–)	– (–)	– (–)	– (–)	– 1 719.1 (–)

[1] Static method in accordance with §§ 5, 6 of the Pfandbrief Present Value Regulation (PfandBarwertV)

Disclosures concerning further cover assets for Öffentliche Pfandbriefe in accordance with § 28 para. 1 no. 4, no. 5 and no. 6:

(in € million)	Balancing receivables in accordance with § 20 (2) no. 1 PfandBG	Loans and advances to banks in accordance with § 20 (2) no. 2 PfandBG	Loans and advances to banks in accordance with § 20 (2) no. 2 PfandBG of which: covered debt securities [1]	Total
Germany	0.0 (–)	697.2 (–)	70.0 (–)	697.2 (–)

[1] in accordance with Article 129 of the Regulation (EU) no. 575/2013

Key figures for Öffentliche Pfandbriefe and their cover assets:

(in € million)	31 Dec. 2014	31 Dec. 2013
Pfandbriefe in circulation	**15 785.7**	**16 519.1**
Share of fixed-interest Pfandbriefe in %	89.49	–
Share of derivatives	0.0	0.0
Cover pool	**21 043.8**	**23 128.8**
Share of fixed-interest cover assets in %	84.29	–
Share of derivatives	0.0	0.0
Total value of receivables that exceed the limits of § 20 para. 2 no. 2	0.0	–

Maturity structure of Öffentliche Pfandbriefe and fixed-interest periods of cover assets:

(in € million)	31 Dec. 2014 Pfandbriefe in circulation	31 Dec. 2014 Cover pool	31 Dec. 2013 Pfandbriefe in circulation	31 Dec. 2013 Cover pool
Less than 6 months	703.0	1 263.4	–	–
More than 6 but less than 12 months	1 380.1	1 999.6	–	–
Less than 12 months	**2 083.1**	**3 263.0**	**2 172.4**	**2 822.9**
More than 12 but less than 18 months	1 292.3	1 055.7	–	–
More than 18 months but less than 2 years	1 179.9	1 053.4	–	–
Less than 2 years	**2 472.2**	**2 109.2**	**1 891.1**	**2 889.3**
More than 2 but less than 3 years	1 326.7	2 677.1	2 155.6	2 259.0
More than 3 but less than 4 years	1 054.2	1 668.1	831.8	2 438.5
More than 4 but less than 5 years	2 177.2	1 674.0	1 068.6	1 702.9
More than 5 but less than 10 years	3 303.1	5 630.9	5 000.6	6 471.8
More than 10 years	3 369.2	4 021.6	3 398.9	4 544.4
Key figures total	**15 785.7**	**21 043.9**	**16 519.0**	**23 128.8**

Breakdown of cover assets for Öffentliche Pfandbriefe by size category:

(in € million)	31 Dec. 2014	31 Dec. 2013
Less than € 10 million	1 913.8	–
More than € 10 million but less than € 100 million	5 452.7	–
More than € 100 million	12 980.1	–
Size categories total	**20 346.6**	**–**

Breakdown of cover assets for Öffentliche Pfandbriefe by country, broken down by type of debtor (including over-collateralisation in accordance with § 4 (1) PfandBG):

	Country	Regional authority	Local authority	Other debtors	Total
Germany	1 385.0 (1 324.1)	6 682.7 (7 943.4)	4 792.8 (4 903.6)	6 308.2 (7 209.6)	19 168.7 (21 380.7)
Belgium	14.5 (3.8)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	14.5 (3.8)
Denmark	28.1 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	28.1 (0.0)
Finland	76.8 (26.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	76.8 (26.0)
France	40.6 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	40.6 (0.0)
Great Britain	53.8 (53.8)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	53.8 (53.8)
Canada	76.6 (77.4)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	76.6 (77.4)
Latvia	0.0 (0.0)	0.0 (0.0)	40.1 (42.6)	0.0 (0.0)	40.1 (42.6)
Luxembourg	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	25.0 (70.0)	25.0 (70.0)
Austria	148.1 (157.5)	0.0 (0.0)	0.0 (0.0)	116.1 (183.7)	264.2 (341.2)
Switzerland	0.0 (4.1)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (4.1)
USA	541.0 (444.6)	0.0 (0.0)	0.0 (0.0)	17.2 (12.1)	558.2 (456.7)
Receivables by country total	**2 364.5** (2 091.3)	**6 682.7** (7 943.4)	**4 832.9** (4 946.2)	**6 466.5** (7 475.4)	**20 346.6** (22 456.3)

The total value of **Schiffspfandbriefe** in circulation and the cover assets used for this are broken down as follows:

(in € million)	Nominal value	Present value	Risk-adjusted present values [1] + 250 bp	Risk-adjusted present values [1] – 250 bp	Risk-adjusted present values [1] Currency stress
Schiffspfandbriefe					
Total Pfandbriefe in circulation	80.0 (90.0)	81.2 (89.2)	75.3 (81.5)	81.9 (92.7)	81.2 (81.5)
Total cover pool	175.6 (166.8)	191.9 (174.2)	189.2 (165.4)	192.9 (178.9)	163.1 (138.3)
Over-collateralisation	**95.6** (76.8)	**110.7** (85.0)	**113.9** (83.9)	**111.0** (86.2)	**81.9** (56.8)
Over-collateralisation in %	119.5 (85.3)	136.3 (95.3)	151.3 (103.0)	135.5 (93.0)	100.9 (69.7)
Net present value per foreign currency item					
USD	– (–)	– (–)	– (–)	– (–)	171.8 (–)

[1] Static method in accordance with §§ 5, 6 of the Pfandbrief Present Value Regulation (PfandBarwertV)

Disclosures concerning further cover assets for Schiffspfandbriefe in accordance with § 28 para. 1 no. 4, no. 5 and no. 6:

(in € million)	Balancing receivables in accordance with § 26 (1) no. 2 PfandBG	Loans and advances to banks in accordance with § 26 (1) no. 3 PfandBG	Loans and advances to banks in accordance with § 26 (1) no. 3 PfandBG of which: covered debt securities [1]	Loans and advances to the public sector in accordance with § 26 (1) no. 4 PfandBG	Total
Germany	0.0 (–)	0.0 (–)	0.0 (–)	16.0 (–)	16.0 (–)

[1] in accordance with Article 129 of the Regulation (EU) no. 575/2013

Key figures for Schiffspfandbriefe and their cover assets:

(in € million)	31 Dec. 2014	31 Dec. 2013
Pfandbriefe in circulation	**80.0**	**90.0**
Share of fixed-interest Pfandbriefe in %	62.50	–
Share of derivatives	0.0	0.0
Cover pool	**175.6**	**166.8**
Share of fixed-interest cover assets in %	9.11	–
Share of derivatives	0.0	0.0
Total value of receivables that exceed the limits of § 26 para. 1 no. 3	0.0	–
Total value of receivables that exceed the limits of § 26 para. 1 no. 4	0.0	–

Maturity structure of Schiffspfandbriefe and fixed-interest periods of cover assets:

(in € million)	31 Dec. 2014 Pfandbriefe in circulation	31 Dec. 2014 Cover pool	31 Dec. 2013 Pfandbriefe in circulation	31 Dec. 2013 Cover pool
Less than 6 months	0.0	36.9	–	–
More than 6 but less than 12 months	0.0	25.2	–	–
Less than 12 months	**0.0**	**62.1**	**10.0**	**58.5**
More than 12 but less than 18 months	0.0	12.5	–	–
More than 18 months but less than 2 years	0.0	11.4	–	–
Less than 2 years	**0.0**	**23.9**	**0.0**	**41.8**
More than 2 but less than 3 years	50.0	16.9	0.0	26.3
More than 3 but less than 4 years	30.0	17.8	50.0	15.3
More than 4 but less than 5 years	0.0	17.0	30.0	8.3
More than 5 but less than 10 years	0.0	37.3	0.0	10.6
More than 10 years	0.0	0.6	0.0	6.0
Key figures total	**80.0**	**175.6**	**90.0**	**166.8**

Breakdown of cover assets for Schiffspfandbriefe by size category:

(in € million)	31 Dec. 2014	31 Dec. 2013
Less than € 500 thousand	0.4	3.3
More than € 500 thousand but less than € 5 million	27.5	79.4
More than € 5 million	131.7	75.1
Size categories total	**159.6**	**157.8**

Breakdown of cover assets for Schiffspfandbriefe by country, broken down by ocean-going and inland ships:

(in € million)	Ocean-going ships	Inland ships	Total
Germany	115.4 (119.5)	0.0 (0.0)	115.4 (119.5)
Malta	15.2 (0.0)	0.0 (0.0)	15.2 (0.0)
Marshall Islands	21.5 (0.0)	0.0 (0.0)	21.5 (0.0)
Cyprus	7.5 (38.3)	0.0 (0.0)	7.5 (38.3)
Receivables by country total	**159.6** (157.8)	**0.0** (0.0)	**159.6** (157.8)

Total value of payments for Schiffspfandbriefe outstanding by at least 90 days:

(in € million)	Total value of payments outstanding by at least 90 days[1]	Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable
Receivables	4.7 (–)	8.6 (–)

[1] The above outstanding payments are not included in the reported cover pool.

There were no cases of forced sale, forced receivership or takeovers of ships or ships under construction to prevent losses. The total arrears on interest to be paid by loan debtors is € 12 thousand (€ 0 thousand) for ocean-going ships and € 0 thousand (€ 0 thousand) for inland ships.

The total value of **Flugzeugpfandbriefe** in circulation and the cover assets used for this are broken down as follows:

(in € million)	Nominal value	Present value	Risk-adjusted present values [1] + 250 bp	Risk-adjusted present values [1] – 250 bp	Risk-adjusted present values [1] Currency stress
Flugzeugpfandbriefe					
Total Pfandbriefe in circulation	1 006.0 (506.0)	1 049.0 (522.4)	968.0 (479.4)	1 059.0 (539.2)	1 049.0 (479.4)
Total cover pool	1 390.4 (1 258.6)	1 529.9 (1 354.6)	1 456.9 (1 242.4)	1 578.9 (1 442.2)	1 304.2 (1 047.6)
Over-collateralisation	**384.4** (752.6)	**480.9** (832.2)	**488.9** (763.0)	**519.9** (903.0)	**255.2** (568.2)
Over-collateralisation in %	38.2 (148.7)	45.8 (159.3)	50.5 (159.1)	49.1 (167.5)	24.3 (118.5)
Net present value per foreign currency item					
GBP	– (–)	– (–)	– (–)	– (–)	51.2 (–)
USD	– (–)	– (–)	– (–)	– (–)	1 256.6 (–)

[1] Static method in accordance with §§ 5, 6 of the Pfandbrief Present Value Regulation (PfandBarwertV)

Disclosures concerning further cover assets for Flugzeugpfandbriefe in accordance with § 28 para. 1 no. 4, no. 5 and no. 6:

(in € million)	Balancing receivables in accordance with § 26f (1) no. 2 PfandBG	Loans and advances to banks in accordance with § 26f (1) no. 3 PfandBG	Loans and advances to banks in accordance with § 26f (1) no. 3 PfandBG of which: covered debt securities [1]	Loans and advances to the public sector in accordance with § 26f (1) no. 4 PfandBG	Total
Germany	0.0 (–)	0.0 (–)	0.0 (–)	35.0 (–)	35.0 (–)

[1] in accordance with Article 129 of the Regulation (EU) no. 575/2013

Key figures for Flugzeugpfandbriefe and their cover assets:

(in € million)	31 Dec. 2014	31 Dec. 2013
Pfandbriefe in circulation	**1 006.0**	**506.0**
Share of fixed-interest Pfandbriefe in %	100.0	–
Share of derivatives	0.0	0.0
Cover pool	**1 390.4**	**1 258.6**
Share of fixed-interest cover assets in %	60.91	–
Share of derivatives	0.0	0.0
Total value of receivables that exceed the limits of § 26f para. 1 no. 3	0.0	–
Total value of receivables that exceed the limits of § 26f para. 1 no. 4	0.0	–

Maturity structure of Flugzeugpfandbriefe and fixed-interest periods of cover assets:

(in € million)	31 Dec. 2014 Pfandbriefe in circulation	31 Dec. 2014 Cover pool	31 Dec. 2013 Pfandbriefe in circulation	31 Dec. 2013 Cover pool
Less than 6 months	0.0	93.8	–	–
More than 6 but less than 12 months	0.0	93.7	–	–
Less than 12 months	**0.0**	**187.5**	**0.0**	**192.0**
More than 12 but less than 18 months	0.0	143.4	–	–
More than 18 months but less than 2 years	0.0	93.1	–	–
Less than 2 years	**0.0**	**236.5**	**0.0**	**146.4**
More than 2 but less than 3 years	501.0	209.0	0.0	166.3
More than 3 but less than 4 years	0.0	280.3	501.0	147.8
More than 4 but less than 5 years	505.0	116.2	0.0	212.8
More than 5 but less than 10 years	0.0	353.6	5.0	393.3
More than 10 years	0.0	7.3	0.0	0.0
Key figures total	**1 006.0**	**1 390.4**	**506.0**	**1 258.6**

Breakdown of cover assets for Flugzeugpfandbriefe by size category:

(in € million)	31 Dec. 2014	31 Dec. 2013
Less than € 500 thousand	0.4	0.5
More than € 500 thousand but less than € 5 million	105.1	156.8
More than € 5 million	1 249.9	1 081.4
Size categories total	**1 355.4**	**1 238.7**

Breakdown of cover assets for Flugzeugpfandbriefe by country, broken down by type of aircraft:

(in € million)	Business jet	Freighter	Narrow-body	Regional jet	Turboprop	Ultralarge	Widebody	Total
Germany	0.0 (–)	129.6 (–)	139.6 (–)	0.0 (–)	23.2 (–)	0.0 (–)	0.0 (–)	292.4 (244.9)
France	0.0 (–)	0.0 (–)	15.8 (–)	0.0 (–)	0.0 (–)	56.2 (–)	72.8 (–)	144.8 (113.7)
Great Britain	0.0 (–)	0.0 (–)	80.8 (–)	12.7 (–)	54.0 (–)	96.3 (–)	17.9 (–)	261.7 (257.6)
Ireland	0.0 (–)	0.0 (–)	75.6 (–)	0.0 (–)	0.0 (–)	0.0 (–)	47.8 (–)	123.4 (116.2)
Norway	0.0 (–)	0.0 (–)	38.5 (–)	0.0 (–)	0.0 (–)	0.0 (–)	0.0 (–)	38.5 (37.3)
USA	0.0 (–)	0.0 (–)	378.3 (–)	96.8 (–)	0.0 (–)	0.0 (–)	19.5 (–)	494.6 (468.9)
Receivables by country total	**0.0** (–)	**129.6** (–)	**728.6** (–)	**109.5** (–)	**77.2** (–)	**152.5** (–)	**158.0** (–)	**1 355.4** (1 238.6)

Total value of payments for Flugzeugpfandbriefe outstanding by at least 90 days:

(in € million)	Total value of payments outstanding by at least 90 days[1]	Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable
Receivables	0.0 (–)	0.0 (–)

There were no cases of forced sale, forced receivership or takeovers of aircraft or aircraft under construction to prevent losses. The total arrears on interest to be paid by loan debtors is € 0 thousand (€ 0 thousand).

10. List of equity holdings

The list below contains the equity holdings in accordance with § 285 no. 11 and 11a HGB and investments in terms of § 340a para. 4 no. 2 HGB. Included are all companies in which there is an equity holding of 20 per cent or more, unless they are of minor significance for the presentation of the assets, financial and earnings position, and investments in large corporations which exceed 5 per cent of the voting rights.

No.	Name/registered office	Share of capital held (in %)	Equity (in € 000)	Profit/Loss (in € 000)
Affiliated Companies				
1	BGG Bremen GmbH & Co. KG, Bremen [1) 6)]	100.00	132	– 8
2	BGG Oldenburg GmbH & Co. KG, Bremen [1) 6)]	100.00	8 015	907
3	BLB Grundbesitz KG, Bremen [1) 6)]	100.00	47 800	1 942
4	BLB Immobilien GmbH, Bremen [1) 6)]	100.00	17 180	0
5	BLB Leasing GmbH, Oldenburg [1) 6) 8)]	100.00	511	0
6	BLBI Beteiligungs-GmbH, Bremen [1) 6)]	100.00	70	5
7	BLBI Investment GmbH & Co. KG, Bremen [1) 6)]	100.00	42 400	4 494
8	Braunschweig Gesellschaft mit beschränkter Haftung, Braunschweig [3) 6)]	100.00	9 061	0
9	Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG, Braunschweig [2) 5)]	66.67	1 052	444
10	Braunschweig Grundstücksentwicklungsgesellschaft mbH, Braunschweig [1) 5)]	50.00	34	2
11	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen [6) 8)]	54.83	1 343 000	3 000
12	Bremische Grundstücks-GmbH, Bremen [1) 6)]	100.00	56 278	1 437
13	Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen [1) 6)]	100.00	100	901
14	Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn, Bremen [1) 6)]	100.00	150	98
15	City Center Magdeburg Hasselbach-Passage Grundstücksgesellschaft mbH, Hanover [5)]	100.00	415	– 1
16	Deutsche Hypo Delaware Blocker Inc., Wilmington, USA [1) 4)]	100.00	8 018	– 2 798
17	Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover [3) 6) 8)]	100.00	913 172	0
18	FL FINANZ-LEASING GmbH, Wiesbaden [2) 5) 9)]	58.00	– 9	– 114
19	Galimondo S.a.r.l., Luxemburg-Findel, Luxembourg [1) 11) 12)]	100.00	–	–
20	General Partner N666DN GP, LLC, Wilmington, USA [12)]	100.00	–	–
21	KreditServices Nord GmbH, Braunschweig [3) 6)]	100.00	581	0
22	LBT Holding Corporation Inc., Wilmington, USA [5)]	100.00	7 875	– 146
23	LHI Leasing GmbH & Co. Immobilien KG, Pullach i. Isartal [2) 5)]	90.00	1 023	17
24	MALIBO GmbH & Co. Unternehmensbeteiligungs KG, Pullach i. Isartal [6)]	77.81	7 302	485
25	NBN Grundstücks- und Verwaltungs-GmbH, Hanover [1) 5)]	100.00	724	– 11
26	NBN Norddeutsche Beteiligungsgesellschaft für Immobilien in Niedersachsen mbH, Hanover [2) 5)]	90.00	938	– 8
27	New Owner Participant – N666DN OP, L.P., Wilmington, USA [2) 12)]	100.00	–	–
28	Nieba GmbH, Hanover [3) 6)]	100.00	162 700	0
29	NOB Beteiligungs GmbH & Co. KG, Hanover [1) 11) 12)]	100.00	27 454	–
30	NORD/Advisors Norddeutsche Financial & Strategic Advisors GmbH, Hanover [5)]	100.00	38	– 1
31	NORD/FM Norddeutsche Facility Management GmbH, Hanover [3) 6)]	100.00	636	0
32	NORD/LB Asset Management AG, Hanover [1) 6) 8)]	100.00	6 422	1 187
33	NORD/LB Asset Management Holding GmbH, Hanover [6)]	100.00	7 929	5 977

No.	Name/registered office	Share of capital held (in %)	Equity (in € 000)	Profit/Loss (in € 000)
34	NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel, Luxembourg [1) 6) 7) 8)]	100.00	77 000	1 000
35	NORD/LB G-MTN S. A., Luxemburg-Findel, Luxembourg [5)]	100.00	31	0
36	NORD/LB Informationstechnologie GmbH, Hanonover [3) 6)]	100.00	25	0
37	NORD/LB Project Holding Ltd., London, Great Britain [5)]	100.00	706	225
38	NORD/LB RP Investments LLC, Wilmington, USA [5)]	100.00	10 769	3 590
39	NORD/LB Vermögensmanagement Luxembourg S. A., Luxembourg-Findel, Luxembourg [11) 12)]	100.00	–	–
40	Norddeutsche Investitionen Beteiligungsgesellschaft mbH, Hanover [5)]	100.00	15 272	4
41	Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel, Luxembourg [6) 7) 8)]	100.00	723 000	29 000
42	Nord-Ostdeutsche Bankbeteiligungs GmbH, Hanover [3) 6)]	100.00	289 520	0
43	NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen [1) 6)]	100.00	100	2 760
44	NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen [1) 6)]	100.00	1 107	363
45	N666DN LP, LLC, Wilmington, USA [1) 12)]	100.00	–	–
46	PLM Grundstücksverwaltung Gesellschaft mit beschränkter Haftung, Hanover [5)]	100.00	27	– 1
47	Porzellanmanufaktur FÜRSTENBERG GmbH, Fürstenberg/Weser [1) 3) 5)]	98.00	3 088	0
48	Ricklinger Kreisel Beteiligungs GmbH, Hanover [1) 5)]	100.00	23	– 3
49	Schiffsbetriebs-Gesellschaft Bremen mbH i. L., Bremen [1) 5)]	100.00	197	90
50	SGK Servicegesellschaft Kreditmanagement mbH, Frankfurt am Main [5)]	100.00	824	49
51	Skandifinanz AG, Zurich, Switzerland [1) 6)]	100.00	15 864	– 864
52	TANGENS Grundstücksverwaltung GmbH & Co. Vermietungs-KG, Pullach i. Isartal [5)]	100.00	26	29
53	Terra Grundbesitzgesellschaft am Aegi mbH, Hanover [1) 5)]	100.00	1 121	679
54	Themis 1 Inc., Wilmington, USA [5)]	100.00	3 225	441
55	Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen [1) 5)]	100.00	31 006	3 212
56	Vermögensverwaltungsgesellschaft Thiede GmbH & Co. Objekt Celle-Altenhagen Vermietungs-KG, Hanover [5) 9)]	72.70	– 2 623	564
57	Vermögensverwaltungsgesellschaft Thiede GmbH u. Co. Grundschulen-Vermietungs-KG, Hanover [5)]	79.80	25	– 9
58	Vermögensverwaltungsgesellschaft Thiede GmbH u. Co. Tiefgarage Stade Vermietungs KG, Hanover [5)]	90.00	9	2 794
59	Vermögensverwaltungsgesellschaft Thiede mit beschränkter Haftung, Braunschweig [1) 3) 4)]	100.00	1 278	0

No.	Name/registered office	Share of capital held (in %)	Equity (in € 000)	Profit/Loss (in € 000)
Other companies of min. 20 per cent share				
1	Adler Funding LLC, Dover, USA [1)5)]	21.88	5 630	– 958
2	Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede [1)5)]	32.26	28 345	– 456
3	BREBAU GmbH, Bremen [1)5)8)]	48.84	60 704	7 892
4	Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen [1)5)]	49.00	– 316	– 410
5	Brocken Verwaltungs- und Vermietungs-GmbH & Co. KG, Wernigerode [5)]	50.00	4 100	403
6	Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin [5)8)]	20.89	15 794	306
7	Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg [5)8)]	20.44	14 782	2 157
8	caplantic GmbH, Hanover [5)]	50.00	2 209	1 518
9	Deutsche Factoring Bank Deutsche Factoring GmbH & Co., Bremen [1)5)8)]	27.50	114 078	22 660
10	Gewobau Gesellschaft für Wohnungsbau, Vechta, mbH, Vechta [1)5)]	20.46	11 090	306
11	GSG Oldenburg Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg [1)5)]	22.22	85 778	4 215
12	Grundstücksgemeinschaft Escherweg 5 GbR, Bremen [1)6)]	50.00	– 2 698	– 379
13	Grundstücksgemeinschaft Escherweg 8 GbR, Bremen [1)6)]	50.00	– 1 035	– 279
14	Immobilien Development und Beteiligungsgesellschaft Niedersachsen mit beschränkter Haftung IDB & Co. – Objekt Zietenterrassen – KG, Göttingen [2)5)]	52.56	6 825	3 596
15	INI International Neuroscience Institute Hannover GmbH, Hanover [1)5)9)]	22.70	– 15 172	– 3 655
16	LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover [1)5)8)]	44.00	297 458	0
17	LHI Leasing GmbH, Pullach i. Isartal [2)6)8)]	49.00	50 339	4 765
18	LINOVO Productions GmbH & Co. KG, Pöcking [5)9)]	45.17	– 47 119	1 051
19	LUNI Productions GmbH & Co. KG, Pöcking [5)9)]	24.29	– 115 633	– 48
20	Medical Park Hannover GmbH, Hanover [1)5)]	50.00	2 735	250
21	Medicis Nexus GmbH & Co. KG, Icking [4)]	66.01	8 142	– 1 575
22	Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH, Schwerin [5)]	26.00	11 876	835
23	Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung, Hanover [5)]	39.82	10 938	501
24	NBV Beteiligungs-GmbH, Hanover [2)5)]	42.66	14 996	2 218
25	NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hanover [5)]	28.66	1 881	376
26	Öffentliche Lebensversicherung Braunschweig, Braunschweig [5)]	75.00	35 479	668
27	Öffentliche Sachversicherung Braunschweig, Braunschweig [5)]	75.00	266 733	6 001
28	Öffentliche Versicherung Bremen, Bremen [1)5)]	20.00	5 050	– 910
29	SALEG Sachsen-Anhaltinische-Landesentwicklungsgesellschaft mbH, Magdeburg [5)]	56.61	14 032	566
30	Toto-Lotto Niedersachsen GmbH, Hanover [5)8)]	49.85	28 359	18 134
31	Wohnungsbaugesellschaft Wesermarsch mit beschränkter Haftung, Brake [1)5)]	21.72	19 086	419
NORD/LB is a partner with unlimited liability in the following company (§ 285 no. 11a HGB)				
1	GLB GmbH & Co. OHG, Frankfurt am Main			
Investments in terms of § 340a para. 4 no. 2 of the German Commercial Code, unless reported as an affiliated company or other shareholding				
1	HCI Hammonia Shipping AG, Hamburg			
2	Niedersächsische Bürgschaftsbank (NBB) Gesellschaft mit beschränkter Haftung, Hannover			

1) Held indirectly.
2) Including shares held indirectly.
3) Letter of comfort exists.
4) Data as at 31 Dec. 2012 is available.
5) Data as at 31 Dec. 2013 is available.
6) Preliminary data as at 31 Dec. 2014.
7) Values in the financial statements in accordance with IAS/IFRS
8) Disclosure also in accordance with § 340a para. 4 no. 2 of the German Commercial Code (banks are interpreted as large corporate entities).
9) The company is not actually overindebted.
10) No disclosure in accordance with § 286 para. 3 clause 2 of the German Commercial Code.
11) The company is not actually overindebted.
12) Equidity as defined in §§ 266 and 272 HGB of the German Commercial Code less outstanding contributions.

The management report is neither included nor incorporated by reference into this Prospectus.

Auditor's Report

"We have audited the annual financial statements, consisting of the balance sheet, income statement and notes, taking into account the accounting and the management report of Norddeutsche Landesbank – Girozentrale –, Hannover, Braunschweig and Magdeburg (NORD/LB) for the financial year from 1 January to 31 December 2014. Under German commercial law, NORD/LB's Managing Board is responsible for the accounting and preparing the annual financial -statements and management report. Our responsibility is to express an opinion on the annual financial statements including the accounting and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). These standards require that we plan and conduct the audit such that misstatements materially affecting the presentation of the assets, financial and earnings position in the annual financial statements taking into account generally accepted accounting principles and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of NORD/LB and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the information in the accounting, annual financial statements management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Managing Board, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal regulations and taking into account generally accepted accounting principles give a true and fair view of the assets, financial and earnings position of NORD/LB in accordance with these requirements. The management report is consistent with the annual financial statements and overall provides an accurate view of the position of NORD/LB and accurately presents the opportunities and risks concerning future development."

Hannover, 11 March 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Ufer	Leitz
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Consolidated Financial Statements for the 2013 Reporting Period of NORD/LB Group

INCOME STATEMENT

	Notes	1 Jan.– 31 Dec. 2013 (in € million)	1 Jan.– 31 Dec. 2012[1)] (in € million)	Change (in %)
Interest income		9 787	12 280	– 20
Interest expenses		7 856	10 321	– 24
Net interest income	**21**	**1 931**	**1 959**	**– 1**
Loan loss provisions	22	846	598	41
Commission income		270	277	– 3
Commission expenses		107	109	– 2
Net commission income	**23**	**163**	**168**	**– 3**
Trading profit/loss		– 136	517	> 100
Profit/loss from the fair value option		219	– 640	> 100
Profit/loss from financial instruments at fair value through profit or loss	**24**	**83**	**– 123**	**> 100**
Profit/loss from hedge accounting	25	– 10	1	> 100
Profit/loss from financial assets	26	11	– 5	> 100
Profit/loss from investments accounted for using the equity method	27	33	– 14	> 100
Administrative expenses	28	1 166	1 158	1
Other operating profit/loss	29	69	– 99	> 100
Earnings before reorganisation and taxes		**268**	**131**	**> 100**
Reorganisation expenses	30	– 38	– 34	12
Expenses for public guarantees related to reorganisation	31	69	19	> 100
Earnings before taxes		**161**	**78**	**> 100**
Income taxes	32	– 84	– 4	> 100
Consolidated profit		**245**	**82**	**> 100**
of which: attributable to the owners of NORD/LB		185	83	
of which: attributable to non-controlling interests		60	– 1	

1) Some previous year's figures were adjusted as you can see at note (2) adjustment of figures for the previous year.

STATEMENT OF COMPREHENSIVE INCOME

The comprehensive income of the NORD/LB Group comprises the earnings and expenses recognised in the income statement and in other comprehensive income. The layout of the statement of comprehensive income has been changed due to the amendment to IAS 1; for further information see Note (3) Adopted IFRS. The previous year's figures were adjusted accordingly.

	1 Jan.– 31 Dec. 2013 (in € million)	1 Jan.– 31 Dec. 2012[1] (in € million)	Change (in %)
Consolidated profit	**245**	**82**	**> 100**
Other comprehensive income which is not recycled in the income statement in subsequent periods			
Revaluation of the net liability from defined benefit pension plans	73	– 500	> 100
Changes in value for investments accounted for using the equity method recognised directly in equity	–	– 14	– 100
Deferred taxes	– 23	174	> 100
	50	**– 340**	**> 100**
Other comprehensive income which is not recycled in the income statement in subsequent periods			
Increase / decrease from available for sale (AfS) financial instruments			
Unrealised profit / losses	322	877	– 63
Transfer due to realisation profit / loss	23	– 31	> 100
Translation differences of foreign business units			
Unrealised profit / losses	– 36	– 2	> 100
Changes in value investments accounted for using the equity method recognised directly in equity	– 27	54	> 100
Deferred taxes	– 82	– 305	– 73
	200	**593**	**– 66**
Other profit / loss	**250**	**253**	**– 1**
Comprehensive income for the period under review	**495**	**335**	**48**
of which: attributable to the owners of NORD/LB	423	308	
of which: attributable to non-controlling interests	72	27	

[1] Some previous year's figures were adjusted as you can see at note (2) adjustment of figures for the previous year.

For the breakdown of deferred taxes into their individual components the notes to the statement of comprehensive income are referred to.

BALANCE SHEET

Assets	Notes	31 Dec. 2013 (in € million)	31 Dec. 2012[1] (in € million)	Change (in %)
Cash reserve	33	1 311	665	97
Loans and advances to banks	34	27 481	34 378	– 20
Loans and advances to customers	35	107 661	114 577	– 6
Risk provisioning	36	– 2 248	– 1 949	15
Balancing items for financial instruments hedged in the fair value hedge portfolio	37	– 171	– 3	> 100
Financial assets at fair value through profit or loss	38	13 541	17 920	– 24
Positive fair values from hedge accounting derivatives	39	3 872	4 924	– 21
Financial assets	40	47 043	52 423	– 10
Investments accounted for using the equity method	41	306	318	– 4
Property and equipment	42	601	635	– 5
Investment property	43	101	94	7
Intangible assets	44	136	142	– 4
Current income tax assets	45	69	50	38
Deferred income taxes	45	741	727	2
Other assets	46	401	649	– 38
Total assets		**200 845**	**225 550**	**– 11**

[1] Some previous year's figures were adjusted as you can see at note (2) adjustment of figures for the previous year.

Liabilities	Notes	31 Dec. 2013 (in € million)	31 Dec. 2012[1] (in € million)	Change (in %)
Liabilities to banks	47	59 181	65 079	– 9
Liabilities to customers	48	54 861	55 951	– 2
Securitised liabilities	49	50 228	60 619	– 17
Balancing items for financial instruments	50	351	895	– 61
Financial liabilities at fair value through profit or loss	51	15 131	20 724	– 27
Negative fair values from hedge accounting derivatives	52	3 344	4 908	– 32
Provisions	53	4 303	4 137	4
Current income tax liabilities	54	116	162	– 28
Deferred income taxes	54	48	34	41
Other liabilities	55	379	508	– 25
Subordinated capital	56	4 713	4 833	– 2
Equity	57			
Issued capital		1 607	1 607	–
Capital reserves		3 332	3 332	–
Retained earnings		2 220	2 011	10
Revaluation reserve		122	– 95	> 100
Currency translation reserve		– 6	– 3	100
Equity capital attributable to the owners of NORD/LB		**7 275**	**6 852**	**6**
Equity capital attributable to non-controlling interests		915	848	8
		8 190	**7 700**	**6**
Total liabilities and equity		**200 845**	**225 550**	**– 11**

[1] Some previous year's figures were adjusted as you can see at note (2) adjustment of figures for the previous year.

STATEMENT OF CHANGES IN EQUITY

The individual components of equity and their development in 2012 and 2013 are shown in the following statement of changes in equity:

(in € million)	Issued capital	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Equity attributable to noncon-trolling interests	Consolidated equity
Equity as at 1 Jan. 2012	**1 494**	**3 175**	**2 480**	**– 543**	**– 3**	**6 603**	**– 57**	**6 546**
Adjustments according to IAS 8	–	–	– 206	– 28	–	– 234	234	–
Adjusted equity as at 1 Jan. 2012	**1 494**	**3 175**	**2 274**	**– 571**	**– 3**	**6 369**	**177**	**6 546**
Consolidated profit	–	–	83	–	–	83	– 1	82
Increase / decrease from available for sale (AfS) financial instruments	–	–	–	769	–	769	77	846
Changes in the value of investments for using the equity method	–	–	40	–	–	40	–	40
Translation differences of foreign business units	–	–	–	–	–	–	– 2	– 2
Revaluation of the net liability from defined benefit pension plans	–	–	– 438	–	–	– 438	– 62	– 500
Deferred taxes	–	–	145	– 291	–	– 146	15	– 131
Adjusted comprehensive income for the period under preview	**–**	**–**	**– 170**	**478**	**–**	**308**	**27**	**335**
Distribution	–	–	– 53	–	–	– 53	– 6	– 59
Capital increases / decreases	113	157	–	–	–	270	654	924
Changes in the basis of consolidation	–	–	59	– 2	–	57	– 8	49
Consolidation effects and other changes in capital	–	–	– 99	–	–	– 99	4	– 95
Adjusted equity as at 31 Dec. 2012	**1 607**	**3 332**	**2 011**	**– 95**	**– 3**	**6 852**	**848**	**7 700**

(in € million)	Issued capital	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Equity attributable to noncon-trolling interests	Consolidated equity
Equity as at 1 Jan. 2013	**1 607**	**3 332**	**2 011**	**– 95**	**– 3**	**6 852**	**848**	**7 700**
Consolidated profit	–	–	185	–	–	185	60	245
Increase / decrease from available for sale (AfS) financial instruments	–	–	–	315	21	336	9	345
Changes in the value of investments for using the equity method	–	–	– 27	–	–	– 27	–	– 27
Translation differences of foreign business units	–	–	–	–	– 24	– 24	– 12	– 36
Revaluation of the net liability from defined benefit pension plans	–	–	72	–	–	72	1	73
Deferred taxes	–	–	– 23	– 96	–	– 119	14	– 105
Comprehensive income for the period under preview	**–**	**–**	**207**	**219**	**– 3**	**423**	**72**	**495**
Distribution	–	–	1	–	–	1	– 5	– 4
Capital increases / decreases	–	–	–	–	–	–	–	–
Changes in the basis of consolidation	–	–	4	– 2	–	2	–	2
Consolidation effects and other changes in capital	–	–	– 3	–	–	– 3	–	– 3
Equity as at 31 Dec. 2013	**1 607**	**3 332**	**2 220**	**122**	**– 6**	**7 275**	**915**	**8 190**

The consolidation effects and other changes in equity mainly comprise transactions which result in changes in shareholdings without changing the consolidation method.

For a more detailed account, Note (57) Equity is referred to.

CASH FLOW STATEMENT

	1 Jan.– 31 Dec. 2013 (in € million)	1 Jan.– 31 Dec. 2012 [1] (in € million)	Change (in %)
Consolidated profit for the period	**245**	**82**	**> 100**
Adjustment for non-cash items			
Depreciation, impairment and write-ups of property and equipment and financial assets	156	583	– 73
Increase / decrease in provisions	171	199	– 14
Gains / losses from the disposal of property and equipment and financial assets	– 8	– 32	– 75
Increase / decrease in other non-cash items	817	589	39
Other adjustments net	– 2 056	– 1 931	6
Sub-total	**– 675**	**– 510**	**32**
Increase / decrease in assets and liabilities from operating activities after adjustment for non-cash item			
Loans and advances to banks and customers	13 711	359	> 100
Trading assets	4 298	567	> 100
Other assets from operating activities	7 923	272	> 100
Liabilities to banks and customers	– 7 144	1 278	> 100
Securitised liabilities	– 10 825	– 5 393	> 100
Other liabilities from operating activities	– 7 939	1 960	> 100
Interest received	7 238	8 207	– 12
Dividends received	21	49	– 57
Interest paid	– 5 616	– 6 630	– 15
Income taxes paid	– 38	– 44	– 14
Cash flow from operating activities	**954**	**115**	**> 100**

	1 Jan.– 31 Dec. 2013 (in € million)	1 Jan.– 31 Dec. 2012[1)] (in € million)	Change (in %)
Cash receipts from the disposal of			
financial assets	54	22	> 100
property and equipment	1	31	– 97
Payments for acquisition of			
financial assets	– 20	– 8	> 100
property and equipment	– 67	– 85	– 21
Cash receipts from the disposal of consolidated companies and other business units	–	25	– 100
Cash flow from investing activities	**– 32**	**– 15**	**> 100**
Cash receipts from equity contributions	–	893	– 100
Payments to owners and non-controlling interests	–	– 131	– 100
Increase in funds from other capital	51	40	28
Decrease in funds from other capital	– 103	– 728	– 86
Interest expenses on subordinated capital	– 217	– 245	– 11
Dividends paid	– 4	– 57	– 93
Cash flow from financing activities	**– 273**	**– 228**	**20**
Cash and cash equivalents as at 1 January	**665**	**796**	**– 16**
Cash flow from operating activities	954	115	> 100
Cash flow from investing activities	– 32	– 15	> 100
Cash flow from financing activities	– 273	– 228	20
Total cash flow	**649**	**– 128**	**> 100**
Effects of changes in exchange rates	– 3	– 3	–
Cash and cash equivalents as at 31 December	**1 311**	**665**	**88**

[1)] Some previous year's figures were adjusted as you can see at note (2) adjustment of figures for the previous year.

With regard to cash and cash equivalents as at 31 December, Note (33) Cash Reserve is referred to.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General Disclosures

(1) Principles for the preparation of the consolidated financial statements

The consolidated financial statements of Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig, Magdeburg (NORD/LB) as at 31 December 2013 were prepared on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). Standards published at the end of the financial year and adopted by the European Union were relevant. National regulations contained in the German Commercial Code (Handelsgesetzbuch, HGB) under § 315a of the HGB were also observed. NORD/LB as a group in terms of commercial law is referred to in the following as the NORD/LB Group.

The consolidated financial statements as at 31 December 2013 comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes. The segment reporting is shown in the notes (Note (19) Segment Reporting by Business Segment and Note (20) Segment reporting by geographical segment). The 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 Group Management Report.

Assets are always measured at amortised cost, apart from the financial instruments in accordance with IAS 39, which are measured at fair value. In the accounting it was assumed that the company was a going concern. Earnings and expenses are recognised pro rata temporis. They are recognised and reported in the period to which they relate. Significant accounting policies are described below.

Estimations and assessments required in accordance with IFRS are made on the basis of assumptions and parameters which in turn are made by management duly exercising its discretionary powers. The estimations and assessments are reviewed on an ongoing basis and are based on experience and other factors, including expectations as to future events which appear reasonable under prevailing circumstances. In the process global developments and the industry-specific environment are taken into account.

Estimations and assessments are made relating in particular to the calculation of the fair value of financial assets and liabilities of Level 2 and Level 3 calculation of the fair value of financial assets and liabilities of Level 2 and Level 3 including the estimation of the existence of an active or inactive market, the valuation of pension provisions in terms of determining the underlying parameters (Note (14) in conjunction with Note (53)), the assessment of risk provisions with regard to future cash flows (Note (8) in conjunction with Note (36)), the calculation of deferred tax assets relating to the recoverability of tax losses not yet utilised. If significant estimations were required, the assumptions made are presented. Regarding the effect of the assumptions on the valuation of financial instruments allocated to Level 3, the relevant disclosures concerning sensitivity in Note (58) Fair Value Hierarchy are referred to.

Estimations and assessments and the underlying assessment factors and methods of estimation are reviewed regularly and compared with actual events. Provided that an amendment only refers to a single period, amendments to estimations are only taken into account for this period. If an amendment refers to the current and following reporting periods it is duly observed in this period and in the following periods.

Apart from estimates, the following significant discretionary management decisions in respect of the accounting policies of the NORD/LB Group need to be mentioned: The use of the fair value option for financial instruments, the non-use of the categorisation of financial instruments as Held to Maturity (HtM) and the non-use of the reclassification provisions of IAS 39.

The reporting currency for the consolidated financial statements is the euro. All amounts are reported rounded in euro millions (€ million), unless otherwise is indicated. The previous year's figures are shown afterwards in brackets.

These consolidated financial statements were signed by the Managing Board on 18 March 2014 and approved for submission to the Supervisory Board.

(2) Adjustment of figures for the previous year

The figures for the previous year were adjusted in these consolidated financial statements on the basis of IAS 8.42 in the following areas:

In the financial year 2013 there was a change in the reporting of the equity components of the sub-group Öffentliche Versicherung Braunschweig (ÖVBS).

Part of the portfolio, which was reported in the past as equity attributable to the owners of NORD/LB, is now reported under non-controlling interests. The figures for 2012 have been adjusted with retrospective effect.

In addition, since the financial year 2013 the income from ÖVBS, which was eliminated in the past from the consolidated financial statements, is shown under net interest income. An adjustment has been made for 2012 with retrospective effect.

As a result, the elimination of the transfer of income from ÖVBS to NORD/LB has been reversed.

31 Dec. 2012 (in € million)	Prior to adjustment	Adjustment	After Adjustment
Liabilities			
Retained earnings	2 192	– 181	2 011
Revaluation reserve	– 13	– 82	– 95
Equity capital attributable to the owners of NORD/LB	7 115	– 263	6 852
Equity capital attributable to non-controlling interests	585	263	848

1 Jan.–31 Dec. 2012 (in € million)	Prior to adjustment	Adjustment	After Adjustment
Interest income	12 278	2	12 280
Earnings before taxes	**76**	**2**	**78**
Income taxes	– 4	–	– 4
Consolidated profit	**80**	**2**	**82**
Of which: attributable to the owners of NORD/LB	82	1	83
Of which: capital attributable to non-controlling interests	– 2	1	– 1

The respective adjustments were also taken into account in the following notes: (19) Segment reporting by business segment, (20) Breakdown by geographical segments (21) Net interest income, (32) Income taxes and (57) Equity.

(3) Adopted IFRS

In these consolidated financial statements all standards, interpretations and their respective amendments which have been endorsed by the EU and were relevant for the NORD/LB Group in the financial year 2013 were adopted.

In the period under review consideration has been given to the following standards and amendments to the standards which were first applied as at 1 January 2013 for the NORD/LB Group:

- **IAS 19 (rev. 2011) – employee benefits**

In June 2011 the IASB published the amended IAS 19 – Employee Benefits. Actuarial gains and losses are to be reported accordingly directly under other comprehensive income, i.e. the previously applicable option of using the so-called corridor method has been abolished. In addition to this, the interest of plan assets may no longer be estimated on the basis of the underlying assets, instead interest is to be recognised in the amount of the discount rate. Extended disclosures are also to be made in the notes. The resulting changes to the accounting policies for the NORD/LB Group compared to the balance sheet date 31 December 2012 primarily concern the reporting of costs and taxes relating to benefit plans. The expected income from plan assets has been calculated since 2013 with a standard interest rate which is the same as the discount rate for the obligation. In addition, the top-up amounts promised in partial retirement agreements are reported and measured for the first time in accordance with the regulations for other long-term employee benefits.

Due to the minor significance of the effects of IAS 19 (rev. 2011) for the Group, the previous year's figures have not been adjusted. As the NORD/LB Group already reported actuarial gains and losses under other comprehensive income in accordance with the previous regulations of IAS 19, this change has not had any effect.

- **IFRS 13 – fair value measurement**

In IFRS 13 – Fair Value Measurement, which was published in May 2011 and is to be applied prospectively, the different regulations for establishing fair value in the individual standards were consolidated for the first time in a single framework and at the same time modified and expanded in some areas; only IAS 17 and IFRS 2 will continue to have separate regulations.

The specifications of the new standard concern among other things the definition of fair value, the implementation of the change in approach particularly in the context of determining relevant markets (main market or most beneficial market), the allocation of levels, the reporting of a day one profit/loss and the use of a bid-ask spread in the measurement of assets and liabilities.

The implementation of IFRS 13 does not have a significant effect on the measurement of the NORD/LB Group's assets and liabilities. In accordance with the standard's extended disclosure requirements, a description of the process for measuring fair value has been included in the notes. Furthermore, a detailed risk-related presentation of the Level disclosures for financial instruments which are measured in the balance sheet at fair value and a first-time presentation of the Level disclosures for financial instruments whose fair value is calculated solely for disclosure purposes is made.

- **Amendments to IAS 1 – Presentation of other comprehensive income**

The amendments to IAS 1 published in June 2011 by the IASB within the scope of the Financial Statement Presentation Project have changed the breakdown of the statement of comprehensive income. The items of other comprehensive income (OCI) are to be broken down by whether they can be recycled in the income statement or not. If OCI is reported before tax, deferred taxes are to be treated similarly and broken down into recyclable and non-recyclable items.

The amendments to IAS 1 result in a change in presentation in the NORD/LB Group's statement of comprehensive income.

- **Amendments to IAS 12 – deferred taxes: recovery of underlying assets**

The amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets make clear that the deferred tax for investment property, which is measured using the fair value model in IAS 40, is measured on the basis of the rebuttable presumption that the carrying amount will be recovered through sale.

The application of this new rule had no effect on NORD/LB's consolidated financial statements.

- **Amendments to IFRS 7 – offsetting of financial assets and financial liabilities**

In association with the amendments to IAS 32 – Financial instruments: Presentation published in December 2011, an amendment was made to the disclosure requirements of IFRS 7 relating to offsetting in order to make it easier for the readers of financial statements to assess the potential effects of existing netting agreements, including the rights to offset recognised financial instruments and their effect on the financial position of an entity. The amendments will be applied for the NORD/LB Group for financial years commencing on or after 1 January 2013 with retrospective effect.

The amendments will result in extended disclosure requirements which are to be disclosed for the first time as at 31 December 2013 in the NORD/LB Group's consolidated financial statements.

- **Improvements to IFRS (2009–2011 Cycle) within the scope of the IASB's annual improvements process**

The amendments published in May 2012 within the scope of the improvement project for the cycle 2009–2011 comprise clarifications concerning IFRS 1 First-time Adoption of International Financial Reporting Standards, IAS 1 Presentation of Financial Statements, IAS 16 Property, Plant and Equipment, IAS 32 Financial Instruments: Presentation and IAS 34 Interim Financial Reporting.

The annual improvements to IFRSs (cycle 2009–2011) do not have a significant effect on the interim consolidated financial statements of NORD/LB.

As is allowed, we have not yet applied the following standards and amendments to standards which have been adopted in European law and which did not have to be implemented for NORD/LB Group's consolidated financial statements prior to 31 December 2013:

- **IFRS 10 – consolidated financial statements**

  With this standard the term "control" is comprehensively redefined. If a company controls another company, the parent company has to consolidate the subsidiary. According to the new concept, control is given if the potential parent company has decision-making power over relevant activities of the potential subsidiary due to voting rights or other rights, if it participates in positive or negative variable flows from the subsidiary and these flows can be influenced by its decision-making power. The new standard will be mandatory in the EU for users of IFRSs for the first time for financial years commencing on or after 1 January 2014. IFRS 10 is to be applied, with some exceptions, with retrospective effect.

  The NORD/LB Group prepared for the first application of IFRS 10 starting in August 2011 within the scope of a project. However, the importance of traditional credit collateralisation rights in relation to the borrower under the new definition of control of IFRS 10 is the subject of international debate. For example, in Germany issues are being looked at by a work group of the Institute of Public Auditors in Germany (IDW). At the time these consolidated financial statements were prepared, a common view had not yet been established in key areas.

Notwithstanding this, the NORD/LB Group is expecting that the number of entities that will need to be included in its consolidated financial statements will increase with the first application of IFRS 10. Subject to the ongoing debate concerning traditional credit collateralisation rights referred to in the above paragraph, we make the following statements on our assessment of the possible effects: A few entities will need to be fully consolidated for the first time in the consolidated financial statements, because the economic and legal relationship with these entities as at 1 January 2014 establish a control relationship under IFRS 10. It is expected that there will be no entities that will no longer be fully consolidated due to the first application of IFRS 10. Based on the situation in 2013, its application would only have a minor impact on total consolidated assets and consolidated profit. We also expect that it will only have a minor impact on total consolidated assets and consolidated profit in 2014.

The NORD/LB Group is following the debate on the possible control of borrowers in the context of credit collateralisation very closely. It is not currently possible to state reliably whether there will be any further impact in addition to the expectations outlined in the above paragraph.

- **IFRS 11 – joint arrangements**
  IAS 31 – Interests in joint ventures will be replaced by IFRS 11, which was published in May 2011 and is applicable from 1 January 2014. This regulates the recognition of facts when an entity has joint control over a joint venture or runs a joint operation. Compared to the current standard, there are two significant changes. Firstly, for the consolidation of joint ventures the option of proportionate consolidation has been abolished, i. e. consolidation is only allowed based on the equity method as in IAS 28. Secondly, the new category of joint operations has been introduced, in which the assets and liabilities allocatable to the Group will be recognised.

  The initial application of IFRS 11 is unlikely to result in any need for adjustments to NORD/LB's consolidated financial statements both for 2013 and 2014.

- **IFRS 12 – disclosure of interests in other entities**
  The new IFRS 12 condenses the disclosure requirements related to subsidiaries, joint ventures, associated companies and unconsolidated structured entities in one standard. The objective is the disclosure of information on the nature of control over the aforementioned companies and the associated risks and the effects resulting from the control on the balance sheet, income statement and cash flow. IFRS 12 must be applied for the first time for financial years commencing on or after 1 January 2014.

  IFRS 12 will result in extended disclosure requirements for NORD/LB's consolidated financial statements. These concern in particular the disclosures relating to unconsolidated structured entities (special purpose entities).

- **Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)**
  In June 2012 the IASB published amendments which substantiate and clarify the transition regulations in IFRS 10 – Consolidated financial statements. In addition, some relief is granted with only the reference figures for the immediately preceding reference period having to be adjusted and the disclosure requirement of comparative information on non-consolidated special purpose entities upon initial application of IFRS 12 being struck. The amendments come into effect following their adoption into European law for reporting periods commencing on or after 1 January 2014.

  It is expected that the transition guidance will simplify matters for the NORD/LB Group with the initial application of the new consolidation regulations.

- **Amendments to IAS 32 – offsetting of financial assets and financial liabilities**
  In December 2011 the IASB clarified its requirements for the offsetting of financial instruments with the publication of amendments to IAS 32 – Financial instruments: Presentation. The amendments essentially put guidelines regarding application into more specific terms and should eliminate the current inconsistencies regarding the application of the offsetting criteria. In particular the meaning of "currently has a legally enforceable right of set-off'" and the conditions for systems with gross settlement as an equivalent to net settlement are explained. The amendments are mandatory for financial years commencing on or after 1 January 2014 with retrospective effect.

  The amendments to IAS 32 are not expected to have any significant effect on the NORD/LB Group's consolidated financial statements.

- **Amendments to IAS 39 – novation of derivatives and continuation of hedge accounting**
  The IASB published an amendment to IAS 39 in June 2013. The amendment provides an exception to the requirement for the discontinuation of hedge accounting. This applies if due to regulatory requirements a hedging instrument is required to be novated to a central counterparty. The amendments are mandatory for financial years commencing on or after 1 January 2014 with retrospective effect.

For the NORD/LB Group it is not expected that this will have any effect on its existing business in hedge accounting even with the mandatory application of the clearing obligation introduced by the European Market Infrastructure Regulation (EMIR). A final statement can only be made after the mandatory application of EMIR.

The following amended or new standards have also not been applied early:
- IAS 27 (amended 2011) – Separate Financial Statements
- IAS 28 (amended 2011) – Investments in Associates and Joint Ventures
- Amendments to IAS 36 – Impairment of Assets – Recoverable Amounts Disclosures for Non-Financial Assets

These amendments must be applied in the Group for financial years commencing on or after 1 January 2014.

The amendments to IAS 27, IAS 28 and IAS 36 are not expected to have a significant impact on NORD/LB's consolidated financial statements.

The following standards, amendments to standards and interpretations have not yet been adopted into European Law by the EU Commission:

- **IFRS 9 – financial instruments**
  As part of the project to replace IAS 39, a revised version of IFRS 9 was published in October 2010 (revising the version published in November 2009). The first phase of the three phases includes regulations for the categorisation and measurement of financial assets and financial liabilities. IFRS 9 initially only provided two options for the categorisation of financial assets: measurement at amortised cost and measurement at fair value through profit or loss. In November 2012 a draft amendment of the categorisation and valuation rules of IFRS 9 was published. The draft includes in particular the proposal of introducing a third valuation model for financial assets in the form of debt instruments and envisages these instruments being valued at fair value with the changes in valuation being reported directly in equity under other comprehensive income.

The categorisation will in future be based on the reporting entity's business model and the contractually agreed cash flows of the asset. Furthermore the regulations for embedded derivatives and reclassification have also been modified. The regulations relating to financial liabilities are largely unaltered compared to IAS 39. The main difference with the previous regulation concerns the fair value option. The rating-induced changes in the valuation of financial liabilities will in future be shown under other comprehensive income; the remaining changes in valuation will continue to be reported in the income statement.

In the first half of 2013 the second phase of IFRS 9 concerning impairment was published. The second phase covers financial instruments, loan commitments and financial guarantees. The new impairment model moves away from the concept of incurred loss towards the concept of expected loss. Based on the new impairment model, financial instruments, loan commitments and financial guarantees will, depending on the change in their credit quality, be divided into three stages. The calculation of the expected loan loss will depend on the stage to which a financial instrument, loan commitment or financial guarantee has been allocated. In Stage 1 the expected loan losses will be calculated in the amount of the expected loss with a time horizon of one year. In Stage 2 and 3 the expected loan loss will be calculated over the whole residual term to maturity (lifetime expected loss).

For Phase 3 concerning Hedge Accounting, the IASB had decided to divide this issue into two sections, General Hedge Accounting (Phase 3a) and Macro Hedge Accounting (Phase 3b). In the fourth quarter of 2013 a standard for General Hedge Accounting was published. A draft for Macro Hedge Accounting is now not expected to be published before 2018. Until then the provisions of IAS 39 concerning the fair value hedge accounting for a portfolio hedge of interest rate risk will remain and will not be transferred into IFRS 9. The standard for General Hedge Accounting pursues the goal of reflecting operational risk management in the financial reporting of hedging relationships in closed portfolios more strongly than before. In this connection, compared to the provisions in IAS 39, the role of qualitative application criteria were strengthened compared to quantitative application criteria. In addition, the group of underlying and hedging transactions which are eligible for hedge accounting was extended significantly and additional designation options were created. Regarding the effectiveness of hedging relationships, in future this should no longer be based on a strict effectiveness threshold on a percentage basis.

The amendments to IFRS 9 and IFRS 7 published in December 2011 – Mandatory effective date for IFRS 9 and transition disclosures – allow the previous year's figures not to be reported when IFRS 9 is first applied and introduce additional disclosure requirements at the time of transition.

The IASB decided in the fourth quarter of 2013 to cancel the previously applicable first application date of 1 January 2015 and to set a new date when an outcome for the discussions concerning in particular the phases for categorisation and measurement and for impairment can be foreseen.

It is expected that IFRS 9 will have a significant impact on the accounting, valuation and reporting in future consolidated financial statements. The potential impact can only be quantified in the NORD/LB Group when the final regulations for all phases of IFRS 9 have been passed by the IASB.

- **IFRIC 21 – levies**

  In May 2013 the IASB published IFRIC 21 as an interpretation of IAS 37 concerning levies, which essentially regulates which government-imposed levies need to be recognised and when a present liability needs to be recognised. IFRIC 21 is, subject to its endorsement by the EU, mandatory for financial years commencing on or after 1 January 2014 with retrospective effect.

  This is not expected to have a significant impact on the reporting of the bank level in NORD/LB's consolidated financial statements.

The following amendments to standards have not yet been adopted in European law:

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
- Improvements to IFRS (2010 – 2012 Cycle) Within the Scope of the IASB's Annual Improvements Process
- Improvements to IFRS (2011 – 2013 Cycle) Within the Scope of the IASB's Annual Improvements Process

These amendments must be applied in the Group for financial years commencing on or after 1 July 2014.

The amendments to IAS 19 and the annual improvements to IFRSs (2010–2012 and 2011–2013 cycles) are not expected to have a significant impact on NORD/LB's consolidated financial statements.

The amendments to standards described above are expected to be implemented on the dates when their application first becomes mandatory.

(4) Consolidation principles

NORD/LB's consolidated financial statements, prepared in accordance with uniform accounting policies throughout the Group, comprise the financial statements of the parent company (NORD/LB) and of the companies controlled by the parent company, including controlled special purpose entities (subsidiaries). Control exists as soon as a Group company has the power to determine the financial and business policies of a company so as to obtain benefits from its activities.

The purchase method of accounting is applied, i.e. assets and liabilities relating to subsidiaries were recognised at fair value on consideration of deferred taxes on the date on which a controlling interest was gained. Goodwill resulting from initial consolidation is reported under intangible assets. The value of goodwill is reviewed at least once a year and is the subject of unscheduled depreciation if necessary. Shares in the equity of subsidiaries which are not held by the parent company are reported as non-controlling interests in consolidated equity and measured with their appropriate share in the identifiable net assets of the acquired company.

Receivables and liabilities and expenses and earnings generated within the Group are eliminated in the consolidation of intercompany balances and earnings and expenses. Intragroup profits and losses are consolidated in the elimination of intercompany profits and losses.

Results of subsidiaries included or disposed of during the course of the year are recognised in the income statement as at the effective date of acquisition or up to the effective date of disposal, respectively.

Joint ventures and associated companies are accounted for using the equity method and are reported as investments accounted for using the equity method. The cost of acquisition of investments accounted for using the equity method and the differences are determined as at the date on which significant influence is obtained. In this case the rules applied are the same as those applied for subsidiaries. Adjustments to the at equity value are recognised in profit or loss or in other comprehensive income (OCI) on the basis of uniform accounting policies for the Group. Losses exceeding the at equity value are not reported unless the Group has entered into legal or factual obligations or makes payments on behalf of the investment accounted for using the equity method.

For transactions between a Group company and a joint venture or an associated company, profits and losses are eliminated in proportion with the shareholding of the Group in the respective company.

Deconsolidation is carried out from the date on which control or significant influence ceases to exist.

(5) Basis of consolidation

In addition to NORD/LB as the parent company, the consolidated financial statements include 50 (49) subsidiaries (including special purpose entities in accordance with SIC-12) in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB is in a position to exercise control in another manner. 1 (1) joint venture and 10 (10) associated companies are accounted for using the equity method.

Compared to 31 December 2012 the basis of consolidation has changed as follows:

The subsidiaries established in September 2013, BLB Grundbesitz KG and BLBI Investment GmbH & Co.KG, both based in Bremen, have been fully consolidated since 30 September 2013.

In December 2013 the previously fully consolidated fund NORD/LB AM 56 was dissolved and deconsolidated. At the same time the liquidity was transferred to the master fund ds NORD/LB AM ALCO, which is wholly owned by the NORD/LB Group.

The effects resulting from the changes to the basis of consolidation have no significant impact on the NORD/LB Group's assets, financial and earnings position.

Subsidiaries, joint ventures and associated companies included in the consolidated financial statements are shown in Note (83) Equity holdings.

(6) Currency translation

Monetary assets and liabilities in foreign currencies and non-monetary items recognised at fair value were translated using the reference exchange rates of the European Central Bank (ECB reference exchange rates) as at the measurement date. Non-monetary items carried at cost are recognised at historical rates. Expenses and earnings in foreign currencies are translated at market exchange rates. Currency differences relating to monetary items are always shown in the income statement; non-monetary items are recognised through the profit or loss of such items under other comprehensive income or in the income statement.

The assets and liabilities of foreign subsidiaries were translated using ECB reference exchange rates as at the measurement date; with the exception of the revaluation reserve (closing rate method) and the profit for the year, equity is translated using historical currency rates. Earnings and expenses are translated into the Group currency at period-average exchange rates; resulting translations are reported as a separate item under other comprehensive income. On disposal, the cumulative amount of exchange differences is included in the gain or loss on disposal.

(7) Financial instruments

A financial instrument is defined as a contract which results in a financial asset for one company and a financial liability or an equity instrument for another. Financial instruments are reported accordingly in the NORD/LB Group. They are allocated to valuation categories and measured according to this classification in accordance with IAS 39 requirements.

The financial instruments contain financial guarantees in accordance with the definition of IAS 39.

a) Addition to and disposal of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to a contract in accordance with the contractual provisions of the financial instrument. In the case of the regular cash purchases or cash sales of financial assets, the date of trade and the date of settlement generally do not fall on the same date. These regular cash purchases or cash sales bear the option of recognition as at the date of trade (trade date accounting) or as at the date of settlement (settlement date accounting). Trade date accounting applies for the recognition and disposal of all financial assets transacted by the NORD/LB Group.

IAS 39 disposal regulations comply with both the concept of risk and reward and of control; measuring risks and rewards should be given priority over measuring the transfer of control on verifying derecognition entries.

The continuing involvement approach is employed when opportunities and risks are only partly transferred and control is retained. In this case a financial asset is recognised to the extent equivalent to its continuing involvement on consideration of certain accounting policies. The extent of continuing involvement is determined by the scope in which the Group continues to bear the opportunities and risks of changes in the values of the assets transferred.

A financial liability (or part of a financial liability) is derecognised when the liability has been eliminated, i. e. when the liabilities specified in the contract have been settled or eliminated or if they have expired. The reacquisition of the banks own debt instruments is also included in the derecognition of financial liabilities. Differences between the carrying amount of a liability (including premiums and discounts) and the purchase price are recognised through profit or loss; a new financial liability whose cost of acquisition is equivalent to the sales proceeds will arise in the case of resale at a later date. Differences between these new costs of acquisition and the amount repaid are spread over the remaining term of the debt instrument in accordance with the effective interest method.

b) Categorisation and measurement

Fair value is applied when financial assets and financial liabilities are recognised for the first time. The net method is applied for financial guarantees reported in the NORD/LB Group. For financial instruments in the categories Loans and Receivables (LaR), Held to Maturity (HtM), Available for Sale (AfS) and Other Liabilities (OL), transaction costs are included in the cost of acquisition if they are directly apportionable. They are accounted for in the nominal value or the repayment amount on distribution of premiums and discounts in compliance with the effective rate of interest component. Transaction costs for financial instruments in the categories financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent measurement of financial assets and financial liabilities is contingent on the IAS 39 category under which the assets or liabilities had been classified on the date of acquisition:

ba) Loans and receivables (LaR)

Non-derivative financial assets involving fixed or determinable payments which are not listed in an active market are allocated to this category provided that they have not been classified as financial assets at fair value through profit or loss or available for sale. The loans and receivables category is the largest in the Group since this category essentially comprises all traditional credit and loan transactions. Subsequent measurement is at amortised cost applying the effective interest method. The recoverability of loans and receivables (LaR) is verified and they are written down if necessary on each balance sheet reporting date and in the event of indications of potential impairment losses (cf. Notes (8) Risk Provisioning, (22) Loan loss provisions and (26) Profit/loss from Financial Assets). Appreciations in value are recognised through profit or loss. The upper limit for appreciations in value is the amortised cost which would have resulted at the date of measurement without impairment losses.

bb) Held to maturity (HtM)

Non-derivative financial assets involving fixed or determinable payments and a fixed term are classified in this category if they are intended to be held until maturity. They may be allocated if the financial instruments are not classified as financial assets at fair value through profit or loss (AFV), as available for sale (AfS) or as loans and receivables (LaR). Subsequent measurement is at amortised cost applying the effective interest method. The held to maturity category is currently not employed in the NORD/LB Group.

bc) Financial assets or financial liabilities at fair value through profit or loss (AFV)
This category is divided into two sub-categories:

i) Held for trading (HfT)
This sub-category comprises financial instruments (trading assets and trading liabilities) acquired with the intention of selling or buying these back in the short term and contains all the derivatives which do not constitute collateral instruments within the scope of hedge accounting. Trading assets essentially comprise money market instruments, bonds and debt securities and derivatives with a positive fair value. Trading liabilities mainly comprise derivatives with a negative fair value and delivery obligations resulting from futures sales. Trading assets and trading liabilities are recognised at fair value through profit or loss upon subsequent measurement. There is no amortisation at constant effective interest rates of premiums and discounts.

ii) Designated at fair value through profit or loss (DFV)
Any financial instrument can be allocated to this sub-category, known as a fair value option, provided that certain requirements are met. Exercising the fair value option means that recognition and measurement mismatches resulting from different measurement methods for financial assets and liabilities is avoided or significantly reduced (for example, by presenting economic hedges of structured bond issues and corresponding derivatives without having to fulfil the restrictive requirements of hedge accounting). Allocation to this category also meant that embedded derivatives in structured products do not need to be separated. The category was used in some cases because the management and measurement of the performance of a portfolio is at fair value. More information on the type and the scope of application of the fair value option in the Group is presented in Note (38) Financial Assets at Fair Value through Profit or Loss and in Note (51) Financial Liabilities at Fair Value through Profit or Loss. Financial instruments measured using the fair value option are measured at fair value through profit or loss upon subsequent measurement. There is no amortisation at constant effective interest rates of premiums and discounts.

bd) Available for sale (AfS)
Any non-derivative financial assets which have not been assigned to any of the aforementioned categories are allocated to this category. These assets are primarily bonds, debt securities, shares and investments which are not measured in accordance with IAS 27, IAS 28 or IAS 31. Subsequent measurement was at fair value. Measurement is at cost if the fair value of financial investments in equity instruments such as certain shares or investments for which no price is available on an active market (and the relating derivatives which can only be settled by way of offer) cannot be determined with sufficient reliability. The result of the measurement at fair value is reported under other comprehensive income. In the event of the sale of the financial asset, the accumulated estimated profit/loss reported in the valuation result is written back and reported in the income statement.

With equity instruments differences between the cost of acquisition and repayment amounts are amortised in recognition of profit or loss on application of the effective interest method.

Impairment is only carried out in the case of rating-induced impairment. The occurrence of rating-induced impairment is examined on the basis of specific objective factors. Objective factors in this context are the trigger events listed in IAS 39, for example significant financial difficulty of the issuer or the obligor or a breach of contract or default or delay in interest or principal payments. In addition to the criteria of permanence, a measurable decrease in the fair value of equity securities to below the acquisition cost is an objective indication of impairment.

In the case of rating-induced impairments, the difference between the book value and current fair value must be recognised in the income statement. Appreciations in the value of debt capital instruments are recognised in the amount of the appreciation through profit or loss in the income statement as well as in other comprehensive income. Appreciations in the value of equity instruments are recognised in other comprehensive income unless they are measured at acquisition cost.

be) Other Liabilities (OL)

This category includes in particular liabilities to banks and customers, securitised liabilities and subordinated capital provided that these liabilities have not been designated at fair value under the fair value option. Subsequent measurement is at amortised cost applying the effective interest method.

The carrying amounts and gains/losses for each measurement category are presented in Notes (59) and (60).

c) Reclassification

In accordance with the regulations of IAS 39, financial instruments are allowed to be reclassified from the HfT (trading assets) category to the LaR, HtM and AfS categories and from the AfS category to the LaR and HtM categories under certain circumstances. The NORD/LB Group did not make use of this right to reclassify.

d) Establishing fair value

The unit of account upon which the value of financial instruments is based is determined by IAS 39. In the NORD/LB Group the single financial instrument is the measurement unit, so long as IFRS 13 does not allow an exception.

The fair value of financial instruments according to IAS 39 in conjunction with IFRS 13 reflects the price at which an asset can be sold or a liability transferred in an ordinary transaction between market participants on the measurement date, i. e. the fair value is a market-related and not a company-specific value. According to IFRS 13, the fair value is the price that can either be observed directly or a price established by a measurement method which, in an ordinary transaction, i. e. a sale or a transfer, could be achieved on the main market or the most advantageous market on the measurement date. It is therefore an exit price, i. e. the measurement as at the measurement date is always based on a fictitious, possible market transaction. If there is a main market, the price on this market represents the fair value, independently of whether the price can be observed directly or will be calculated on the basis of a valuation method, and even if the price is potentially more advantageous on another market.

da) Financial instruments which are reported at fair value in the balance sheet

In the NORD/LB Group the three-tier fair value hierarchy is applied with Level 1 (Mark to Market), Level 2 (Mark to Matrix) and Level 3 (Mark to Model) terminology provided for in IFRS 13.

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

Level 1

Under the fair value hierarchy, a financial instrument is categorised in Level 1 if it is traded on an active market and is used to establish the fair value of publicly listed market prices or prices actually traded on the over-the-counter market (OTC market). If no market prices or prices actually traded on the OTC market are available, in the measurement the feasible prices quoted by dealers are used for measurement purposes, with prices quoted by other banks or market makers being applied when price sources other than stock exchange quoted prices are used. These instruments are then assigned to Level 1 if there is an active market for these broker quotations, i. e. if only minor bid-ask spreads exist and there are several price suppliers with only marginally differing prices. If the broker quotations are for (mixed) prices or if the price is established on a non-active market, these are not assigned to Level 1, but to Level 2 of the measurement hierarchy, if the quotations concern binding offers, observable prices or market transactions.

The Level 1 prices are taken over without any adjustment. Level 1 financial instruments include trading assets and liabilities, financial instruments designated at fair value, financial assets recognised at fair value and other assets.

Level 2

In the event that no price quotes are available, the fair value is calculated by means of recognised measurement methods or models as well as by means of external pricing services, if measurement in this case is carried out either fully or to a significant degree using observable input data such as spread curves (Level 2). For the measuring of financial instruments, these methods include measurement methods which are established on the market (e. g. discounted cash flow method and the Hull-White model for options) whose calculations are always based on input parameters available on an active market. A requirement here is that variables which market participants would have taken into account when specifying prices are included in the measurement process. Wherever possible, respective parameters are taken from markets on which the instruments are issued or acquired.

Measurement models are employed primarily for OTC derivatives and securities listed on inactive markets. The models include a range of parameters such as for example market prices and other market quotations, risk-free interest rate curves, risk premiums, exchange rates and volatilities. The parameters for the models are always chosen using prevailing market methods.

Market data which forms the basis of risk controlling is generally applied for these Level 2 measurements.

For securities on the assets side for which there was no active market on 31 December 2013 and for which measurement could no longer be based on market prices, fair value was determined for measurement purposes in accordance with a mark-to-matrix method that was based on discounted cash flows. For discounted cash flow methods, all payments are discounted by the risk-free interest rate curve adjusted for the credit spread. Spreads are determined on the basis of comparable financial instruments (for example on consideration of the respective market segment and the issuers credit rating).

The financial instruments in the NORD/LB Group to be measured in this manner are ascertained on the basis of individual securities and a subsequent separation into active and inactive markets. Changed market assessments are consistently included in measurement. The identification, analysis and valuation of financial instruments in inactive markets take place in several areas of the Group, whereby the inactivity is assessed as objectively as possible. The measurement model for financial instruments for which no prices listed in active markets can be used is based on term-related interest rates, the credit rating of the respective issuer and where applicable further components such as foreign currency premiums.

Level 2 financial instruments include trading assets and liabilities, hedge accounting derivatives, financial assets and liabilities designated at fair value and financial assets recognised at fair value.

Level 3

Financial instruments for which there is no longer an active market and for which measurement can no longer be based completely on observable market parameters are allocated to Level 3. In comparison and in differentiation to Level 2 measurement, this method employs models specific to the bank or data which is not observable on the market. The input parameters used in these methods include among other things assumptions about cash flows, loss estimates and the discount rate and are gathered as far as possible on a near-market basis.

The Level 3 method is partly used to measure the Group's credit default swaps (CDS) and asset-backed securities (ABS)/mortgage-backed securities (MBS) for which the market has been classified as being inactive. Further interest-bearing securities are also allocated to Level 3. Individual tranches of collateralised debt obligations (CDO) and equity structures are also measured in accordance with Level 3. Level 3 financial instruments include trading assets and liabilities, hedge accounting derivatives, financial assets and liabilities designated at fair value and financial assets recognised at fair value.

Establishing fair values

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

In the measurement appropriate consideration is given to all relevant factors such as the bid-ask spread, counterparty risk and typical discounting factors. In the context of the bid-ask spread, measurement is always based on the average price. The financial instruments concerned are in particular securities or liabilities whose fair values are based on prices listed on active markets and financial instruments such as OTC derivatives whose fair values are established using a measurement method and for which the average price is an observable input parameter in the measurement method.

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

For derivatives of OTC markets there are generally no listed prices available, the fair values are therefore established using other measurement methods. The fair values are initially measured using cash-flow models without taking into account the credit default risk. For the correct measurement of fair values, both the credit default risk of the counterparty (CVA) and the bank's own credit default risk (DVA) need to be considered. The credit default risk is considered by way of an add-on.

For the measurement of secured OTC derivatives the NORD/LB Group has switched primarily to the current market standard of overnight index swap discounting (OIS discounting). This means that secured derivatives are no longer discounted with the tenor-specific interest rate, but with the OIS interest rate curve. Unsecured derivatives will continue to be discounted with the tenor-specific interest rate to establish their fair value.

For some of the NORD/LB Group's liabilities recognised at fair value the guarantor liability of the state of Lower Saxony, the state of Saxony-Anhalt and the state of Mecklenburg-Western Pomerania apply. The effect of the guarantee is considered in the fair value measurement of the liabilities.

db) Financial instruments which are reported at fair value for disclosure purposes

Basically the same rules apply for financial instruments whose fair value is established solely for disclosure purposes as for financial instruments whose fair value is reported in the balance sheet. The financial instruments include for example the cash reserve, loans and advances to and liabilities to banks and customers, certain debt securities and company shares, securitised liabilities and subordinated capital.

For the cash reserve and short-term loans and advances to and liabilities to banks and customers (sight deposits), the nominal value is considered to be the fair value due to their short-term nature.

For securities and liabilities, in practice, like with financial instruments recognised at fair value in the balance sheet, a range of measurement methods (e. g. market or reference prices or measurement models), but as a general rule one measurement method (discounted cash low model) are used. In order to establish the value in this measurement model a risk-free yield curve is often used and adjusted with risk premiums and where applicable other components. For liabilities NORD/LB's own credit default risk is used as the risk premium. An appropriate level allocation in the existing fair value hierarchy is made according to the significance of the input data.

For long-term loans and advances to and liabilities to banks and customers and for investments no observable market prices are available, as no observable primary or secondary markets exist. The fair value for these financial instruments is established using recognised measurement methods (discounted cash flow model). The input data for this model are the risk-free interest rate, a risk premium and where applicable further premiums to cover administrative and equity costs.

Financial instruments are allocated to Level 3 if the method uses the NORD/LB Group's internal ratings based on the Internal Ratings-Based Approach (in accordance with BASEL II). This is the case regardless of whether the internal data for the regulatory eligibility check was gauged using data from publicly available ratings which form the basis of pricing decisions by market participants.

Further information on the fair value hierarchy and the fair values of financial instruments can be found in Note (58) Fair value hierarchy.

e) Measurement of Investments which do not fall under IAS 27, IAS 28 or IAS 31

Investments which do not fall under IAS 27, IAS 28 or IAS 31 are measured at fair value. If the fair value of financial investments in equity instruments which do not have a listed price on an active market cannot be reliably established, they are measured at acquisition cost (cf. Note (58) Fair Value Hierarchy).

If investments are traded on an active market, the market/stock exchange price is used to determine the fair value. If it is not possible to use prices listed on active markets, the fair value is established using recognised measurement methods. In addition to the peer-group method, the NORD/LB Group also uses the income-value method. This method is allocated in the fair value hierarchy in accordance with IFRS 13 to Level 3 (cf. Note (58) Fair Value Hierarchy).

The fair value is calculated in the earnings-value method from the present value of the shareholders future net earnings associated with the ownership of the company.

The net earnings of shareholders, which are discounted to calculate the income value, relate primarily to the distributions of financial profits generated by the company. The starting point for calculating the fair value of the participating interest is a forecast for earnings performance for 2013, a detailed plan for 2014 and where applicable the medium-term plan for the following four years (planning phase I). For the following years beyond the planning horizon in general perpetuity of the undertaking is assumed. For this purpose a perpetual annuity is calculated which should reflect the long-term situation of the affiliated company (planning phase II). These anticipated future profits are discounted taking into account the anticipated distributions on the balance sheet date.

The discount rate used represents the yield from an adequate alternative investment in respect of maturity and risk to the investment in the affiliated company and is derived on the basis of a capital market model. The discount rate comprises the components of risk-free interest and the risk premium for future financial profits. The risk premium is the product of an average market risk premium and the beta factor which expresses the specific risk structure of the company to be valued. The beta factor describes as a relative measure to what extent the yield of the respective share in the affiliated company follows changes in the yield of the market portfolio.

In order to value investments in companies which are not listed on the stock exchange, comparison groups of similar titles traded on the stock exchange are formed and for each individual value the beta is calculated in relation to the respective broadest national index. In brief, the beta factor of the comparison group calculated in this way is a significant multiplier used when calculating the capitalisation interest.

f) Structured products

Structured products comprise two components – a basic contract (host contract, e. g. security) and one or several embedded derivative financial instruments (embedded derivatives, e. g. swaps, futures or caps). The two components are the subject matter of a single contract relating to the structured product, i. e. these products constitute a legal unit and may not be negotiated separately due to the circumstance of a contractual unit.

In accordance with IAS 39 an embedded derivative is to be separated from the host contract and accounted for as a separate derivative provided that all of the following criteria are fulfilled:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative financial instrument would meet the definition of a derivative financial instrument.
- The structured product is not measured at fair value through profit or loss.

If separation of financial instruments is obligatory, these financial instruments are measured and recognised separately in the NORD/LB Group, provided they have not been classified as AFV. The host contract is accounted for in compliance with the regulations of the category to which a financial instrument is allocated and embedded derivatives are accounted for at fair value through profit or loss as part of the trading assets or trading liabilities.

g) Hedge accounting

Hedge accounting is the balance sheet presentation of hedging relationships. In this framework, hedging relationships are established between underlying items and hedging transactions. The aim is to avoid or reduce fluctuations in profits and equity resulting from differing measurements of underlying and hedging transactions.

A distinction is made between three basic forms of hedges, each needing to be handled differently in hedge accounting. The fair value hedge involves the hedging of (parts of) assets and liabilities against changes in fair value. In particular investment and lending transactions in the Group as well as the security portfolios under liquidity control, provided that the securities bear interest, are subject to this type of risk in changes to value. Both individual transactions and portfolios are hedged by fair value hedges. Currently the fair value is only hedged against interest rate risk. Changes in the fair values of assets and liabilities are hedged in single-currency portfolios in euros and US dollars. Interest rate swaps and currency swaps are mainly used to hedge these risks.

The two other basic forms, the cash flow hedge and the hedge of a net investment in a foreign operation, are currently not used in the NORD/LB Group.

Only hedging relationships which have fulfilled the restrictive requirements of IAS 39 may be reported in accordance with the regulations of hedge accounting. Hedge accounting requirements, in particular evidence of the effectiveness of the hedge transaction, must be met for each hedging relationship on each balance sheet reporting date. The critical term match method, the market data shift method and the regression method are applied in the Group for the prospective conducting of effectiveness tests. The modified dollar offset method is primarily used in the Group for retrospective effectiveness tests. This method takes account of the problem of small numbers in the case of minor changes in the value of underlying transactions and hedges by means of an additional tolerance limit. Deutsche Hypo uses the regression method for the retrospective effectiveness test.

In the fair value hedge portfolio, for the retrospective effectiveness test disposals from the hedged portfolio of underlying transactions were previously dealt with using the bottom layer method.

In accordance with the fair value hedge accounting rules, derivative financial instruments used for hedging purposes are reported at fair value as positive or negative fair values from hedge accounting (Note (39) or Note (52) Positive or negative fair values from hedge accounting derivatives. The changes in valuation are recognised in the income statement (Note (25) Profit / loss from Hedge Accounting). Changes in fair value resulting from the hedged risk of hedged assets or hedged liabilities are also recognised through profit or loss in the profit / loss from hedge accounting item.

When employing hedge accounting for financial instruments in the annual financial statements category, the portion of any change in fair value relating to hedged risks is recognised in profit or loss as profit / loss from hedge accounting, while the portion of a change in fair value which is not related to the hedged risk is accounted for in the revaluation reserve.

In micro hedge accounting, financial instruments measured at amortised cost are adjusted in the balance sheet item by the change in fair value resulting from the hedge risk (hedge adjustment).

Changes in the fair value of underlying asset and liability-side transactions related to the hedged risk are reported under the adjustment item for hedged financial instruments in the fair value hedge portfolio on the assets side or liabilities side of the balance sheet. Underlying transactions relating to AfS items carried as assets continue to be reported at their full fair value under financial assets. There are currently asset and liability items in the fair value hedge portfolio.

A hedge relationship is terminated when the basic transaction or the hedging transaction expires, is sold or exercised or when hedge accounting requirements are no longer fulfilled; for underlying transactions in effective hedges (cf. Note (66)).

h) Repos and securities lending

In the case of genuine repos, transferring the securities sold under repurchase agreements does not lead to derecognition, as the transferring entity essentially retains all the risks and rewards associated with the ownership of the repurchased securities. The asset transferred must therefore still be reported by the transferor and measured according to its respective category. Payment received is carried as a financial liability (in liabilities to banks or liabilities to customers, depending on the counterparty). Interest payments agreed are reported as interest expenses over the respective terms.

Reverse repo transactions are reported accordingly as loans and advances to banks and customers and are allocated to the loans and receivables (LaR) category. Securities for sale and repurchase which constitute the basis of the financial transaction are not reported in the balance sheet. Interest resulting from such transactions is reported as interest income over the respective term.

Security sale agreements with a repurchase option were not concluded in the NORD/LB Group.

Principles which apply for reporting genuine repurchase transactions also apply for securities lending transactions. Securities lent are reported as security portfolios and measured in accordance with IAS 39, while borrowed securities are not reported. Cash collateral pledged for security lending transactions is reported as a claim and cash collateral received is reported as a liability.

With regard to the scope and the volume of security sale and repurchase agreements and securities lending transactions, Note (62) Offsetting of Financial Liabilities is referred to.

i) Securitisations

Various financial assets relating to lending business are securitised either in synthetic securitisation using credit derivatives or by non-recourse factoring to special purpose entities (SPEs), which in turn issue securities to investors (true sale securitisation). Interest and capital repayments resulting from such securities are directly linked to the performance of the underlying claim, and not to that of the issuer.

The accounting of such transactions depends on the method of securitisation. Assets relating to synthetic securitisation remain in the balance sheet and are reported with the credit derivatives concluded in accordance with IAS 39 regulations. In the case of true sale securitisation, the assets are written off if the opportunities and risks relating to these assets have been (virtually) fully transferred to the SPE. With securitisation transactions normally (virtually) all of the opportunities and risks are transferred to the SPE or the buyer. Assets of consolidated SPEs remain in the NORD/LB Groups consolidated balance sheet.

(8) Risk provisioning

Risks relating to lending business are accounted for by forming specific valuation allowances, specific loan loss provisons and general loan loss provisions.

Recoverability is reviewed for all significant claims at individual transaction level. Risk provisions cover all recognisable credit risks in the form of specific valuation allowances. A valuation allowance is required when observable criteria indicate that it is likely that not all the interest and capital repayments or other obligations will be met on time. The essential criteria for a valuation allowance are for example the default on interest and capital payments or a delay in such payments of more than 90 days, considerable financial difficulties on the part of the debtor such as arithmetic and actual insolvency or the long-term negative consequences of a restructuring. These criteria also include concessions made by lenders such as interest exemption, write-off of debt or deferred repayment, impending insolvency and impending restructuring proceedings.

With ship financing the essential criteria for a valuation allowance are interest deferrals and / or deferred repayment, concessions such as the granting of restructuring loans to support the liquidity of borrowers or individual ships, and threatened insolvency.

The amount of the specific valuation allowance is calculated as the difference between the carrying amount and the recoverable amount as the present value of the anticipated future cash flows.

If the criteria for a valuation allowance have been met for claims which are not significant, these claims are concentrated in narrowly defined portfolios with similar risk structures, measured by a standard method and are the subject of an appropriate flat-rate specific valuation allowance. The calculation is made on the basis of historical probabilities of default and loss rates.

To cover impairments which have occurred but have not yet been identified, general loan loss provisions are made. These are calculated on the basis of historical probabilities of default and loss rates, with the portfolio-specific loss identification period factor (LIP factor) also being considered.

Since the first quarter of 2013 general loan loss provisions have been made at specific customer level. As a result the reporting is adjusted to reflect the actual circumstances and developments in the specific industry. Using the old calculation method, general loan loss provisions would have totalled € 552 million as at 31 December 2013. The calculation at specific customer level produces a figure of € 478 million (cf. Note (36) Risk Provisioning).

The parameters employed in the lumpsum specific loan loss provisions and the general loan loss provisions derived from the Basel II system.

The total amount of loan loss provisions resulting from balance sheet business is recognised as a separate item under assets in the balance sheet.

Risks relating to off-balance sheet transactions (guarantees, endorsement liabilities and loan commitments) are accounted for by a loan loss provision.

Irrecoverable loans for which no specific valuation allowances are written off immediately. Payments received for written-off loans and advances are recognised in profit or loss.

Financial assets classified as LaR are only written off directly.

(9) Property and equipment

Property and equipment are recognised at cost on the date of addition. Subsequent costs are capitalised if they result in a significant improvement in the asset and therefore increase the future economic benefit of the asset. Property and equipment subject to wear are reported upon subsequent measurement less scheduled straight-line depreciation charged over the useful life. Impairments are charged at the amount at which the carrying amount exceeds the higher amount of fair value less the cost of disposal and value in use of the asset. If reasons for impairment no longer exist, write-ups (appreciations in value) are carried out, but not in excess of the amount of amortised cost. Scheduled depreciation is recognised under administrative expenses and impairments and write-ups in other operating profit/loss.

Property and equipment is depreciated over the following periods:

	Property and equipment
Land and buildings	10–50
Operating and office equipment	3–25
Ships	25
Other property and equipment	3–25

(10) Leases

In accordance with IAS 17, leases must be classified as finance or operating leases at the inception of a lease. If essentially all of the opportunities and risks associated with ownership are transferred to the lessee, the lease is classified as a finance lease and the leased asset is accounted for by the lessee. If essentially all of the opportunities and risks associated with ownership are not transferred to the lessee, the lease is classified as an operating lease and the leased asset is accounted for by the lessor.

Finance lease

If the NORD/LB Group is considered to be the lessor, a receivable to the amount of the lessee's payment obligations resulting from the lease is reported at the inception of the lease. The receivable is reported at the net investment value (difference between the gross investment in the lease and finance income not yet realised) and is shown in other loans and advances to banks or loans and advances to customers. Any additional costs incurred are spread over the term of the contract.

Lease payments relating to a finance lease are split into a capital and an interest amount. The capital amount is deducted from loans and advances directly in equity. The interest amount is accounted for as interest income through profit or loss.

Operating lease

If the Group is considered to be the lessee in operating leases, lease payments made are reported as an expense in other administrative expenses. Initial direct costs (for example costs for appraisers) are immediately recognised through profit or loss.

(11) Investment property

Investment property is considered to be land and buildings or parts of buildings held to generate rental income and / or for the purpose of capital appreciation. Properties where more than 20 per cent of the leased floor space is utilised by third parties are examined to determine whether the part used by third parties can be separated. If this is not the case then the whole property is reported in property and equipment.

Investment property is reported at cost on the date of acquisition; transaction costs are included in initial measurement. Subsequent costs are capitalised if they result in a significant improvement in the asset and therefore increase the future economic benefit of the asset.

Upon subsequent measurement of investment properties scheduled straight-line depreciation is charged. Impairments are charged at the amount at which the carrying amount exceeds the higher amount of fair value less the cost of disposal and value in use of the asset. If the reasons for impairment cease to exist, impairment losses are reversed, but not above the amortised cost. Scheduled depreciation is recognised under administrative expenses and impairments and write-ups in other operating profit / loss.

Investment property is depreciated over a period of 2 to 50 years.

The income value method is used, based on market data, to calculate the fair value of investment property. The valuation is carried out in part by independent experts who are appropriately qualified and relevant experience.

(12) Intangible assets

Intangible assets which are acquired by the NORD/LB Group are reported at cost of acquisition and internally developed intangible assets are reported at cost of production provided that the criteria for recognition required under IAS 38 are met. Subsequent costs are capitalised if they result in a significant improvement in the asset and therefore increase the future economic benefit of the asset.

Scheduled straight-line amortisation over the useful life is charged for intangible assets with a finite useful life. Impairments are charged at the amount at which the carrying amount exceeds the higher of fair value less cost of disposal and value in use of the asset for intangible assets with a finite useful life. If the reasons for the impairment no longer exist, write-ups are carried out, but not in excess of the amortised cost. Scheduled depreciation is recognised under administrative expenses and impairments and write-ups in other operating profit / loss.

Intangible assets with a finite useful life are amortised over a period of 3 to 15 years.

Intangible assets with an indefinite useful life are tested at least once a year in the fourth quarter for their recoverability. The value of goodwill is reviewed on the basis of cash generating units (CGUs).

(13) Assets held for sale

Longer-term assets or disposal groups held for sale whose carrying amounts are realised through a sale and not through operational use are recognised in separate balance sheet items. Such assets are measured at fair value less costs of disposal provided that these costs do not exceed the carrying amount. Longer-term assets held for sale are no longer amortised as at the date of reclassification. Impairment losses resulting from longer-term assets and disposal groups held for sale are, however, taken into account.

No entire business divisions were discontinued in 2013 or in 2012.

(14) Provisions for pensions and similar obligations

Pension obligations from defined benefit plans are calculated in accordance with IAS 19 by independent actuaries as at the balance sheet date in accordance with the projected unit credit method. Plan assets which are invested in order to cover defined benefit pension obligations and similar benefits are measured at their fair value and offset against the corresponding liabilities.

Differences between the assumptions made and developments that have actually taken place and changes in the assumptions for the measurement of defined benefit plans and similar liabilities result in actuarial gains and losses which are recognised in the year that they occur under other comprehensive income.

Interest is added to the balance of defined benefit pension obligations, similar benefits and plan assets (net pension obligation) using the discount rate used in the measurement of the gross pension obligation. The resulting net interest expense is recognised in the income statement under interest expenses. The other expenses related to the granting of pension obligations and similar benefits, which primarily relate to entitlements earned in the financial year, are considered in the income statement under administrative expenses.

In order to establish the present value of defined benefit obligations, in addition to biometric assumptions, the discount rate calculated using the Mercer Yield Curve Approach (MYC) for first-class industrial securities and anticipated future salary and pension increase rates are taken into account. For the projection of mortality and invalidity, Klaus Heubeck's "Richttafeln 2005 G" mortality tables were used. Gains or losses from the reduction or payment of a defined benefit plan are recognised at the time of the reduction or payment through profit or loss.

The defined benefit obligation is calculated based on the following actuarial assumptions:

(in %)	31 Dec. 2013	31 Dec. 2012
Domestic		
Actuarial interest rate	3.70	3.60
Increase in salaries	2.00	2.30
Increase in pensions (contingent on the occupational pension scheme)	2.75 / 2.87 / 1.00 / 2.0 / 2.25 / 3.25	2.86
Cost increase rate for allowance payments	–	–
Mortality, invalidity, etc.	Based on Heubeck 2005G mortality tables	Based on Heubeck 2005G mortality tables
Abroad (weighted parameters)		
Actuarial interest rate	4.49	4.49
Increase in salaries	4.43	4.08
Increase in pensions	2.81	2.82
Mortality, invalidity, etc.	USA RP-2000, GB S1PMA Light / S1PFA light base tables with CMI 2013 projections basis LUX DAV 2004 R	
Inflation	3.48	3.10

(15) Other provisions

Other provisions are established in accordance with IAS 37 and IAS 19 for uncertain liabilities to third parties and anticipated losses on pending transactions if utilisation is likely and if its amount can be reliably determined. Provisions are measured as the best estimate. This is based on the assessment of management taking into account empirical values and, if necessary, experts reports or opinions. Risks and uncertainties are taken into account. Future events which may influence the amount required to meet an obligation are only included if there are objective indications of their occurrence. Provisions are discounted if the effect is material.

(16) Insurance business

Insurance business is recognised in current balance sheet and income statement items. Where these significant components of a balance sheet and income statement item refer to sector-specific insurance business, information is presented in the corresponding notes. Reference is made in particular to information in Notes (23), (29), (46), (53), and (55). Insurance company investments that fall within the scope of application of IAS 39 are recognised in accordance with accounting policies which apply for the entire Group. Investments for the account and risk of holders of life insurance policies are reported at fair value through profit or loss.

In accordance with IFRS 4.13, insurers may temporarily report insurance items in accordance with the previously applied accounting regulations. Provisions relating to insurance are therefore reported and measured in accordance with commercial law in keeping with IFRS 4.25. For consolidated insurers this law is German commercial law, and in particular §§ 341 to § 341p of the German Commercial Code (Handelsgesetzbuch, HGB), the German Law Regulating Insurance Companies (Versicherungsaufsichtsgesetz, VAG) and the German Insurance Accounting Ordinance (Versicherungsunternehmens-Rechnungslegungsverordnung, RechVersV). Unlike under the German Commercial Code, an equalisation provision or similar provision is not allowed to be made under IFRSs.

The application of German accounting principles to measure insurance obligations in accordance with IFRS 4 also involves the principle of prudence. In this case, in the event of uncertainty concerning the amount of a value, the tendency is to include a conservative value instead of the most probable value. This ensures that when values are determined in accordance with German commercial law, liability adequacy tests in accordance with IFRS 4.14 (b) will already have been performed.

Premium surpluses for insurance business concluded directly have been calculated in accordance with the 360th system in accordance with the coordinate Ländererlass (state decree) of 9 March 1973. Reinsurer shares are taken from their calculation. Premium surpluses for insurance business taken over as reinsurance are assumed in accordance with the functions of the previous insurance company.

Actuarial reserves for insurance business concluded directly, including the relevant share in surpluses and the corresponding claims on policy holders, are calculated on an individual contract basis with implicitly calculated costs for each insurance contract. With the exception of unit-linked life insurance and annuity insurance policies, prospective methods are applied here. Calculations of bonus and administrative cost provisions for existing and new contracts are based on the same accounting principles as for the relevant primary insurance policy. The biometric accounting principles employed have been derived from Deutsche Aktuarvereinigung e.V. (German Association of Actuaries) and comply with requirements of the General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz, AGG).

In insurance business concluded directly, individual provisions for outstanding insurance claims are created for each reported insurance claim and adjusted if necessary if new findings are made. Long-tail claims are reported globally on the basis of statistical measurement methods. Reinsurer shares were taken over from their calculation. A corresponding provision is established for redemptions in the case of paid-up and cancelled insurance policies. The provision for business assumed as reinsurance is reported in accordance with the functions of the previous insurance company. Some of the values stated are estimates due to the late submission of final accounts.

The provision for the reimbursement of premiums contains amounts which have been provided for future distribution to policy holders in accordance with the law or the statutes. Calculations for final surplus share funds contained in provisions for the reimbursement of insurance contributions are prospective and have all been calculated on an individual contract basis. Amounts resulting from temporary differences between conclusions according to IAS / IFRSs and those according to German commercial law are proportionately allocated to a deferred provision for the reimbursement of insurance contributions.

Insofar as the investment risk is borne by policy holders, the retrospective method is applied for calculating the value of insurance provisions in life insurance from the current investment units of the individual insurers in the corresponding item on "Investments for the account and risk of holders of life insurance policies".

Financial assets and liabilities specific to insurance held in the NORD/LB Group are accounted for in accordance with IFRS 4. These are net deposit receivables and payables from lending and deposit reinsurance business, amounts receivable and amounts payable from reinsurance business and amounts receivable and amounts payable under direct insurance contracts. These items are recognised at their settlement value. Any allowances required for receivables from insurance business concluded directly are reported in risk provisioning.

(17) Income taxes

Current income tax assets and tax liabilities were calculated at currently valid tax rates to the amount expected to be received from/paid to the respective tax authority or to the amount of tax refunds expected to be received from the respective tax authority.

Deferred tax assets and tax liabilities are calculated on the basis of the difference between the carrying amount of an asset or a liability in the balance sheet and the corresponding tax value. In this case, deferred tax assets and tax liabilities will probably result in effects which increase or reduce income tax in future periods due to temporary differences. They were measured on the basis of tax rates expected to be valid in the period in which an asset is realised or an obligation is met. In this case tax rates (and tax regulations) which are valid for individual companies on the balance sheet date or which have been resolved by the reporting date are applied.

Deferred tax income for carrying forward tax losses not yet utilised and tax credits not yet utilised is only reported to the extent that it is probable that taxable future income will be available for applying tax losses not yet utilised and tax credits not yet utilised.

Current income tax assets and tax liabilities as well as deferred tax assets and tax liabilities are offset when requirements for offsetting are met. They are not discounted. Depending on the treatment of the underlying circumstances, deferred tax assets and tax liabilities are reported either in the income statement or in other comprehensive income.

Income tax assets and income tax liabilities are shown separately in the balance sheet and separated into actual and deferred assets and liabilities for the year under review. The carrying amount of deferred tax asset is reviewed for recoverability as at every balance sheet date.

Taxes on earnings or income tax proceeds are recognised in the income tax item in the consolidated income statement.

(18) Subordinated capital

The subordinated capital item comprises secured and unsecured subordinated liabilities, participatory capital and silent participations. The NORD/LB Group's silent participations are mostly classified as debt in accordance with regulations specified in IAS 32 due to contractual cancellation rights; under the German Commercial Code silent participations always qualify as equity. For regulatory purposes in accordance with the German Banking Act (Kreditwesengesetz, KWG), they are primarily recognised as liable equity.

Subordinated capital is reported at amortised cost. Premiums and discounts are distributed over the term in accordance with the effective interest method and recognised in the income statement under net interest income. Deferred interest not yet due is allocated directly to the corresponding items in subordinated capital.

Segment Reporting

The segment reporting provides information on the operational business segments of the Group. The segment reporting below is based on IFRS 8 “Operating segments”, which follows the “management approach”. The segment information is presented in the IFRSs on the basis of internal reporting in the same way that it is reported internally on a regular basis for assessing performance and making decisions on the allocation of resources to the segments. In the segment reporting adjustments of figures for the previous year are taken into account (cf. Note (2) Adjustment of figures for the previous year). In addition to this, previous year’s figures have been reallocated due to overhead costs and the income from financing from tied-up equity being distributed to the business segments from 2013 (see below). The allocation of overheads and the income from financing from tied-up equity increases the focus on the actual income and cost performance of the business model, as the earnings from the business segments is compared with the operational costs of the bank. At the same time the burden on Group Controlling / Others segment is eased and results transparency is improved.

Segment reporting by business segment

The segments are defined as customer or product groups which reflect the organisational structures and therefore the internal control of the Group. Calculations are based on the internal data of Group member companies. The internal control focuses on the operational units’ earnings before tax.

An important criterion for the formation of segments is the greatest possible homogeneity of the customers aggregated in the segment in relation to financing and investment requirements and the products demanded. It is not possible to recognise dependencies on individual customers. The product ranges offered in the segments are described below and the earnings generated are shown in the overview. The product range offered comprises classical lending business and syndicate business, savings and giro products, securities, currency and derivative transactions, complex structured financing solutions, private banking products, liquidity and risk management, mergers and acquisitions, services such as accounting management, payment transactions, securities business, brokering, documentary business, credit processing, sureties, guarantees and advisory services for asset management.

Net interest income generated by the individual segments is calculated on the basis of the market interest rate method. In the process the contribution from the interest rate conditions for each customer transaction is calculated by comparing the customer conditions with the structure-congruent market interest rate for a fictitious counter transaction applicable at the time the transaction is completed. This market interest rate is at the same time the cost value for the Treasury Division’s balancing provision. Therefore interest income and interest expenses are not reported gross. From 2013 the income from financing from tied-up equity is allocated to the market segments (the previous year’s figures were adjusted).

In the bank every interest-bearing customer transaction is allocated to the balancing provision of the Treasury Division as the central planning division. There are no direct business relations between the market divisions in the bank. Therefore inter-segment earnings are not included in the internal reporting.

Segment expenses comprise primary expenses, expenses allocated on the basis of cost and service allocations and the overhead costs allocated from 2013 (previous year adjusted). Risk provisioning are allocated to segments on the basis of actual costs incurred. Overall bank revenue, such as general loan loss provisions and profit / loss from hedge accounting and overhead costs, is not allocated to the operational profit centres of the bank but to the segment “Group Controlling / Others”.

In addition to figures relating to the statement of comprehensive income, the segment report also shows risk-weighted assets to be allocated on the basis of the regulatory provisions of Basel II including shortfall, segment assets and liabilities, committed capital, the cost income ratio (CIR) and return on equity (RoE). The CIR is defined as the ratio between administrative expenses and the sum total of the following earnings items: net interest income, net commission income, profit / loss from financial instruments 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.

RoRaC (Return on Risk adjusted Capital) calculations in the segments include the contribution to income after risk provisions and valuation on committed capital (here 8 per cent of the higher value of the RWA limits and the amount called on).

In order to consider the increased equity requirements, since 2013 a capital securitisation level of 8 per cent (7 per cent) of risk-weighted assets applies for calculating committed capital in the segments. These are based on the provisions of the German Solvency Regulation (Solvabilitätsverordnung, SolvV). Capital tied up in the segments is calculated on the basis of average annual figures. The reconciliation figure for the tied-up capital reported in the segments and the long-term equity in the Group in accordance with commercial law is included in the segment reconciliation. A transfer from long-term equity under commercial law to equity reported in the balance sheet is shown separately at the end of the segment overview.

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

Private and commercial customers

As well as business with private, individual, commercial and small-business customers, this business segment includes middle-market corporate customer business in the Braunschweig region. This segment also includes the business conducted by Öffentliche Lebensversicherung Braunschweig and Öffentliche Sachversicherung Braunschweig.

The product range for the business segment Private and Commercial Customers is based on the savings bank finance concept and comprises all of the usual banking services and products for account and lending business, savings and investment business and the provision of internet banking and direct brokerage. Extended services for wealthy private customers range from the integrated advisory approach of asset structure analysis, financial planning, asset succession and inheritance and foundation management. The product range also includes investment loans and start-up advice for the middle-market company business.

Corporate customers & markets

The business segment includes, for the Corporate Customers Division, all of the NORD/LB business conducted with corporate customers in the core regions (excluding the Altes Braunschweiger Land region) and in neighbouring regions, and in particular Agricultural Banking and Residential Housing. The Markets Division covers the Financial Markets activities performed in Germany, the foreign branches and in the Group companies on behalf of customers. The Savings Bank Network Division covers transactions with the public sector; institutional business with associated savings banks and syndicated business transacted with associated savings banks are reported.

As a full-service provider, banking products and banking services are offered. The services include traditional transaction management, tailored business financing, management of interest and currency risk and solutions for company pension schemes. In the segment comprehensive solutions are developed for complex business financing and for the strategic positioning of corporate customers. This Division also provides its customers with a professional, conceptual liquidity and risk management, measures for the structuring of equity and innovative financing instruments.

Alternative products which are detached from retail banking including derivatives are also offered, e. g. special kinds of debt securities which are not standardised in respect of their interest and repayment, but instead offer alternatives in respect of returns and the type or time of repayment (structured securities). In the secondary business all kinds of securities are sold and traded. Tailored solutions for institutional customers such as for example the structuring of special funds, pool funds solutions, portfolio management mandates and institutional public funds are also offered.

The product range also includes private banking products for the savings banks, such as investment products in the form of for example open or closed funds with assets in German or foreign real estate, ships or aircraft, products for individual asset management or inheritance or foundation management, which the savings banks require as direct customers for their own trading business or to complete their product range in their own business with private or corporate customers.

In the **Energy and Infrastructure Customers, Ship and Aircraft Customers and Real Estate Banking Customers segments** traditional lending products and innovative products are generally offered irrespective of the respective industry. This primarily concerns financing for specific purposes.

Energy and infrastructure customers

This segment summarises the global business relations of the Group companies NORD/LB and Bremer Landesbank in the Infrastructure, Energy (in particular renewable energy) and Leasing divisions. Primarily project financing which is related to a specific project or asset is offered and accordingly tailored to meet the respective individual need. The structure of this financing is developed taking into account the respective political and economic risks, legal and task factors, social determinants and optimal equity structures. The aim is to tailor project requirements and cash flows to the respective customers.

Ship and aircraft customers

In this segment the national and international activities of NORD/LB and Bremer Landesbank in ship and aircraft financing are reported. The customers of the Ship and Aircraft Customers segment are offered short to long-term financing, such as equity pre-financing, interim finance, construction period finance (short and medium term) and financing to completion (long term). Ships or aircraft are financed by the provision of loans or guarantees on a property-related and normally property-secured basis. Products such as for example swap, option, future or forward transactions complete the product range.

Real estate banking customers

Here NORD/LB and Deutsche Hypo's national and international financing of commercial real estate and Bremer Landesbank's financing of community interest properties are aggregated. This normally concerns structured financing for large-volume commercial real estate projects and portfolios in Germany and abroad. Both interim finance for new construction projects and long-term loans for existing properties are offered.

Group controlling / others

This business segment covers all other performance data directly related to the business activity such as Group companies not included in the business segments, components of comprehensive income at Group level which are not allocated to the business segments, general loan loss provisions, the profit / loss from other financial instruments (in particular from central valuation effects), financial assets and hedge accounting, projects covering the entire bank; consolidation items; profit / loss from interest rate change risk control, balancing provision, liquidity management and self-induced assets (in particular Treasury and Bank Asset Allocation). Other operating profit / loss includes the bank levy.

Earnings after taxes in Group Controlling / Others totalled € –179 million in 2013.

Positive contributions were made by net interest income in the amount of € 198 million, and in particular approx. € 214 million from Financial Markets activities recorded here, € 71 million from interest income not allocated to the business segments, € –29 million from other Group companies and € –59 million from consolidations. Also recognised in this business segment under loan loss provisions are allocations to general loan loss provisions in the amount of approx. € 59 million.

Net commission income, in particular from other Group companies and consolidation effects, had a negative effect in the amount of € –23 million. The profit / loss from hedge accounting also had a negative effect in the amount of € –10 million. The profit / loss from financial instruments at fair value is negative in the amount of € 13 million due in particular to the central valuation effects reported here; positive factors such as interest-rate and credit-rating-induced valuation effects valuation effects with derivatives almost compensated for the negative impact of the narrowing of the USD / EUR base spread for currency derivatives and valuation losses in the fair value option following the improvement in NORD/LB's own credit spread.

Also reported in this business segment are the effects from the profit / loss from financial assets (€ 16 million, in particular from the sale of AfS items) and the profit / loss from investments accounted for using the equity method (€ 33 million). Regarding other operating profit / loss (€ 61 million), the contributions from other Group companies (€ 76 million) and the proceeds from sales in the Treasury Division (€ 59 million) cannot compensate for the consolidation items and the bank levy (total of € –73 million).

Administrative expenses in this business segment total € 271 million. Administrative expenses in this segment result in the amount of € 102 million from the Financial Markets activities reported here and € 46 million from other Group companies. Further administrative expenses (€ 214 million) in this business segment are for projects covering the entire bank and non-allocated service centre costs. This was offset in part by consolidations in the amount of approx. € –91 million.

Furthermore, in 2013 reorganisation expenses (€ 38 million) and expenses related to public guarantees for reorganisation (€ 69 million) were incurred.

Reconciliations

Here the reconciliation items from internal accounting for the consolidated figures in the income statement are shown as well as reclassifications of profit and loss items that are reported differently in the internal reporting to in the external reporting. The shortfall in the regulatory capital requirement is converted into risk-weighted assets within internal reporting and assigned to the operational units; the adjustment item resulting from the regulatory risk-weighted assets report flows into the reconciliation.

(19) Segment reporting by business segment

1 Jan.–31 Dec. 2013 / 31 Dec. 2013 (in € million)	Private and Commercial Customers	Corporate Customers & Markets	Energy and Infrastructure Customers	Ship and Aircraft Customers	Real Estate Banking Customers	Group Management / Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	286	495	159	489	258	198	45	1 931
Loan loss provisions	– 2	45	8	678	79	64	– 26	846
Net interest income after loan loss provisions	**288**	**450**	**151**	**– 188**	**180**	**134**	**71**	**1 085**
Net commission income	31	103	56	34	4	– 23	– 43	163
Profit / loss from financial instruments at fair value through profit or loss	3	55	12	23	17	– 13	– 14	83
Profit / loss from hedge accounting	–	–	–	–	–	– 10	–	– 10
Profit / loss from financial assets	13	–	–	–	–	16	– 18	11
Profit / loss from investments accounted for using equity method	–	–	–	–	–	33	–	33
Administrative expenses	329	285	79	115	74	271	13	1 166
Other operating profit / loss	32	8	4	5	–	61	– 41	69
Profit / Loss before reorganisation and taxes	**38**	**332**	**144**	**– 242**	**128**	**– 72**	**– 59**	**268**
Reorganisation expenses	–	–	–	–	–	– 38	–	– 38
Expenses for public guarantees related to reorganisation	–	–	–	–	–	69	–	69
Earnings before taxes (EBT)	**38**	**332**	**144**	**– 242**	**128**	**– 179**	**– 59**	**161**
Taxes	–	–	–	–	–	–	– 85	– 85
Consolidated profit	**38**	**332**	**144**	**– 242**	**128**	**– 179**	**25**	**245**
Segment assets	10 801	65 457	14 047	26 335	16 374	67 605	226	200 845
of which: investments at equity	–	–	–	–	–	306	–	306
Segment liabilities	11 145	43 364	2 952	4 974	733	136 330	1 346	200 845
Risk-weighted assets	5 489	15 422	7 231	43 287	13 018	14 156	– 30 109	68 494
Capital employed [1]	462	1 237	578	3 463	1 041	1 106	– 66	7 822
CIR	93,6 %	43,0 %	34,4 %	20,9 %	26,3 %			51,4 %
RoRaC / RoE [2]	8,2 %	19,8 %	19,1 %	– 7,0 %	10,1 %			2,1 %

1 Jan.–31 Dec. 2012 / 31 Dec. 2012 (in € million)	Private and Commer-cial Customers	Corporate Customers & Markets	Energy and Infra-structure Customers	Ship and Aircraft Customers	Real Estate Banking Customers	Group Manage-ment / Others	Recon-ciliations	NORD/LB Group
Net interest income before loan loss provisions	283	500	167	510	268	143	88	1 959
Loan loss provisions	1	87	30	500	132	– 153	1	598
Net interest income after loan loss provisions	**282**	**413**	**137**	**9**	**136**	**295**	**88**	**1 360**
Net commission income	25	94	51	57	13	– 25	– 48	168
Profit / loss from financial instruments at fair value through profit or loss	12	112	3	11	4	– 284	20	– 123
Profit / loss from hedge accounting	–	–	–	–	–	10	– 9	1
Profit / loss from financial assets	10	–	–	–	–	– 16	–	– 5
Profit / loss from investments accounted for using equity method	–	–	–	–	–	– 14	–	– 14
Administrative expenses	324	274	77	103	76	295	9	1 158
Other operating profit / loss	9	7	4	– 2	1	– 65	– 53	– 99
Profit / Loss before reorganisation and taxes	**15**	**353**	**119**	**– 29**	**77**	**– 393**	**– 11**	**131**
Reorganisation expenses	–	–	–	–	–	– 34	–	– 34
Expenses for public guarantees related to reorganisation	–	–	–	–	–	19	–	19
Earnings before taxes (EBT)	**15**	**353**	**119**	**– 29**	**77**	**– 446**	**– 11**	**79**
Taxes	–	–	–	–	–	–	– 4	– 4
Consolidated profit	**15**	**353**	**119**	**– 29**	**77**	**– 446**	**– 7**	**82**
Segment assets	11 798	65 459	14 745	27 780	18 308	84 838	2 622	225 550
of which: investments at equity	–	–	–	–	–	318	–	318
Segment liabilities	10 917	48 175	3 098	4 261	905	155 114	3 080	225 550
Risk-weighted assets	5 641	15 686	8 062	37 736	16 768	14 101	– 20 133	77 863
Capital employed [1]	411	1 100	564	2 642	1 174	969	853	7 712
CIR	98,3 %	38,4 %	34,0 %	18,0 %	26,7 %			61,2 %
RoRaC / RoE [2]	3,6 %	25,9 %	18,3 %	– 1,1 %	6,3 %			1,0 %

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

(in € million)	31 Dec. 2013	31 Dec. 2012
Long-term equity under commercial law	7 822	7 712
Revaluation reserve	122	– 95
Silent participations in reported equity	245	82
Reported equity	**8 190**	**7 700**

[2] Business segment RoRaC:
earnings before taxes / committed core capital;
(8 per cent (7 per cent) of the higher value
of the RWA limit and the amount called on)

Group RoE:
earnings before taxes / long-term equity under commercial law
(= reported equity – revaluation reserve – earnings after taxes)

The tables may include minor differences that occur in the reproduction of mathematical operations.

(20) Breakdown by geographical regions

1 Jan.–31 Dec. 2013 / 31 Dec. 2013 (in € million)	Federal Republic of Germany	Europe excluding Germany	America	Asia	Consolida-tion	NORD/LB Group
Earnings before taxes (EBT)	– 28	88	68	49	– 17	161
Segment assets	200 116	27 729	4 547	4 223	– 35 771	200 845
Segment liabilities	202 135	26 704	4 547	4 223	– 36 765	200 845
Risk-weighted assets	61 533	7 343	2 130	1 517	– 4 029	68 494
Capital employed	7 380	587	170	121	– 437	7 822
CIR	55.1 %	43.3 %	34.0 %	23.0 %		51.4 %
RoRaC / RoE [1]	– 0.4 %	15.1 %	39.9 %	40.6 %		2.1 %

1 Jan.–31 Dec. 2012 / 31 Dec. 2012 (in € million)	Federal Republic of Germany	Europe excluding Germany	America	Asia	Consolida-tion	NORD/LB Group
Earnings before taxes (EBT)	– 128	119	111	53	– 77	79
Segment assets	230 608	29 920	5 526	4 133	– 44 637	225 550
Segment liabilities	230 608	29 920	5 526	4 133	– 44 637	225 550
Risk-weighted assets	69 643	7 312	3 298	1 735	– 4 125	77 863
Capital employed	7 249	512	231	121	– 401	7 712
CIR	64.5 %	28.5 %	28.6 %	20.4 %		61.2 %
RoRaC / RoE [1]	– 1.8 %	23.3 %	47.9 %	43.7 %		1.0 %

[1] By business segment RoRaC:
earnings before taxes / core capital employed
(8 per cent (7 per cent) of the higher value coming from RWA-Limit or usage amount)

For the Group RoE:
(earnings before taxes – interest expenses for silent participations
in reported equity) / long-term equity under commercial law
(= share capital + capital reserves + retained earnings + non-controlling interests –
silent participations in reported equity)

The tables may include minor differences that occur in the reproduction of mathematical operations.

Notes to the Income Statement

(21) Net interest income

The items interest income and interest expense comprise interest received and paid, deferred interest and pro rata reductions in premiums and discounts relating to financial instruments. Due to the fact that under certain circumstances silent participations are to be classified as liabilities under IAS 32, payments to silent partners are reported as interest expense.

	1 Jan.– 31 Dec. 2013 (in € million)	1 Jan.– 31 Dec. 2012 [1)] (in € million)	Change (in %)
Interest income			
Interest income from lending and money market transactions	4 190	4 798	– 13
Interest income from debt securities and other fixed-interest securities	973	1 271	– 23
Interest income from financial instruments at fair value			
Interest income from trading profit/loss and hedge accounting derivatives	4 067	5 730	– 29
Interest income from fair value option	50	64	– 22
Current income			
from shares and other non fixed-interest securities	12	9	33
from investments	11	40	– 73
Interest income from other amortisations	482	355	36
Other interest income and similar income	2	13	– 85
	9 787	**12 280**	**– 20**
Interest expense			
Interest expenses from lending and money market transactions	2 127	2 527	– 16
Interest expenses from securitised liabilities	1 107	1 605	– 31
Interest expenses from financial instruments at fair value			
Interest expenses from trading profit/loss and hedge accounting derivatives	3 646	5 274	– 31
Interest expenses from fair value option	323	324	–
Interest expenses from subordinated capital	229	245	– 7
Interest expenses from other amortisations	346	261	33
Interest expenses from provisions and liabilities	71	79	– 10
Other interest expenses and similar expenses	7	6	17
	7 856	**10 321**	**– 24**
Total	**1 931**	**1 959**	**– 1**

[1)] Some previous year's figures were adjusted as you can see at note (2) adjustment of figures for the previous year.

Interest income from lending and money market transactions includes interest income relating to impaired loans (unwinding) of € 77 million (€ 61 million).

The interest income includes € 5,646 million (€ 6,424 million) relating to income from financial instruments which are not measured at fair value through profit or loss. The interest expenses include € 3,809 million (€ 4,638 million) relating to expenses from financial instruments which are not measured at fair value through profit or loss.

(22) Loan loss provisions

	1 Jan. – 31 Dec. 2013 (in € million)	1 Jan. – 31 Dec. 2012 (in € million)	Change (in %)
Income from provisions for lending business			
Reversal of specific valuation allowances	336	299	12
Reversal of lumpsum specific loan loss provisions	10	13	– 23
Reversal of general loan loss provisions	25	175	– 86
Reversal of loan loss provisions	65	69	– 6
Additions to receivables written off	21	25	– 16
	457	**581**	**– 21**
Expenses for provisions for lending business			
Allocation to specific valuation allowances	1 030	939	10
Allocation to lumpsum specific loan loss provisions	5	5	–
Allocation to general loan loss provisions	80	44	82
Allocation to loan loss provisions	54	98	– 45
Direct write-offs of bad debts	134	92	46
Premium payments for credit insurance	–	1	– 100
	1 303	**1 179**	**11**
Total	**846**	**598**	**41**

(23) Net commission income

	1 Jan. – 31 Dec. 2013 (in € million)	1 Jan. – 31 Dec. 2012 (in € million)	Change (in %)
Commission income			
Lending and guarantee business	106	127	– 17
Account management and payment transactions	41	41	–
Trust activities	5	10	– 50
Security transactions and custody service	36	29	24
Brokerage business	31	30	3
Insurance business	8	8	–
Other commission income	43	32	34
	270	**277**	**– 3**
Commission expense			
Lending and guarantee business	19	17	12
Account management and payment transactions	2	2	–
Trust activities	–	4	– 100
Security transactions and custody service	23	21	10
Brokerage business	9	5	80
Insurance business	32	31	3
Other commission expenses	22	29	– 24
	107	**109**	**– 2**
Total	**163**	**168**	**– 3**

Commission income includes earnings from financial instruments which are not measured at fair value in the amount of € 183 million (€ 197 million). Commission expenses include expenses from financial instruments which are not measured at fair value in the amount of € 45 million (€ 40 million).

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

	1 Jan. – 31 Dec. 2013 (in € million)	1 Jan. – 31 Dec. 2012 (in € million)	Change (in %)
Trading profit / loss			
Profit / loss from debt securities and other fixed-interest securities	– 66	123	> 100
Profit / loss from shares and other non fixed-interest securities	4	2	100
Profit / loss from derivatives	– 80	304	> 100
Interest-rate risks	– 130	200	> 100
Currency risks	– 108	– 243	– 56
Share-price and other price risks	57	63	– 10
Credit derivatives	101	284	– 64
Profit / loss from receivables held for trading	– 41	78	> 100
Profit / loss from other trading activities	2	–	–
	– 181	**507**	**> 100**
Foreign exchange result	39	8	> 100
Other income	6	2	> 100
	– 136	**517**	**> 100**
Profit / loss from the fair value option			
Profit / loss from receivables to customers and banks	– 13	12	> 100
Profit / loss from debt securities and other fixed-interest securities	– 45	– 29	55
Profit / loss from shares and other non fixed-interest securities	1	1	–
Profit / loss from liabilties to banks and customers	383	– 299	> 100
Profit / loss from securitised liabilties	– 108	– 325	– 67
Profit / loss from subordinated capital	1	–	–
	219	**– 640**	**> 100**
Total	**83**	**– 123**	**> 100**

Commission income from trading activities in the amount of € 6 million (€ 2 million) is reported under other income.

(25) Profit/loss from hedge accounting

The profit/loss from hedge accounting includes fair value adjustments relating to the hedged risk of an underlying transaction and offset fair value adjustments to hedge instruments in effective fair value hedge relationships.

	1 Jan.– 31 Dec. 2013 (in € million)	1 Jan.– 31 Dec. 2012 (in € million)	Change (in %)
Profit/loss from micro fair value hedges			
from hedged underlying transactions	– 395	– 106	> 100
from derivatives employed as hedging instruments	373	70	> 100
	– 22	**– 36**	**– 39**
Profit/loss from portfolio fair value hedges			
from hedged underlying transactions	136	– 385	> 100
from derivatives employed as hedging instruments	– 124	422	> 100
	12	**37**	**– 68**
Total	**– 10**	**1**	**> 100**

(26) Profit/loss from financial assets

Shown in the profit/loss from financial assets are profits/losses from disposals and estimated profits/losses relating to securities and company shares in the financial asset portfolio.

	1 Jan.– 31 Dec. 2013 (in € million)	1 Jan.– 31 Dec. 2012 (in € million)	Change (in %)
Profit/loss from financial assets classified as LaR	**– 12**	**– 2**	**> 100**
Profit/loss from financial assets classified as AfS (excluding investments)			
Profit/ loss from the disposal of			
debt securities and other fixed-interest securities	50	34	47
shares and other non fixed-interest securities	18	13	38
Other financial assets classified as AfS	– 2	– 2	–
Profit/loss from allowances for losses on			
debt securities and other fixed-interest securities	–	– 2	100
shares and other non fixed-interest securities	– 14	– 6	> 100
Other financial assets classified as AfS	– 4	– 16	– 75
	48	**21**	**> 100**
Profit/loss from shares in companies (not consolidated)	**– 25**	**– 24**	**4**
Total	**11**	**– 5**	**> 100**

(27) Profit / loss from investments accounted for using the equity method

The profit / loss from investments accounted for using the equity method is summarised below. It shows the contributions to earnings of joint ventures and associated companies accounted for using the equity method.

	1 Jan.– 31 Dec. 2013 (in € million)	1 Jan.– 31 Dec. 2012 (in € million)	Change (in %)
Shares in joint ventures			
Earnings	2	3	– 33
	2	**3**	**– 33**
Shares in associated companies			
Earnings	37	41	– 10
Expenses	6	58	– 90
	31	**– 17**	**> 100**
Total	**33**	**– 14**	**> 100**

(28) Administrative expenses

	1 Jan.– 31 Dec. 2013 (in € million)	1 Jan.– 31 Dec. 2012 (in € million)	Change (in %)
Staff expenses			
Wages and salaries	490	492	–
Social insurance contributions	68	68	–
Expenditure on pension schemes and other benefits	52	37	41
Other staff expenses	6	6	–
	616	**603**	**2**
Other administrative expenses			
Costs for IT and communications	237	215	10
Building occupancy costs	48	45	7
Expenses for marketing, communications and entertainment	28	48	– 42
Personnel-related material expenses	22	25	– 12
Costs for legal, auditing, appraisal and consulting services	67	64	5
Levies and contributions	18	20	– 10
Expenses for operating and office equipment	6	6	–
Other services	9	9	–
Other administrative expenses	37	34	9
	472	**466**	**1**
Amortisation and depreciation			
Property and equipment	39	45	– 13
Intangible assets	37	42	– 12
Investment properties	2	2	–
	78	**89**	**– 12**
Total	**1 166**	**1 158**	**1**

Included under staff expenses are expenses for defined contribution plans in the amount of € 52 million (€ 37 million).

(29) Other operating profit / loss

	1 Jan.– 31 Dec. 2013 (in € million)	1 Jan.– 31 Dec. 2012 (in € million)	Change (in %)
Other operating income			
from the reversal of provisions	327	269	22
from insurance business	540	497	9
from other business	226	183	23
	1 093	**949**	**15**
Other operating expenses			
from allocation to provisions	455	441	3
from insurance business	344	315	9
from other business	225	292	– 23
	1 024	**1 048**	**– 2**
Total	**69**	**– 99**	**> 100**

Earnings from the reversal of provisions and expenses from allocation to provisions primarily concern provisions relating to insurance business.

Other operating income from insurance business is primarily the result of premium income (€ 427 million (€ 417 million)) and earnings from reinsurance contracts (€ 83 million (€ 50 million)).

Earnings from other business includes earnings from the disposal of receivables (€ 84 million (€ 54 million)), earnings from the redemption of debt securities (€ 41 million (€ 2 million)), earnings from the chartering of ships relating to restructuring commitments in lending business (€ 35 million (€ 42 million)), rental income from investment property (€ 11 million (€ 10 million)), reimbursements of costs (€ 10 million (€ 11 million)) and earnings from the disposal of property and equipment (€ 0 million (€ 25 million)).

Other operating expenses from insurance business mainly comprise indemnity expenses (€ 284 million (€ 258 million)) and expenses from reinsurance business (€ 50 million (€ 49 million)).

Expenses from other business essentially comprise expenses from the redemption of debt securities (€ 47 million (€ 38 million)), expenses from the disposal of other liabilities (€ 32 million (€ 0 million)), expenses to generate charter income from ships (€ 27 million (€ 23 million)), expenses from other taxes (€ 14 million (€ 3 million)), expenses from the transfer of losses (€ 8 million (€ 7 million) and expenses from the disposal of receivables (€ 5 million (€ 99 million)). The expenses from other business also include an amount of € 37 million (€ 37 million) provided for the bank levy set by the Restructuring Fund Act (Restrukturierungsfonds-Verordnung).

The expenses from other business also include unscheduled depreciation in the amount of € 0 million (€ 44 million). The previous year’s figure was the result of a fall in the market value of ships due to the crisis in the shipping market.

(30) Reorganisation expenses

Reorganisation expenses relate to measures aimed at securing the long-term future and maintaining the competitiveness of the NORD/LB Group, with its material costs and staff expenses being reported separately due to their importance. The need for reorganisation is related to the efficiency improvement programme launched in 2011 and a capital-boosting programme which is the result of EU requirements. The reorganisation expenses include in the amount of € 35 million (€ 27 million) expenses from the allocation made to reorganisation provisions for contracted agreements already concluded concerning the termination of contracts of employment. They also include in the amount of € 3 million (€ 5 million) expenses from projects that aim to achieve significant cost synergies.

(31) Expenses for public guarantees related to reorganisation

Expenses for public guarantees related to reorganisation concern the NORD/LB Group's capital-boosting programme. The reported amount of € 69 million (€ 19 million) is mainly attributable to the payment of a premium for a guarantee provided by the states of Lower Saxony and Saxony-Anhalt.

(32) Income taxes

	1 Jan.– 31 Dec. 2013 (in € million)	1 Jan.– 31 Dec. 2012 (in € million)	Change (in %)
Current taxes on income and earnings			
Tax expenses / income for the current year	81	112	– 28
Tax expenses / income for previous years	– 61	– 9	> 100
	20	**103**	**– 81**
Deferred taxes			
Deferred taxes due to the accrual / reversal of temporary differences and tax losses / tax credits not previously considered	– 122	– 94	30
Deferred taxes due to changes in tax legislation / tax rates	3	– 4	> 100
Deferred taxes due to temporary differences in previous periods not previously considered	15	– 9	> 100
	– 104	**– 107**	**– 3**
Total	**– 84**	**– 4**	**> 100**

The current tax expenses for the current financial year are reduced by € 25 million (€ 36 million) due to the utilisation of tax losses previously not considered. Deferred taxes include earnings from tax losses previously not considered, tax credits and temporary differences of € 90 million (€ 51 million).

The following tax reconciliation statement shows an analysis of the difference between the expected income taxes which would result from applying the German income tax rate to earnings before tax in accordance with IFRS and the income taxes actually reported.

(in € million)	1 Jan.– 31 Dec. 2013	1 Jan.– 31 Dec. 2012
IFRS earnings before taxes	**161**	**78**
Anticipated income tax expenditure	51	25
Effects of reconciliation:		
Effects of differing tax rates	– 7	– 2
Taxes from previous years reported in the reporting period	– 46	– 18
Effects of changes in tax rates	3	– 2
Non-creditable income taxes	1	2
Non-deductible operational expenditure	22	47
Effects of tax-free earnings	– 37	– 27
Effect of permanent accounting-related effects	– 2	– 6
Effects of write-ups/write-downs/recognition adjustments	– 82	– 44
Other effects	13	21
Reported income tax expenses	**– 84**	**– 4**

Anticipated income tax expenditure in the tax reconciliation statement is calculated on the basis of the corporation tax rate of 15 per cent plus a solidarity surcharge of 5.5 per cent and the average trade tax rate of approximately 15.6 per cent, as valid in Germany in 2013. The income tax rate for Germany is therefore 31.5 per cent (31.5 per cent).

The deferred taxes of the Group entities in Germany are measured using the tax rate applicable as at or the future tax rate applicable as at the balance sheet date of 31.5 per cent (31.5 per cent).

Effects resulting from deviating tax rates are caused by differing tax rates in each country. The effects of write-ups/write-downs/recognition adjustments also include effects from the subsequent increase or decrease in the recognition of losses carried forward.

Notes to the Statement of Comprehensive Income

Income tax effects fall upon the individual components of other comprehensive income as follows:

(in € million)	1 Jan.– 31 Dec. 2013 Amount before taxes	1 Jan.– 31 Dec. 2013 Income tax effect	1 Jan.– 31 Dec. 2013 Amount after taxes	1 Jan.– 31 Dec. 2012 Amount before taxes	1 Jan.– 31 Dec. 2012 Income tax effect	1 Jan.– 31 Dec. 2012 Amount after taxes
Revaluation of the net liability from defined benefit pension plans	73	– 23	50	– 500	174	– 326
Changes in value for investments accounted for using the equity method recognised directly in equity	– 27	–	– 27	40	–	40
Increase/decrease from available for sale (AfS) financial instruments	345	– 82	263	846	– 305	541
Translation differences of foreign business units	– 36	–	– 36	– 2	–	– 2
Other	**355**	**– 105**	**250**	**384**	**– 131**	**253**

Notes to the Balance Sheet

(33) Cash reserve

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Cash on hand	146	214	– 32
Balances with central banks	1 165	451	> 100
Total	**1 311**	**665**	**97**

Of the balances with central banks, € 775 million (€ 103 million) are credit balances with Deutsche Bundesbank.

(34) Loans and advances to banks

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
German banks	4 415	5 804	– 24
Foreign banks	2 172	2 606	– 17
	6 587	**8 410**	**– 22**
Other loans and advances			
German banks			
Due on demand	1 253	1 621	– 23
With a fixed term or period of notice	15 803	19 850	– 20
Foreign Banks			
Due on demand	1 823	2 488	– 27
With a fixed term or period of notice	2 015	2 009	–
	20 894	**25 968**	**– 20**
Total	**27 481**	**34 378**	**– 20**

(35) Loans and advances to customers

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Loans and advances to customers			
Domestic customers	1 846	2 822	– 35
Customers abroad	14	28	– 50
	1 860	**2 850**	**– 35**
Other loans and advances			
Domestic customers			
Due on demand	3 296	3 168	4
With a fixed term or period of notice	75 896	79 050	– 4
Customers abroad			
Due on demand	431	359	20
With a fixed term or period of notice	26 178	29 150	– 10
	105 801	**111 727**	**– 5**
Total	**107 661**	**114 577**	**– 6**

(36) Risk provisioning

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Specific valuation allowance			
Domestic customers	1 422	1 163	22
Customers abroad	334	330	1
	1 756	**1 493**	**18**
Lumpsum specific loan loss provisions			
Domestic customers	14	19	– 26
	14	**19**	**– 26**
General loan loss provisions			
German banks	1	2	– 50
Foreign banks	2	1	100
Domestic customers	382	383	–
Customers abroad	93	51	82
	478	**437**	**9**
Total	**2 248**	**1 949**	**15**

Risk provisioning recognised on the asset side and loan loss provisions developed as follows:

	Specific valuation allowances		Lumpsum specific loan loss provisions		General loan loss provisions		Loan loss provisions		Total	
(in € million)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
1 January	**1 493**	**1 159**	**19**	**28**	**437**	**580**	**136**	**113**	**2 085**	**1 880**
Allocations	1 030	939	5	5	80	44	54	98	1 169	1 086
Reversals	336	299	10	13	25	175	65	69	436	556
Utilisation	343	250	–	1	–	–	–	–	343	251
Unwinding	– 77	– 63	–	–	–	–	–	– 1	– 77	– 64
Effects of changes of foreign exchange rates and other changes	– 11	7	–	–	– 14	– 12	– 1	– 5	– 26	– 10
31 December	**1 756**	**1 493**	**14**	**19**	**478**	**437**	**124**	**136**	**2 372**	**2 085**

(37) Balancing items for hedged financial instruments

This item includes the fair value adjustments to assets attributable to the hedged risk, for which there is a fair value hedge portfolio.

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

This item contains the trading assets (HfT) and financial assets designated at fair value (DFV).

The trading activities of the Group comprise trading in debt securities and other fixed-interest securities, shares and other non fixed-interest securities and derivative financial instruments which are not used for hedge accounting.

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Trading assets			
Debt securities and other fixed-interest securities			
Money market instruments			
issued by other borrowers	10	16	– 38
Bonds and debt securities			
issued by public-sector borrowers	918	996	– 8
issued by other borrowers	2 623	1 808	45
	3 541	**2 804**	**26**
Shares and other non fixed-interest securities			
Shares	46	26	77
Investment certificates	–	1	– 100
	46	**27**	**70**
Positive fair values from derivatives			
Interest-rate risks	5 698	10 771	– 47
Currency risks	723	953	– 24
Share-price and other price risks	169	61	> 100
Credit derivatives	13	18	– 28
	6 603	**11 803**	**– 44**
Trading portfolio claims	2 320	1 783	30
Other trading assets	–	– 1	– 100
	12 520	**16 432**	**– 24**
Financial assets as at fair value through profit or loss			
Loans and advances to banks and customers	246	365	– 33
Debt securities and other fixed-interest securities	765	1 112	– 31
Shares and other non fixed-interest securities	10	11	– 9
	1 021	**1 488**	**– 31**
Total	**13 541**	**17 920**	**– 24**

For receivables designated at fair value in the amount of € 246 million (€ 366 million) there is a maximum default risk of € 246 million (€ 366 million).

The change in the fair value, which is attributable to changes in the credit risk of receivables designated at fair value, amounts to € 0 million (€ 2 million) in the period under review; the cumulative change is € 4 million (€ 4 million).

The credit-risk-induced change in fair value is calculated on the basis of considering the difference between two fair values, which are calculated on the basis of market data applicable at the start of the year. This difference is solely the result of the change in the relevant spread curves which takes place during the course of the financial year.

(39) Positive fair values from hedge accounting derivatives

This item includes positive fair values of hedging instruments in effective micro fair value hedges and portfolio fair value hedges.

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Micro fair value hedge derivatives	2 116	3 073	– 31
Portfolio fair value hedge derivatives	1 756	1 851	– 5
Total	**3 872**	**4 924**	**– 21**

(40) Financial assets

The balance sheet item financial assets includes all the debt securities and other fixed-interest securities classified as available for sale (AfS), shares and other non fixed-interest securities, shares in companies which are not measured in accordance with IAS 27, IAS 28 or IAS 31 and financial assets classified as loans and receivables (LaR).

Holdings in the equity of other companies and silent participations and participatory capital with loss sharing are allocated to the category (AfS).

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Financial assets classified as LaR	**3 117**	**3 830**	**– 19**
Debt securities and other fixed-interest securities			
issued by public-sector borrowers	1 450	1 842	– 21
issued by other borrowers	1 667	1 988	– 16
	3 117	**3 830**	**– 19**
Financial assets classified as AfS	**43 926**	**48 593**	**– 10**
Debt securities and other fixed-interest securities			
issued by public-sector borrowers	18 024	19 840	– 9
issued by other borrowers	24 893	27 768	– 10
	42 917	**47 608**	**– 10**
Shares and other non fixed-interest securities			
Shares	385	291	32
Investment certificates	138	150	– 8
Participation certificates	13	13	–
	536	**454**	**18**
Shares in companies (not consolidated)	348	384	– 9
Other financial assets classified as AfS	125	147	– 15
	43 926	**48 593**	**– 10**
Total	**47 043**	**52 423**	**– 10**

(41) Investments accounted for using the equity method

The shares in joint ventures in terms of IAS 31 and associated companies in terms of IAS 28 accounted for using the equity method are broken down as follows:

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Joint ventures			
Financial institutions	26	27	– 4
Affiliated companies			
Banks	144	161	– 11
Other entities	136	130	5
	280	**291**	**– 4**
Total	**306**	**318**	**– 4**

The development of investments accounted for using the equity method is as follows:

(in € million)	Joint ventures	Affiliated companies	Total
1 January 2012	**26**	**361**	**387**
Additions	3	74	77
Disposals	2	87	89
Depreciations	–	57	57
31 December 2012	**27**	**291**	**318**
Additions	2	38	– 40
Disposals	2	44	46
Depreciations	–	6	6
31 December 2013	**27**	**279**	**306**

The share of profits/losses for joint ventures and associated companies accounted for using the equity method are reported under additions and disposals, while impairments are reported under deprecation. Dividends received are reported under disposals.

Investments accounted for using the equity method amounted to € 306 million (€ 318 million), a fall of € 12 million compared to the previous year. The development in the financial year 2013 is the result of the share of profits/losses in the amount of € 33 million (€ –14 million), changes in equity in the amount of € 27 million (€ 40 million) and distributions received in the amount of € 18 million (€ 22 million) for joint ventures and associated companies accounted for using the equity method and reported under additions and disposals.

In the financial year unscheduled depreciation was deducted from the equity value of LBS in the amount of € 5 million and NORD KB Beteiligungsgesellschaft mbH in the amount of € 1 million.

The table below summarises the financial information of joint ventures and associated companies accounted for using the equity method. The values shown represent the proportionate share of the capital held by the NORD/LB Group in the respective companies.

(in € million)	Joint ventures 31 Dec. 2013	Joint ventures 31 Dec. 2012	Affiliated companies 31 Dec. 2013	Affiliated companies 31 Dec. 2012
Short-term assets	50	70	832	827
Long-term assets	29	25	3 186	3 320
Short-term liabilities	34	51	694	563
Long-term liabilities	18	18	2 982	3 209
Total income	27	27	568	535
Total expenses	25	25	536	506
Contingent liabilities	53	110	42	53

(42) Property and equipment

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Land and buildings	343	353	– 3
Operating and office equipment	59	74	– 20
Ships	188	200	– 6
Other property and equipment	11	8	38
Total	**601**	**635**	**– 5**

The development of property and equipment is shown under Note (43) Investment Property.

(43) Investment property

The profit / loss from investment property is summarised as follows:

(in € million)	1 Jan.– 31 Dec. 2013	1 Jan.– 31 Dec. 2012
Rental income	11	10
Direct operating expenses	3	3

The development of cost and accumulated depreciation for property and equipment and investment property is shown as follows:

(in € million)	Land and buildings	Operating and office equipment	Ship	Other property and equipment	Total	Investment property
Cost as at 1 January 2012	**682**	**303**	**270**	**4**	**1 259**	**110**
Additions	35	16	–	5	**56**	22
Disposals	4	17	–	–	**21**	22
Transfers	–	–	–	–	**–**	– 2
Changes from foreign exchange rates	–	–	– 2	–	**– 2**	–
Totals 31 December 2012	**713**	**302**	**268**	**9**	**1 292**	**108**
Accumulated depreciation as at 1 January 2012	**337**	**221**	**12**	**1**	**571**	**17**
Depreciations	13	20	12	–	**45**	2
Impairments (non-scheduled)	–	–	44	–	**44**	–
Additions	10	–	–	–	**10**	–
Disposals	–	13	–	–	**13**	5
Totals 31 December 2012	**360**	**228**	**68**	**1**	**657**	**14**
Closing balance as at 31 December 2012	**353**	**74**	**200**	**8**	**635**	**94**
Cost as at 1 January 2013	**713**	**302**	**268**	**9**	**1 292**	**108**
Additions	35	11	–	3	**49**	24
Disposals	63	47	–	–	**110**	18
Changes from foreign exchange rates	–	– 1	– 4	–	**– 5**	–
Totals 31 December 2013	**685**	**265**	**264**	**12**	**1 226**	**114**
Accumulated depreciation as at 1 January 2013	**360**	**228**	**68**	**1**	**657**	**14**
Depreciations	13	17	9	–	**39**	2
Impairments (non-scheduled)	–	6	–	–	**6**	–
Disposals	31	45	–	–	**76**	3
Changes from foreign exchange rates	–	–	– 1	–	– 1	–
Totals 31 December 2013	**342**	**206**	**76**	**1**	**625**	**13**
Closing balance as at 31 December 2013	**343**	**59**	**188**	**11**	**601**	**101**

The additions to investment property are all acquisitions.

(44) Intangible assets

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Software			
Purchased	20	21	– 5
Internally developed	64	91	– 30
	84	**112**	**– 25**
Intangible assets under development	39	18	> 100
Other intangible assets	13	12	8
Total	**136**	**142**	**– 4**

Intangible assets under development refer primarily to internally developed software. Fully amortised software is still in use.

Expenses for research and development in the amount of € 83 million (€ 93 million) have been incurred. The research expenditure on internally developed software which is not eligible for capitalisation totals € 76 million (€ 83 million).

The NORD/LB Group has intangible assets with an indefinite useful life in the amount of € 7 million (€ 7 million). These are accounted for entirely in other intangible assets acquired by payment.

The NORD/LB Group's significant intangible assets are shown in the table below:

	Carrying amount (in € million)		Remaining depreciation period (in years)	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Migration of IT applications	38	52	3	4
Internally developed software	11	12	13	14
Brand name	5	5	Unlimited	Unlimited

The development of intangible assets is as follows:

(in € million)	Software Purchased	Software Internally generated	Other Purchased	Other Internally generated	Total
Cost as at 1 January 2012	**121**	**231**	**17**	**18**	**387**
Additions	7	6	–	21	34
Disposals	1	–	–	–	1
Transfers	11	–	–	– 11	–
Total 31 December 2012	**138**	**237**	**17**	**28**	**420**
Accumulated depreciation as at 1 January 2012	**106**	**113**	**5**	**10**	**234**
Depreciations	9	33	–	–	42
Impairments (non-scheduled)	3	–	–	–	3
Disposals	1	–	–	–	1
Total 31 December 2012	**117**	**146**	**5**	**10**	**278**
Closing balance as at 31 December 2012	**21**	**91**	**12**	**18**	**142**
Cost as at 1 January 2013	**138**	**237**	**17**	**28**	**420**
Additions	5	2	1	23	31
Disposals	11	–	10	–	21
Transfers	2	–	10	– 12	–
Total 31 December 2013	**134**	**239**	**18**	**39**	**430**
Accumulated depreciation as at 1 January 2013	**117**	**146**	**5**	**10**	**278**
Depreciations	8	29	–	–	37
Transfers	–	–	10	– 10	–
Disposals	11	–	10	–	21
Total 31 December 2013	**114**	**175**	**5**	**–**	**294**
Closing balance as at 31 December 2013	**20**	**64**	**13**	**39**	**136**

(45) Income tax assets

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Current income tax assets	69	50	38
Deferred tax assets	741	727	2
Total	**810**	**777**	**4**

Deferred tax assets reflect potential relief on income taxes from temporary differences in the values of assets and liabilities between the IFRS consolidated balance sheet and tax values in accordance with the tax regulations of the Group companies. Deferred tax assets which were recognised in other comprehensive income totalled € 217 million as at 31 December 2013 (€ 372 million).

Deferred income tax assets were established in respect of the following balance sheet items and with tax losses not yet utilised:

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Assets			
Loans and advances to banks	13	19	– 32
Risk provisioning	132	128	3
Financial assets at fair value through profit or loss	328	514	– 36
Financial assets	277	535	– 48
Property and equipment	64	42	52
Other assets	221	73	> 100
Liabilities			
Liabilities to customers	375	652	– 42
Securitsed liabilities	109	180	– 39
Financial liabilities at fair value through profit or loss	282	455	– 38
Negative fair values from hedge accounting derivatives	864	1 407	– 39
Provisions	368	377	– 2
Other liabilities	77	113	– 32
Tax losses carried forward	69	18	> 100
Total	**3 179**	**4 513**	**– 30**
Net	2 438	3 786	– 36
Total	**741**	**727**	**2**

In addition to deferred taxes recognised in the income statement, deferred income tax assets also comprise financial assets of € 198 million (€ 332 million) and provisions of € 19 million (€ 40 million) recognised in other comprehensive income.

No deferred taxes were recognised on losses carried forward to the amount of € 1 million (€ 7 million) for corporation tax and trade tax in the amount of € 1 million (€ 7 million) due to a limited planning horizon and the resulting insufficient likelihood of their utilisation by 31 December 2013. There is no time limit on the utilisation of existing tax losses carried forward.

(46) Other assets

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Loans and advances on interim accounts	20	142	– 86
Collection items	5	1	> 100
Assets from insurance business	193	157	23
Rights to reimbursement from defined benefit plans	17	19	– 11
Other assets including prepaid expenses	166	330	– 50
Total	**401**	**649**	**– 38**

The receivables in interim accounts primarily relate to receivables in lending business and transactions in payment accounts. Receivables related to the trading of securities are still included.

Assets relating to insurance business are assets from outwards reinsurance (€ 1 million (€ 1 million)) and direct insurance and reinsurance business (€ 192 million (€ 156 million)).

Reimbursement claims from defined benefit plans include allocated provisions for pensions to the benefit of parties outside the Group.

Of the other assets, an initial margin accounts for a total of € 82 million (€ 0 million).

(47) Liabilities to banks

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Deposits from other banks			
German banks	2 046	737	> 100
Foreign banks	183	38	> 100
	2 229	**775**	**> 100**
Liabilities resulting from money market transactions			
German banks	18 128	20 739	– 13
Foreign banks	7 809	9 715	– 20
	25 937	**30 454**	**– 15**
Other liabilities			
German banks			
Due on demand	2 671	5 084	– 47
With a fixed term or period of notice	22 374	22 938	– 2
Foreign banks			
Due on demand	2 037	1 200	70
With a fixed term or period of notice	3 933	4 628	– 15
	31 015	**33 850**	**– 8**
Total	**59 181**	**65 079**	**– 9**

(48) Liabilities to customers

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Savings deposits			
With an agreed notice period of three months			
Domestic customers	1 558	911	71
Customers abroad	18	16	13
With an agreed notice period of more than three months			
Domestic customers	343	407	– 16
Customers abroad	2	2	–
	1 921	**1 336**	**44**
Liabilities resulting from money market transactions			
Domestic customers	8 164	7 275	12
Customers abroad	2 172	1 860	17
	10 336	**9 135**	**13**
Other liabilities			
Domestic costumers			
Due on demand	11 738	11 708	–
With a fixed term or period of notice	29 311	31 844	– 8
Customers abroad			
Due on demand	692	1 018	– 32
With a fixed term or period of notice	863	910	– 5
	42 604	**45 480**	**– 6**
Total	**54 861**	**55 951**	**– 2**

(49) Securitised liabilities

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Issued debt securities			
Pfandbriefe	8 947	9 732	– 8
Municipal debentures	13 417	13 345	1
Other debt securities	25 730	35 249	– 27
	48 094	**58 326**	**– 18**
Money market instruments			
Commercial paper	1 790	1 651	8
Certificates of deposit	344	240	43
Other money market instruments	–	402	– 100
	2 134	**2 293**	**– 7**
Total	**50 228**	**60 619**	**– 17**

Repurchased debt securities issued by the bank itself have been directly deducted from securitised liabilities in the amount of € 6,984 million (€ 7,962 million).

(50) Balancing items for hedged financial instruments

This item includes the fair value adjustments to financial liabilities in portfolio fair value hedges for transactions classified as other liabilities (OL); these fair value adjustments are attributable to the hedged risk.

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

This item shows trading liabilities (HfT) and financial liabilities designated at fair value (DFV).

Trading liabilities comprise negative fair values resulting from derivative financial instruments which are not used in hedge accounting and delivery obligations resulting from short sales of securities.

The category financial liabilities designated at fair value includes liabilities to banks and customers, securitised liabilities and subordinated capital.

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives relating to			
interest-rate risks	5 666	10 105	– 44
currency risks	443	820	– 46
share-price and other price risks	3	27	– 89
credit derivatives	66	169	– 61
	6 178	**11 121**	**– 44**
Delivery obligations from short-sales	110	214	– 49
	6 288	**11 335**	**– 45**
Financial liabilities designated at fair value			
Liabilities to banks and customers	5 680	5 920	– 4
Securitised liabilities	3 138	3 443	– 9
Subordinated capital	25	26	– 4
	8 843	**9 389**	**– 6**
Total	**15 131**	**20 724**	**– 27**

The change in the fair value of liabilities designated at fair value is the result of changes in the credit risk and amounts to € –24 million (€ –200 million) in the period under review; the cumulative change is € –73 million (€ –52 million).

The credit risk induced change in fair value is calculated on the basis of difference consideration. The amount stated is the result of the difference between the fair value determined on the balance sheet date on the basis of current market data as well as the current NORD/LB spread curves and the fair values calculated with the help of current market data and the NORD/LB spread curves used in previous reporting periods.

The book value of liabilities designated at fair value as at 31 December 2013 is € 466 million higher (€ 883 million higher) than the corresponding repayment amount. The difference essentially comprises compounding effects from zero bond issues and is the difference between the discounted payment typical for zero bonds and their repayment at nominal value.

(52) Negative fair values from hedge accounting derivatives

This item includes negative fair values of hedge instruments in effective micro fair value hedge relationships and portfolio fair value hedges.

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Micro fair value hedge derivatives	2 498	3 829	– 35
Portfolio fair value hedge derivatives	846	1 079	– 22
Total	**3 344**	**4 908**	**– 32**

(53) Provisions

Provisions are broken down as follows:

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Provisions for pensions and other obligations	**1 955**	**1 975**	**– 1**
Other provisions			
Provisions in lending business	124	136	– 9
Provisions for reorganisation measures	11	18	– 39
Provisions for contingent losses	26	4	> 100
Provisions for uncertain liabilities	244	182	34
Provisions for insurance business	1 943	1 822	7
	2 348	**2 162**	**9**
Total	**4 303**	**4 137**	**4**

For risks from insurance business, provisions were made on the basis of the best possible estimates of future expenses. Due to the low level of insurance business in the NORD/LB Group, the uncertainty concerning the amount or due date of these outflows does not have a significant impact on the consolidated financial statements of NORD/LB.

Pensions and similar obligations

The net liability from a defined benefit plan is broken down as follows:

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Present value of defined benefit obligations	2 021	2 040	– 1
Less fair value of plan assets	– 66	– 65	2
Negative balance (net indebtness)	**1 955**	**1 975**	**– 1**

In the NORD/LB Group there are both defined benefit pension obligations and on a small scale defined contribution pension obligations.

Description of the pension plans

The NORD/LB Groups company pensions are based on several retirement benefit systems. On the one hand employees acquire an entitlement to a pension through a defined contribution made by the Group to an external pension fund (defined contribution plan). The pension entitlements are based on annual benefit components, the amount of which depend on the individual pensionable annual salary. In this case contributions are reported as current expenses on application of IAS 19 financial reporting regulations for defined contribution plans. No pension provisions need to be made.

Employees also acquire entitlements to pensions with defined benefits, dependent on factors such as anticipated wage and salary increases, age, length of service and a forecast pension trend (defined benefit plan). These mainly concern various pension modules, with benefits for reduction in earnings capacity and dependent's pensions also being granted in addition to a retirement pension, depending on the occurrence of the insured event. There are also entitlements to allowance payments.

Different occupational pension schemes are in place in the NORD/LB Group, with commitments based on collective bargaining employment agreements or on individual contractual commitments. Significant occupational pension schemes in this case are the total benefit commitment according, the benefit ordinance from 1973 and the benefit ordinance from 2000. The accounting regulations according to IAS 19 for defined benefit plans are applied for these retirement benefit schemes.

The defined contribution pension commitment has also applied for members of the Managing Board since 1 January 2000. In addition, depending on the role of the member of the Managing Board and the number of reappointments to the Managing Board, in addition to the benefit components acquired in instalments, further initial components are awarded here. Members of the Managing Board who joined the company before 1 January 2000 received an individual total benefit commitment which was in accordance with the regulations as at 31 December 1999.

Risks from defined benefit pension plans

The NORD/LB Group is exposed to various risks from defined benefit pension plans.

As a registered public institute (Anstalt öffentlichen Rechts), NORD/LB was the subject of a guarantor liability up to and including 17 July 2001. This means that creditors, and therefore also employees, are entitled in respect of their pension entitlements to have the amounts owed to them paid by the respective guarantors of the registered public institute. On 17 July 2001 the guarantor liability for savings banks and landesbanks was abolished by the European Commission. Therefore pension commitments agreed at this time are covered indefinitely by the guarantor liability. Also covered by the guarantor liability are all pension commitments made up to 18 July 2005, provided the pension benefit can be claimed before 31 December 2015. All pension commitments agreed since 18 July 2001 and all commitments not covered by the transition rules are protected against insolvency by NORD/LB paying contributions to a pension guarantee association.

Both the liabilities from defined benefit obligations and the plan assets may fluctuate over time. This might have a negative or positive impact on the financing status. The fluctuations of defined benefit obligations result in particular from changes in financial assumptions such as interest rates as well as changes in demographic assumptions such as a change in life expectancy. Due to the arrangement of existing pension commitments, the amount of the benefits depends on the development of pensionable income, the earnings ceiling in the statutory pension insurance and the social security benefit. If these parameters do not develop as assumed when the provisions were calculated, additional finance might be necessary.

The NORD/LB Group reviews the pension payments schedule regularly (liquidity control), as well as the investment strategy and the level of investment. The level of investment and pension payments is calculated on each due date based on actuarial reports. Most of the amount invested is invested long term in government bonds which have at least an AA rating are listed in an active market. An investment is also made in the same amount of the pension payments in short-term, highly fungible other assets. The interest rate risk is largely reduced by the even rolling nature of the investment debt instruments (government bonds). The control of liquidity risk which is due among other things to the pension payments is described in the risk report.

The net liability of defined benefit obligations can be reconciled from the opening to the closing balance of the period taking into account the effects of the items shown below:

	Defined benefit obligation		Fair value of plan assets		Negative balance (net indebtness)		Change (in %)
(in € million)	2013	2012	2013	2012	2013	2012	
Opening balance	**2 040**	**1 498**	**65**	**61**	**1 975**	**1 437**	**37**
Current service cost	42	27	–	–	42	27	56
Interest expense	73	75	– 2	– 3	71	72	– 1
Additional accounting current service costs	1	–	–	–	1	–	–
Effects from settlements / assignments (compensation payments)	1	–	–	–	1	–	–
Increase / decrease resulting from changes in foreign exchanges rates	– 1	2	– 1	–	–	2	– 100
Benefits paid	– 63	– 62	– 15	– 15	– 48	– 47	2
Employer contributions	–	–	14	13	– 14	– 13	8
	2 093	**1 540**	**65**	**62**	**2 028**	**1 478**	**37**
Revaluation							
Adjustments made on the basis of experience	– 11	–	–	–	– 11	–	–
Profit / losses from the change in demographic assumptions	1	–	–	–	1	–	–
Profit / losses from the change in financial assumptions	– 62	500	–	3	– 62	497	> 100
Without interest income	–	–	1	–	– 1	–	–
Closing balance	**2 021**	**2 040**	**66**	**65**	**1 955**	**1 975**	**– 1**

In addition to pension obligations, the present value of defined benefit obligations includes allowance payments in the amount of € 147 million (€ 178 million).

The defined benefit obligation is broken down as at the balance sheet date into amounts for defined benefit plans in the amount of € 1,581 million (€ 1,609 million) which are not financed through a fund and into amounts from defined benefit obligations in the amount of € 440 million (€ 432 million) which are either fully or partially financed through a fund.

The fair value of plan assets is broken down as follows:

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Equity instruments			
active market	18	17	6
Debt instruments			
active market	35	39	– 10
Other assets			
active market	10	6	67
inactive market	3	3	–
	13	**9**	**44**
Total	**66**	**65**	**2**

The fair value of plan assets includes the bank's own debt instruments in the amount of € 2 million (€ 4 million).

The table below shows the expected undiscounted defined benefit obligations broken down by time to maturity:

(in € million)	Pensions expenses
Less than 1 year	– 61
between 1 and 2 years	– 64
between 2 and 3 years	– 67
between 3 and 4 years	– 70
between 4 and 5 years	– 73
Total	**– 335**

The duration of the defined benefit pension obligation is 15 years and is reviewed every year by an actuarial expert.

The contribution payments for plans are expected to be € 11 million (€ 10 million) in the next reporting period.

Due to the actuarial assumptions, the defined benefit obligation is subject to change. The following sensitivity analysis shows the impact of the change in the respective assumption on the amount of the defined benefit obligation under the premise that there are no correlations and there is no change in the other assumptions.

(in € million)	Increase	Decline
Actuarial interest rate	311	319
Wages	180	175
Pensions	205	196
Cost increase rate for allowance payments	31	24
Mortality, invalidity, etc.	59	212

A sensitivity of –/+ 0.50 per cent was applied to the interest rate, –/+ 0.25 per cent for both the salary and pension trend and 1 per cent for allowances. To calculate the impact on the obligation of an increase in life expectancy, the probability of death was reduced to 90 per cent. This results in an increase in life expectancy of 0.8 to 1.2 years in the 20 to approx. 70 age range, an increase of 0.4 to 0.8 years in the approx. 70 to 90 age range and less than 0.4 years in the above approx. 80 age range. Due to reasons of materiality, a sensitivity analysis was only conducted for Germany.

Other provisions developed as follows in the year under review:

(in € million)	Provisions in lending business	Provisions for reorgani-sation	Provisions for contingent losses	Provisions for uncertain liabilities		Insurance business provisions	Total
				Provisions for liabilities to personnel	Other provisions for uncertain liabilities		
1 January	**136**	**18**	**4**	**78**	**104**	**1 822**	**2 162**
Utilisation	–	8	–	16	12	46	82
Reversals	65	–	–	3	33	288	389
Allocations	54	1	22	104	20	455	656
Changes from foreign exchange rates	– 1	–	–	2	–	–	1
31 December	**124**	**11**	**26**	**165**	**79**	**1 943**	**2 348**

Provisions for reorganisation relate to the implementation of the business model initiated in 2005.

Reported under provisions for liabilities to personnel are provisions for reorganisation measures in the amount of € 56 million (€ 27 million) which are a result of the efficiency improvement programmed launched in 2011 (cf. Note (30) Restructuring expenses). Of the provisions for liabilities to personnel, provisions due to early retirement schemes account for € 31 million (€ 27 million) and provisions for long-service awards account for € 8 million (€ 10 million).

Insurance provisions mainly contain actuarial reserves in the amount of € 1,496 million (€ 1,398 million), provisions for known losses in the amount of € 263 million (€ 222 million) and provisions for the reimbursement of premiums in the amount of € 121 million (€ 127 million).

The remaining provisions are mainly due in the long term.

(54) Income tax liabilities

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Current Income tax liabilities	116	162	– 28
Deferred tax liabilities	48	34	41
Total	**164**	**196**	**– 16**

Current income tax liabilities comprise payment obligations from current income tax to domestic and foreign tax authorities.

Deferred tax liabilities reflect potential income tax liabilities from temporary differences between the values of assets and liabilities in the IFRS consolidated balance sheet and tax values in accordance with the tax regulations of the Group companies. Deferred tax liabilities which were recognised in other comprehensive income totalled € 183 million as at 31 December 2013 (€ 234 million).

Deferred tax liabilities relate to the following balance sheet items:

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Assets			
Loans and advances to banks	31	40	– 23
Loans and advances to customers	162	269	– 40
Financial assets at fair value through profit or loss	114	158	– 28
Fair values from hedge accounting derivatives	992	1 333	– 26
Financial assets	543	898	– 40
Intangible assets	26	32	– 19
Property and equipment	29	10	> 100
Other assets	37	41	– 10
Liabilities			
Securitised liabilities	5	21	– 76
Financial liabilities at fair value through profit or loss	484	936	– 48
Provisions	5	5	–
Other liabilities	58	77	– 25
Total	**2 486**	**3 820**	**– 35**
Net	2 438	3 786	– 36
Total	**48**	**34**	**41**

In addition to deferred taxes recognised in the income statement, deferred tax liabilities also comprise financial assets of € 181 million (€ 233 million) and provisions of € 2 million (€ 1 million) recognised in other comprehensive income.

(55) Other liabilities

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Liabilities resulting from outstanding invoices	35	32	9
Liabilities from premiums	1	1	–
Liabilities from short-term employee remuneration	60	56	7
Deferred income	26	39	– 33
Liabilities from payable taxes and social insurance contributions	21	22	– 5
Liabilities from interim accounts	49	152	– 68
Liabilities from insurance contracts	44	46	– 4
Other liabilities	143	160	– 11
Total	**379**	**508**	**– 25**

Liabilities from short-term employee remuneration comprise residual leave entitlements as well as compensation payments and bonuses; the latter are to be paid to employees in the Group in the first half of 2014.

The liabilities in interim accounts primarily relate to liabilities in lending business, trading of securities and transactions in payment accounts.

Liabilities from insurance business relate to liabilities from direct insurance and reinsurance contracts in the amount of € 4 million (€ 8 million).

(56) Subordinated capital

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Subordinated liabilities	3 540	3 452	3
Participatory capital	209	224	– 7
Silent participations	964	1 157	– 17
Total	**4 713**	**4 833**	**– 2**

Subordinated liabilities are not paid back until the claims of all senior creditors have been satisfied. It meets the requirements of §§10 para. 5a of the German Banking Act in the amount of € 2,786 million (€ 3,051 million) for attribution to supplementary capital in accordance with §10 para. 2b of the German Banking Act. Interest expenses for subordinated liabilities amount to € 149 million (€ 145 million).

Participatory capital comprises solely registered participatory capital. The participatory capital meets the requirements of § 10 para. 5 of the German Banking Act in the amount of € 60 million (€ 193 million) for attribution to supplementary capital in accordance with § 10 para. 2b of the German Banking Act. Interest expenses for participatory capital amount to € 13 million (€ 14 million).

Due to their contractual structure and their substance, silent participations constitute debt in accordance with IAS 32; they do, however, meet requirements for recognition as core capital in the amount of € 813 million (€ 955 million) in accordance with § 10 para. 2a clause 1 no. 10 of the German Banking Act. Interest expenses relating to silent participations amount to € 68 million (€ 86 million).

(57) Equity

The equity is made up as follows:

	31 Dec. 2013 (in € million)	31 Dec. 2012[1)] (in € million)	Change (in %)
Issued capital	1 607	1 607	–
Capital reserves	3 332	3 332	–
Retained earnings	2 220	2 011	10
Revaluation reserve	122	– 95	> 100
Reserve for the change on foreign exchanges rates	– 6	– 3	100
Equity capital attributable to the owners of NORD/LB	7 275	6 852	6
Equity capital attributable to non-controlling interests	915	848	8
Total	**8 190**	**7 700**	**6**

1) Some previous year's figures were adjusted as you can see at note (2) adjustment of figures for the previous year.

As at 31 December 2013 the following shareholdings were held in the subscribed capital of NORD/LB: the federal state of Lower Saxony 59.13 per cent (59.13 per cent), the federal state of Saxony-Anhalt 5.57 per cent (5.57 per cent), the Association of the Savings Banks of Lower Saxony (SVN) 26.36 per cent (26.36 per cent), the Holding Association of the Savings Banks of Saxony-Anhalt (SBV) 5.28 per cent (5.28 per cent) and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania (SZV) 3.66 per cent (3.66 per cent).

Retained earnings include retained earnings from previous reporting periods, allocations from profit less the share of other shareholders in profit/loss, the effects of the revaluation of the net liability from defined benefit pension plans as well as the changes in equity relating to the shares in associated companies and joint ventures accounted for using the equity method.

The revaluation reserve item reports the effects of the measurement of available for sale (AfS) financial instruments.

The reserve for the change in foreign exchange rates includes the effects of the translation of annual reports of foreign business units with a currency other than the euro relating to the application of the closing rate method.

In addition to the owners of the parent company NORD/LB, other shareholders have an interest in the equity of the NORD/LB Group. These hold shares in the equity of subsidiaries and are reported as non-controlling interests in consolidated equity.

For 2012 the dividend rate is 4.9 per cent (11.0 per cent). The dividend rate expresses ratio of dividends to owners and non-controlling interest in the period under review to the previous year's consolidated profit.

For 2013 there will be no dividend payment owing to the commitments made to the EU Commission. Instead it is proposed that a portion of the profit will be allocated to retained earnings and the remainder will be carried forward to new account.

Notes to the Cash Flow Statement

The cash flow statement shows the change in cash and cash equivalents for the reporting period as a result of cash flows from operating, investment and financing activities.

Cash and cash equivalents are defined as the cash reserve (cash on hand and balances with central banks).

The cash from operating activities is calculated based on the consolidated profit using the indirect method. Prior to this calculation, expenses which have no effect on cash in the accounting period are added and earnings which have no effect on cash in the year under review is deducted. Furthermore, all cash expenses and earnings which are not allocated to operating activities are eliminated. These payments are taken into account in cash flows from investment or financing activities.

In accordance with IASB recommendations, payments from loans and advances to banks and customers, trading securities, liabilities to banks and customers and from securitised liabilities are reported under cash flow from operating activities.

Cash flow from investment activities includes payments relating to investment and security portfolios classified as financial assets as well as cash receipts and payments relating to property and equipment and to the acquisition of subsidiaries.

Cash flow from financing activities includes cash flows from changes in capital, interest payments on subordinated capital and dividend payments to the guarantors of the parent company NORD/LB.

We refer to information contained in the risk report concerning liquidity risk management in the NORD/LB Group.

Other disclosures

Notes to Financial Instruments

(58) Fair value hierarchy

The fair values of financial instruments are compared with their carrying amounts in the following table.

(in € million)	Fair Value	Carrying amount	Difference 31 Dec. 2013	Fair Value	Carrying amount	Difference 31 Dec. 2012
Assets						
Cash reserve	1 311	1 311	–	665	665	–
Loans and advances to banks	28 216	27 481	735	35 744	34 378	1 366
Loans and advances to customers	106 454	107 661	– 1 207	115 611	114 577	1 034
Risk provisioning	1)	– 2 248	–	1)	– 1 949	–
Sub-total of loans and advances to banks/customers (net after loan loss provisions)	**134 670**	**132 894**	**1 776**	**151 355**	**147 006**	**4 349**
Balancing items for financial instruments hedged in the fair value hedge portfolio	2)	– 171	–	2)	– 3	–
Financial assets at fair value through profit or loss	13 541	13 541	–	17 920	17 920	–
Positive fair values from hedge accounting derivatives	3 872	3 872	–	4 924	4 924	–
Financial assets not reported at fair value	2 864	3 164	– 300	3 496	3 910	– 414
Financial assets reported at fair value	43 879	43 879	–	48 513	48 513	–
Other assets not reported at fair value	17	17	–	–	–	–
Other assets reported at fair value	25	25	–	16	16	–
Total	**200 179**	**198 532**	**1 476**	**226 889**	**222 951**	**3 935**
Liabilities						
Liabilities to banks	59 836	59 181	655	66 429	65 079	1 350
Liabilities to customers	57 179	54 861	2 318	59 355	55 951	3 404
Securitised liabilities	51 116	50 228	888	61 476	60 619	857
Balancing items for financial instruments hedged in the fair value hedge portfolio	2)	351	–	2)	895	–
Financial liabilities at fair value through profit or loss	15 131	15 131	–	20 724	20 724	–
Negative fair values from hedge accounting derivatives	3 344	3 344	–	4 908	4 908	–
Other liabilities not reported at fair value	44	44	–	1	1	–
Subordinated capital	5 037	4 713	324	5 043	4 833	210
Total	**191 687**	**187 853**	**4 185**	**217 936**	**213 010**	**5 821**

1) Amounts relating to risk provisioning are shown in the corresponding fair values of loans and advances to banks and loans and advances to customers.
2) Amounts relating to the assets and liabilities item "Adjustment items for financial instruments hedged in the fair value hedge portfolio" are shown in the fair values of the respective items of hedged financial instruments.

It was not possible to reliably determine a fair value for € 47 million (€ 80 million) of financial instruments. These are mainly investments.

The extended disclosure requirements of IFRS 13 concerning the fair value hierarchy have already been voluntarily considered for the reference figures. In the tables below the previous year's figures were therefore extended retrospectively in accordance with the requirements of IFRS 13.

The table below shows the distribution of financial assets and liabilities recognised at fair value based on the fair value hierarchy:

	Level 1		Level 2		Level 3		Total	
(in € million)	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Assets								
Assets held for trading	1 569	2 852	10 935	13 580	16	–	12 520	16 432
Debt securities and other fixed-interest securities	1 519	2 705	2 032	115	–	–	3 551	2 820
Shares and other non fixed-interest securities	46	27	–	–	–	–	46	27
Positive fair values from derivatives	4	4	6 599	11 799	–	–	6 603	11 803
Interest-rate risks	1	1	5 697	10 770	–	–	5 698	10 771
Currency risks	3	2	720	951	–	–	723	953
Share-price and other price risks	–	1	169	60	–	–	169	61
Credit derivatives	–	–	13	18	–	–	13	18
Trading portfolio claims	–	116	2 304	1 666	16	–	2 320	1 782
Financial assets as at fair value through profit or loss	111	871	910	617	–	–	1 021	1 488
Loans and advances to banks	–	–	6	16	–	–	6	16
Loans and advances to customers	–	–	240	349	–	–	240	349
Financial assets	111	871	664	252	–	–	775	1 123
Debt securities and other fixed-interest securities	101	860	664	252	–	–	765	1 112
Shares and other non fixed-interest securities	10	11	–	–	–	–	10	11
Positive fair values from hedge accounting derivatives	–	–	3 872	4 924	–	–	3 872	4 924
Positive fair values from employed micro fair value hedge derivatives	–	–	2 116	3 073	–	–	2 116	3 073
Interest-rate risks	–	–	1 948	2 824	–	–	1 948	2 824
Currency risks	–	–	168	249	–	–	168	249
Positive fair values from employed portfolio fair value hedge derivatives	–	–	1 756	1 851	–	–	1 756	1 851
Interest-rate risks	–	–	1 756	1 851	–	–	1 756	1 851
Financial assets at fair value	9 259	43 183	34 213	4 907	407	423	43 879	48 513
Debt securities and other fixed-interest securities	8 681	42 575	34 147	4 871	57	60	42 885	47 506
Shares and other non fixed-interest securities	527	443	9	10	–	–	536	453
Shares in companies (not consolidated)	43	55	25	26	227	217	295	298
Other financial assets classified as AfS	8	110	32	–	123	146	163	256
Other assets recorded at for value	17	–	8	16	–	–	25	16
Total	**10 956**	**46 906**	**49 938**	**24 044**	**423**	**423**	**61 317**	**71 373**

(in € million)	Level 1 31 Dec. 2013	31 Dec. 2012	Level 2 31 Dec. 2013	31 Dec. 2012	Level 3 31 Dec. 2013	31 Dec. 2012	Total 31 Dec. 2013	31 Dec. 2012
Liabilities								
Trading liabilities	41	215	6 242	11 116	5	4	6 288	11 335
Negative fair values from derivatives relating to	4	1	6 169	11 116	5	4	6 178	11 121
– interest-rate risks	2	–	5 664	10 105	–	–	5 666	10 105
– currency risks	–	–	442	820	1	–	443	820
– share-price and other price risks	2	1	1	26	–	–	3	27
– credit derivatives	–	–	62	165	4	4	66	169
Delivery obligations from short-sales and other trading assets	37	214	73	–	–	–	110	214
Financial liabilities reported at fair value	100	222	8 735	9 167	8	–	8 843	9 389
Liabilities to banks	–	–	590	593	–	–	590	593
Liabilities to customers	–	–	5 090	5 327	–	–	5 090	5 327
Securitised liabilities	100	222	3 030	3 221	8	–	3 138	3 443
Subordinated capital	–	–	25	26	–	–	25	26
Negative Fair Values aus Hedge-Accounting-Derivaten	–	–	3 344	4 908	–	–	3 344	4 908
Negative fair values from employed micro fair value hedge derivatives	–	–	2 498	3 829	–	–	2 498	3 829
– Interest-rate risks	–	–	2 268	3 351	–	–	2 268	3 351
– Currency risks	–	–	230	478	–	–	230	478
Negative fair values from employed portfolio fair value hedge derivatives	–	–	846	1 079	–	–	846	1 079
Interest-rate risks	–	–	846	1 079	–	–	846	1 079
Total	**141**	**437**	**18 321**	**25 191**	**13**	**4**	**18 475**	**25 632**

The trading assets and liabilities of Level 3 include among other things CDS for illiquid basic risks and CDS which were concluded on the basis of old International Swaps and Derivatives Association (ISDA) framework agreements. The fair value of the latter is calculated based on the indicative spreads quoted for similar CDS in accordance with the new ISDA framework agreements. In the process security spreads of liquid bonds of reference entities are included. As a result when establishing the fair value it is considered that, in accordance with the old ISDA agreements, settlement is made physically in the event of a credit event, i. e. with the delivery of a bond.

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

2013 (in € million)	from Level 1 to Level 2	from Level 1 to Level 3	from Level 2 to Level 1	from Level 2 to Level 3	from Level 3 to Level 1	from Level 3 to Level 2
Assets held for trading	239	–	–	16	–	–
Debt securities and other fixed-interest securities	239	–	–	–	–	–
Loans and advances to trading and other trading assets	–	–	–	16	–	–
Designated financial assets reported at fair value	444	–	12	–	–	–
Financial assets	444	–	12	–	–	–
– Debt securities and other fixed-interest securities	444	–	12	–	–	–
Financial assets at fair value	27 516	5	53	6	–	3
Debt securities and other fixed-interest securities	27 484	–	53	–	–	2
Shares in companies (not consolidated)	–	5	–	6	–	1
Other financial assets classified as AfS	32	–	–	–	–	–
Trading liabilities	–	–	–	– 3	–	–
Negative fair values from derivatives relating to	–	–	–	– 3	–	–
– currency risks	–	–	–	– 1	–	–
– interest-rate risks	–	–	–	– 2	–	–
Designated financial liabilities reported at fair value	– 160	–	– 53	– 5	–	–
Securitised liabilities	– 160	–	– 53	– 5	–	–

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

2012 (in € million)	from Level 1 to Level 2	from Level 1 to Level 3	from Level 2 to Level 1	from Level 2 to Level 3	from Level 3 to Level 1	from Level 3 to Level 2
Assets held for trading	279	–	–	–	37	7
Debt securities and other fixed-interest securities	–	–	–	–	37	–
Positive fair values from derivatives	–	–	–	–	–	7
– credit derivatives	–	–	–	–	–	7
Delivery obligations from short-sales and other trading liabilities	279	–	–	–	–	–
Designated financial assets reported at fair value	–	–	187	–	151	257
Loans and advances to banks	–	–	–	–	–	6
Financial assets	–	–	187	–	151	251
– Debt securities and other fixed-interest securities	–	–	187	–	151	251
Financial assets at fair value	300	2	1 560	–	771	1 805
Debt securities and other fixed-interest securities	300	2	1 560	–	729	1 778
Shares and other non fixed-interest securities	–	–	–	–	12	–
Shares in companies (not consolidated)	–	–	–	–	–	27
Other financial assets classified as AfS	–	–	–	–	30	–
Trading liabilities	–	–	–	–	–	97
Negative fair values from derivatives relating to	–	–	–	–	–	97
– credit derivatives	–	–	–	–	–	97
Designated financial liabilities reported at fair value	– 1 350	–	–	–	–	–
Securitised liabilities	– 1 350	–	–	–	–	–

For asset-side financial instruments, a level assessment takes place on an individual transaction basis. As at the balance sheet date the transfers have been mostly from Level 1 to Level 2 compared to the previous end-of-year reporting date. This is the result of the application with retrospective effect of 31 December 2013 of HFA 47, which was published at the start of 2014. This specifies how financial instruments are to be classified in the various levels. Accordingly, (mixed) prices calculated by price service agencies on the basis of reported prices are to be allocated to Level 2. Broker quotations have to come from an “active market” in order to be allocated to Level 1. If there are only a few broker quotations or if these involve big bid-ask spreads or price differences, it is assumed that there is no active market.

When measuring the bank's own structured issues (dFV), the use of market prices is reviewed as at the reporting date. Following this review, some issues generally move between Level 1 and 2 due to a change in trading activity. The transfer from Level 2 to Level 3 is based on a revised assessment of historical volatility following the first-time application of IFRS 13 with effect of 1 January 2013.

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

Financial assets and liabilities in Level 3 of the fair value hierarchy developed as follows:

	Trading assets					
	Debt securities and other fixed-interest securities		Positive fair values from derivatives Credit derivatives		Loans and advances to trading and other trading assets	
(in € million)	2013	2012	2013	2012	2013	2012
1 January	**–**	**52**	**–**	**7**	**–**	**–**
Effect on the income statement [1]	–	– 1	–	–	–	–
Effect on the equity capital	–	–	–	–	–	–
Addition from purchase or issuance	–	9	–	–	–	–
Disposal from sale	–	9	–	–	–	–
Repayment/ exercise	–	14	–	–	–	–
Addition from Level 1 and 2	–	–	–	–	16	–
Disposal to Level 1 and 2	–	37	–	7	–	–
Changes due to mergers	–	–	–	–	–	–
Changes in foreign exchange rates	–	–	–	–	–	–
31 December	**–**	**–**	**–**	**–**	**16**	**–**
Profit/losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement [1]	–	–	–	–	– 1	–

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (21) Net interest income and (24) Profit/loss from financial instruments at fair value through profit or loss.

	Designated financial assets reported at fair value			
	Loans and advances to banks		Financial assets Debt instruments and other fixed-interest securities	
(in € million)	2013	2012	2013	2012
1 January	**–**	**11**	**–**	**455**
Effect on the income statement [1]	–	–	–	– 39
Effect on the equity capital	–	–	–	–
Addition from purchase or issuance	–	–	–	15
Disposal from sale	–	–	–	27
Repayment/exercise	–	–	–	2
Addition from Level 1 and 2	–	–	–	–
Disposal to Level 1 and 2	–	11	–	397
Changes due to mergers	–	–	–	–
Changes in foreign exchange rates	–	–	–	– 5
31 December	**–**	**–**	**–**	**–**
Profit/losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement [1]	–	–	–	–

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (21) Net interest income and (24) Profit/loss from financial instruments at fair value through profit or loss.

	Financial assets at fair value							
	Fixed-income and book entry securities		Shares and other non fixed-interest securities		Shares in companies (not consolidated)		Other financial assets classified as AfS	
(in € million)	2013	2012	2013	2012	2013	2012	2013	2012
1 January	**60**	**2 994**	**–**	**15**	**217**	**327**	**146**	**230**
Effect on the income statement [1]	–	–		–	– 18	– 14	– 5	– 17
Effect on the equity capital	– 1	– 107	–	– 1	3	– 71	– 1	– 1
Addition from purchase or issuance	–	– 2	–	–	16	8	–	–
Disposal from sale	–	34	–	2	–	–	–	34
Repayment/exercise	–	283	–	–	1	7	17	–
Addition from Level 1 and 2	–	2	–	–	11	–	–	–
Disposal to Level 1 and 2	2	2 507	–	12	1	26	–	31
Changes due to mergers	–	–	–	–	–	–	–	–
Changes in foreign exchange rates	–	– 3	–	–	–	–	–	– 1
31 December	**57**	**60**	**–**	**–**	**227**	**217**	**123**	**146**
Profit/losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement [1]	–	–	–	–	– 18	–	– 5	– 20

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (21) Net interest income and (24) Profit/loss from financial instruments at fair value through profit or loss.

(in € million)	Trading liabilities Negative fair values from derivatives relating to Currency risks 2013	2012	Negative fair values from derivatives relating to Credit derivatives 2013	2012
1 January	**–**	**–**	**4**	**105**
Effect on the income statement [1]	–	–	– 3	– 2
Addition from purchase or issuance	–	–	–	–
Disposal from sale	–	–	–	–
Repayment / exercise	–	–	–	2
Addition from Level 1 and 2	1	–	2	–
Disposal to Level 1 and 2	–	–	–	97
Changes due to mergers	–	–	–	–
Changes in foreign exchange rates	1	–	–	–
31 December	**1**	**–**	**3**	**4**
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement [1]	–	–	–	– 2

[1] The effects reported include valuation gains / losses, realised profit / loss and deferred interest; these are reported in the income statement under the items (21) Net interest income and (24) Profit / loss from financial instruments at fair value through profit or loss.

(in € million)	Designated financial liabilities reported at fair value Securitsed liabilities 2013	2012
1 January	**–**	**–**
Effect on the income statement [1]	–	–
Addition from purchase or issuance	4	–
Disposal from sale	–	–
Repayment / exercise	–	–
Addition from Level 1 and 2	5	–
Disposal to Level 1 and 2	–	–
Changes due to mergers	–	–
Changes in foreign exchange rates	–	–
31 December	**9**	**–**
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement [1]	–	–

[1] The effects reported include valuation gains / losses, realised profit / loss and deferred interest; these are reported in the income statement under the items (21) Net interest income and (24) Profit / loss from financial instruments at fair value through profit or loss.

For the fair value measurement of the financial instruments in Level 3, the following significant unobservable input data was used.

Product	Fair value 31 Dec. 2013 (in € million)	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Asset Backed Securities	8	ABS-Intensity-Spread	500–2500 Basispoints	1 340 Basispoints
	–	Weighted-Average-Life (WAL)	0,04 – 20,08 years	8,89 years
Interest-bearing bonds	1	Intensity-Spread	+/– 212 Basispoints	212 Basispoints
Silent participations	107	Credit Spread	+/– 100 Basispoints	+/– 100 Basispoints
Derivatives	– 2	CDS-Ratingshift Factor	0–5 Rating Class	2,05 Rating Class

Significant unobservable data in the fair value measurement of ABS securities are the ABS intensity spread, which is derived from the rating and associated probability of default, and the weighted average life (WAL). Significant changes in the input data result in a significantly higher or lower fair value. As part of the sensitivity analysis, the ABS intensity spread and the WAL shift factor were stressed, with the rating being moved up and down a class and the WAL increased or reduced by one year. Accordingly an imputed change in the ABS intensity spread would result in a change in the fair values of ABS securities in Level 3 of € 1.6 million. The imputed change in the WAL shift factor would result in a change in the fair values of ABS securities in Level 3 of € 1.6 million.

Significant unobservable data in the fair value measurement of interest-bearing securities is the intensity spread, which is derived from the rating and associated probability of default. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the intensity spread was stressed in the measurement, with the rating being moved up and down a class. Accordingly an imputed change in the parameter would result in a change in the fair value of the interest-bearing securities in Level 3 of € 0.02 million.

Significant unobservable data in the fair value measurement of silent participations is the credit spread. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the credit spread was stressed in the measurement by increasing or reducing it by 100 basis points. Accordingly an imputed change in the parameter would result in a change in the fair value of all silent participations in Level 3 of € 6 million.

Significant unobservable input data in the fair value measurement of derivatives are the CDS rating shift factor and historic volatilities. Details concerning the sensitivity of historic volatilities are permissibly not given, as the historic volatilities are not calculated by the company itself, but are based on original market transactions. Significant changes in the CDS rating shift factor result in a significantly higher or lower fair value. As part of the sensitivity analysis, the CDS rating shift factor was stressed by being moved up and down a level. Accordingly an imputed change in the CDS rating shift factor would result in a change in the fair values of CDS in Level 3 of € 1.5 million.

The ABS securities, interest-bearing securities and silent participations are mainly reported under financial assets, while derivatives are reported under financial assets and liabilities at fair value through profit or loss.

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

If fair values are stated in the notes for assets and liabilities that are not measured at fair value in the balance sheet, these are to be classified in the fair value hierarchy.

(in € million)	Level 1 31 Dec. 2013	Level 2 31 Dec. 2013	Level 3 31 Dec. 2013	Total 31 Dec. 2013
Assets				
Cash reserve	1311	–	–	1 311
Loans and advances to banks	755	789	26 672	28 216
Mortage loans	–	47	26	73
Public-sector loans	–	297	8 185	8 482
Mortage-backed loans	–	–	43	43
Other loans	–	328	10 643	10 971
Current account and forward contracts	699	–	5 045	5 744
Other advances to banks	56	117	2 730	2 903
Loans and advances to customers	1 600	1 656	103 198	106 454
Mortage loans	–	25	14 020	14 045
Public-sector loans	–	1 456	33 702	35 158
Mortage-backed loans	–	2	5 015	5 017
Other loans	16	173	45 960	46 149
Current account and forward contracts	118	–	4 225	4 343
Other advances to customers	1 466	–	276	1 742
Financial assets not reported at fair value	10	2 781	73	2 864
Debt securities and other fixed-interest securities	3	2 781	32	2 816
Shares in companies (not consolidated)	7	–	41	48
Investment property	–	107	1	108
Other assets reported at fair value	1	–	16	17
Total	**3 677**	**5 333**	**129 960**	**138 970**

(in € million)	Level 1 31 Dec. 2013	Level 2 31 Dec. 2013	Level 3 31 Dec. 2013	Total 31 Dec. 2013
Liabilities				
Liabilities to banks	325	4 393	55 118	59 836
Liabilties to customers	190	10 518	46 471	57 179
Securitsed liabilities	4 451	44 644	2 021	51 116
Issued debt securities	2 927	44 184	1 872	48 983
Money market instruments	1 524	460	149	2 133
Other liabilities not reported at fair value	–	–	44	44
Subordinated capital	555	2 591	1 891	5 037
Subordinated liabilities	273	2 426	1 126	3 825
Participatory capital	–	86	123	209
Silent participations	282	79	634	995
Other subordinated capital	–	–	8	8
Total	**5 521**	**62 146**	**105 545**	**173 212**

(59) Carrying amounts by measurement category

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Assets			
Financial assets held for trading	12 520	16 432	– 24
Financial assets reported at fair value	1 021	1 488	– 31
Available for sale assets	43 926	48 593	– 10
Loans and receivables	136 028	150 835	– 10
Total	**193 495**	**217 348**	**– 11**
Liabilities			
Financial liabilities held for trading	6 288	11 335	– 45
Financial liabilities reported at fair value	8 843	9 389	– 6
Other liabilities	169 028	186 482	– 9
Total	**184 159**	**207 206**	**– 11**

Hedging instruments for hedge accounting as defined by IAS 39 and the cash reserve are not included since they are not allocated to any measurement category.

(60) Net gains or losses by measurement category

	1 Jan.– 31 Dec. 2013 (in € million)	1 Jan.– 31 Dec. 2012 (in € million)	Change (in %)
Financial instruments held for trading	– 136	517	> 100
Financial instruments reported at fair value through profit or loss	219	– 640	> 100
Available for sale assets	23	– 3	> 100
Loans and receivables	– 790	– 616	28
Other liabilities	– 38	– 36	– 6
Total	**– 722**	**– 778**	**– 7**

The category financial instruments held for trading relates solely to trading profit / loss, while the category financial instruments designated at fair value through profit or loss includes the profit / loss of the fair value option. The category available for sale assets includes the profit / loss from financial assets and the profit / loss from shares in unconsolidated companies. The category loans and receivables comprises risk provisions, the profit / loss from LaR financial assets and the profit / loss from disposals of receivables. The category other liabilities includes solely earnings and expenses from the repurchase of own liabilities.

The net gains / losses of the measurement categories of financial instruments held for trading and financial instruments designated at fair value through profit or loss include the commission income for the related transactions. The hedge accounting result is not included in the gains / losses since hedge accounting is not allocated to any of the categories.

(61) Impairments / reversals of impairment by measurement category

	1 Jan.– 31. 12. 2013 (in € million)	1 Jan.– 31 Dec. 2012 (in € million)	Change (in %)
Available for Sale Assets			
Profit / loss from impairment of financial assets classified as AfS	– 18	– 24	– 25
Profit / loss from shares in not consilidated companies	– 25	– 13	92
	– 43	**– 37**	**16**
Loans and Receivables			
Profit / loss from impairment of financial assets classified as AfS	– 9	3	> 100
Profit / loss from impairment of advances	– 857	– 569	51
	– 866	**– 566**	**53**
Total	**– 909**	**– 603**	**– 51**

(62) Offsetting of financial assets and financial liabilities

The effects or potential effects of offsetting financial assets and liabilities are shown in the table below.

31 Dec. 2013 (in € million)	Gross amount before balancing	Amount of the financially balancing	Net amount after balancing	Master netting arrangements and other without financially balancing: Financial instruments	Collaterals: Securities collateral	Collaterals: Cash collateral	Net amount
Assets							
Offsetting of current accounts	5 958	4 482	1 476	–	–	–	1 476
Derivatives	10 086	–	10 086	6 309	311	1 855	1 611
Securities lending and repos	3 704	–	3 704	934	2 727	2	41
Liabilities							
Offsetting of current accounts	12 649	4 482	8 167	–	–	–	8 167
Derivatives	9 398	–	9 398	6 309	98	2 637	354
Securities lending and repos	11 565	–	11 565	934	10 599	6	26

31 Dec. 2012 (in € million)	Gross amount before balancing	Amount of the financially balancing	Net amount after balancing	Master netting arrangements and other without financially balancing: Financial instruments	Collaterals: Securities collateral	Collaterals: Cash collateral	Net amount
Assets							
Offsetting of current accounts	4 755	3 391	1 364	–	–	–	1 364
Derivate	16 241	–	16 241	10 625	19	2 663	2 933
Securities lending and repos	6 328	–	6 328	3 163	3 150	1	14
Liabilities							
Offsetting of current accounts	11 189	3 391	7 778	–	–	–	7 778
Derivatives	15 764	–	15 764	10 625	401	3 926	812
Securities lending and repos	20 745	–	20 745	3 163	16 776	–	806

In the NORD/LB Group the offsetting of liabilities to an account holder that are payable on demand and are not subject to any commitments against receivables owed by the same account holder that are payable on demand is reported under the offsetting of current accounts in accordance with § 10 of the German Accounting Regulation for Credit and Financial Services Institutions (Kreditinstituts-Rechnungslegungsverordnung, RechKredV). This is the case where it has been agreed for the calculation of interest and commission that the account holder is treated in the same way as if the postings are made to a single account. This offsetting is in accordance with IAS 32.42. Receivables and liabilities in different currencies are not offset.

Business with derivative financial instruments and repos and securities lending business is generally conducted on the basis of bilateral framework agreements concluded with the counterparty. These only allow the offsetting of receivables and liabilities as well as collateral provided and received under certain conditions, e.g. in the event of a breach of contract or in the case of insolvency. There is therefore currently no right to offset in accordance with IAS 32.42.

(63) Transfer and derecognition of financial assets

The risks and opportunities relating to transferred financial assets and associated liabilities that remain in the NORD/LB Group are shown in the table below. The table also shows the degree to which transferees' rights of recourse relate only to the respective transferred assets.

31 Dec. 2013	Full recognition of financial assets despite transfer		The transferee's right of recourse relates only to the respective transferred assets		
(in € million)	Asset value of the assets	Asset value of the appropriate liabilities	Fair value of the assets	Fair value of the appropriate liabilities	Net position
Loans and advances to customers	1 419	–	1 419	–	1 419
Financial assets at fair value through profit or loss	111	32	111	32	79
Financial assets reported at fair value	18 789	19 439	11 818	12 547	– 729
Total	**20 319**	**19 471**	**13 348**	**12 579**	**769**

31 Dec. 2012	Full recognition of financial assets despite transfer		The transferee's right of recourse relates only to the respective transferred assets		
(in € million)	Asset value of the assets	Asset value of the appropriate liabilities	Fair value of the assets	Fair value of the appropriate liabilities	Net position
Financial assets at fair value through profit or loss	689	3 524	689	3 524	– 2 835
Financial assets not reported at fair value	1 248	55	–	–	–
Financial assets reported at fair value	15 486	11 973	11 729	9 149	2 580
Total	**17 423**	**15 552**	**12 418**	**12 673**	**– 255**

The transferred financial assets primarily concern genuine repos and securities lending transactions.

(64) Derivative financial instruments

The NORD/LB Group employs derivative financial instruments for securing purposes in asset/liability management. Trading is also conducted in derivative financial transactions.

Nominal values constitute the gross volume of all purchases and sales. This item is a reference figure for calculating reciprocally agreed equalisation payments; it does not, however, refer to receivables and liabilities which may be recognised in the balance sheet.

The portfolio of derivative financial instruments comprises the following:

	Nominal values		Fair value positive		Fair value negative	
(in € million)	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Interest-rate risk						
Interest rate swaps	230 059	259 107	8 874	14 676	7 484	12 187
FRAs	1 729	5 185	–	–	–	–
Interest options						
Call	3 097	3 533	338	540	4	4
Put	7 934	8 856	4	4	1 101	1 941
Caps, floors	7 203	7 647	98	141	64	91
Stock exchange contracts	905	654	1	1	2	–
Other forward interest rate transactions	1 986	2 263	87	84	125	312
	252 913	**287 245**	**9 402**	**15 446**	**8 780**	**14 535**
Currency risk						
Forward exchange contracts	23 545	16 521	219	200	240	186
Currency swaps and interest rate/currency swaps	33 311	43 492	668	989	429	1 103
Currency options						
Call	141	327	3	13	1	–
Put	142	309	1	–	3	9
Other currency transactions	–	144	–	–	–	–
	57 139	**60 793**	**891**	**1 202**	**673**	**1 298**
Share price and other price risks						
Share price and other price risks	290	149	167	5	1	–
Stock options						
Call	87	306	2	55	–	–
Put	7	258	–	–	1	26
Stock exchange contracts	51	51	–	1	1	1
	435	**764**	**169**	**61**	**3**	**27**
Credit risk						
Assignor	239	462	3	14	1	1
Assignee	4 577	5 251	10	4	65	168
	4 816	**5 713**	**13**	**18**	**66**	**169**
Total	**315 303**	**354 515**	**10 475**	**16 727**	**9 522**	**16 029**

The residual terms to maturity of the derivative financial instruments are shown below.

	Interest-rate risk		Currency risk		Share price and other price risk		Credit risk	
Nominal values (in € million)	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Up to 3 months	25 491	27 880	20 934	14 665	85	51	61	640
More than 3 months up to 1 year	28 714	35 847	9 452	11 640	109	62	903	574
More than 1 year up to 5 years	91 805	106 282	16 253	20 862	234	643	3 429	3 790
More than 5 years	106 903	117 236	10 500	13 626	7	8	423	709
Total	**252 913**	**287 245**	**57 139**	**60 793**	**435**	**764**	**4 816**	**5 713**

The residual term is defined as the period between the balance sheet date and the contractual due date.

The table below shows the nominal values and a breakdown of the positive and negative fair values of derivative transactions by counterparty.

	Nominal values		Fair value positive		Fair value negative	
(in € million)	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Banks in the OECD	271 271	310 727	8 231	13 191	8 744	14 824
Banks outside the OECD	585	497	5	6	7	7
Public institutions in the OECD	7 380	7 670	283	439	122	123
Other counterparties (including stock exchange contracts)	36 067	35 621	1 956	3 091	649	1 075
Total	**315 303**	**354 515**	**10 475**	**16 727**	**9 522**	**16 029**

(65) Disclosures concerning selected countries

The table below shows, in contrast to the exposure in the risk report, the reported values of transactions relating to selected countries (including credit derivatives). The disclosures by country include regional governments, municipalities and state-related public-sector companies.

	Financial instruments held for trading		Financial instruments reported at fair value		Available for sale assets	
(in € million)	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Egypt						
Country	–	–	–	–	–	–
Financing institutes / insurance companies	–	–	–	–	–	–
Companies / other	–		–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**
Greece						
Country	–	–	–	–	–	–
Financing institutes / insurance companies	–	–	–	–	–	–
Companies / other	–	2	–	–	–	–
	–	**2**	**–**	**–**	**–**	**–**
Ireland						
Country	– 5	– 16	95	98	27	24
Financing institutes / insurance companies	– 14	– 19	5	11	238	378
Companies / other	11	28	–	–	2	2
	– 8	**– 7**	**100**	**109**	**267**	**404**
Italy						
Country	–	4	221	251	1 274	1 335
Financing institutes / insurance companies	– 5	– 41	–	–	832	1 327
Companies / other	2	3	–	–	43	45
	– 3	**– 34**	**221**	**251**	**2 149**	**2 707**
Portugal						
Country	– 19	– 31	–	–	164	159
Financing institutes / insurance companies	9	– 1	–	–	126	136
Companies / other	–	–	–	–	21	20
	– 10	**– 32**	**–**	**–**	**311**	**315**

(in € million)	Financial instruments held for trading 31 Dec. 2013	31 Dec. 2012	Financial instruments reported at fair value 31 Dec. 2013	31 Dec. 2012	Available for sale assets 31 Dec. 2013	31 Dec. 2012
Slowenia						
Country	–	–	–	–	32	31
Financing institutes/insurance companies	–	–	–	–	–	–
Companies/other	–	–	–	–	–	–
	–	**–**	**–**	**–**	**32**	**31**
Spain						
Country	–	4	–	–	329	343
Financing institutes/insurance companies	33	7	–	–	1 586	1 631
Companies/other	7	9	–	–	30	36
	40	**20**	**–**	**–**	**1 945**	**2 010**
Hungary						
Country	– 1	– 2	–	–	189	203
Financing institutes/insurance companies	–	–	–	–	41	66
Companies/other	–	–	–	–	–	–
	– 1	**– 2**	**–**	**–**	**230**	**269**
Cyprus						
Country	–	–	–	–	–	–
Financing institutes/insurance companies	–	–	–	–	–	–
Companies/other	13	23	–	–	–	–
	13	**23**	**–**	**–**	**–**	**–**
Total	**31**	**– 30**	**321**	**360**	**4 934**	**5 736**

For financial instruments categorised as available for sale with acquisition costs totalling € 4,947 million (€ 5,678 million), the cumulative valuation of the selected countries reported in equity totals € 82 million (€ 53 million). In addition to this, depreciation of € 1 million (€ 2 million) was recognised in the income statement for the period.

(in € million)	Loans and Receivables Gross book value 31 Dec. 2013	31 Dec. 2012	Specific valuation allowances 31 Dec. 2013	31 Dec. 2012	General loan loss provisions 31 Dec. 2013	31 Dec. 2012	Fair value 31 Dec. 2013	31 Dec. 2012
Egypt								
Country	–	–	–	–	–	–	–	–
Financing institutes/insurance companies	9	11	–	–	–	–	9	10
Companies/other	–	–	–	–	–	–	–	–
	9	**11**	**–**	**–**	**–**	**–**	**9**	**10**
Greece								
Country	–	–	–	–	–	–	–	–
Financing institutes/insurance companies	–	–	–	–	–	–	–	–
Companies/other	229	244	21	15	5	1	188	168
	229	**244**	**21**	**15**	**5**	**1**	**188**	**168**
Ireland								
Country	–	–	–	–	–	–	–	–
Financing institutes/insurance companies	270	427	–	–	3	3	263	410
Companies/other	1 862	1 696	–	2	3	3	1 873	1 675
	2 132	**2 123**	**–**	**2**	**6**	**6**	**2 136**	**2 085**
Italy								
Country	–	18	–	–	–	–	–	18
Financing institutes/insurance companies	111	123	–	–	–	–	86	91
Companies/other	46	52	–	–	–	–	46	53
	157	**193**	**–**	**–**	**–**	**–**	**132**	**162**
Portugal								
Country	–	–	–	–	–	–	–	–
Financing institutes/insurance companies	12	12	–	–	1	1	12	12
Companies/other	35	78	–	–	–	–	35	78
	47	**90**	**–**	**–**	**1**	**1**	**47**	**90**

	Loans and Receivables							
	Gross book value		Specific valuation allowances		General loan loss provisions		Fair value	
(in € million)	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Slowenia								
Country	–	–	–	–	–	–	–	–
Financing institutes / insurance companies	25	25	–	–	–	–	25	24
Companies / other	–	–	–	–	–	–	–	–
	25	**25**	**–**	**–**	**–**	**–**	**25**	**24**
Spain								
Country	52	52	–	–	1	–	53	40
Financing institutes / insurance companies	125	135	–	–	1	–	123	131
Companies / other	442	459	44	34	1	–	425	462
	619	**646**	**44**	**34**	**3**	**–**	**601**	**633**
Hungary								
Country	–	–	–	–	–	–	–	–
Financing institutes / insurance companies	3	3	–	–	–	–	3	3
Companies / other	47	10	–	–	–	–	47	10
	50	**13**	**–**	**–**	**–**	**–**	**50**	**13**
Cyprus								
Country	–	–	–	–	–	–	–	–
Financing institutes / insurance companies	–	–	–	–	–	–	–	–
Companies / other	1 156	1 146	16	23	20	6	928	1 000
	1 156	**1 146**	**16**	**23**	**20**	**6**	**928**	**1 000**
Total	**4 424**	**4 491**	**81**	**74**	**35**	**14**	**4 116**	**4 185**

The nominal value of credit derivatives relating to the selected countries in the NORD/LB Group's portfolio is € 1,446 million (1,531 million). Of this, states account for € 495 million (€ 479 million), financing institutes / insurance companies for € 950 million (€ 1,051 million) and companies / others for € 1 million (€ 1 million). The Group acts as both a provider and recipient of collateral. The netted fair value of the credit derivatives is € –41 million (€ –118 million).

(66) Underlying transactions in effective hedges

Financial assets and liabilities which as underlying transactions are part of a hedge in accordance with IAS 39 continue to be reported together with unsecured transactions in the respective balance sheet items since the hedging transaction has no effect on the type of underlying transaction and its function. The balance sheet item for financial instruments (LaR and OL categories), otherwise reported at amortised cost, is adjusted by the change in fair value results in the hedged risk (in the fair value hedge portfolio by reporting the item in a separate balance sheet item). Financial instruments in the AfS category continue to be reported at their full fair value.

The financial assets and liabilities which are hedged underlying transactions in an effective micro fair hedge are shown below for information purposes:

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Assets			
Loans and advances to banks	1 016	1 259	– 19
Loans and advances to customers	7 333	7 354	–
Financial assets	12 868	14 486	– 11
Total	**21 217**	**23 099**	**– 8**
Liabilities			
Liabilities to banks	1 023	1 252	– 18
Liabilties to customers	8 802	9 831	– 10
Securitsed liabilities	10 863	12 785	– 15
Subordinated capital	849	883	– 4
Total	**21 537**	**24 751**	**– 13**

The financial assets and liabilities which are hedged underlying transactions in an effective portfolio fair value hedge are shown below for information purposes:

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Assets			
Loans and advances to customers	5 336	5 047	6
Financial assets	1 008	1 023	– 1
Total	**6 344**	**6 070**	**5**
Liabilities			
Securitised liabilities	14 342	18 220	– 21
Total	**14 342**	**18 220**	**– 21**

(67) Residual terms of financial liabilities

31 Dec. 2013 (in € million)	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total
Liabilities to banks	22 510	7 978	6 332	13 711	10 266	60 797
Liabilties to customers	19 512	2 113	6 895	12 598	19 718	60 836
Securitsed liabilities	5 881	1 475	12 950	29 443	8 924	58 673
Financial liabilities at fair value through profit or loss (no derivatives)	91	82	556	2 854	10 882	14 465
Negative fair values from derivatives held for trading	110	275	824	2 460	2 343	6 012
Negative fair values from hedge accounting derivatives	106	147	404	1 612	1 151	3 420
Subordinated capital	3	17	524	1 945	2 992	5 481
Financial guarantees	3 496	30	18	659	925	5 128
Irrevocable credit commitments	2 426	248	719	6 736	437	10 566
Total	**55 135**	**12 365**	**29 222**	**72 018**	**57 638**	**225 378**

31 Dec. 2012 (in € million)	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total
Liabilities to banks	23 594	14 903	5 630	13 653	10 197	67 977
Liabilties to customers	17 405	3 205	5 630	14 238	21 566	62 044
Securitsed liabilities	2 753	4 692	11 074	40 360	7 625	66 504
Financial liabilities at fair value through profit or loss (no derivatives)	134	35	594	4 790	7 750	13 303
Negative fair values from derivatives held for trading	333	426	1 520	5 099	4 349	11 727
Negative fair values from hedge accounting derivatives	106	122	535	2 175	1 851	4 789
Other liabilities (financial instruments only)	1	–	–	–	–	1
Subordinated capital	60	7	394	2 287	2 963	5 711
Financial guarantees	2 803	31	107	387	1 843	5 171
Irrevocable credit commitments	2 160	53	648	5 165	1 499	9 525
Total	**49 349**	**23 474**	**26 132**	**88 154**	**59 643**	**246 752**

The residual term for undiscounted financial liabilities is defined as the period between the balance sheet date and the contractual due date.

(68) NORD/LB Group as assignor and assignee

The following financial assets have been pledged as collateral for liabilities (carrying amounts):

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Loans and advances to banks	16 073	23 410	– 31
Loans and advances to customers	40 330	41 992	– 4
Financial assets at fair value through profit or loss	798	1 532	– 48
Financial assets	26 270	29 645	– 11
Total	**83 471**	**96 579**	**– 14**

Collateral has been provided for borrowing undertaken within the scope of genuine repos. Collateral has also been provided for refinancing funds for specific purposes, securities lending transactions, transactions with clearing brokers and stock exchange transactions.

Financial assets deposited as collateral for which the assignee has the contractual or customary right to sell or re-pledge the collateral amount to € 5,101 million (€ 22,303 million).

For the following liabilities assets were assigned as collateral to the amounts shown:

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Liabilities to banks	21 235	23 377	– 9
Liabilties to customers	8 956	10 584	– 15
Securitsed liabilities	20 956	25 206	– 17
Financial liabilities at fair value through profit or loss	8 462	13 813	– 39
Total	**59 609**	**72 980**	**– 18**

For collateral received in particular for repo and securities lending transactions which may be re-pledged or re-sold even if the assignor does not default, the fair value is € 2,702 million (€ 6,687 million).

Collateral which may be re-pledged or re-sold even if the assignor does not default was realised. The repayment obligation at current market value is € 206 million (€ 1,691 million).

Other Notes

(69) Equity management

Equity is managed for the Group in the parent company NORD/LB. The aim is to secure an adequate supply of capital resources in terms of quantity and quality, to achieve an adequate return on equity and to permanently comply with regulatory minimum capital ratios at Group level in each case. Significant capital figures in equity management are or were:

- Reported equity
- Total regulatory core capital ("core capital for solvency purposes")
- Regulatory eligible capital
- The "core tier 1 capital" in the sense of the EU Capital Adequacy Directive (EU-CRR) applicable from the start of 2014 with and without consideration of the transition rules applicable up to and including 2021 and
- until July / August 2013 the "core tier 1 capital" as defined by the European Banking Authority (EBA).

For part of these capital figures, target capital ratios are specified for the Group for which the numerator is the respective capital figure and the denominator is respective risk-weighted assets (RWA) in accordance with the German Solvency Regulation.

Legally-prescribed minimum capital ratios also apply. These are for total regulatory core capital 4.0 per cent to the end of 2013 and for regulatory capital 8.0 per cent until further notice. There are also individual capital-related requirements imposed by the EBA. With regard to core tier 1 capital as defined by the EBA, the EBA had since 30 June 2012 required of NORD/LB as one of the system-relevant banks in the EU that it maintains a minimum ratio of 9.0 per cent. Since July / August 2013 this requirement has been lifted. Instead the EBA expects that NORD/LB maintains a core tier 1 capital ratio in the sense of the EU-CRR of at least 7.0 per cent after the transition rules have expired.

In the year under review 2013 the core task of capital management lay in further optimising the capital structure and in the ongoing control of capital in order to achieve the internal target capital ratios and to permanently comply with the regulatory minimum capital ratios expected by the EBA.

At the start of 2014 the EU Capital Adequacy Directive (EU-CRR) will come into effect, transposing the so-called "Basel III" regulations into EU law. The EU Capital Adequacy Directive provides for a gradual and in part significant increase in regulatory minimum capital ratios for core tier 1 capital, total core capital and regulatory capital until 2019.

As a result greater requirements will also be placed on equity management in future. The most important capital figure, in terms of both regulatory laws and control within the Group, will be the core tier 1 capital in the sense of the EU Capital Adequacy Directive. In order to strengthen this, the capital structure of the Group will continue to be optimised.

In addition to this, within the scope of capital management, targets and forecasts are prepared for the relevant capital figures and the related capital ratios as required. Their actual and planned development is reported to management, the supervisory bodies, the owners of the bank and / or the EBA. If these calculations indicate any risk for the defined target capital ratios either adjustment measures are taken in terms of RWA or, with the agreement of the guarantors of the bank, procurement or optimisation measures will be taken for individual capital figures.

In 2012 and 2013 the bank maintained the regulatory minimum capital ratios at Group level at all times. The regulatory overall core tier 1 capital ratio (= core capital ratio for solvency purposes) and the regulatory capital ratio (= overall ratio) at the end of each year are reported in Note Regulatory Data Regulatory Data. The bank has exceeded the target set by the EBA of a core tier 1 capital ratio as defined by the EBA of at least 9.0 per cent for the period of 30 June 2012 to July / August 2013. The bank will meet hard core capital ratio in the sense of the EU-CRR expected by the EBA since the second half of 2013 after the expiry of the transition rules of at least 7.0 per cent after the transition rules have expired based on its capital planning.

(70) Regulatory data

The consolidated regulatory capital below was calculated in accordance with the regulations of the German Solvency Regulation.

(in € million)	31 Dec. 2013	31 Dec. 2012
Risk-weighted assets	**68 494**	**77 863**
Capital requirements for credit risk	4 933	5 693
Capital requirements for market risks	155	149
Capital requirements for operational risks	392	387
Capital requirements according to the SolvV	**5 480**	**6 229**

The following schedule shows the composition of regulatory equity for the group of institutes in accordance with §10 in conjunction with §10 a of the German Banking Act.

(in € million)	31 Dec. 2013	31 Dec. 2012
Paid-in capital	1 656	1 666
Further capital	10	10
Other reserves	5 387	5 356
Special item for general banking risks in accordance with § 340g of the German Commercial Code	1 497	1 466
Other capital with § 10 2a Nr. 10 KWG	823	954
Other components	– 111	– 92
Core capital	**9 262**	**9 360**
Deductions from core capital	– 1 150	– 909
Core capital for solvency reasons	**8 112**	**8 451**
Non-current subordinated liabilities	2 786	3 051
Participatory capital liabilities	60	193
Other components	3	– 10
Supplementary capital	**2 849**	**3 234**
Deductions from supplementary capital	– 1 150	– 909
Supplementary capital for solvency reasons	**1 700**	**2 325**
Modified available equity	**9 811**	**10 776**
Tier three capital	–	–
Eligible capital in accordance with § 10 of the German Banking Act	**9 811**	**10 776**

(in %)	31 Dec. 2013	31 Dec. 2012
Overall ratio according to § 2 Paragraph 6 of the German Solvency Regulation (SolvV)	14.32	13.84
Core capital ratio	11.84	10.85

(71) Foreign currency volume

As at 31 December 2013 and 31 December 2012 the NORD/LB Group had the following assets and liabilities in foreign currency:

(in € million)	USD	GBP	JPY	Other	Total 31 Dec. 2013	Total 31 Dec. 2012
Assets						
Loans and advances to banks	1 454	23	31	184	1 692	1 062
Loans and advances to customers	21 790	3 508	522	1 720	27 540	31 560
Risk provisioning	– 376	– 30	– 11	– 10	– 427	– 422
Financial assets at fair value through profit or loss	12 992	2 088	693	2 372	18 145	18 979
Financial assets	3 054	740	363	989	5 146	5 844
Other	190	11	32	127	360	668
Total	**39 104**	**6 340**	**1 630**	**5 382**	**52 456**	**57 691**
Liabilities						
Liabilities to banks	5 744	1 721	9	60	7 534	9 601
Liabilties to customers	2 398	182	5	396	2 981	2 749
Securitsed liabilities	3 678	6	887	1 301	5 872	6 643
Financial liabilities at fair value through profit or loss	23 714	3 560	912	3 016	31 202	31 996
Other	684	74	32	120	910	1 690
Total	**36 218**	**5 543**	**1 845**	**4 893**	**48 499**	**52 679**

Existing exchange rate risks are eliminated by concluding transactions with matching maturities.

(72) Longer-term assets and liabilities

For balance sheet items which include both current and longer-term assets and liabilities, the assets and liabilities which are to be realised or settled after more than twelve months are shown below.

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Assets			
Loans and advances to banks	16 949	17 672	– 4
Loans and advances to customers	84 145	96 540	– 13
Balancing items for financial instruments hedged in the fair value hedge portfolio	– 171	– 3	> 100
Assets held for trading	5 983	14 554	– 59
Loans and advances to banks reported at fair value	6	6	–
Loans and advances to customers reported at fair value	235	248	– 5
Financial assets reported at fair value	723	622	16
Positive fair values from hedge accounting derivatives	3 273	4 455	– 27
Financial assets classified as LaR	3 052	3 686	– 17
Financial assets classified as AfS	37 277	38 017	– 2
Other assets	34	37	– 8
Total	**151 506**	**175 834**	**– 14**
Liabilities			
Liabilities to banks	19 882	23 256	– 15
Liabilities to customers	28 105	34 489	– 19
Securitised liabilities	36 277	47 948	– 24
Balancing items for financial instruments hedged in the fair value hedge portfolio	228	837	– 73
Liabilities held for trading	5 353	10 179	– 47
Liabilities to banks reported at fair value	582	356	63
Liabilities to customers reported at fair value	4 988	4 759	5
Securitised liabilities reported at fair value	2 430	3 346	– 27
Subordinated capital reported at fair value	25	26	– 4
Negative fair values from hedge accounting derivatives	3 014	4 562	– 34
Provisions	1 812	1 724	5
Other liabilities	34	32	6
Subordinated capital	3 774	4 133	– 9
Total	**106 504**	**135 647**	**– 21**

(73) Lease agreements

The NORD/LB Group is the lessee in operating lease agreements.

With effect of 1 July 2013 NORD/LB concluded a service contract which included an operating lease agreement and pools the IT infrastructure services with one service provider. The contract, which runs to 30 June 2020, may be terminated extraordinarily from 2016 with effect of 30 June of any year and with a notice period of one year against payment of a staggered sales-related termination payment; it may also be terminated if there is a compelling reason. Price adjustments are possible due to higher or lower volumes and from October 2015 on an annual basis depending on the performance of a reference index. The contract does not include an option to extend or purchase or restrictions in the sense of IAS 17.35d(iii).

The Group's future minimum leasing lease payments from operating lease agreements are as follows:

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)[1)]	Change (in %)
Future minimum leasing lease payments			
Up to 1 year	5	3	67
More than 1 year up to 5 years	20	8	> 100
More than 5 years	1	–	–
Total	**26**	**11**	**> 100**

In the year under review expenses relating to minimum lease payments from operating lease agreements totalled € 3 million (€ 1 million).

No finance lease agreements have been concluded with the NORD/LB Group as the lessee.

Lease agreements with the NORD/LB Group as the lessor are only of minor significance.

(74) Contingent liabilities and other obligations

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)[1)]	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	6 779	5 170	31
	6 779	**5 170**	**31**
Other obligations			
Irrevocable credit commitments	10 566	9 525	11
Total	**17 345**	**14 695**	**18**

Liabilities from guarantees and other indemnity agreements include credit guarantees, trade-related guarantees and contingent liabilities from other guarantees and indemnity agreements.

NORD/LB ensures that the following companies are able to meet their obligations:
Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover
NIEBA GmbH, Hanover
Norddeutsche Landesbank Luxembourg S.A., Luxembourg-Findel/Luxembourg
NORD/LB Asset Management Holding GmbH, Hanover
NORD/LB COVERED FINANCE BANK S.A., Luxembourg-Findel/Luxembourg
Skandifinanz AG, Zurich/Switzerland

Information on uncertainty concerning the amount or the timing of outflows of capital and on possible equalisation payments is not given for reasons of practicality.

(75) Other financial obligations

The Group vouches for the obligations of the Sparkassenverband Niedersachsen (Association of the Savings Banks of Lower Saxony) resulting from its membership in the Deutscher Sparkassen- und Giroverband (German Association of Savings Banks and Girobanks) and the DekaBank Deutsche Girozentrale. In addition joint liability has been assumed for DekaBank Deutsche Girozentrale with the other shareholders of this bank within the scope of the guarantor function.

NORD/LB, together with Sparkassenverband Niedersachsen and Landesbank Berlin Holding AG, also acts as guarantor for LBS Norddeutsche Landesbausparkasse Berlin-Hannover.

In connection with the acquisition of Deutsche Hypothekenbank (Actien-Gesellschaft), the Group is obliged to reimburse Deutscher Sparkassen- and Giroverband e.V. as the guarantor of the security reserve for landesbanks and giro centres all expenditure including interest and interest lost for supporting measures which cannot be paid from the fund established for Deutsche Hypothekenbank in accordance with the agreement concluded between Deutscher Sparkassen- und Giroverband e.V and Deutsche Hypothekenbank AG on 19 December 2008.

There was also an obligation to release Bundesverband deutscher Banken e.V. (Association of German Banks) from all losses which were a result of measures in accordance with § 2 para. 2 of the statute of the “Einlagensicherungsfond” (deposit protection fund) for the Deutsche Hypothekenbank (Actien-Gesellschaft). The participation of Deutsche Hypothekenbank (Actien-Gesellschaft) in the German banks’ deposit protection fund was terminated as at 31 December 2008. In accordance with § 6 no. 8 of the statute of the deposit protection fund NORD/LB may still be liable for commitments previously entered into by Deutsche Hypothekenbank (Actien-Gesellschaft).

Due to its investment in Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG, Braunschweig, NORD/LB is liable to the effect that the limited partners have released the general partner from liability.

In a joint participating interest with other limited partners in Immobilien Development und Beteiligungsgesellschaft Niedersachsen mbH IDB & Co. Objekt Zietenterrassen KG, one limited partner has indemnified the general partner from liability. In the internal relationship the Group assumes 50 per cent of obligations that may result from this declaration of liability.

In connection with the sale of companies in the NILEG sub-group, a guarantee was made to the purchaser that taxes for periods for which tax audits had not yet been conducted have been fully paid or adequate provisions have been set up. In this respect NORD/LB is liable for any additional back taxes if the value exceeds € 0.5 million.

With regard to the inclusion of the shares in FinanzIT GmbH, Frankfurt am Main, the withdrawing partners NORD/LB, Bremer Landesbank and Landesbank Saar have committed, together with the remaining partners of FinanzIT, to bear the risks of the company from the time up to their withdrawal, provided they have actually occurred and are not already covered by provisions which have already been made.

There is also a liability for an amount of up to € 4 million (€ 4 million) to be paid to the employees of two public-sector insurance companies in the event of insolvency.

An obligation towards two companies (two companies) involves the granting of a shareholder loan to the amount of € 7 million (€ 11 million).

The Group is also obliged to make additional contributions up to an amount of € 135 million (€ 219 million) to the security reserve for landesbanks and giro centres. In the event of a need for support these subsequent contributions could be collected immediately.

Other obligations to make additional contributions amount to € 34 million (€ 34 million) in addition to further joint liabilities for other shareholders towards Liquiditäts-Konsortialbank GmbH.

Furthermore obligations to make additional contributions result on the basis of memberships of protection schemes for insurance companies to the amount of € 2 million (€ 1 million). Due to memberships in other protection schemes within the scope of insurance business, the Group, besides being a proportionate guarantor, also bears additional liability risks to the amount of € 4 million (€ 4 million).

The personally liable partners of a real estate investment fund have been released from their statutory liability.

Call-in obligations for shares and other interests amounted to € 64 million at year-end (€ 19 million).

In the course of normal business activities NORD/LB has provided security in the nominal amount of € 1,781 million in the form of securities.

In connection with the measures to boost the amount of NORD/LB's regulatory capital by converting silent participations into share capital and reserves, NORD/LB has made a commitment to the other owners of Bremer Landesbank that in the event of a further retention of profits and until a distribution takes place, to finance it in advance with the funds it requires at terms that are still to be negotiated.

The Group intends, in order ease the pressure on regulatory equity, to transfer part of the credit risk of a credit portfolio defined precisely by a finance guarantee ("PEGASUS") to an external third party. If the finance guarantee becomes effective as planned in 2014, this would result in a financial burden with charges of up to € 36 million incurred for 2014 and up to € 45 million per year for the remainder of the period of the guarantee.

A framework contract has been concluded with Wincor Nixdorf International GmbH, Paderborn, to regulate collaboration in the area of information technology. The contract, which bundles the IT infrastructure services with one service provider, commences with effect of 1 July 2013 and will run to 30 June 2020. The annual costs are volume-dependent; the value of the contract over the entire term is approx. € 200 million.

Obligations pertaining to existing rental and lease agreements are within the scope of standard business.

In accordance with the Restructuring Fund Regulation (Restrukturierungsfonds-Verordnung, RstruktFV), the Group has to pay a bank levy.

(76) Subordinated sssets

Assets are considered to be subordinated if they are only met after the claims of other creditors in the event of the liquidation or the insolvency of a debtor. The following subordinated assets are included in balance sheet assets:

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Loans and advances to banks and customers	14	20	– 30
Financial assets at fair value through profit or loss	79	182	– 57
Financial assets	580	745	– 22
Total	**673**	**947**	**– 29**

(77) Trust activities

In compliance with IFRS regulations, trust activities are not shown in the consolidated balance sheet of the NORD/LB Group; however, they are present in the Group.

Trust activities are broken down as follows:

	31 Dec. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Assets held in trust			
Loans and advances to customers	65	75	– 13
Financial instruments at fair value through profit or loss	10	11	– 9
Other assets held in trust	55	67	– 18
Total	**130**	**153**	**– 15**
Liabilities held in trust			
Liabilities to banks	44	51	– 14
Liabilities to customers	31	34	– 9
Other liabilities held in trust	55	68	– 19
Total	**130**	**153**	**– 15**

Related Parties

(78) Number of employees

The average number of employees in the NORD/LB Group for the period under review is shown as follows:

	Male 1 Jan.– 31 Dec. 2013	Male 1 Jan.– 31 Dec. 2012	Female 1 Jan.– 31 Dec. 2013	Female 1 Jan.– 31 Dec. 2012	Total 1 Jan.– 31 Dec. 2013	Total 1 Jan.– 31 Dec. 2012
NORD/LB	2 101	2 096	2 190	2 175	4 291	4 271
Bremer Landesbank	569	548	575	576	1 144	1 124
NORD/LB Luxembourg	137	149	64	75	201	224
Deutsche Hypothenbank	237	242	173	178	410	420
ÖVBS	321	319	345	338	666	657
Other	145	209	201	102	346	311
Group	**3 510**	**3 563**	**3 548**	**3 444**	**7 058**	**7 007**

(79) Related parties

All the consolidated and unconsolidated subsidiaries, associated companies, joint ventures and subsidiaries of joint ventures qualify as related parties. The owners of NORD/LB, their subsidiaries and joint ventures and the provident funds and companies controlled by or under the joint management of related parties are also related parties of the NORD/LB Group.

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

Business transacted with related parties is concluded at standard market terms and conditions.

The scope of transactions conducted with related parties in 2012 and 2013, excluding those to be eliminated under consolidation, can be seen in the following statements:

31 Dec. 2013 (in € million)	Companies with significant influence	Subsidaries	Joint Ventures	Affiliated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**602**	**–**	**228**
of which: money market transcations	–	–	–	205	–	–
of which: loans	–	–	–	397	–	228
of which: public-sector loans	–	–	–	–	–	13
of which: other loans	–	–	–	397	–	215
Loans and advances to customers	**3 010**	**40**	**8**	**326**	**1**	**917**
of which: money market transcations	39	–	–	–	–	36
of which: loans	2 971	39	8	326	1	881
public-sector loans	2 915	–	–	16	–	820
mortage-backed loans	–	15	–	106	–	27
other loans	56	24	8	204	1	34
Financial assets at fair value through profit or loss	**270**	**–**	**–**	**48**	**–**	**91**
of which: Debt securities and other fixed-interest securities	215	–	–	–	–	–
of which: Positive fair values from derivatives	30	–	–	48	–	3
of which: Trading portfolio claims	24	–	–	–	–	88
Positive fair values from hedge accounting derivatives	**47**	**–**	**–**	**–**	**–**	**–**
Financial assets	**2 250**	**–**	**–**	**17**	**–**	**–**
of which: Debt securities and other fixed-interest securities	2 250	–	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	–	17	–	–
Total	**5 577**	**40**	**8**	**993**	**1**	**1 236**

31 Dec. 2013 (in € million)	Companies with significant influence	Subsidaries	Joint Ventures	Affiliated companies	Persons in key positions	Other related parties
Liabilities						
Liabilities to banks	**–**	**–**	**–**	**452**	**–**	**118**
of which: money market transcations	–	–	–	–	–	53
of which: deposits from other banks	–	–	–	134	–	13
Liabilities to customers	**347**	**33**	**85**	**282**	**3**	**288**
of which: money market transcations	26	16	–	21	–	152
Securitsed liabilities	–	–	–	–	–	1
Financial liabilities at fair value through profit or loss	39	–	–	–	–	134
of which: negative fair values from derivatives	15	–	–	–	–	11
Negative fair values from hedge accounting derivatives	**9**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**496**	**3**	**–**	**–**	**15**
Total	**396**	**529**	**88**	**734**	**3**	**556**
Guarantees / sureties received	2 541	–	–	–	–	–
Guarantees / sureties granted	3 000	1	1	11	–	8

1 Jan.–31 Dec. 2013 (in € million)	Companies with significant influence	Subsidaries	Joint Ventures	Affiliated companies	Persons in key positions	Other related parties
Interest expense	40	49	–	36	–	16
Interest income	160	3	1	38	–	42
Commission expense	18	–	–	–	–	–
Other income and expenses	– 136	–	–	– 13	– 5	13
Total	**– 34**	**– 46**	**1**	**– 11**	**– 5**	**39**

31 Dec. 2012 (in € million)	Companies with significant influence	Subsidaries	Joint Ventures	Affiliated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**936**	**–**	**256**
of which: money market transcations	–	–	–	115	–	–
of which: loans	–	–	–	821	–	256
of which: public-sector loans	–	–	–	–	–	53
of which: other loans	–	–	–	821	–	203
Loans and advances to customers	**2 778**	**54**	**34**	**235**	**2**	**403**
of which: money market transcations	–	–	–	–	–	53
of which: loans	2 778	54	34	217	1	350
public-sector loans	1 325	–	–	18	–	285
mortage-backed loans	1 394	23	18	106	1	28
other loans	59	31	16	93	–	37
Financial assets at fair value through profit or loss	**273**	**–**	**–**	**63**	**–**	**12**
of which: Debt securities and other fixed-interest securities	183	–	–	–	–	–
of which: Positive fair values from derivatives	79	–	–	53	–	–
of which: Trading portfolio claims	11	–	–	10	–	12
Positive fair values from hedge accounting derivatives	**69**	**–**	**–**	**–**	**–**	**–**
Financial assets	**2 287**	**–**	**–**	**–**	**–**	**–**
of which: Debt securities and other fixed-interest securities	2 287	–	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	–	–	–	–
Total	**5 407**	**54**	**34**	**1 234**	**2**	**671**

31 Dec. 2012 (in € million)	Companies with significant influence	Subsidaries	Joint Ventures	Affiliated companies	Persons in key positions	Other related parties
Liabilities						
Loans and advances to customers	**–**	**–**	**–**	**472**	**–**	**128**
of which: deposits from other banks	–	–	–	158	–	16
Liabilities to customers	**260**	**33**	**120**	**101**	**3**	**296**
of which: money market transcations	45	23	–	21	–	30
Financial liabilities at fair value through profit or loss	**51**	**–**	**–**	**–**	**–**	**165**
of which: negative fair values from derivatives	27	–	–	–	–	16
Subordinated capital	**–**	**512**	**–**	**–**	**–**	**–**
Total	**311**	**545**	**120**	**573**	**3**	**589**
Guarantees / sureties received	4 194	–	–	5	–	–
Guarantees / sureties granted	5251	1	1	12	–	11

1 Jan.–31 Dec. 2012 (in € million)	Companies with significant influence	Subsidaries	Joint Ventures	Affiliated companies	Persons in key positions	Other related parties
Interest expenses	45	76	–	29	–	18
Interest income	181	3	1	45	–	23
Commission expenses	24	–	–	–	–	–
Commission income	–	–	–	1	–	–
Other income and expenses	113	–	–	– 2	– 5	– 16
Total contributions to income	**225**	**– 73**	**1**	**15**	**– 5**	**– 11**

As at the balance sheet date there are allowances for loans and advances to associated companies in the amount of € 2 million (€ 2 million). Expenses for risk provisioning in the period under review total € 0 million (€ 1 million).

In the item guarantees and sureties received from companies with a significant influence, guarantees in the amount of € 2,000 million (€ 3,500 million) are reported; these relate to an issue programme (G-MTN) guaranteed by the states of Lower Saxony and Saxony-Anhalt which serves for the refinancing of the NORD/LB Group. In the item guarantees and sureties granted to companies with a significant influence, guarantees in the amount of € 3,000 million (€ 5,250 million) are reported; these relate to a security pool of loans and advances with which the aforementioned guarantees received from the states of Lower Saxony and Saxony-Anhalt are secured. The maximum term of the guarantees is five years.

The table blow shows the maximum balances for NORD/LB transactions with related parties in the period under review and the previous year.

(in € million)	2013	2012
Assets		
Loans and advances to banks	1 037	1 192
Loans and advances to customers	4 302	3 726
Other unsettled assets	2 776	2 936
Total	**8 115**	**7 854**
Liabilities		
Liabilities to banks	575	791
Liabilties to customers	1 152	2 942
Other unsettled assets	723	1 515
Total	**2 450**	**5 248**
Guarantees and sureties received	4 194	4 225
Guarantees and sureties granted	5 271	5 332

The remuneration of persons in key positions is broken down as follows:

(in € million)	31 Dec. 2013	31 Dec. 2012
Employment-related payments due in the short term	5	4
Post-employment payments	1	1
Total remuneration	**6**	**5**

Total remuneration of and loans to governing bodies in accordance with commercial law are presented in Note (81) Remuneration of and Loans to Governing Bodies Remuneration of and Loans to Governing Bodies.

(80) Members of governing bodies and list of mandates

1. Members of the Managing Board

Dr. Gunter Dunkel
(Chairman)

Dr. Johannes-Jörg Riegler
(Deputy Chairman until 28 February 2014)

Ulrike Brouzi

Eckhard Forst

Dr. Hinrich Holm

Christoph Schulz

Thomas Bürkle
(since 1 January 2014)

2. Members of the Supervisory Board

Peter-Jürgen Schneider (Chairman)
Minister of Finance, State of Lower Saxony
(since 19 February 2013)

Hartmut Möllring (Chairman)
(until 19 February 2013)

Thomas Mang (First Deputy Chairman)
President, Association of Savings Bank in Lower Saxony

Jens Bullerjahn (Second Deputy Chairman)
Minister of Finance, State of Saxony-Anhalt

Frank Berg
Chairman of the Managing Board,
OstseeSparkasse Rostock

Norbert Dierkes
Chairman of the Managing Board,
Sparkasse Jerichower Land

Edda Döpke
Bank employee,
NORD/LB Hannover

Ralf Dörries
Senior Vice President,
NORD/LB Hannover

Hans-Heinrich Hahne
Chairman of the Managing Board,
Sparkasse Schaumburg

Frank Hildebrandt
Bank employee,
NORD/LB Braunschweig

Martin Kind
Managing Director
KIND Hörgeräte GmbH & Co. KG

Frank Klingebiel
Mayor, City of Salzgitter

Prof. Dr. Susanne Knorre
Management consultant
(since 1 May 2013)

Ulrich Mädge
Mayor, City of Hansestadt Lüneburg

Antje Niewisch-Lennartz
Minister of Justice, State of Lower Saxony
(since 1 July 2013)

Heinrich von Nathusius
IFA ROTORION – Holding GmbH

Freddy Pedersen
ver.di Vereinte Dienstleistungsgewerkschaft

Jörg Reinbrecht
ver.di Vereinte Dienstleistungsgewerkschaft

Ilse Thonagel
Bank employee
Landesförderinstitut Mecklenburg-Western Pomerania

Mirja Viertelhaus-Koschig
Deputy Chairman of the Managing Board, VIEROL AG
(until 26 April 2013)

Klaus-Peter Wennemann
Management consultant
(until 30 June 2013)

As at 31 December 2013 the following mandates were held at large corporations by members of the Managing Board of the NORD/LB Group appointed at this time. Banks are treated as large corporations.

Name	Company
Dr. Gunter Dunkel	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen Continental AG, Hanover Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover Norddeutsche Landesbank Luxembourg S.A., Luxembourg-Findel NORD/LB COVERED FINANCE BANK S.A., Luxembourg-Findel
Dr. Johannes-Jörg Riegler	Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen Norddeutsche Landesbank Luxembourg S.A., Luxembourg-Findel NORD/LB COVERED FINANCE BANK S.A., Luxembourg-Findel LHI Leasing GmbH, Pullach
Ulrike Brouzi	NORD/LB Capital Management GmbH, Hanover Norddeutsche Landesbank Luxembourg S.A., Luxembourg-Findel NORD/LB COVERED FINANCE BANK S.A., Luxembourg-Findel NORD/LB Kapitalanlagegesellschaft AG, Hanover Salzgitter AG Stahl und Technologie, Salzgitter (since 7 May 2013)
Eckhard Forst	DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co., Bremen Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover LHI Leasing GmbH, Pullach
Dr. Hinrich Holm	Lotto-Toto GmbH Sachsen-Anhalt, Magdeburg Investitionsbank Sachsen-Anhalt, Magdeburg LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover Liquiditäts- und Konsortialbank GmbH, Frankfurt am Main NORD/LB Capital Management GmbH, Hanover NORD/LB Kapitalanlagegesellschaft AG, Hanover
Christoph Schulz	LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover Norddeutsche Landesbank Luxembourg S.A., Luxembourg-Findel NORD/LB COVERED FINANCE BANK S.A., Luxembourg-Findel Toto-Lotto Niedersachsen GmbH, Hanover

(81) Remuneration of and loans to governing bodies

(in € million)	31 Dec. 2013	31 Dec. 2012
Total emoluments paid to active members of governing bodies		
Managing Board	4	4
	4	**4**
Total emoluments paid to former members of governing bodies and their dependants		
Managing Board	4	4
	4	**4**
Advance payments, loans and contingencies		
Managing Board	1	1
Supervisory Board	–	1
	1	**2**

In 2013 commitments were made for remuneration which are not dependent on the occurrence or expiry of future conditions (€ 1 million).

Pension obligations to previous board members and their surviving dependants exist in the amount of € 52 million (€ 53 million).

(82) Group auditor's fees

(in € 000)	31 Dec. 2013	31 Dec. 2012
Group Auditor's Fees for		
the statutory audit	5 187	5 147
other audit-related services	2 098	2 431
tax services	–	–
other services	1 761	608

(83) Equity holdings

The list of equity holdings includes all of the companies includes in the consolidated financial statements, the non-consolidated companies, joint ventures, associated companies and other equity holdings from 20 per cent. The information on the companies was taken from the most recent available annual financial statements which have been adopted. The information provided on equity holdings is additional information in accordance with § 315 a of the German Commercial Code. The previous year's figures are therefore not reported.

Company name and registered office	Shares (%) direct	Shares (%) indirect
a) Companies included in the consolidated financial statements		
aa) Subsidiaries included in the consolidated financial statements		
BLB Grundbesitz KG, Bremen	100.00	–
BLBI Investment GmbH & Co. KG, Bremen	100.00	–
BLB Immobilien GmbH, Bremen	100.00	–
BLB Leasing GmbH, Oldenburg	100.00	–
Braunschweig-Informationstechnologie-GmbH, Braunschweig	100.00	–
Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen	–	54.83
Bremische Grundstücks-GmbH, Bremen	100.00	–
Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover	–	100.00
KreditServices Nord GmbH, Braunschweig [2)]	–	100.00
MALIBO GmbH & Co. Unternehmensbeteiligungs KG, Pullach im Isartal	–	77.81
Nieba GmbH, Hanover [2)]	–	100.00
Norddeutsche Landesbank Luxembourg S. A., Luxembourg-Findel / Luxembourg	–	100.00
NORD/FM Norddeutsche Facility Management GmbH, Hanover [2)]	–	100.00
NORD/LB Asset Management Holding GmbH, Hanover	–	100.00
NORD/LB Capital Management GmbH, Hanover	100.00	–
NORD/LB COVERED FINANCE BANK S. A., Luxembourg-Findel / Luxembourg	100.00	–
NORD/LB G-MTN S. A., Luxembourg-Findel / Luxembourg	–	100.00
NORD/LB Kapitalanlagegesellschaft AG, Hanover	100.00	–
Nord-Ostdeutsche Bankbeteiligungs GmbH, Hanover [2)]	–	100.00
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	–
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	100.00	–
Öffentliche Facility Management GmbH, Braunschweig	100.00	–
Öffentliche Facility Management Leben GmbH & Co. KG, Braunschweig	100.00	–
Öffentliche Facility Management Sach GmbH & Co. KG, Braunschweig	100.00	–
Öffentliche Lebensversicherung Braunschweig, Braunschweig	–	75.00
Öffentliche Sachversicherung Braunschweig, Braunschweig	–	75.00
Skandifinanz AG, Zurich / Switzerland	100.00	–

Company name and registered office	Shares (%) direct	Shares (%) indirect
ab) Special Purpose Entities included in the consolidated financial statements		
Beteiligungs-Kommanditgesellschaft MS „Buxmelody" Verwaltungs- und Bereederungs GmbH & Co., Buxtehude	–	–
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal	–	–
Fürstenberg Capital Erste GmbH, Fürstenberg	–	–
Fürstenberg Capital II. GmbH, Fürstenberg	–	–
GEBAB Ocean Shipping II GmbH & Co. KG, Hamburg	–	–
GEBAB Ocean Shipping III GmbH & Co. KG, Hamburg	–	–
Hannover Funding Company LLC, Dover (Delaware)/USA	–	–
KMU Shipping Invest GmbH, Hamburg	–	–
MT „BALTIC CHAMPION" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT „BALTIC COMMODORE" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT „NORDIC SCORPIUS" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT „NORDIC SOLAR" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT „NORDIC STAR" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
NORD/LB Immobilien-Holding GmbH & Co. Objekt Magdeburg KG, Pullach im Isartal	–	–
„OLIVIA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
„OLYMPIA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
„PANDORA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
„PRIMAVERA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
„QUADRIGA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
ac) Investment funds included in the consolidated financial statements		
NORD/LB AM 65	–	100.00
NORD/LB AM ALCO	–	100.00
NORD/LB AM OELB	100.00	–
NORD/LB AM OESB	100.00	–
ad) Companies/investment funds accounted for in the consolidated financial statements using the equity method		
Joint ventures		
LHI Leasing GmbH, Pullach im Isartal [5]	43.00	6.00
Affiliated companies		
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	–
BREBAU GmbH, Bremen	48.84	–
Deutsche Factoring Bank Deutsche Factoring GmbH & Co., Bremen	27.50	–
GSG Oldenburg Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	22.22	–
LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover	44.00	–
LINOVO Productions GmbH & Co. KG, Pöcking	–	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hanover	–	28.66
SALEG Sachsen-Anhaltinische-Landesentwicklungsgesellschaft mbH, Magdeburg [6]	–	56.61
Toto-Lotto Niedersachsen GmbH, Hanover	–	49.85
Investment funds		
Lazard-Sparkassen Rendite-Plus-Fonds	49.18	–

Company name and registered office	Share of capital held (in %)	Equity [1] (in € 000)	Profit/Loss (in € 000)
b) Companies not included in the consolidated financial statements with an equity capital of greater or equal +/– € 1 million			
BGG Oldenburg GmbH & Co. KG, Bremen [11]	100.00	7 815	910
Braunschweig-Beteiligungsgesellschaft mbH, Braunschweig [12]	100.00	8 597	0
Braunschweig Gesellschaft mit beschränkter Haftung, Braunschweig [2] [11]	100.00	9 061	0
Deutsche Hypo Delaware Blocker Inc,, Wilmington (Delaware)/USA [12]	100.00	7 059	– 2 463
LHI Leasing GmbH & Co. Immobilien KG, Pullach im Isartal [12]	90.00	1 015	21
Norddeutsche Investitionen Beteiligungsgesellschaft mbH, Hanover [12]	100.00	15 290	22
NORD/LB RP Investments LLC, Wilmington (Delaware)/USA [12]	100.00	6 321	3 147
Porzellanmanufaktur FÜRSTENBERG GmbH, Fürstenberg/Weser [2] [11]	98.00	3 088	0
Schiffsbetriebs-Gesellschaft Bremen mbH, Bremen [12]	100.00	1 107	12
Themis 1 Inc., Wilmington (Delaware)/USA [12]	100.00	3 896	– 23
Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen [12]	100.00	32 603	2 215
Vermögensverwaltungsgesellschaft Thiede mit beschränkter Haftung, Braunschweig [2] [11]	100.00	1 278	0
Vermögensverwaltungsgesellschaft Thiede GmbH & Co. Objekt Celle-Altenhagen Vermietungs-KG, Hanover [10] [12]	72.70	– 3 186	523
Vermögensverwaltungsgesellschaft Thiede GmbH & Co. Tiefgarage Stade Vermietungs KG, Hanover [10] [12]	90.00	– 2 834	18
c) Capital share of greater or equal 20 % in companies with an equity capital of greater or equal +/– € 1 million			
Joint ventures/affiliated companies/other			
Adler Funding LLC, Dover/USA [12]	21.88	5 800	9 802
Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen [3]	49.00	–	–
Brocken Verwaltungs- und Vermietungs-GmbH & Co. KG, Wernigerode [12]	50.00	4 500	415
Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin [12]	20.89	15 488	192
Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg [12]	20.44	12 625	760
Gewobau Gesellschaft für Wohnungsbau, Vechta, mbH, Vechta [12]	20.46	10 854	688
Grundstücksgemeinschaft Escherweg 5 GbR, Bremen [11]	50.00	– 2 319	– 378
Immobilien Development und Beteiligungsgesellschaft Niedersachsen mit beschränkter Haftung IDB & Co. – Objekt Zietenterrassen – KG, Göttingen [7] [12]	52.56	3 353	627
INI International Neuroscience Institute Hannover GmbH, Hanover [15]	22.70	– 11 857	– 726
LUNI Productions GmbH & Co. KG, Pöcking [4] [10] [12]	24.29	– 115 653	– 83
Medical Park Hannover GmbH, Hanover [12]	50.00	2 484	233
Medicis Nexus GmbH & Co. KG, Icking [8] [14]	66.01	9 224	720
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH, Schwerin [12]	26.00	11 040	837
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung, Hanover [12]	39.82	10 437	770
NBV Beteiligungs-GmbH, Hamburg [12]	42.66	19 862	2 211
Öffentliche Versicherung Bremen, Bremen [12]	20.00	6 020	60
USPF III Beteiligungsgesellschaft mbH & Co. KG, Düsseldorf [13]	42.86	1 818	338
Wohnungsbaugesellschaft Wesermarsch mit beschränkter Haftung, Brake [12]	21.72	18 785	380

Company name and registered office	Share of capital held (in %)
d) Subsidiaries not included in the consolidated financial statements with an equity capital of greater or equal +/– € 1 million	
BGG Bremen GmbH & Co. KG, Bremen	100.00
BLBI Beteiligungs-GmbH, Bremen	100.00
Braunschweig Advisors GmbH, Braunschweig	100.00
Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG, Braunschweig	100.00
Braunschweig Grundstücksentwicklungsgesellschaft mbH, Braunschweig	100.00
Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen	100.00
Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn, Bremen	100.00
City Center Magdeburg Hasselbach-Passage Grundstücksgesellschaft mbH, Hanover	100.00
FL FINANZ-LEASING GmbH, Wiesbaden	58.00
Flying Sun Shipping Ltd., Valetta/Malta	100.00
General Partner N666DN GP, LLC, Wilmington (Delaware)/USA	100.00
IRC Verwaltung GmbH & Co. Objekt Nienburg KG, Pullach im Isartal	98.00
IRC Verwaltung GmbH & Co. Objekt Unterföhring KG, Pullach im Isartal	98.00
LBT Holding Corporation Inc., Wilmington (Delaware)/USA	100.00
NBN Grundstücks- und Verwaltungs-GmbH, Hanover	100.00
NBN Norddeutsche Beteiligungsgesellschaft für Immobilien in Niedersachsen mbH, Hanover	90.00
New Owner Participant – N666DN OP. L.P., Wilmington (Delaware)/USA	100.00
NORD/Advisors Norddeutsche Financial & Strategic Advisors GmbH, Hanover	100.00
NORD/LB Beteiligungsgesellschaft in Mecklenburg-Vorpommern und Sachsen-Anhalt mbH, Hanover [2)]	100.00
NORD/LB Informationstechnologie GmbH, Hanover [2)]	100.00
NORD/LB Project Holding Ltd., London/Great Britain	100.00
N666DN L.P. LLC, Wilmington (Delaware)/USA	100.00
PLM Grundstücksverwaltung Gesellschaft mit beschränkter Haftung, Hanover	100.00
RAINBOW LS SHIPPING Ltd., Valetta/Malta	100.00
Ricklinger Kreisel Beteiligungs GmbH, Hanover	100.00
SGK Servicegesellschaft Kreditmanagement mbH, Frankfurt am Main	100.00
TANGENS Grundstücksverwaltung GmbH & Co. Vermietungs-KG, Pullach im Isartal	100.00
Terra Grundbesitzgesellschaft am Aegi mbH, Hanover	100.00
Vermögensverwaltungsgesellschaft Thiede GmbH u. Co. Grundschulen-Vermietungs-KG, Hanover	79.80

Annotations:
1) Equity as defined in §§266 and 272 HGB, excl. capital unpaid.
2) Here a profit and loss transfer agreement exists.
3) These figures are not accounted for according to §313 para 2, sec. 4, sentence 4.
4) Founded in the year under review.
5) Due to the joint management, this company is classified as a joint venture.
6) Due to the "potential voting rights" of third parties, this company is classified as an affiliated company.
7) Due to the share in voting rights of 50.00 per cent, this company is not classified as a subsidiary.
8) Due to the rebuttal of the definition of control/significant influence, this company is allocated to other investments.
9) No disclosures relating to equity and earnings are made in accordance with §313 para. 2 no. 4 clause 3 of the German Commercial Code.
10) The company is not actually overindebted.
11) Provisional data as at 31 December 2013.
12) Data as at 31 Dec. 2012.
13) Data as at 30 Sep. 2012 (deviating fiscal year).
14) Data as at 31 Dec. 2011.
15) Data as at 31 Dec. 2010.

The group management report is neither included nor incorporated by reference into this Prospectus.

AUDITOR'S REPORT

"We have audited the consolidated financial statements prepared by the Norddeutsche Landesbank – Girozentrale –, Hanover, Braunschweig and Magdeburg (NORD/LB), comprising the balance sheet, the income statement, the notes to the financial statements, the cash-flow statement and the statement of changes in equity, as well as the Group management report for the business year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (Handelsgesetzbuch "German Commercial Code") and the supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the on Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB (Handelsgesetzbuch "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). These standards require that we plan and conduct the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our report, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB as well as the supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hanover, 31 March 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Ufer
Wirtschaftsprüfer
[German Public Auditor]

Leitz
Wirtschaftsprüfer
[German Public Auditor]

4. PAGE OF SIGNATURES

Hanover, in August 2015

NORDDEUTSCHE LANDESBANK – GIROZENTRALE –

Signed	Signed
Buschermöhle	Hoepfner