NORD/LB

Die norddeutsche Art.

Interim Report
as at 31 March 2013

OUR PROXIMITY / YOUR STRENGTH

Finanzgruppe

KEY FIGURES

	1 Jan. – 31 Mar. 2013	1 Jan. – 31 Mar. 2012 1)	Change (in %)
Income statement – in € million			
Net interest income	498	493	1
Loan loss provisions	– 241	– 33	> 100
Net commission income	36	42	– 14
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	– 12	5	> 100
Profit/loss from financial assets	40	6	> 100
Profit/loss from investments accounted for using the equity method	10	– 16	> 100
Administrative expenses	294	281	5
Other operating profit/loss	– 67	– 27	> 100
Earnings before taxes	– 30	189	> 100
Income taxes	– 5	–	–
Expenses for Public Guarantees related to Reorganisation	– 11	–	–
Consolidated profit	**– 46**	**189**	**> 100**
Key figures in %	– 14	71	> 100
Cost-income ratio (CIR)	**– 32**	**118**	**> 100**
Return on equity (RoE)			
Cost-Income-Ratio (CIR)	63.2	56.5	
Return-on-Equity (RoE)	– 2.4	11.5	

	31 Mar. 2013	31 Dec. 2012 1)	Change (in %)
Balance sheet – in € million			
Total assets	215 673	225 550	– 4
Customer deposits	55 773	55 951	–
Customer loans	112 446	114 577	– 2
Equity	7 794	7 700	1
Regulatory key figures			
Core capital for solvency reasons in € million	8 321	8 451	– 2
Regulatory equity in € million	10 453	10 776	– 3
Risk-weighted assets in € million	77 300	77 863	– 1
Total capital ratio in %	13.52	13.84	
Core capital ratio in %	10.76	10.85	

1) Some previous year's figures were adjusted as you can see at note (3) adjustment of figures for the previous year.

NORD/LB ratings
(long-term/short-term/individual)

Rating agency	Rating	Date of rating
Moody's	A3/P–2/D	10 January 2013
Fitch Ratings	A/F1/bbb–	4 April 2013

Total differences are rounding differences and may cause minor deviations in the calculation of percentages.

INTERIM REPORT AS AT 31 MARCH 2013

INTERIM GROUP MANAGEMENT REPORT AS AT 31 MARCH 2013

BUSINESS ACTIVITIES AND THE GENERAL ENVIRONMENT

NORD/LB Norddeutsche Landesbank Girozentrale

NORD/LB Norddeutsche Landesbank Girozentrale (hereafter NORD/LB or the bank) is a registered public institute with registered offices in Hanover, Braunschweig and Magdeburg. Its head office is in Hanover. 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 has branches in Hamburg, Düsseldorf, Schwerin, London, New York, Shanghai and Singapore. The bank also has representative offices in Moscow and Mumbai.

The owners of the bank are the German federal states of Lower Saxony and Saxony-Anhalt, the Association of the Savings Banks of Lower Saxony (Niedersächsischer Sparkassenverband (SVN)) in Hanover, the Holding Association of the Savings Banks of Saxony-Anhalt (Sparkassenbeteiligungsverband Sachsen-Anhalt) and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania (Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern).

The issued capital amounts to € 1 607 257 810, with the federal state of Lower Saxony holding 59.13 per cent (of which 33.44 per cent is held in trust for the state-owned Hannoversche Beteiligungsgesellschaft mbH, Hanover), the federal state of Saxony-Anhalt 5.57 per cent, the Lower Saxony Association of Savings Banks and Girobanks 26.36 per cent, the Holding Association of the Savings Banks of Saxony-Anhalt 5.28 per cent and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania 3.66 per cent.

The executive bodies of the bank are the Owners‘ Meeting, the Supervisory Board and the Managing Board.

NORD/LB is the state bank (Landesbank) for the federal states of Lower Saxony and Saxony-Anhalt. In these two federal states and in Mecklenburg-Western Pomerania the bank performs the functions of a central and clearing bank for the savings banks (Girozentrale). NORD/LB focuses its business strategy on north-east Germany and also serves customers from all the areas of banking business.

NORD/LB operates in the following segments:
- Private and Commercial Customers
- Corporate Customers & Markets
- Energy and Infrastructure Customers
- Ship and Aircraft Customers
- Real Estate Banking Customers

The bank also handles promotional loans on behalf of the federal states through Investitionsbank Sachsen-Anhalt, an institute of Norddeutsche Landesbank Girozentrale, and through Landesförderinstitut Mecklenburg-Vorpommern (LFI), a division of Norddeutsche Landesbank Girozentrale.

NORD/LB is the parent company of a group (NORD/LB Group) which also includes Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen (hereafter Bremer Landesbank), Norddeutsche Landesbank Luxembourg S.A., Luxembourg/Luxembourg (hereafter NORD/LB Luxembourg), Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover, (hereafter Deutsche Hypo), LBS Norddeutsche Landesbausparkasse, Berlin, Hanover (hereafter LBS), Öffentliche Lebensversicherung Braunschweig, Braunschweig and Öffentliche Sachversicherung Braunschweig, Braunschweig, (hereafter ÖVBS). The bank also holds other investments as shown in the disclosures of the notes to the consolidated financial statements.

Control Systems

The control of profitability, productivity and the NORD/LB Group's risk profile is the responsibility of the Managing Board. The aim of this system of control is to optimise short and medium-term profitability and efficiency while at the same time maintaining the best possible degree of transparency in terms of earnings and cost. Regulating earnings and productivity at the NORD/LB Group is primarily focussed on the key figures of return on equity (RoE), cost-income ratio (CIR) and the risk rate, on operating profit (contribution margin V) and on commercial profit/loss. The significance of key indicators is aligned towards the targets, depending on the respective banking division or the type of product. 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. The RoE refers to earnings before taxes and long-term equity under commercial law (reported equity capital less revaluation reserve less earnings after taxes).

Based on a central, medium-term forecast of the operating result, in the third and fourth quarters the bank prepares the target operating result for the coming reporting period in a decentralised planning process. The aim of medium-term planning within the planning process is for the respective profit centres to obtain estimates concerning the medium-term development of customer potential, the market situation, products, risks, resources and measures.

Economic Development

Global economic environment

The global economy only performed moderately in the first quarter of the current year. Global trade has also not yet returned to higher growth. The poor economic performance of the eurozone remains a huge negative factor. Overall there was at best a moderate improvement in business and consumer sentiment indicators in the first quarter; in April though the most important sentiment indicators in Europe were much lower than in the previous month. The effects of the consolidation measures and structural reforms are persistently keeping Southern Europe in recession.

Slow global economic recovery.

In the USA, on the other hand, the year started very promisingly. According to the first report on the USA's gross domestic product, the annualised quarterly growth rate was 2.5 per cent. In view of the stop to tax relief at the start of the year and state spending cuts, it can be said that the US economy has been remarkably robust. This was no surprise as the monthly data published for January and February had already given an early indication of this pleasing trend. The US economy was once again underpinned in particular by private consumption.

Germany

As expected the German economy returned to growth at the start of the year. Compared to the previous quarter seasonally-adjusted gross domestic product (GDP) only rose slightly in the first quarter of 2013 by 0.1 per cent compared to the previous quarter. In addition, the quarterly change rate for the already poor previous quarter was revised downwards slightly to – 0.7 per cent. The annual rate for real GDP fell to – 1.4 per cent, while the annual rate adjusted for seasonal and working-day effects is much higher at – 0.2 per cent. This unusually large discrepancy is attributable in particular to distortions caused by the very early Easter holiday this year and the additional working day in the previous year due to it being a leap year. In the past quarter there were, in arithmetic terms, 2.6 fewer working days available than in the same quarter in the previous year. Most of the analysts and economists surveyed beforehand by Bloomberg had expected somewhat stronger growth in the first three months. Together with the downward revision in the previous quarter, the GDP figures represent a decidedly negative surprise for the first quarter. However, we should not read too much into the low level of growth. Obviously the extraordinary winter weather in February and March slowed down the recovery by much more than generally had been expected. In March in particular there were many more days of frost than the long-term average, which is likely to have had a temporarily negative impact on construction activity. By implication, this should though result in a significant catch-up effect in the spring.

Poor start to 2013 for the German economy.

Private consumer expenditure rose in line with expectations in the first quarter. Employment continues to be surprisingly robust, which, in combination with noticeable negotiated wage increases and much lower inflationary pressure, resulted in an increase in real disposable income. However, there was an absence of further stimuli for growth in the first quarter. Investment activity remained poor and once again put a brake on economic development. Net exports were again unable to contribute to growth. Exports have been affected by the poor economic performance of the eurozone, which evidently has not been compensated for by demand from outside of Europe. However, the recent improvement in the order situation in industry gives cause for hope. Here it should be highlighted that in particular orders for intermediate goods and capital goods rose significantly in March.

Eurozone

Eurozone stuck in recession.

The eurozone was as expected unable to break out of the recession which has now lasted one and a half years. In the first three months of the current year price and seasonally-adjusted GDP in the eurozone fell by a further – 0.2 per cent compared to the previous quarter. The annual rate fell slightly to – 1.0 per cent. Due in particular to the unexpectedly poor GDP figures from Germany, the decline in the eurozone was much greater than had generally been expected. There had, though, already been signs that the poor economic performance of the eurozone would continue. The sentiment indicators were unable to move away from recession levels despite the temporary recovery. The austerity measures are also continuing to have an impact on many countries in the eurozone. Due to the recent decline in business confidence, in our opinion a slight recovery cannot be expected until late this year. As debt reduction continues to be pursued in both the private and in the public sector, only regions outside of Europe and monetary policy remain as potential stimuli. However, the rate of global economic growth is currently only moderate and monetary policy is gradually approaching its limits. If fiscal policy remains on its current course, a quick end to the economic problems is not expected.

While Germany is at least being spared with its slight GDP growth from sliding into recession, the situation is different for the other economic heavyweights. For example, the French economy slipped back into recession for the first time since the crisis in 2009 with a – 0.2 per cent fall in GDP compared to the previous quarter. Although private consumption was relatively stable in France, falling by – 0.1 per cent compared to the previous quarter, gross investment in plant and equipment and net exports had a negative impact. By contrast, Italy and Spain have been in recession since the summer of 2011. The contraction continued at the start of the year, with each contracting by – 0.5 per cent compared to the previous quarter. In those countries with an adjustment programme, the picture was mixed in the first three months. While Greece reported a slowdown in the downward spiral and only a slight fall in GDP of – 0.3 per cent compared to the previous quarter was recorded in Portugal, Cyprus recorded a heavy fall in GDP of 1.3 per cent compared to the previous quarter. This is likely though to be just a foretaste before the sharp fall expected in spring.

Financial markets and interest rates

Recovery in financial markets continues.

The recovery in the financial markets has continued since the start of the year. There was only a brief spell of irritation among capital market players following the parliamentary elections in Italy, where they had difficulties forming a government as no clear majority had been achieved. Despite the political impasse which lasted for months, investors soon regained their confidence, particularly in Italian government bonds.

Following the request by Cyprus for aid from its European partners in the middle of last year, the details of the conditions were announced in March; these were to be in turn to be imposed on the Mediterranean island and subsequently resulted in discussions. Although the originally planned contribution of all savings towards to the rescue costs was prevented, the higher contribution of savings above € 100 000 has not been without problems. Cyprus had to introduce capital controls in order to prevent a massive outflow of deposits. The potential consequences of future negotiations relating to rescue packages should also not be underestimated.

The rate of inflation has fallen well below 2.0 per cent in both the eurozone and in Germany. Therefore after a sustained period of slightly higher levels of inflation, price inflation has returned to just under 2 per cent, a medium-term objective pursued by the European Central Bank (ECB). The slowdown in price rises and the poor economic performance of the eurozone have forced the ECB to reduce the base rate once again. In May the ECB Governing Council reduced the tender rate to a new record low of 0.50 per cent. The monetary watchdogs did not set a negative interest rate for the deposit facility, but they did leave the back door open for further measures. Decisions were also taken on the supply of liquidity. For example, the main refinancing operations will continue to be made until 8 July 2014 as fixed rate tenders with full allotment. There will also be no changes for longer-term refinancing operations with a maturity of up to three months until at least mid-2014.

All of the measures taken by the ECB and the latest statements indicate one thing and are viewed unanimously by the markets: interest rates will remain at an extremely low level for some time. The markets have reacted accordingly. Several stock indices subsequently recorded new long-term or all-time highs. For example, the German stock index DAX even climbed above 8 350 points in mid-May and was almost 700 points above the level recorded at the start of the year. Even though the very positive economic data, the USA job market report and the March figures for German industry have helped, the dominant issue in global financial markets in the medium term is the high level of global liquidity.

Since the start of the year, yields of German government bonds with ten years to maturity have fluctuated between 1.15 per cent recorded at the start of May and 1.73 per cent at the end of January. Both the high level of liquidity and the recent uncertainty due to the Cyprus issue have contributed towards the demand for German government bonds. Money market rates remained broadly stable following the interest rate cut by the ECB. Since mid-January the 3-Month Euribor has been only slightly above 0.2 per cent.

Aircraft

The International Air Transportation Association (IATA) reported global growth in passenger volumes in the first quarter. The growth in passenger kilometres was 3.8 per cent for domestic flights and 4.5 per cent for international routes. The growth in global passenger kilometres totalled 4.2 per cent. In the first quarter of 2013 traffic volumes rose significantly in the growth markets, particularly in the Middle East, followed by Africa, Latin America and the Asia-Pacific Region. In the mature markets of North America and Europe only comparatively low growth rates were achieved. The figures in Europe largely stagnated in the period from October 2012 to March 2013 against the background of the poor economic performance.

Passenger traffic growing.

The premium segment performed positively across the industry in the first three months of the year and grew by 3.0 per cent compared to the same period of the previous year.

The seasonally-adjusted passenger numbers indicated that the rate of growth accelerated in March 2013 against the background of an improvement in the business climate. For example, annualised revenue passenger kilometres (RPK) rose between October 2012 and March 2013 by around 8 per cent. In the last six months airline capacity growth increased by an annualised rate of around 6 per cent, but this was still well below passenger growth, with the result of a rise in the utilisation rate for passenger traffic worldwide. Compared to the previous year's figures, utilisation rates improved in all regions. Worldwide they averaged 78.3 in the first quarter of 2013 (first quarter of 2012: 76.8 per cent). This should have a positive impact on the operational performance of airlines in the first quarter of 2013. In particular the profits of US airlines have risen in recent months due to the improved traffic volumes and higher utilisation rates.

Economic uncertainty affecting airfreight.

The global airfreight markets declined in the first quarter of 2013 by 1.1 per cent, although the economic environment, which contributed in particular in the fourth quarter of 2012 towards a rise in freight volumes, remained largely intact. However, the global airfreight markets have recently reflected the uncertainty regarding in particular future economic developments in Europe and the USA. Only Middle East airlines reported a significant improvement in freight volumes in the first quarter of 2013. However, airfreight from the Asia-Pacific Region, which makes up the largest share of the market, continued to perform less well. In the last two years freight capacity has virtually stagnated. The utilisation rate for airfreight stabilised in March (46.7 per cent) following a significant fall in February (43.6 per cent) due to a reduction in capacity. Overall the seasonally-adjusted utilisation rate for freight traffic remained at its lowest average level worldwide since the crisis following the economic recovery.

Order activity and deliveries remain at a high level.

Aircraft manufacturers were satisfied with the level of order activity in the first quarter. Boeing received 220 net new orders (156 of which for the 737 MAX), while Airbus recorded 410 net new orders (374 of which for aircraft in the A320 NEO family). The number of deliveries to Boeing totalled 137 and to Airbus 144 .

Ships

The first quarter of 2013 was from an economic viewpoint in line with the rather neutral expectations The Chinese New Year was particularly late this year, resulting in very low activity particularly in the container sector until the end of February 2013. With the economic performance of the eurozone remaining poor at the start of the year, freight rates on the Far East-Europe route remained under pressure, and this was once again reflected in a fall in the Shanghai Containerised Freight Index (SCFI) in March. The difficult situation is also partly reflected by the fact that the general rate increases (GRI) that the leading liners had previously stated were postponed. In spite of this, deliveries continued unabated in the first quarter (56 container ships with approx. 352,000 TEU). Only around one third of this volume though was scrapped. There were few surprises in the bulker sector's performance at the start of the year.

Baltic Dry Index performing similarly to 2012.

The Baltic Dry Index performed similarly to the previous year, although with more discounts in the first quarter of 2013. The Panamax and Supramax subsegments benefited in March from the harvest in the granary of South America. Here shifts in transatlantic traffic were seen, which also somewhat reduced the load of the Pacific routes.

Tanker sector suffering from overcapacity.

However, the Capesize segment continued to perform poorly despite the slight increase in steel production in China and the drop in iron ore production in Brazil in the first quarter. The much lower level of iron ore imports in China compared to the previous year are partly responsible for this. The tanker sector was affected by surplus tonnage in the period January to March 2013. Rate levels were accordingly low. There was a significant fall in average achievable income in the VLCC segment (very large crude carrier), with the level achieved below operating costs according to market participants. The fall in spot rates in the Suezmax and and Aframax segments on the other hand was less pronounced; in both segments the level of tonnage available is greater than the demand. The product tanker market performed better, benefiting from a rise in demand. Despite the difficult economic environment, cruises remained popular. Ports such as Hamburg and Kiel report a higher number of calls and at the start of the year gave positive estimates regarding expected passenger numbers for the year as a whole. One third of the newbuilds planned for 2013 were delivered in the first quarter of 2013. A further four cruise ships will follow in the current year.

In the offshore segment the winter period in the Northern hemisphere was reflected in the level of demand in the first three months. Overall the restructuring in the offshore sector continued as operational vehicles and materials have to meet rising requirements (deep sea and offshore use).

Real estate

The global real estate market is in the ascendancy. The good result in the last quarter of 2012 demonstrates the fresh momentum in the investment market for commercial real estate. Letting markets though continue to be somewhat subdued. The expected improvement in the assessment of the situation by businesses during the course of the year might, however, bring about an increase in sales in the second half of the year. While a continued upward trend is expected in particular in the USA, austerity measures might put a brake on the recovery in some parts of Europe.

Fresh optimism in the global real estate market.

USA

The increasingly noticeable recovery of the US real estate market continued in the first three months of the current year. The investment market for commercial real estate started well this year, although there were incentives for sellers due to tax increases to bring forward sales to 2012. The office letting market has been characterised of late by strong letting activity, a higher positive net absorption rate, a steady reduction in the vacancy rate and a slight rise in rents. The shortage of first-class office buildings has resulted in a noticeable upturn in construction activity. The slightly positive economic growth is also driving the continued recovery of the retail sector. Although retailers remain cautious about occupying new space on a large scale, the vacancy rate continued to fall.

Recovery of the US Real Estate Market continues.

The residential real estate market continues to show signs of recovery. However, the rate at which the fundamental data is improving slowed somewhat towards the end of 2012. The growth in demand has slowed of late, although the vacancy rate has been further reduced. House prices in the conurbations, measured by the S&P/Case-Shiller Index, continue to rise. However, they are still almost 30 per cent below the peak values achieved seven years ago. The upturn in housing construction has continued since the start of the year.

Germany

A positive start to the year was recorded in the commercial investment market. With a transaction volume of € 7.1 billion, turnover was around one third more than in the same quarter of the previous year. The first quarter benefited, despite the strong year-end rally, from the backlog of transactions that were unable to be completed by the end of 2012. The strong quarterly result is due in part to the significant increase in portfolio trading, which has almost tripled. In addition to this, the transaction volume across all seven property strongholds has risen at an above-average rate (+50 per cent). The share of the leading property strongholds in the total transaction volume for Germany as a whole has risen to 65 per cent. Investors continued to focus on office properties in the first quarter of 2013. They made up at € 2.9 billion around 40 per cent of the transaction volume, well ahead of retail properties, which only contributed € 1.7 billion or 24 per cent to the overall result.

Poor investment market, poor office letting market.

The office letting market experienced a poor first quarter though. A turnover of only 573 000 m^2 was achieved in the German property strongholds in the first three months. This equates to a fall of 21 per cent compared to the same quarter of the previous year and is also the worst quarterly result since the third quarter of 2009. This reflects the poor economic development since the summer of 2012, which is felt in the letting market with a time lag. Although construction activity has only picked up slightly since the start of the year, the vacancy rate fell in all of the property strongholds by the end of March 2013. Apart from in Frankfurt, where peak rents have risen slightly due to the letting of some expensive space, they have remained stable in the remaining cities compared to the previous quarter.

The retail sector also had a slow start to the letting year with just 136 000 m^2 of space let. The volume of space let was therefore around 15 per cent below the strong last quarter of 2012, which was one of the strongest quarters in the last three years with 160 000 m^2 of space let. Turnover at the start of the year is generally lower and even in the record year of 2011 a volume of only 141 000 m^2 was achieved in the first quarter. Peak rents in the ten leading German retail locations continue to rise.

The German residential real estate market continues to be very attractive. In the first three months of 2013 portfolio (here: portfolios with more than 10 residential units) turnover was at approx. € 3.4 billion less than in the same period of the previous year (€ 3.6 billion); however, with 110 000 residential units sold, around 10 000 more residential units changed hands. Investors focused in particular on national portfolios, which made up more than half of the transaction volume at € 1.9 billion. More than half of the capital invested in residential real estate in Germany now comes from abroad.

Europe

Continuing divide.

Despite the continuing uncertainties in the eurozone and the worsening economic situation, investment in commercial real estate in Europe was down slightly in the first quarter of 2013 compared to the same quarter of the previous year. The UK, Germany and France accounted for around 85 per cent of the total investment volume between them. While the UK experienced a slight fall in volume, in particular France, and Germany, recorded an increase. The greatest increase was recorded by Ireland though. The country is due to the largely completed valuation adjustments once again attractive for investors. The remaining European countries experienced a fall in investment volumes though. Peak rents were stable compared to the previous quarter. The increasing divide in peak rents for office properties seen in recent years shows that investors are differentiating in terms of risk and the fundamental data increasingly between the core markets and the periphery countries of the eurozone.

In view of the shrinking economy in large parts of Europe, house prices will continue to fall in most countries. Spain, the Netherlands and France in particular are affected by falling prices. House prices are only stable or rising slightly in a few countries such as Germany and Switzerland.

REPORT ON THE EARNINGS, ASSETS AND FINANCIAL POSITION

(In the following text the previous year's figures for the first three months of 2012 or as at 31 December 2012 are shown in brackets.)

Earnings Position

Earnings before taxes for the three months of the financial year 2013 totalled € – 46 million.

NORD/LB closes first quarter of 2013 with earnings before taxes of € – 46 million.

The figures for the income statement are summarised as follows:

(in € million)	1 Jan. – 31 Mar. 2013	1 Jan. – 31 Mar. 2012[1]	Change[2]
Net interest income	498	493	5
Loan loss provisions	– 241	– 33	– 208
Net commission income	36	42	– 6
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	– 12	5	– 17
Profit/loss from financial assets	40	6	34
Profit/loss from investments accounted for using the equity method	10	– 16	26
Administrative expenses	294	281	– 13
Other operating profit/loss	– 67	– 27	– 40
Earnings before reorganisation and taxes	**– 30**	**189**	**– 219**
Reorganisation expenses	– 5	–	– 5
Expenses for public guarantees related to reorganisation	– 11	–	– 11
Earnings before income taxes	**– 46**	**189**	**– 235**
Income taxes	– 14	71	85
Consolidated profit	**– 32**	**118**	**– 150**

[1] Previos year's adjustments are taken into account according to IAS 8 (please refer to Note (3) Adjustment of the previous year's figures of the interim consolidated financial statements).
[2] The preceding sign in the change column indicates the effect on profits or losses .

Net interest income increased compared to the same period of the previous year by € 5 million to € 498 million. This positive development is attributable to the improved results of interest rate control. Lower income from securities transactions is due to the reduction in risk-weighted assets (RWA) and the fall in interest rates. Expenses related to securitised liabilities have fallen due to a drop in interest rates, a reduction in the portfolio and a much lower volume of new issues compared to the reference period.

Expenses related to loan loss provisions increased by € 208 million compared to the same period of the previous year. This is primarily due to the net allocation to specific valuation allowances in the amount of € 183 million (€ 20 million) and the net allocation to general loan loss provisions in the amount of € 66 million (€ 14 million). The increase in both is mainly attributable to ship financing.

Loan loss provisions are mainly affected by ship financing.

Net commission income fell by € 6 million compared to the same period of the previous year to € 36 million. The € 8 million reduction in commission income is seen alongside a € 2 million reduction in commission expenses. Commission income from banking transactions recorded a fall of 12 per cent, which is primarily attributable to the fall in other standard bank commission income (€ –13 million) and commission income from trust activities (€ –4 million). The fall could not be compensated for by the increase in income from brokerage business (€ 2 million) and the lending and guarantee business (€ 8 million).

Profit/loss from financial instruments at fair value including hedge accounting affected by a fall in trading profit and positive development in profit/loss from the use of the fair value option.

The **profit/loss from financial instruments at fair value through profit or loss including hedge accounting** was € –12 million and therefore fell compared to the reference period by € 17 million. This is due to a fall in the trading profit/loss compared to the previous year and a positive contribution to earnings from the fair value option which was unable to compensate fully for this. The trading profit/loss was primarily affected by the negative development in the income from interest derivatives and the fall in income from credit derivatives. Income from share derivatives fell. This was compensated for in part by the result of currency risk management, which due to the performance of the EUR/USD base spread made a positive contribution to earnings with a significantly reduced expense compared to the reference period.

The **profit/loss from financial assets** is € 40 million and is therefore € 34 million above the previous year's figure. This is attributable in particular to income from the disposal of debt securities and fixed-interest securities, which was primarily achieved in the insurance business of the Private and Commercial Customers segment, and income from the sale of investment fund shares.

The **profit/loss from investments accounted for using the equity method** in the period under review totalled € 10 million and is € 26 million above the previous year's figure. The reference period's figure was affected by a write-down in the amount of € 20 million. The positive proportionate profit/loss from investments accounted for using the equity method totalled € 10 million and was therefore € 5 million above the previous year's figure.

Administrative expenses rose by € 13 million compared to the previous period. The increase in staff expenses, which was primarily due to negotiated wage increases, and other administrative expenses was partly compensated for by a reduced level of depreciation for property and equipment and intangable assets.

Redemption of issued debt securities, promissory notes and registered bonds affect other operating profit/loss.

With a net expense of € 67 million, **other operating profit** was € 40 million less than the previous year's figure. This development was primarily due to the sharp rise in expenses relating to the redemption of issued debt securities, promissory notes and registered bonds in the amount of € 17 million (€ 4 million). Charter income for fully-consolidated ships was also less than in the previous year, totalling € 3 million (€ 8 million). Insurance premium income and income from reinsurance contracts developed positively. The allocation to the provision of the bank levy resulted in an expense in the amount of € 36 million (€ 37 million).

The **reorganisation expenses** of € –5 million are attributable in the amount of € 4 million to allocations made to reorganisation provisions as part of the efficiency improvement programme for contractual agreements already concluded as at the balance sheet date concerning the termination of contracts of employment. Expenditure on other reorganisation measures accounted for a further € 1 million.

Expenses for public guarantees related to reorganisation relate entirely to premiums for the guarantee measures of the federal states of Lower Saxony and Saxony-Anhalt as part of the capital-boosting programme.

Income taxes in the interim financial statements are calculated based on the anticipated income tax rate for the individual companies for the whole year. The tax loss situation results in tax income of € 14 million for the first quarter of 2013, while a tax expense of € 71 million was recorded in the reference period.

Assets and Financial Position

(in € million)	31 Mar. 2013	31 Dec. 2012	Change
Loans and advances to banks	30 175	34 378	– 4 203
Loans and advances to customers	112 446	114 577	– 2 131
Loan loss provisions	– 2 063	– 1 949	– 114
Financial assets at fair value through profit or loss	16 830	17 920	– 1 090
Positive fair values from hedge accounting derivatives	4 371	4 924	– 553
Financial assets	51 083	52 423	– 1 340
Investments accounted for using the equity method	313	318	– 5
Other assets	2 518	2 959	– 441
Total assets	**215 673**	**225 550**	**– 9 877**
Liabilities to banks	59 858	65 079	– 5 221
Liabilities to customers	55 773	55 951	– 178
Securitised liabilities	56 754	60 619	– 3 865
Financial liabilities at fair value through profit or loss	20 132	20 724	– 592
Negative fair values from hedge accounting derivatives	4 444	4 908	– 464
Provisions	4 317	4 137	180
Other liabilities	1 832	1 599	233
Subordinated capital	4 769	4 833	– 64
Reported equity including minority interests	7 794	7 700	94
Total liabilities and equity	**215 673**	**225 550**	**– 9 877**

The **balance sheet total** fell by € 9.8 billion compared to 31 December 2012. On the assets side this was due in particular to a reduction in loans and advances to banks and customers, financial assets at fair value through profit or loss and financial assets. On the liabilities side the fall in the balance sheet total is reflected in a fall in liabilities to banks and securitised liabilities.

Total assets fell by € 9.8 billion due to the fall in receivables from repo transactions.

Loans and advances to banks have reduced by € 4 203 million compared to the previous year. This change is mainly due to the reduction in receivables from repo transactions and other loans and advances to banks in Germany.

Loans and advances to customers are still the largest balance sheet item at 52 per cent (51 per cent). Compared to the previous year, this item has reduced by € 2 131 million. This reduction is primarily due to the reduction in receivables from money market transactions with customers in Germany.

Write downs heavily affected by loan loss provisions in the area of ship financing.

Loan loss provisions increased compared to the previous year by € 114 million to € 2 063 million. This was mainly attributable to the increase in write down in ship financing.

Financial assets at fair value through profit or loss comprise trading assets and financial assets designated at fair value and are € 1 090 million below the previous year's level. The valuation-related fall in fair values from derivatives contributed significantly towards this.

Financial assets have reduced compared to the previous period by € 1 340 million and now total € 51 083 million. This is primarily attributable to the reduction in available for sale (AfS) financial assets as part of the RWA reduction programme.

Liabilities to banks have fallen by € 5 221 million compared to the previous year. The fall is primarily due to the reduction in repo transactions and other liabilities to banks in Germany.

Liabilities to customers are at around the previous year's level at € 55 773. Due to a special promotion in private customer business, an increase of € 536 million in savings deposits was recorded.

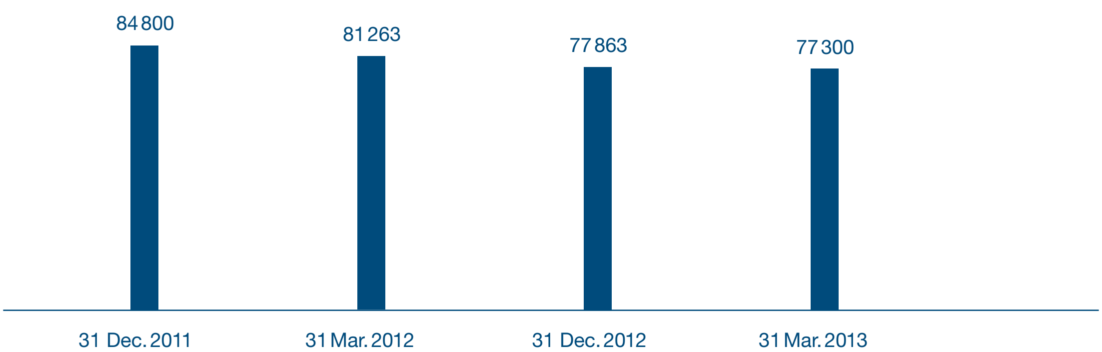
The reduction in **securitised liabilities** of € 3 865 million to € 56 754 million is attributable to the maturity of Pfandbriefe (covered bonds) and other debt securities.

Liabilities at fair value through profit or loss comprise trading liabilities and financial liabilities designated at fair value. Compared to the previous year they have fallen by € 592 million due to the development in negative fair values from derivatives.

No equity measures were taken in the first quarter. Changes in **reported equity** are attributable to effects from the statement of comprehensive income.

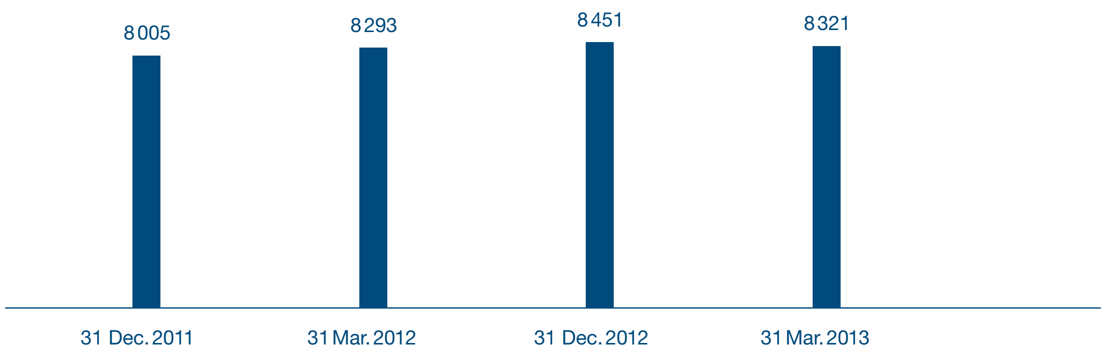
Total risk-weighted assets, the total capital requirements for market price risks and operational risks, are broken down as follows:

RISK-WEIGHTED ASSETS (in € million)



The core capital for solvency reasons has changed as follows:

CORE CAPITAL FOR SOLVENCY PURPOSES (in € million)



SUMMARY

The result is affected by the shipping crisis.

SUPPLEMENTARY REPORT

No events that are of relevance for the period under review from 1 January to 31 March 2013 have taken place after the reporting date of 31 March 2013.

FORECASTS AND OTHER INFORMATION ON ANTICIPATED DEVELOPMENTS

General economic development

Global economic outlook

Gradual stabilisation expected for 2013.

Moderate growth is still expected for the global economy. The outlook for both the USA and China is cautiously optimistic, while the eurozone continues to suffer from structural adjustment measures. The risks from the financial and debt crisis have further receded, but they still remain a potential threat to global economic development. The capital markets will continue to focus in particular on the success of the structural adjustments in the eurozone.

NORD/LB expects only moderate GDP growth of 2.0 per cent for 2013 and stronger GDP growth of 2.7 per cent for next year. In line with the economic revival, US treasuries will rise over the course of twelve months from their lowest levels towards 2.50 per cent. The €/$ exchange rate should in light of the different growth paths and interest rate trends in the two currency areas approach 1.25 $/€ in the same period.

Economic forecast for germany and the eurozone

Germany returning to growth – performing better than the eurozone.

The economic recovery in the eurozone is taking longer to materialise than originally expected. The most important sentiment indicators did not improve in March and April, in fact they fell. The Purchasing Manager Index and the Economic Sentiment Indicator suggest that the recession will continue in the first-half year. The situation might improve gradually in the second half-year. The more expansive monetary policy of the European Central Bank might contribute towards this. The debt crisis remains, despite the continued stabilisation of the financial and capital markets, the greatest economic risk for the eurozone. The recession will continue for the time being in particular in the Southern countries of the eurozone. A number of countries in the eurozone will therefore not achieve their original consolidation targets, which is why adjustments by the EU Commission with regard to the requirements in relation to the excessive deficit procedure can be expected or have already been taken. In this respect the additional discretionary fiscal burdens will be less than before in 2013. In the context of the debt crisis, the focus will remain above all on the two major economies of Spain and Italy, despite the improved sentiment in the financial markets. For 2013 the continuing low consumption and investment levels with result in a fall in economic output of a good 0.5 per cent. However, this forecast is still based on the premise that the economy will start to gradually recover during the course of the year, although the risks of a further downturn have risen of late. The eurozone‘s deficit ratio will fall back below 3 per cent of GDP in 2013 despite the poor economy. However, all of this is providing that there will be no new shockwaves in the financial markets.

The outlook for the German economy remains positive, even though the risks have increased here as well. After a slow recovery in the first quarter, economic development is expected to be mixed in the spring. However, the economy should be boosted by catch-up effects from the first quarter. On the one hand, the stabilisation and recovery of incoming orders in the manufacturing sector and industrial production towards the end of the first quarter suggest that industrial activity is picking up. On the other hand, the economic expectations of businesses and financial market experts were much bleaker in March and April. Overall, moderate growth is still expected. However, the risks have increased in the last three months, which is why NORD/LB’s economic forecast for the year as a whole was lowered to just 0.4 per cent. The job market continues to develop robustly; consumption will therefore remain a driver of growth. This will also be helped by a significant reduction in inflationary pressure. Exports will also have a positive impact in the current year, as will housing construction in the medium term, while only a slow recovery is expected for commercial construction and investment in machinery and equipment.

Inflation and interest rates

Inflationary pressure will be low both in the eurozone and in Germany this and next year. The rate of inflation for consumer prices in Germany and the eurozone will again be below 2.0 per cent compared to the previous year. The consolidation of public finances will probably suffer a slight setback in Germany in 2013. After net borrowing had been in balance in 2012 (cf. Maastricht Treaty), the temporary economic slowdown and some reductions in social security revenues will have a negative impact on public budgets. This should though only result in a slight rise in the deficit ratio. The extraordinary low interest rates will continue to have a positive impact. In view of the weak economy, low inflationary pressure and an expansive monetary policy for the foreseeable future in the most important currency areas, at best a moderate rise in returns from government bonds from the current level is expected. This would start at the earliest at the end of the current year. The recent uncertainty concerning the degree to which bank creditors will participate in possible rescue measures might also ensure that the the demand for secure investment opportunities, and in particular for German government bonds, remains high.

Banking market development

The European banking market continues to face challenges five years after the financial market crisis started. A sustained stabilisation of the market is still a long way off. The cautious economic outlook for 2013 in the majority of European countries implies that there will continue to be difficulties concerning the credit quality, capital adequacy and earnings potential of banks. Further efforts will be necessary to improve the stability of financial markets. These mainly involve the further reduction of balance sheet risks, the boosting of equity, the maintenance of capital market capability and the increasing of earnings potential. This process will be accompanied in future by a tighter regulatory environment. This applies equally for the German banking market.

Asian banks have largely emerged unscathed from the current financial crisis. This is primarily attributable to the fact that Asian banks on the whole have relatively low exposure to borrowers in the European crisis countries and sound capital resources. It is also the case for US banks that their exposure to the European crisis countries poses no threat to their own stability. Overall, though, the recovery of the US banking system will take longer as the growth and earnings prospects for US banks will continue to be limited in the coming years due to a tightening of the regulatory environment.

Ships

Containers

In the container segment the supply will for the time being increase due to the new tonnage which will be delivered in the current year. In particular the large container ships ordered for long-haul routes during the order boom are due to be delivered in 2013 and 2014. In 2013 a total of 1.55 million TEU will therefore have to be absorbed by the market, with the fleet increasing by 7.1 per cent as a result. The number of new orders placed in the current year currently totals 50 ships with approx. 0.43 million TEU; these should be delivered in the period 2014 to 2016. There was no change in the number of laid-up ships at the start of the second quarter of 2013 (5 per cent of the container fleet was been booked as at the start of April). There have so far been no signs of a start to the peak season, which would also result in a reduction in the number of laid-up ships. There is currently no economic momentum from Europe or China. The peak season normally runs from spring to autumn, therefore business should start to pick up at the end of the second quarter of 2013. It will remain difficult to achieve a significant increase in freight rates in the current market environment. However, the current lower bunker price may have a positive impact on the income situation of the shipping companies.

Hope for peak season in the container sector.

Tankers

Tanker sector affected by surplus tonnage.

The forecasted growth rates in the tanker subsegments will again exceed demand in 2013. As only a marginal economic recovery is expected, global oil consumption is expected to remain unchanged in the current year. At the start of the year the International Monetary Fund (IMF) revised its global GDP growth forecast to 3.3 per cent (3.5 per cent). The Organization of the Petroleum Exporting Countries (OPEC) estimates that the global demand for oil will remain unchanged in 2013 at 89.7 million barrels per day. As particularly in the next three quarters a large number of deliveries is expected in all tanker subsegments, the pressure on rates is not expected to decrease. Due to the phase-out effect coming to an end, there will also be a drop in the number of old single-hull ships being scrapped. While the crude oil outlook remains accordingly poor, there are signs of an improvement in the market for product tankers. Although the order books here are also still very full, the developments indicate that the gap between supply and demand will reduce.

Bulkers

Still too much freight capacity in the bulker sector.

The situation in the bulker segment will remain under pressure for the time being. Massive overcapacity in the sector will ensure that rates remain low. Although the forecasts for economic growth in China have been somewhat more optimistic of late, expectations in for example India are rather subdued. In the eurozone, EUROFER (European Steel Association) is expecting a further fall in the demand for steel in the current year. In the second quarter of 2013 grain exports (corn and soya beans) from South America will continue to provide momentum as the season extends into May and the exporting countries have been stretched to their shipping limits. This should ease the situation somewhat for the Panamax category for the time being. However, the large number of deliveries will remain a challenge across all segments for the bulker sector in 2013.

Cruise ships

Growth trend in the cruise sector uninterrupted.

The positive trend in the ocean cruise market continues. The Cruise Lines International Association (CLIA) Europe remains optimistic for 2013 and is expecting further growth in the industry. The market participants are reacting by constantly placing new orders. The order books continue to show that up to six cruise ships will be delivered per year. The expansion of capacity in German ports that has been discussed also reflect the high popularity of this form of travel.

Others

Offshore production continues to offer potential.

The offshore market remains lively. The energy needs of the emerging markets and limited production capacity in the traditional drilling sites of the oil and gas industry necessitate continual exploration. Due to the increasing requirements placed on the material used, large parts of the offshore fleets are currently being replaced. For example, there is currently a boom in Brazil with state-owned oil companies wanting to develop new drilling sites off its coast. While the activities off the coasts of Latin America and West Africa are positive for the offshore industry, in the medium term stagnation is expected in North America and in the North Atlantic. On the one hand the USA is concentrating increasingly on developing new domestic energy sources (fracking), while on the other hand deposits in the North Sea have been almost completely exploited. NORD/LB expects oil and energy prices to remain high, therefore the offshore industry in the oil, gas and wind energy sector continue to offer potential.

Aircraft

Passenger and freight traffic expected to grow in 2013.

The International Air Transport Association (IATA) now assesses the outlook for 2013 more positively than in December 2012. The background for this is the overall improvement in the global economy, which is stimulating demand in particular in the passenger segment. The IATA therefore expects passenger growth of 5.4 per cent (RPK) for 2013. For global airfreight the IATA is forecasting growth of 2.7 per cent (freight tonnage kilometres (FTK)). However, as relatively poor growth is expected for the global economy in 2013 (IATA: 2.4 per cent), the environment for the airfreight market remains fragile.

The conditions for the international aviation industry remain challenging. In particular a worsening of the debt crisis in Europe is a source of risk. Accordingly, the IATA is expecting due to the continued difficult market conditions in Europe and the on the whole recessionary trend only a slight improvement in profits for European airlines.

NORD/LB forecasts that order activity will settle down in 2013 and that the number of new orders for both Boeing (2012: 1 203 new orders) and Airbus might fall as a result. The background for this is that in particular in the last two years order activity in the civil aviation industry has been stimulated heavily by the launch of the A320neo and the 737MAX. As both Boeing and Airbus expanded their production capacity in 2012, the number of new aircraft deliveries will continue to rise in 2013 (2012: Boeing 601; Airbus 588).

Order activity might decline in 2013.

Real estate

As in previous years, global investment in commercial real estate is expected to rise in 2013. The amount invested is likely to reach at around € 450 to 500 billion the highest level since the outbreak of the financial and economic crisis.

Further rise in investment volume expected.

In the USA a further increase in the amount invested in commercial real estate compared to the previous year is expected in 2013. The US market is becoming increasingly attractive in particular for investors with a long-term investment strategy due to the low returns on government bonds, the volatile share market, the positive outlook for growth and the stable conditions compared to other major and more mature commercial real estate markets. In the housing market the fundamental data will continue to improve as the economy recovers in 2013.

In Europe investor demand will continue to concentrate during the course of the year on the core European markets of London, Paris and the German property strongholds. The polarisation between the core markets and the periphery countries will therefore continue. An alignment of returns is therefore not expected in the short term. The investment volume might in light of the risk awareness of investors and the restrictive financing conditions reach around the same level as the previous year in 2013. Europe‘s residential real estate markets will also continue to be mixed in the current year. While the housing markets in countries such as Germany and Switzerland are considered to be stable and are characterised by continuing price increases, most European countries have to accept a fall in prices due to the shrinking economy. The fall will be particularly heavy in Spain, the Netherlands and France.

German and foreign investors will continue to focus on German real estate during the remainder of the year. The low level of interest rates and stable economic situation of Germany compared to the rest of Europe will help this development. Against this background it is expected that the transaction volume for commercial real estate will reach at least the previous year’s level (around € 25 billion). The German residential real estate market continues to develop well in light of the strong demand, particularly in Germany‘s metropolis regions. Housing construction is also in the ascendancy. However, as this will not cover demand in the conurbations, further rent increases are expected in the current year.

Strategic development of the NORD/LB Group

Based on the conditions of the national economy, the NORD/LB Group will continue to pursue its proven customer-oriented business model and its risk-conscious business policy. The essence of NORD/LB's business model is to focus business activities closely on customer needs and to continually improve its risk-adjusted profitability. In the process the focus is increasingly on separating earnings growth from risk-weighted-assets (RWA) growth and to secure its refinancing. NORD/LB will continue to focus on its core business and reduce its non-strategic portfolios.

NORD/LB is concentrating more on its regional activities and target customers.

NORD/LB expects that it will continue to benefit from the high level of diversification in its business portfolio, which is characterised by the financing of various asset classes with opposing cycles. The savings bank network business in the owners' region, which is important for NORD/LB as a state bank, the retail banking and the very granular and profitable corporate banking business will be reinforced in the business model. Renewable energies business will also play an important role in the business model. Here NORD/LB can point, not least of all due to its regional location in Northern Germany, to many more years of success and experience than its competitors. The financing of ships, aircraft and real estate will continue to be the mainstays of the business model. The importance of the overall portfolios in these areas will on the whole be re-scaled with an eye to the future in order to obtain an even more balanced risk structure. In summary, NORD/LB will in future concentrate even more on its (extended) regional activities and focus on its target customers. The strategic focus emphasises the aspiration stated in NORD/LB's vision, i.e. of being a leader in its target markets.

NORD/LB is seeking, by pushing RWA-friendly transactions, to change the earnings structure in its core business with a view to increasing net commission income. This should be achieved by NORD/LB being perceived in its markets as a competent partner for its customers and by the many years of know-how in its business segments.

As part of the approval process for the capital-boosting programme, NORD/LB and the EU Commission agreed a catalogue of commitments for the development of the NORD/LB Group in the next few years. The commitments endorse the path that the NORD/LB Group has already taken.

Outlook for the NORD/LB Group

After the solid consolidated earnings in 2012, the operational performance in the NORD/LB Group in the first three months of the financial year 2013 has been satisfactory with regard to income and administrative expenses. However, it is evident that the challenges in the shipping business presented in previous years have not yet been overcome. For example, the result for the first quarter includes signficant loan loss provisions made in particular in the shipping portfolio. Whole-year values such as the bank levy are also included.

The first quarter though cannot be extrapolated for the whole year. Based on the stable business model, the NORD/LB Group expects an enhanced result compared to the previous year with corresponding development in the RoE and CIR. However, this assessment entails risks under the current conditions with the commitments made to the European Union (EU) such as the regional restriction of business activities, cost-containment measures, a reduction in RWA and total assets and one-time expenses (reorganisation expenses, expenses for state guarantees), the shipping crisis and the debt crisis.

The first quarter cannot be extrapolated for the whole year.

In addition, the NORD/LB Group faces strong competition from banks for deposits and certain customer groups with the resulting pressure on margins, but there are also opportunities for new business and increasing margins due to the withdrawal from competitors and due to the bank's good reputation. Overall, NORD/LB will remain on its cautious development path; however, a significant rise in earnings is only expected in the medium term after the national debt crisis in the eurozone has been overcome and the shipping markets have recovered.

The EU Capital Requirements Regulation (CRR), which should transpose the so-called „Basel III" regulations into EU law, is likely to come into effect in 2014. Thanks also to the extensive capital measures successfully implemented in 2011 and 2012, the NORD/LB Group will, as things currently stand, meet these capital requirements, even taking into account the current development in deficits in valuation allowances (shortfall).

In its estimation of its medium-term development, the NORD/LB Group assumes that there will be a positive economic climate and that the economy will continue on a sustainable path of growth. The planned increase in earnings in the medium term will focus on growth in all earnings components and at the same time improving the earnings structure, the return to normal loan loss provisions and a restriction of administrative expenses. In the medium term the issue of refinancing will continue to be of key importance to NORD/LB in particular in longer maturity periods.

Given the planned development of earnings and expenditure, with loan loss provisions at the level of the required imputed covering, the bank expects earnings before taxes to increase significantly in the period of 2014 to 2016, accompanied by a corresponding improvement in key figures.

RISK REPORT

The risk management of the NORD/LB Group, the corresponding structures and procedures, the processes and methods implemented for measuring and monitoring risk and the risks to the Group's development were described in detail in the Annual Report 2012. Only significant developments in the period from 1 January to 31 March 2013 (the period under review) are addressed in this interim report.

Risk-Bearing Capacity

The utilisation rate for risk capital in the going-concern scenario is 44 per cent as at 31 March 2013 and therefore slightly above the utilisation rate as at 31 December 2012. The rise in utilisation is attributable to a reduction in risk capital, which exceeds the reduction in risk potential. The worsening situation in the shipping portfolio is resulting in an increase in regulatory deficits in valuation allowances, which reduce risk capital.

Risk-bearing capacity is considerably given as at 31 March 2013 assured despite slight rise in costs.

Risk-bearing capacity is given up to a utilisation rate of 100 per cent. Utilisation is again significantly lower as at the reporting date. The conservative buffer of 20 per cent (maximum utilisation of 80 per cent) set in the risk strategy is also not required. Therefore the risk-bearing capacity is given in the gone-concern scenario of the risk-bearing capacity model.

The utilisation rate for risk capital in the going-concern scenario can be seen in the following table which shows the risk-bearing capacity for the NORD/LB Group:

(in € million) [1]	Risk-bearing capacity 31 Mar. 2013		Risk-bearing capacity 31 Dec. 2012	
Risk capital	**3 039**	**100 %**	**3 388**	**100 %**
Credit risk	1 046	34 %	890	26 %
Investment risk	50	2 %	44	1 %
Market-price risk	298	10 %	354	10 %
Liquidity risk	139	5 %	114	3 %
Operational risk	74	2 %	72	2 %
Other [2]	– 280	– 9 %	– 98	– 3 %
Total risk potential	**1 327**		**1 376**	
Risk capital utilisation		**44 %**		**41 %**

[1] Total differences are rounding differences.
[2] Includes adjustment items for the comparison between the regulatory and economic loss expectations.

The specifications of the Group risk strategy concerning the allocation of risk capital to risk types continue to be complied with. Of the significant risk types included in the model, namely credit, investment, market-price, liquidity and operational risk, credit risk is by far the most significant.

Credit Risk

The maximum default risk amount for on-balance-sheet and off-balance-sheet financial instruments fell further in the first three months of 2013. This fall is attributable to all items and in particular to the reduction in loans and advances to banks.

Risk-bearing financial instruments (in € million)	Maximum default risk 31 Mar. 2013	Maximum default risk 31 Dec. 2012[1)]
Loans and advances to banks	30 173	34 375
Loans and advances to customers	110 385	112 631
Adjustment item for financial instruments hedged in the fair value hedge portfolio	– 27	– 3
Financial assets at fair value through profit or loss	16 830	17 920
Positive fair values from hedge accounting derivatives	4 371	4 924
Financial assets	51 083	52 423
Sub-total	**212 815**	**222 270**
Liabilities from guarantees, other indemnity agreements and irrevocable credit commitments	13 631	14 559
Total	**226 446**	**236 829**

1) The previous year's figures were adjusted accordingly.

Slight fall in credit exposure.

The total exposure used for internal control also fell in the period under review from € 232 billion to € 229 billion. The fall is primarily the result of the reduced exposures to the industry group public authorities.

Further rating downgrades in the shipping portfolio.

The quality of the NORD/LB Group's credit portfolio deteriorated in the first quarter of 2013 due to continual rating migrations in the ship business segment. In the classes with a "very good to satisfactory" rating there was a slight fall, while the exposure in the rating classes with a "high to very high" risk rose slightly. The share of non-performing loans also rose from 2.7 to 3.1 per cent.

The Rating Structure table shows the breakdown of the total exposure in the NORD/LB Group (existing and new business) by rating class and product type. The share of items in the rating category “Very good to good” remains at a high level at 74 per cent (74 per cent) as at 31 March 2013. This is explained in particular by the significance of business conducted with financing institutions and public authorities and is at the same time a reflection of the risk policy of the NORD/LB Group.

Rating structure [1) 2)] (in € million)	Loans [3)] 31 Mar. 2013	Securities [4)] 31 Mar. 2013	Derivates [5)] 31 Mar. 2013	Other [6)] 31 Mar. 2013	Total exposure 31 Mar. 2013	Total exposure 31 Dec. 2012
Very good to good	98 927	45 997	11 453	12 362	168 738	171 867
Good / satisfactory	13 396	2 657	1 128	1 454	18 635	19 934
Reasonable / satisfactory	11 280	1 101	275	1 305	13 962	14 315
Increased risk	9 695	610	302	315	10 923	10 210
High risk	3 666	213	57	101	4 037	4 465
Very high risk	5 362	150	84	51	5 647	5 127
Default (=NPL)	6 945	34	71	26	7 075	6 337
Total	**149 272**	**50 763**	**13 369**	**15 613**	**229 017**	**232 257**

1) The allocation is made based on the IFD rating classes.
2) Total differences are rounding differences.
3) Includes utilised and committed loans, sureties, guarantees and other non-derivative off balance sheet assets, whereby, as in the internal reporting, the irrevocable credit commitments are generally included at 45 per cent (45 per cent) and revocable credit commitments at 25 per cent (25 per cent). The conversion factors are validated annually.
4) Includes the own stocks of securities issued by third parties (banking book only).
5) Includes derivative financial instruments such as financial swaps, options, futures, forward rate agreements and currency transactions.
6) Includes other products such as transmitted loans and loans administered for third-party account.

The breakdown of total exposure by industry group shows that business conducted with financing institutions and with public authorities accounts for 60 per cent (60 per cent) and still constitutes a significant share of the total exposure.

Industries [1) 2)] (in € million)	Loans [3)] 31 Mar. 2013	Securities [4)] 31 Mar. 2013	Derivates [5)] 31 Mar. 2013	Other [6)] 31 Mar. 2013	Total exposure 31 Mar. 2013	Total exposure 31 Dec. 2012
Financing institutes/ insurance companies	42 413	28 626	8 653	7 880	87 572	86 630
Service industries/other	59 262	20 119	2 698	2 031	84 110	87 379
– Of which: Land, housing	19 138	–	514	474	20 127	20 584
– Of which: Public administration	28 136	19 788	1 830	178	49 933	52 620
Transport/communications	28 441	605	734	257	30 037	30 566
– Of which: Shipping	17 924	0	329	56	18 309	18 316
– Of which: Aviation	7 180	–	152	0	7 333	7 853
Manufacturing industry	5 447	514	411	232	6 603	6 980
Energy, water and mining	7 516	744	597	3 938	12 795	12 768
Trade, maintenance and repairs	3 302	72	129	305	3 807	3 924
Agriculture, forestry and fishing	755	28	6	897	1 687	1 684
Construction	2 135	55	140	73	2 403	2 325
Total	**149 272**	**50 763**	**13 369**	**15 613**	**229 017**	**232 257**

1) Allocated in alignment with the risk-bearing capacity report in accordance with economic criteria.
2) to 6) See the previous chart on the rating structure.

The breakdown of the total credit exposure by region shows that the eurozone accounts for a high share of 83 per cent (84 per cent) of total exposure and remains by far the most important business region of the NORD/LB Group. Germany's share is 68 per cent (69 per cent).

Germany and the eurozone remain the most important business region.

Regions [1) 2)] (in € million)	Loans [3)] 31 Mar. 2013	Securities [4)] 31 Mar. 2013	Derivates [5)] 31 Mar. 2013	Other [6)] 31 Mar. 2013	Total exposure 31 Mar. 2013	Total exposure 31 Dec. 2012
Euro countries	123 444	42 833	8 616	15 551	190 445	194 389
– Of which: Germany	108 660	27 731	5 278	15 089	156 758	160 553
Other Europe	10 377	2 962	3 034	21	16 394	15 208
North America	6 964	3 464	1 550	28	12 006	12 987
Middle and South America	2 739	273	20	0	3 032	3 046
Middle East/Africa	1 557	20	1	1	1 579	1 167
Asia/Australia	4 190	1 210	148	12	5 560	5 460
Total	**149 272**	**50 763**	**13 369**	**15 613**	**229 017**	**232 257**

1) Allocated in alignment with the risk-bearing capacity report in accordance with economic criteria.
2) to 6) See the previous chart on the rating structure.

The exposure in Greece, Ireland, Italy, Portugal and Spain, and in particular to financing institutions and insurance companies, reduced further in the first quarter of 2013 and is now € 11.1 billion (€ 11.6 billion). Their share in the total exposure is 5 per cent. The share of receivables owed by the respective countries, regional governments and municipalities is € 2.9 billion (€ 2.9 billion) and still 1 per cent of the total exposure.

Exposure in selected European countries[1) 2)] (in € million)	Greece 31 Mar. 2013	Greece 31 Dec. 2012	Ireland 31 Mar. 2013	Ireland 31 Dec. 2012	Italy 31 Mar. 2013	Italy 31 Dec. 2012	Portugal 31 Mar. 2013	Portugal 31 Dec. 2012	Spain 31 Mar. 2013	Spain 31 Dec. 2012	**Total 31 Mar. 2013**	**Total 31 Dec. 2012**
Sovereign Exposure	0	0	295	294	1 890	1 894	352	350	397	394	2 934	2 932
– Of which: CDS	–	–	192	189	78	76	195	194	–	–	465	459
Financing institutes/insurance companies	–	–	714	845	1 459	1 784	307	305	2 385	2 408	4 864	5 342
Corporates/Other	244	243	2 183	2 185	146	150	190	192	565	575	3 329	3 345
Total	**245**	**243**	**3 193**	**3 324**	**3 495**	**3 828**	**848**	**847**	**3 346**	**3 377**	**11 127**	**11 619**

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

The NORD/LB Group has an exposure of € 1 204 million in Cyprus in the Corporates category. This primarily concerns a shipping exposure whose economic risk lies outside of Cyprus. The NORD/LB Group does not have any sovereign exposure or exposure to financing institutions and insurance companies in Cyprus.

The NORD/LB Group is also closely monitoring and analysing developments in the other countries mentioned. However, the Group does not consider it necessary to make any further provisions at this stage. The majority of the exposures in the five countries mentioned are in the rating class Very good to good. Further details can be found in the Notes to the Interim Report in Note (35) Disclosures relating to selected European Countries.

Sovereign Exposure in selected European countries by maturity[1) 2)] (in € million)	Greece 31 Mar. 2013	Ireland 31 Mar. 2013	Italy 31 Mar. 2013	Portugal 31 Mar. 2013	Spain 31 Mar. 2013	**Total 31 Mar. 2013**
Up to 1 year	–	–	58	–	50	**108**
More than 1 up to 5 years	–	84	514	90	315	**1 004**
More than 5 years	0	211	1 318	262	31	**1 822**
Total	**0**	**295**	**1 890**	**352**	**397**	**2 934**

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

In addition to direct exposure, the reported exposure also comprises indirect exposure (primarily credit default swaps). The calculation is based on utilisation (in the case of guarantees the nominal value and in the case of securities the carrying amount) in accordance with the German Commercial Code (HGB) and the credit equivalents resulting from derivatives (including add-ons and in consideration of netting). Irrevocable and revocable credit commitments are included in the total exposure, while securities against the NORD/LB Group are ignored.

Sovereign exposure also comprises exposures to regional governments, municipalities and state-related public-sector companies enjoying government guarantees.

Investment Risk

As part of its ongoing measures to optimise the investment portfolio, NORD/LB ceased further non-core activities in the first three months of 2013.

Further optimisation for the NORD/LB Group's investment portfolio.

In order to ensure the greater integration of Deutsche Hypo in NORD/LB, a control and profit and loss transfer agreement is to be concluded between the two companies. At the same time the intention is to make use of the exception provision (waiver) defined in § 2a paragraph 1 of the German Banking Act, which allows exceptions with regulatory requirements. The waiver will be notified by Deutsche Hypo at the end of the second quarter of 2013.

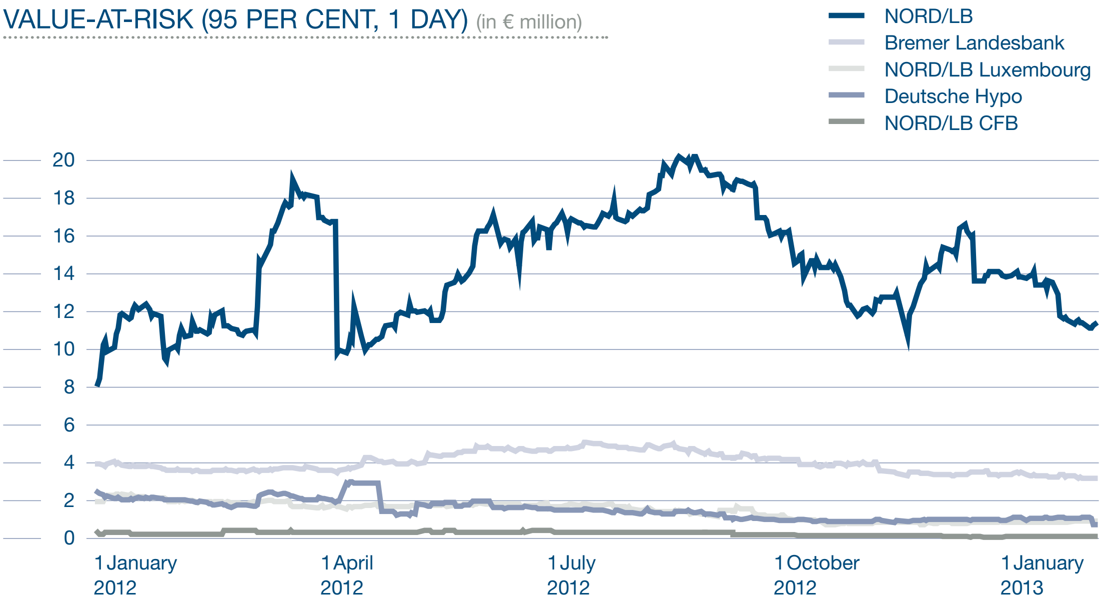
During the course of 2013 the focus will be on continuing to improve the control of investments in respect of the risk-return ratio. In addition to this, the process reliability and efficiency of the reporting on investments will be improved by the implementation of a new IT application in the second quarter of 2013.

Market-Price Risk

The market-price risk of the NORD/LB Group (confidence level 95 per cent, holding period 250 days) was reduced in the first three months of 2013 from € 354 million to € 298 million. This reduction is primarily due to the strategic interest measures taken by the Asset Liability Committee (ALCO) in NORD/LB's banking book. The reduction is also noticeable in the Value-at-Risk (VaR) (confidence level 95 per cent, holding period one day) which is used for operational control.

Slight reduction in market-price risk.

VALUE-AT-RISK (95 PER CENT, 1 DAY) (in € million)



Between the start of January and the end of March, the daily total Value-at-Risk (VaR) calculated for the significant Group companies from a risk point of view (confidence level of 95 per cent, holding period of one day) fluctuated between € 16 million and € 22 million, with an average Value-at-Risk of € 19 million.

As at 31 March 2013, based on the assumption above, a reduction in the VaR (confidence level 95 per cent, holding period one day) of € 13 million compared to 31 December 2012 was calculated for the NORD/LB Group. The historical simulation method was used throughout the Group.

Market-price risks [1] (in € 000)	Maximum 1 Jan.– 31 Mar. 2013	Maximum 1 Jan.– 31 Dec. 2012	Average 1 Jan.– 31 Mar. 2013	Average 1 Jan.– 31 Dec. 2012	Minimum 1 Jan.– 31 Mar. 2013	Minimum 1 Jan.– 31 Dec. 2012	End-of year risk 31 Mar. 2013	End-of year risk 31 Dec. 2012
Interest-rate risk (VaR 95 %, 1 day)	20 644	27 198	17 933	22 253	15 314	16 492	12 060	15 878
Currency risk (VaR 95 %, 1 day)	850	2 154	612	1 209	387	703	531	419
Share-price and fund-price risk (VaR 95 %, 1 day)	1 095	1 197	790	715	270	153	981	922
Volatility risk (VaR 95 %, 1 day)	997	912	803	432	627	142	858	617
Other add-ons	91	171	60	73	30	19	32	42
Gesamt	**21 835**	**28 068**	**18 726**	**22 217**	**15 716**	**16 652**	**13 302**	**16 463**

[1] Maximum, average and minimum risks are calculated on the basis of the VaR totals for the significant subsidiaries; end-of-year risks are consolidated figures.

The VaR in the NORD/LB Group calculated on the basis of regulatory parameters (confidence level 99 per cent, holding period of ten days) is € 69 million (€ 84 million) as at 31 March 2013. These figures also include, unlike the regulatory reporting, the interest-rate and share-price risks in the banking book.

The validation of the VaR model shows a high number of backtesting exceptions in NORD/LB's banking book in the period under review. These exceptions result primarily from fundamental risks, i.e. differences in the scope of movements in the various interest rate markets leading to higher intraday fluctuations in the cash value in the Treasury Division. The VaR model is still valid as the material risks for the banking books in the longer term due to general changes in interest rate or credit spread levels are considered fully in the VaR model. In addition to this, as part of the operational risk control, conservative mark-ups are added to the VaR values calculated on a daily basis.

Unlike the credit-spread risks for the liquidity reserve, the credit-spread risks of credit investments in the going-concern scenario are not included in the VaR for market-price risks. They are measured and limited separately within the scope of internal control. In the first quarter of 2013, the credit investment items concerned were also further reduced by means of slimming down and targeted sales.

Liquidity Risk

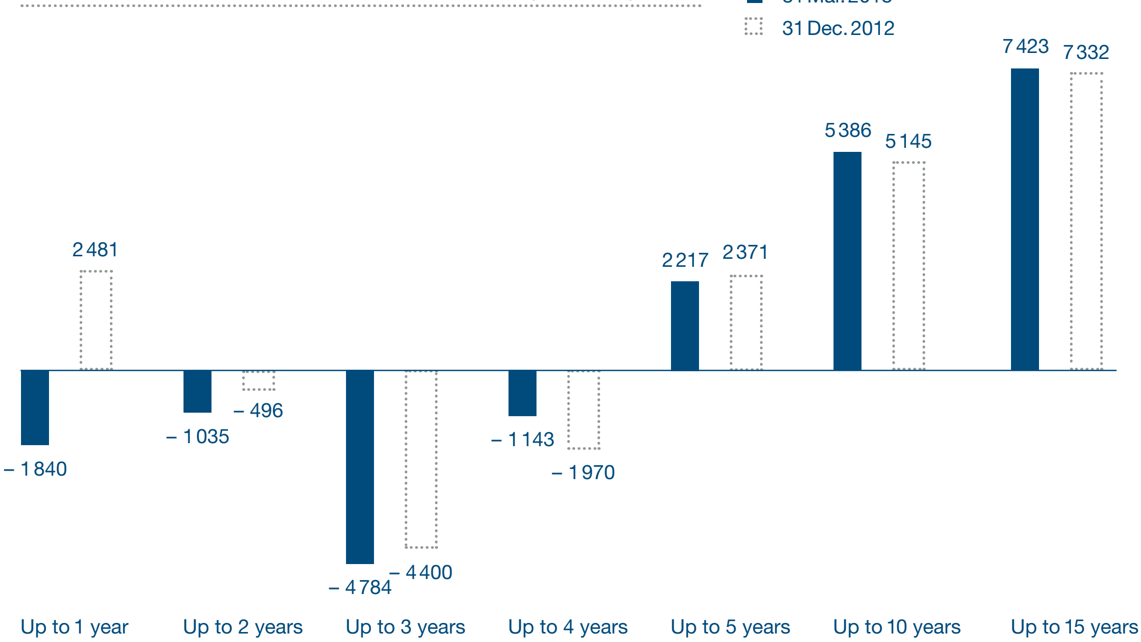
The liquidity situation in the markets has stabilised in the first quarter of 2013 due to the measures taken by the EU states and the European Central Bank, but continues to be characterised by uncertainty with regard to the possible medium to long term impact of the national debt crisis on the EU periphery countries.

The liquidity maturity balance sheet shows liquidity surpluses in the long-term maturity bands as at 31 March 2013. In the short and medium-term maturity bands it shows greater use of the liquidity. Notwithstanding, the NORD/LB Group had sufficient liquidity at all times in the first quarter of 2013. The liquidity risk limits derived from the risk-bearing capacity were complied with at all times at NORD/LB Group level; this applies for all currencies together and the principal individual currencies.

Liquidity situation remains satisfactory.

The NORD/LB Group also operates in markets with the highest possible level of liquidity and maintains a portfolio of high-quality securities. As at the reporting date, significant companies from a risk point of view hold securities in the amount of € 56 billion (€ 58 billion), 85 per cent (85 per cent) of which are suitable for repo transactions with the European Central Bank or the US Federal Reserve.

ACCUMULATED LIQUIDITY MATURITIES (in € million)



In the period under review, the liquidity ratio in accordance with the German Liquidity Regulation (LiqV) was always well over the minimum of 1.00 required by regulatory provisions. The dynamic stress tests used for internal control showed a very good liquidity situation for the NORD/LB Group as at the reporting date. The liquidity buffers for one week and one month in accordance with the Minimum Requirements for Risk Management (MaRisk) are also complied with.

Liquidity ratio in accordance with the LiqV [1)]	31 Mar. 2013	31 Dec. 2012
NORD/LB	1.57	1.52
Bremer Landesbank	1.57	2.01
Deutsche Hypo	1.68	1.49

[1)] NORD/LB Luxembourg and NORD/LB CFB are not required to determine a comparable ratio by law.

Operational Risk

The set up of an integrated OpRisk management was continued in the first three months of 2013. The initial aim is to achieve uniform risk reporting for NORD/LB by 30 June 2013.

There are no significant legal risks as at the reporting date that would put the existence of the bank at risk.

Summary

The NORD/LB Group's development currently depends above all on the economic situation in Germany, developments in the shipping markets and the development of the euro countries. In addition, the ongoing discussion about the EU periphery countries will have an impact on the future situation. The development of the US dollar exchange significant rate will, via its effect on the RWA, also have an influence on the capital ratios. However, the NORD/LB Group considers these effects to be manageable and will continue closely to monitor and analyse developments.

No new risks noticeable.

Beyond the above-mentioned risks, no new significant risks can currently be identified. The NORD/LB Group has taken precautions to adequately account for all of the risks known to the bank and considers itself to be well prepared for the upcoming challenges.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2013

INCOME STATEMENT

	Notes	1 Jan.– 31 Mar. 2013 (in € million)	1 Jan.– 31 Mar. 2012[1] (in € million)	Change (in %)
Interest income		2 597	3 203	– 19
Interest expense		2 099	2 710	– 23
Net interest income	6	**498**	**493**	**1**
Loan loss provisions	7	– 241	– 33	> 100
Commission income		67	75	– 11
Commission expense		31	33	– 6
Net commission income	8	**36**	**42**	**– 14**
Trading profit/loss		– 83	122	> 100
Profit/loss from the use of the fair value option		86	– 105	> 100
Profit/loss from financial instruments at fair value through profit or loss	9	**3**	**17**	**82**
Profit/loss from hedge accounting	10	– 15	– 12	25
Profit/loss from financial assets	11	40	6	> 100
Profit/loss from investments accounted for using the equity method		10	– 16	> 100
Administrative expenses	12	294	281	5
Other operating profit/loss	13	– 67	– 27	> 100
Earnings before reorganisation and taxes		**– 30**	**189**	**– 88**
Reorganisation expenses	14	– 5	–	–
Expenses for public guarantees related to reorganisation	15	– 11	–	–
Earnings before taxes		**– 46**	**189**	**> 100**
Income taxes	16	– 14	71	> 100
Consolidated profit		**– 32**	**118**	**> 100**
of which: attributable to the owners of NORD/LB		– 28	114	
of which: attributable to non-controlling interests		– 3	4	

[1] Some previous year's figures were adjusted as you can see at 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 (OCI). The classification of the statement of comprehensive income has been changed due to the amendment to IAS 1; for further information see Note (2) Accounting policies. The previous year's figures were adjusted accordingly.

	1 Jan.– 31 Mar. 2013 (in € million)	1 Jan.– 31 Mar. 2012[1)] (in € million)	Change (in %)
Consolidated profit	**– 32**	**118**	**> 100**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Remeasurements of the net defined benefit liability	2	– 118	> 100
Changes in value investments accounted for using the equity method recognised directly in equit	– 1	– 4	75
Deferred taxes	–	37	– 100
	1	**– 85**	**> 100**
Other comprehensive income that will be reclassified subsequently to profit or loss			
Increase / decrease from available for sale (AfS) financial instruments			
Unrealised profit / losses	164	472	– 65
Transfer due to realisation profit / loss	3	20	– 85
Translation differences of foreign business units			
Unrealised profit / losses	15	2	> 100
Changes in value investments accounted for using the equity method recognised	– 5	23	> 100
Deferred taxes	– 52	– 153	– 66
	125	364	– 66
Other profit / loss	**126**	**279**	**– 55**
Comprehensive income for the period under review	**94**	**397**	**– 76**
of which: attributable to the owners of NORD/LB	94	387	
of which: attributable to non-controlling interests	–	10	

[1)] Some previous year's figures were adjusted as you can see at note (3) adjustment of figures for the previous year.

BALANCE SHEET

Assets	Notes	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Cash reserve		516	665	– 22
Loans and advances to banks	17	30 175	34 378	– 12
Loans and advances to customers	18	112 446	114 577	– 2
Loan loss provisions	19	– 2 063	– 1 949	6
Adjustment item for financial instruments hedged in the fair value hedge portfolio		– 27	– 3	> 100
Financial assets at fair value through profit or loss	20	16 830	17 920	– 6
Positive fair values from hedge accounting derivatives		4 371	4 924	– 11
Financial assets	21	51 083	52 423	– 3
Investments accounted for using the equity method	22	313	318	– 2
Property and equipment	23	630	635	– 1
Investment property		94	94	–
Intangible assets	24	135	142	– 5
Current income tax assets		52	50	4
Deferred income taxes		732	727	1
Other assets	25	386	649	– 41
Total assets		**215 673**	**225 550**	– 4

Liabilities and equity	Notes	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Liabilities to banks	26	59 858	65 079	– 8
Liabilties to customers	27	55 773	55 951	–
Securitised liabilities	28	56 754	60 619	– 6
Adjustment item for financial instruments hedged in the fair value hedge portfolio		789	895	– 12
Financial liabilities at fair value through profit or loss	29	20 132	20 724	– 3
Negative fair values from hedge accounting derivatives		4 444	4 908	– 9
Provisions	30	4 317	4 137	4
Current income tax liabilities		166	162	2
Deferred income taxes		49	34	44
Other liabilities	31	828	508	63
Subordinated capital	32	4 769	4 833	– 1
Equity				
Issued capital		1 607	1 607	–
Capital reserves		3 332	3 332	–
Retained earnings		2 160	2 192	– 1
Revaluation reserve		114	– 13	> 100
Currency translation reserve		– 4	– 3	– 33
Equity capital attributable to the owners of NORD/LB		**7 209**	**7 115**	**1**
Equity capital attributable to non-controlling interests		585	585	–
		7 794	**7 700**	**1**
Total liabilities and equity		**215 673**	**225 550**	**– 4**

CONDENSED STATEMENT OF CHANGES IN EQUITY

(in € million)	Issued capital	Capital reserve	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Equity attributable to non-controlling interests	Consolidated equity
Equity as at 1 Jan. 2013	**1 607**	**3 332**	**2 192**	**– 13**	**– 3**	**7 115**	**585**	**7 700**
Comprehensive income for the period under preview	–	–	– 32	127	– 1	94	–	94
Equity as at 31 March 2013	**1 607**	**3 332**	**2 160**	**114**	**– 4**	**7 209**	**585**	**7 794**

(in € million)	Issued capital	Capital reserve	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Equity attributable to non-controlling interests	Consolidated equity
Equity as at 1 Jan. 2012	**1 494**	**3 175**	**2 480**	**– 543**	**– 3**	**6 603**	**– 57**	**6 546**
Comprehensive income for the period under preview	–	–	56	330	1	387	10	397
Changes in the basis of consolidation	–	– 128	–	–	–	– 128		– 128
Consolidation effects and other changes in capital	–	–	–	–	–	–	4	4
Equity as at 31 March 2012	**1 494**	**3 047**	**2 536**	**– 213**	**– 2**	**6 862**	**– 43**	**6 819**

The consolidation effects and other changes in equity mainly comprise transactions which result in changes in shareholdings without changing the consolidation method.

CONDENSED CASH FLOW STATEMENT

	1 Jan.– 31 Mar. 2013 (in € million)	1 Jan.– 31 Mar. 2012 (in € million)	Change (in %)
Cash and cash equivalents as at 1 January	**665**	**796**	**– 16**
Cash flow from operating activities	– 21	416	> 100
Cash flow from investing activities	– 18	– 6	> 100
Cash flow from financing activities	– 113	– 293	– 61
Total cash flow	**– 152**	**117**	**> 100**
Effects of changes in exchange rates	3	– 13	> 100
Cash and cash equivalents as at 31 March	**516**	**900**	**– 43**

SELECTED NOTES

General disclosures

(1) Principles for preparing the interim consolidated financial statements

The interim consolidated financial statements of Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig, Magdeburg (NORD/LB) as at 31 March 2013 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). For requirements relating to interim financial statements in particular IAS 34 is applied. 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 2012.

The interim consolidated financial statements as at 31 March 2013 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 takes place 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 28 May 2013 and approved for publication.

(2) Accounting policies

The accounting policies for the interim financial statements are based on those of the consolidated financial statements as at 31 December 2012.

With regard to accounting and measurement in the NORD/LB Group, the following significant discretionary management decisions 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.

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 € 584 million as at 31 March 2013. The calculation at specific customer level produces a figure of € 503 million (cf. Note (19) Loan loss provisions).

In the period under review consideration has been given to the following 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. 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 is calculated for the first time at the end of the quarter 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.

The impact of the retrospective first application of the amended IAS 19 is of minor significance. 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**

The IASB published IFRS 13 – Fair value measurement in May 2011. It is to be applied prospectively for financial years commencing on or after 1 January 2013. In IFRS 13 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. In addition, the changes in financial assets and liabilities in Level 3 of the fair value hierarchy and the sensitivity analyses of significant unmonitorable input parameters in the fair value measurement broken down into groups of financial instruments were reported for the first time in the interim consolidated financial statements.

- **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 classificable and non-classificable 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 Taxes: Recovery of Underlying Assets, which were adopted in European law in December 2012, 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 interim consolidated financial statements as at 31 March 2013.

- **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.

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

The facts stated in Note (3) Adjustment of Figures for the Previous Year result in additional changes.

(3) Adjustment of figures for the previous year

The figures for the previous year were adjusted in these interim consolidated financial statements on the basis of IAS 8.14 in the following areas:

Due to a change in the interpretation of the criteria for allocation to the category Loans and Receivables (LaR), silent participations and participatory capital with loss sharing are, since the consolidated financial statements as at 31 December 2012, no longer allocated to the category LaR, but to the category Available for Sale (AfS). This change in accounting method has resulted in the following adjustments to the reference figures in the income statement: An amount of € 1 million was taken from net interest income and reported under net valuation allowances of other financial assets classified as AfS. The adjustment in other comprehensive income (OCI) from unrealised profits and losses from AfS financial instruments totals € 2 million.

The respective adjustments were also taken into account in the notes for the following items: (6) Net Interest Income and (11) Profit/Loss from Financial Assets.

(4) Basis of consolidation

In addition to NORD/LB as the parent company, the consolidated financial statements include 49 (31 December 2012: 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 a controlling influence in another manner. In addition 1 (31 December 2012: 1) joint venture and 10 (31 December 2012: 10) associated companies are accounted for using the equity method.

Compared to 31 December 2012 the basis of consolidation has not changed.

Subsidiaries, joint ventures and associated companies included in the consolidated financial statements are shown in Note (40) Companies and investment funds included in the 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 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). 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 income 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. Dependencies on individual customers are not recognizable. The product ranges offered in the segments are described below and the earnings generated are shown in the overview. The product range offered comprises traditional 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 divisions 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 income is 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). Loan loss provisions 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 (RWA) 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 cost-income ratio 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, 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 (previous year: 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. 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 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 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 markets 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 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, non-allocated costs of corporate and service centres, projects covering the entire bank and consolidation items. Other operating profit/loss includes the bank levy.

Earnings after taxes in Group Controlling / Others is negative in the first quarter at € 150 million.

Positive contributions were made by net interest income in the amount of € 81 million, and in particular approx. € 53 million from financial markets activities recorded here, € 38 million from interest income not allocated to the segments, € 3 million from other Group companies and € –13 million from consolidations. Also reported in this segment in loan loss provisions are the reversal of general loan loss provisions in the amount of approx. € 60 million and the consolidation of valuation allowances in the amount of € 15 million; specific valuation allowances made in Treasury and Bank Asset Allocation had a negative effect.

Net commission income, in particular from other Group companies and consolidation effects, had a slightly negative effect in the amount of € –7 million. Further negative effects result from the profit/loss from financial instruments at fair value in the amount of € –33 million due to valuation effects and the reduction of the EUR/USD base spread for cross currency swaps.

Also reported in this segment are the effects from hedge accounting (€ –13 million), the profit/loss from financial assets (€ 20 million, in particular from the sale of AfS items) and the profit/loss from investments accounted for using the equity method (€ 10 million). Im other operating profit/loss (€ –48 million) the contributions from other Group companies (€ 14 million) cannot compensate for the losses from the redemption of the bank's own issues, consolidation items and the bank levy (€ 36 million).

Administrative expenses in this segment are in total € 70 million. Administrative expenses in this segment result in the amount of € 26 million from the financial markets activities reported here and € 11 million from other Group companies. Further administrative expenses (€ 52 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 approx. € –19 million.

Furthermore, in 2013 reorganisation expenses (€ 5 million) and expenses related to public guarantees for reorganisation (€ 11 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 segment

31 Mar. 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	71	116	42	131	65	81	– 9	498
Loan loss provisions	2	– 8	– 1	151	24	73	1	241
Net interest income after loan loss provisions	**69**	**124**	**43**	**– 20**	**41**	**8**	**– 10**	**256**
Net commission income	6	23	13	10	3	– 7	– 12	36
Profit/loss from financial instruments at fair value through profit or loss	3	31	1	– 2	7	– 33	– 4	3
Profit/loss from hedge accounting	–	–	–	–	–	– 13	– 1	– 15
Profit/loss from financial assets	18	–	–	–	–	20	1	40
Profit/loss from investments accounted for using equity method	–	–	–	–	–	10	–	10
Administrative expenses	81	71	19	28	18	70	7	294
Other operating profit/loss	9	1	1	– 2	–	– 48	– 27	– 66
Profit/loss before reorganisation and taxes	**24**	**109**	**40**	**– 43**	**34**	**– 134**	**– 60**	**– 30**
Reorganisation expenses	–	–	–	–	–	– 5	–	– 5
Expenses for public guarantees related to reorganisation	–	–	–	–	–	– 11	–	– 11
Earnings before taxes (EBT)	**24**	**109**	**40**	**– 43**	**34**	**– 150**	**– 60**	**– 46**
Taxes	–	–	–	–	–	–	– 14	– 14
Consolidated profit	**24**	**109**	**40**	**– 43**	**34**	**– 150**	**– 45**	**– 32**
Segment assets	11 077	63 673	14 174	28 544	17 910	80 158	136	215 673
of which: investments at equity	–	–	–	–	–	313	–	313
Segment liabilities	10 906	46 918	3 246	4 751	803	150 086	– 1 036	215 673
Risk-weighted assets	5 762	15 279	7 205	40 620	14 832	16 633	– 23 031	77 300
Capital employed[1]	483	1 226	576	3 250	1 187	1 305	– 220	7 807
CIR	91.2 %	41.3 %	33.7 %	20.6 %	23.5 %			63.2 %
RoRaC/RoE[2]	20.2 %	29.8 %	21.1 %	– 5.3 %	10.7 %			– 2.4 %

31 Mar. 2012 (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	75	132	45	130	66	29	17	493
Loan loss provisions	1	– 4	2	18	6	9	–	33
Net interest income after loan loss provisions	**74**	**135**	**43**	**112**	**60**	**20**	**17**	**460**
Net commission income	6	17	8	18	3	– 8	– 2	42
Profit/loss from financial instruments at fair value through profit or loss	2	51	–	2	1	– 44	5	17
Profit/loss from hedge accounting	–	–	–	–	–	– 12	0	– 12
Profit/loss from financial assets	1	–	–	–	–	11	– 6	6
Profit/loss from investments accounted for using equity method	–	–	–	–	–	– 16	–	– 16
Administrative expenses	81	64	18	24	21	66	7	281
Other operating profit/loss	–	2	1	1	–	– 18	– 13	– 27
Profit/loss before reorganisation and taxes	**2**	**142**	**33**	**108**	**44**	**– 134**	**– 6**	**189**
Reorganisation expenses	–	–	–	–	–	–	–	–
Expenses for public guarantees related to reorganisation	–	–	–	–	–	–	–	–
Earnings before taxes (EBT)	**2**	**142**	**33**	**108**	**44**	**– 134**	**– 6**	**189**
Taxes	–	–	–	–	–	–	71	71
Consolidated profit	**2**	**142**	**33**	**108**	**44**	**– 134**	**– 77**	**118**
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	5 490	15 878	8 419	37 048	17 341	14 977	– 21 290	77 863
Capital employed [1]	400	1 112	589	2 593	1 214	1 033	– 381	6 560
CIR	97.8 %	31.5 %	34.2 %	16.2 %	29.2 %			56.5 %
RoRaC/RoE [2]	1.8 %	41.5 %	20.6 %	16.7 %	14.2 %			11.5 %

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

(in € million)	31 Mar. 2013	31 Mar. 2012
Long-term equity under commercial law	7 807	6 560
Revaluation reserve	114	– 212
Silent participations in reported equity	– 127	472
Reported equity	**7 794**	**6 819**

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

[2] Business segment RoRaC:
(earnings before taxes*4) / committed core capital
(8 per cent (previous year: 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)

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 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 Mar. 2013 (in € million)	1 Jan.– 31 Mar. 2012[1] (in € million)	Change (in %)
Interest income			
Interest income from lending and money market transactions	1 082	1 244	– 13
Interest income from fixed-income and book entry securities	251	368	– 32
Interest income from financial instruments at fair value			
Interest income from trading profit/loss and hedge accounting derivatives	1 099	1 495	– 26
Interest income from fair value option	13	9	44
Current income			
from shares and other variable-yield securities	3	3	–
from investments	–	17	– 100
Interest income from other amortisations	148	65	> 100
Other interest income and similar income	1	2	– 50
	2 597	**3 203**	**– 19**
Interest expense			
Interest expense from lending and money market transactions	555	663	– 16
Interest expense from securitised liabilities	326	441	– 26
Interest expense from financial instruments at fair value			
Interest expense from trading profit/loss and hedge accounting derivatives	986	1 366	– 28
Interest expense from fair value option	72	101	– 29
Interest expense from subordinated capital	57	75	– 24
Interest expense from other amortisations	83	44	89
Interest expense from provisions and liabilities	18	19	– 5
Other interest expenses and similar expenses	2	1	100
	2 099	**2 710**	**– 23**
Total	**498**	**493**	**1**

[1] Some previous year's figures were adjusted as you can see at note (3) adjustment of figures for the previous year.

(7) Loan loss provisions

	1 Jan.– 31 Mar. 2013 (in € million)	1 Jan.– 31 Mar. 2012 (in € million)	Change (in %)
Income from provisions for lending business			
Reversal of specific valuation allowance	144	122	18
Reversal of lumpsum specific loan loss provisions	3	5	– 40
Reversal of general loan loss provisions	28	38	– 26
Reversal of provisions for lending business	30	23	30
Additions to receivables written off	6	5	20
	211	**193**	**9**
Expenses for provisions for lending business			
Allocation to specific valuation allowance	327	142	> 100
Allocation to lumpsum specific loan loss provisions	3	2	50
Allocation to general loan loss provisions	94	52	81
Allocation to provisions for lending business	20	19	5
Direct write-offs of bad debts	8	10	– 20
Premium payments for credit insurance	–	1	– 100
	452	**226**	**100**
Total	**– 241**	**– 33**	**> 100**

(8) Net commission income

	1 Jan.– 31 Mar. 2013 (in € million)	1 Jan.– 31 Mar. 2012 (in € million)	Change (in %)
Commission income			
Commission income from banking transactions	61	69	– 12
Commission income from non-banking transactions	6	6	–
	67	**75**	**– 11**
Commission expense			
Commission expense from banking transactions	19	21	– 10
Commission expense from non-banking transactions	12	12	–
	31	**33**	**– 6**
Total	**36**	**42**	**– 14**

Commission income and commission expense from non-banking transactions relate in particular to insurance contracts.

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

	1 Jan.– 31 Mar. 2013 (in € million)	1 Jan.– 31 Mar. 2012 (in € million)	Change (in %)
Trading profit/loss			
Profit/loss from debt securities and other fixed-interest securities	10	38	– 74
Profit/loss from shares and other variable-yield securities	–	4	– 100
Profit/loss from derivatives	– 91	55	> 100
Profit/loss from receivables held for trading	– 2	13	> 100
Profit/loss from other trading transactions	2	–	–
Foreign exchange gains	– 3	12	> 100
Other income	1	–	–
	– 83	**122**	**> 100**
Profit/loss from the use of fair value option			
Profit/loss from receivables to customers and banks	– 3	2	> 100
Profit/loss from debt securities and other fixed-interest securities	– 9	– 8	– 13
Profit/loss from shares and other variable-yield securities	–	1	– 100
Profit/loss from liabilties to banks and customers	128	– 1	> 100
Profit/loss from securitised liabilties	– 30	– 99	70
	86	**– 105**	**> 100**
Total	**3**	**17**	**82**

(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 hedge instruments in effective fair value hedge relationships.

	1 Jan.– 31 Mar. 2013 (in € million)	1 Jan.– 31 Mar. 2012 (in € million)	Change (in %)
Profit/loss from micro fair value hedges			
from hedged underlying transactions	– 8	– 143	94
from derivatives employed as hedging instruments	11	118	– 91
	3	**– 25**	**> 100**
Profit/loss from portfolio fair value hedges			
from hedged underlying transactions	13	– 60	> 100
from derivatives employed as hedging instruments	– 31	73	> 100
	– 18	**13**	**> 100**
Total	**– 15**	**– 12**	**– 25**

(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. 2013 (in € million)	1 Jan.– 31 Mar. 2012 [1] (in € million)	Change (in %)
Profit/loss from financial assets classified as LaR	**– 1**	**– 3**	**67**
Profit/loss from financial assets classified as AfS (excluding investments)			
Profit/loss from the disposal of			
debt securities and other fixed-interest securities	29	11	> 100
shares and other variable-yield securities	12	1	> 100
Other financial assets classified as AfS	– 1	– 1	–
Profit/loss from allowances for losses on			
debt securities and other fixed-interest securities	–	– 1	100
shares and other variable-yield securities	– 1	– 1	–
Other financial assets classified as AfS	2	1	100
	41	**10**	**> 100**
Profit/loss from shares in companies (not consolidated)	**–**	**– 1**	**– 100**
Total	**40**	**6**	**> 100**

[1] Some previous year's figures were adjusted as you can see at note (3) adjustment of figures for the previous year.

(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. 2013 (in € million)	1 Jan.– 31 Mar. 2012 (in € million)	Change (in %)
Staff expenses	159	150	6
Other administrative expenses	115	108	6
Amortisation and depreciation	20	23	– 13
Total	**294**	**281**	**5**

(13) Other operating profit/loss

	1 Jan.– 31 Mar. 2013 (in € million)	1 Jan.– 31 Mar. 2012 (in € million)	Change (in %)
Other operating income			
from the reversal of provisions	263	257	2
from insurance contracts	258	200	29
from other business	23	55	– 58
	544	**512**	**6**
Other operating expenses			
from allocation to provisions	465	418	11
from insurance contracts	84	85	– 1
from other business	62	36	72
	611	**539**	**13**
Total	**– 67**	**– 27**	**> 100**

Income from the reversal of provisions and expense from allocation to provisions primarily concern provisions relating to insurance contracts. The expense from allocation to provisions also includes an amount of € 36 million (€ 37 million) provided for the bank levy set in accordance with the Restructuring Fund Regulation.

Other operating income from insurance contracts is primarily the result of premium income (€ 231 million (€ 170 million)) and income from insurance contracts (€ 6 million (€ 8 million)).

Income from other business includes income from the chartering of ships relating to restructuring commitments in lending business (€ 10 million (€ 11 million)), rental income from investment property (€ 3 million (€ 3 million)), reimbursements of costs (€ 1 million (€ 2 million)) and income from IT services (€ 1 million (€ 1 million)).

Other operating expenses from insurance contracts mainly comprise indemnity expenses (€ 66 million (€ 67 million)) and expenses from deferred reinsurance contracts (€ 12 million (€ 12 million)).

Expenses from other business essentially comprise expenses from the disposal of receivables (€ 21 million (€ 20 million)), expenses from the redemption of debt securities (€ 17 million (€ 4 million)), expenses to generate charter income from ships (€ 7 million (€ 3 million)) and expenses from investment property (€ 1 million (€ 1 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 € 4 million (€ 0 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 € 1 million (€ 0 million) expenses from projects that aim to achieve significant cost synergies.

(15) Expenses for public guarantees related to reorganisation

Expenses for public guarantees related to reorganisation concern the NORD/LB Group's capital-boosting programme. The amount reported of € 11 million (€ 0 million) is entirely attributable to the payment of a premium for a guarantee provided by the states of Lower Saxony and Saxony-Anhalt. This guarantee may be used by the NORD/LB Group up until 31 December 2014 if the ratios for regulatory capital or parts of the regulatory capital are not met.

(16) Income taxes

Income taxes in the interim financial statements are calculated based on the anticipated income tax rate for the whole year. The tax rate used in the calculations is based on legal provisions which are valid or have been passed on the reporting date.

Notes to the balance sheet

(17) Loans and advances to banks

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
German banks	3 661	5 804	– 37
Foreign banks	2 201	2 606	– 16
	5 862	**8 410**	**– 30**
Other loans and advances			
German banks			
Due on demand	1 669	1 621	3
With a fixed term or period of notice	19 027	19 850	– 4
Foreign Banks			
Due on demand	1 962	2 488	– 21
With a fixed term or period of notice	1 655	2 009	– 18
	24 313	**25 968**	**– 6**
Total	**30 175**	**34 378**	**– 12**

(18) Loans and advances to customers

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Loans and advances to customers			
Domestic customers	1 494	2 822	– 47
Customers abroad	51	28	82
	1 545	**2 850**	**– 46**
Other loans and advances			
Domestic customers			
Due on demand	3 074	3 168	– 3
With a fixed term or period of notice	78 961	79 050	–
Customers abroad			
Due on demand	409	359	14
With a fixed term or period of notice	28 457	29 150	– 2
	110 901	**111 727**	**– 1**
Total	**112 446**	**114 577**	**– 2**

(19) Loan loss provisions

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Specific valuation allowance	1 541	1 493	3
Lumpsum specific loan loss provisions	19	19	–
General loan loss provisions	503	437	15
Total	**2 063**	**1 949**	**6**

Risk provisions recognised on the asset side and provisions in lending business developed as follows:

	Specific valuation allowance		Lumpsum specific loan loss provisions		General loan loss provisions		Provisions in lending business		Total	
(in € million)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
1 January	**1 493**	**1 177**	**19**	**28**	**437**	**580**	**136**	**113**	**2 085**	**1 898**
Allocations	327	142	3	2	94	52	20	19	444	215
Reversals	144	122	3	5	28	38	30	23	205	188
Utilisation	118	78	–	–	–	–	–	–	118	78
Unwinding	20	16	–	–	–	–	–	–	20	16
Effects from currency translation and other changes	3	– 9	–	–	–	–	–	– 1	3	– 10
31 March	**1 541**	**1 094**	**19**	**25**	**503**	**594**	**126**	**108**	**2 189**	**1 821**

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

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Trading assets			
Debt securities and other fixed-interest securities	3 399	2 820	21
Shares and other variable-yield securities	27	27	–
Positive fair values from derivatives	10 787	11 803	– 9
Trading portfolio claims	1 238	1 783	– 31
Other trading assets	–	– 1	– 100
	15 451	**16 432**	**– 6**
Financial assets as at fair value through profit or loss			
Loans and advances to banks and customers	266	365	– 27
Debt securities and other fixed-interest securities	1 102	1 112	– 1
Shares and other variable-yield securities	11	11	–
	1 379	**1 488**	**– 7**
Total	**16 830**	**17 920**	**– 6**

(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 variable-yield 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 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Financial assets classified as LaR	**3 732**	**3 830**	**– 3**
Financial assets classified as AfS			
Debt securities and other fixed-interest securities	46 303	47 608	– 3
Shares and other variable-yield securities	499	454	10
Shares in companies	402	384	5
Other financial assets classified as AfS	147	147	–
	47 351	**48 593**	**– 3**
Total	**51 083**	**52 423**	**– 3**

(22) Investments accounted for using the equity method

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Joint ventures	26	27	– 4
Associated companies	287	291	– 1
Total	**313**	**318**	**– 2**

(23) Property and equipment

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Land and buildings	350	353	– 1
Operating and office equipment	71	74	– 4
Ships	200	200	–
Other property and equipment	9	8	13
Total	**630**	**635**	**– 1**

(24) Intangible assets

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Software			
Purchased	20	21	– 5
Internally generated	83	91	– 9
	103	**112**	**– 8**
Intangible assets under development	20	18	11
Other intangible assets	12	12	–
Total	**135**	**142**	**– 5**

(25) Other assets

Included in the balance sheet item other assets are assets relating to insurance contracts in the amount of € 154 million (€ 156 million). These concern solely assets from outwards reinsurance.

(26) Liabilities to banks

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Deposits from other banks			
German banks	683	737	– 7
Foreign banks	36	38	– 5
	719	**775**	**– 7**
Liabilities resulting from money market transactions			
German banks	18 563	20 739	– 10
Foreign banks	9 695	9 715	–
	28 258	**30 454**	**– 7**
Other liabilities			
German banks			
Due on demand	2 487	5 084	– 51
With a fixed term or period of notice	22 525	22 938	– 2
Foreign banks			
Due on demand	1 273	1 200	6
With a fixed term or period of notice	4 596	4 628	– 1
	30 881	**33 850**	**– 9**
Total	**59 858**	**65 079**	**– 8**

(27) Liabilities to customers

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Savings deposits			
With an agreed notice period of three months			
Domestic customers	1 481	911	63
Customers abroad	18	16	13
With an agreed notice period of more than three months			
Domestic customers	370	407	– 9
Customers abroad	2	2	–
	1 871	**1 336**	**40**
Liabilities resulting from money market transactions			
Domestic customers	8 025	7 275	10
Customers abroad	2 667	1 860	43
	10 692	**9 135**	**17**
Other liabilities			
Domestic costumers			
Due on demand	10 627	11 708	– 9
With a fixed term or period of notice	31 082	31 844	– 2
Customers abroad			
Due on demand	615	1 018	– 40
With a fixed term or period of notice	886	910	– 3
	43 210	**45 480**	**– 5**
Total	**55 773**	**55 951**	**–**

(28) Securitised liabilities

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Issued debt securities			
Mortgage bonds	8 157	9 732	– 16
Municipal debentures	13 356	13 345	–
Other debt securities	33 413	35 249	– 5
	54 926	**58 326**	**– 6**
Money market instruments			
Commercial paper	1 459	1 651	– 12
Certificates of deposit	369	240	54
Other money market instruments	–	402	– 100
	1 828	**2 293**	**– 20**
Total	**56 754**	**60 619**	**– 6**

Repurchased debt securities issued by the bank itself have been directly deducted from securitised liabilities in the amount of € 7 978 million (€ 7 962 million).

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

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives	10 707	11 121	– 4
Delivery obligations from short-sales	98	214	– 54
	10 805	**11 335**	**– 5**
Financial liabilities designated at fair value			
Liabilities to banks and customers	5 932	5 920	–
Securitised liabilities	3 369	3 443	– 2
Subordinated capital	26	26	–
	9 327	**9 389**	**– 1**
Total	**20 132**	**20 724**	**– 3**

(30) Provisions

	31 Mar. 2013 (in € million)	31 Mar. 2012 (in € million)	Change (in %)
Provisions for pensions and other obligations	1 985	1 975	1
Other provisions	2 332	2 162	8
Total	**4 317**	**4 137**	**4**

Other provisions include provisions for insurance contracts in the amount of € 1 963 million (€ 1 822 million) and provisions for reorganisation measures in the amount of € 17 million (€ 18 million).

(31) Other liabilities

The balance sheet item other liabilities includes liabilities from insurance contracts in the amount of € 45 million (€ 46 million). These contain liabilities from direct insurance and reinsurance contracts to the amount of € 7 million (€ 8 million).

(32) Subordinated capital

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Subordinated liabilities	3 468	3 452	–
Participatory capital	220	224	– 2
Silent participations	1 081	1 157	– 7
Total	**4 769**	**4 833**	**– 1**

Other disclosures

(33) Fair values of financial instruments

In the NORD/LB Group the three-tier fair value hierarchy is applied with Level 1, Level 2 and Level 3 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 parameters included in establishing the fair value. If input data from various levels is used in the calculation of the fair value, the resulting fair value is assigned to the lowest level for which the input parameters have a significant influence on the fair value measurement. In the measurement appropriate consideration is given to all relevant input data such as counterparty risk.

Under the fair value hierarchy, the fair value of 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. If no market prices or prices actually traded are available, in the Level 1 measurement the 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.

The fair value of a financial instrument is categorised in Level 2 of the fair value hierarchy in case if it is not possible to use prices listed on active markets. In this event, the fair value is calculated using measurement methods or models that are recognised or customary in the market as well as by external pricing services, providing the measurement in this case is made in full or in part with spread curves. Measurement models with a range of input data are used in particular for OTC derivatives and for securities listed on inactive markets (e.g. discounted cash flow method). If an estimation is required in a given case, a standard market method is always used. For discounted cash flow methods, all payments are discounted for example by an interest rate curve adjusted for counterparty risk. Counterparty risk and the spreads are determined on the basis of comparable financial instruments (for example on consideration of the respective market segment and the issuer's credit rating). The balances of financial instruments, the fair values of which have been classified as Level 2 in the fair value hierarchy, are primarily allocated to the following balance sheet items: trading assets and liabilities, positive and negative fair values from hedge accounting derivatives, financial assets and liabilities designated at fair value and financial assets recognised at fair value. The measurement models include a range of input data such as for example market prices and other market quotations, risk-free interest curves, risk premiums, exchange rates and volatility.

The fair values of financial instruments for which there is no longer an active market and for which measurement can no longer be based completely on observable input data are allocated to Level 3. In the Level 3 measurement, models specific to the bank and data which is not observable on the market are used. The Level 3 method is essentially used to measure certain credit default swaps (CDS), equity swaps, interest-bearing securities and asset-backed securities (ABS)/mortgage-backed securities (MBS), the bank's structured issues and some tranches of collateralised debt obligations (CDO) of the Group. The balances of financial instruments, the fair values of which have been classified as Level 3 in the fair value hierarchy, are primarily allocated to the following balance sheet items: trading assets and liabilities, financial assets and liabilities designated at fair value and financial assets recognised at fair value. The measurement models include a range of input data such as for example term-specific interest rates, the credit rating of the respective issuer, historic volatility and an appropriate interest rate for the equity tied up. Revised assessments of market activity are continually considered in measurement.

As part of the illiquidity assessment, the fair values of relevant products are initially allocated to levels in the Group's individual trading divisions. The trading divisions' assessments are reviewed by the Risk Control Division, ensuring that the assessment of the fair value level allocation and measurement is as objective as possible. The measurement takes place on the basis of complex measurement techniques (for example discounted cash flow models which consider interest, credit, liquidity and other risks). All measurement models applied in the Group are reviewed periodically. The review is conducted independently of the trading divisions and includes for example the calibration of the measurement models and an assessment of the measurement within the scope of the new products new markets process.

No significant change has been made to the measurement process since the previous period.

For a detailed description the consolidated financial statements as at 31 December 2012 are referred to.

The fair values of financial instruments are compared with their carrying amounts in the following table.

(in € million)	Fair Value	Carrying amount	Difference	Fair Value	Carrying amount	Difference
		31 Mar. 2013			31 Dec. 2012	
Assets						
Cash reserve	516	516	–	665	665	–
Loans and advances to banks	31 950	30 175	1 775	35 744	34 378	1 366
Loans and advances to customers	112 347	112 446	– 99	115 611	114 577	1 034
Loan loss provisions	–	– 2 063[2]	–	–	– 1 949[2]	–
Sub-total of loans and advances to banks/customers (net after loan loss provisions)	**144 297**	**140 558**	**3 739**	**151 355**	**147 006**	**4 349**
Adjustment item for financial instruments hedged in the fair value hedge portfolio	[1]	– 27	–	[1]	– 3	–
Financial assets at fair value through profit or loss	16 830	16 830	–	17 920	17 920	–
Positive fair values from hedge accounting derivatives	4 371	4 371	–	4 924	4 924	–
Financial assets not reported at fair value	3 393	3 826	– 433	3 496	3 910	– 414
Financial assets reported at fair value	47 257	47 257	–	48 513	48 513	–
Other assets reported at fair value	16	16	–	16	16	–
Total	**216 680**	**213 347**	**3 333**	**226 889**	**222 951**	**3 938**
Liabilities						
Liabilities to banks	61 966	59 858	2 108	66 429	65 079	1 350
Liabilties to customers	58 884	55 773	3 111	59 355	55 951	3 404
Securitsed liabilities	61 816	56 754	5 062	61 476	60 619	857
Adjustment item for financial instruments hedged in the fair value hedge portfolio	[1]	789	–	[1]	895	–
Financial liabilities at fair value through profit or loss[2]	20 132	20 132	–	20 724	20 724	–
Negative fair values from hedge accounting derivatives	4 444	4 444	–	4 908	4 908	–
Other liabilities not reported at fair value	1	1	–	1	1	–
Other liabilities reported at fair value	4 996	4 769	227	5 043	4 833	210
Total	**212 239**	**202 520**	**9 719**	**217 936**	**213 010**	**4 926**

[1] 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.
[2] Amounts relating to loan loss provisions are shown in the fair values of loans and advances to customers and loans and advances to banks.

It was not possible to reliably determine a fair value for € 94 million (€ 80 million) of financial instruments. These are mainly investments. There is no intention to sell these investments.

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.

In addition, the option to calculate the counterparty risk (CVA/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 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 Mar. 2013	31 Dec. 2012	31 Mar. 2013	31 Dec. 2012	31 Mar. 2013	31 Dec. 2012	31 Mar. 2013	31 Dec. 2012
Assets held for trading	3 358	2 852	12 092	13 580	1	–	15 451	16 432
Designated financial assets reported at fair value	864	871	515	617	–	–	1 379	1 488
Positive fair values from hedge accounting derivatives	–	–	4 371	4 924	–	–	4 371	4 924
Financial assets at fair value	39 468	43 183	7 365	4 907	424	423	47 257	48 513
Assets	**43 690**	**46 906**	**24 343**	**24 028**	**425**	**423**	**68 458**	**71 357**
Liabilities held for trading	93	215	10 707	11 116	5	4	10 805	11 335
Designated financial liabilities reported at fair value	212	222	9 109	9 167	6	–	9 327	9 389
Negative fair values from hedge accounting derivatives	–	–	4 444	4 908	–	–	4 444	4 908
Liabilities	**305**	**437**	**24 260**	**25 191**	**11**	**4**	**24 576**	**25 632**

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

1 Jan. – 31 Mar. 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	–	–	–	1	–	–
Financial assets at fair value	4 097	–	722	–	5	–
Liabilities held for trading	–	–	–	1	–	–
Designated financial liabilities reported at fair value	127	–	119	5	–	–

Transfers mainly took place between Levels 1 and 2 in the first three months of the year. With financial assets recognised at fair value, some issues for which the whole portfolio is held are now allocated to Level 2, as the market prices listed are not entirely valid. As a result most of the transfers are from Level 1 to Level 2.

Transfers from Level 2 to Level 1 are mainly due to a further revival of the market, and as a result more market prices can be used. With liabilities designated at fair value, the trading activity and in particular the trading volume are considered. Here there is regular movement between Level 1 and Level 2.

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:

(in € million)	Trading assets	Designated financial assets report at fair value	Total
Assets			
1 January	**–**	**423**	**423**
Effect on the income statement[1)]	–	– 1	– 1
Effect on the equity capital	–	7	7
Addition from Level 1 and 2	1	–	1
Disposal to Level 1 and 2	–	5	5
31 March	**1**	**424**	**425**
For information purposes: Effect in the income statement for financial instruments still in the portfolio[1)]	–	– 1	– 1

[1)] The effects reported include valuation gains / losses, realised profit / loss and deferred interest; these are reported under the relevant items in the income statement.

(in € million)	Trading assets	Designated financial assets report at fair value	Total
Liabilities			
1 January	**4**	**–**	**4**
Addition from purchase or issuance	–	1	1
Addition to Level 1 and 2	1	5	6
31 March	**5**	**6**	**11**

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). The fair value of the ABS securities in Level 3 is € 8 million. 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 € 2 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 less than € 1 million.

Significant unobservable input parameter in the fair value measurement of interest-bearing securities is the intensity spread, which is derived from the rating and associated probability of default. The fair value of the interest-bearing securities in Level 3 is € 49 million. 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 € 1 million.

Significant unobservable input data in the fair value measurement of derivates 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. The fair value of the CDS in Level 3 is € –3 million. 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 less than € 1 million.

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.

(34) Derivative financial instruments

(in € million)	Nominal values 31 Mar. 2013	Nominal values 31 Dec. 2012	Fair value positive 31 Mar. 2013	Fair value positive 31 Dec. 2012	Fair value positive 31 Mar. 2013	Fair value positive 31 Dec. 2012
Interest-rate risk	278 957	287 245	14 094	15 446	13 238	14 535
Currency risk	64 618	60 793	983	1 202	1 722	1 298
Share price and other price risks	786	764	62	61	22	27
Credit risk	5 371	5 713	19	18	169	169
Total	**349 732**	**354 515**	**15 158**	**16 727**	**15 151**	**16 029**

(35) Disclosures relating to selected european countries

The table below shows, in contrast to the exposure in the risk report, the reported values of transactions relating to selected European 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		Loans and Receivables	
(in € million)	31 Mar. 2013	31 Dec. 2012	31 Mar. 2013	31 Dec. 2012	31 Mar. 2013	31 Dec. 2012	31 Mar. 2013	31 Dec. 2012
Greece								
Country	–	–	–	–	–	–	–	–
Financing institutes/ insurance companies	–	–	–	–	–	–	–	–
Companies/other	2	2	–	–	–	–	245	244
	2	**2**	**–**	**–**	**–**	**–**	**245**	**244**
Ireland								
Country	– 13	– 16	95	98	25	24	–	–
Financing institutes/ insurance companies	– 18	– 19	5	11	322	378	380	427
Companies/other	26	28	–	–	2	2	1 674	1 696
	– 5	**– 7**	**100**	**109**	**349**	**404**	**2 054**	**2 123**
Italy								
Country	3	4	249	251	1 311	1 335	18	18
Financing institutes/ insurance companies	– 41	– 41	–	–	999	1 327	122	123
Companies/other	2	3	–	–	45	45	49	52
	– 36	**– 34**	**249**	**251**	**2 355**	**2 707**	**188**	**193**
Portugal								
Country	– 28	– 31	–	–	163	159	–	–
Financing institutes/ insurance companies	–	– 1	–	–	139	136	12	12
Companies/other	–	–	–	–	22	20	76	78
	– 28	**– 32**	**–**	**–**	**324**	**315**	**88**	**90**
Spain								
Country	–	4	–	–	366	343	53	52
Financing institutes/ insurance companies	33	7	–	–	1 668	1 631	151	135
Companies/other	9	9	–	–	27	36	443	459
	42	**20**	**–**	**–**	**2 061**	**2 010**	**647**	**646**
Cyprys								
Country	–	–	–	–	–	–	–	–
Financing institutes/ insurance companies	–	–	–	–	–	–	–	–
Companies/other	21	23	–	–	–	–	1 171	1 146
	21	**23**	**–**	**–**	**–**	**–**	**1 171**	**1 146**
Total	**– 4**	**– 28**	**349**	**360**	**5 089**	**5 436**	**4 393**	**4 442**

For financial instruments categorised as available for sale with acquisition costs totalling € 5 258 million (€ 5 678 million), the cumulative valuation of the selected countries reported in equity totals € 82 million (€ 53 million). In addition to this depreciations of € 0 million (€ 2 million) were recognised in the income statement for the period.

For receivables categorised as loans and receivables to the selected countries, specific valuation allowances totalling € 58 million (€ 51 million) and general loan loss provisions totalling € 25 million (€ 8 million) were made. The fair values of the receivables in this category are broken down as follows:

(in € million)	Fair Value Loans and Receivables 31 Mar. 2013	Fair Value Loans and Receivables 31 Dec. 2012
Greece	156	168
Ireland	2 070	2 085
Italy	156	162
Portugal	89	90
Spain	663	633
Cyprys	957	1 000
Total	**4 091**	**4 138**

The nominal value of credit derivatives relating to the selected European countries in the NORD/LB Group's portfolio is € 1 532 million (1 531 million). Of this, states account for € 481 million (€ 479 million), financing institutions/insurance companies for € 1 050 million (€ 1 051 million) and companies/others for € 1 million (€ 1 million). This includes both nominal values where the Group acts as the provider of security and nominal values where the Group acts as the recipient of security. The netted fair value of these credit derivatives is € –114 million (€ –118 million).

Business with Cyprus is of minor significance.

(36) Regulatory data

The following consolidated regulatory data was calculated in accordance with the regulations of the German Solvency Regulation.

(in € million)	31 Mar. 2013	31 Dec. 2012
Risk-weighted assets	**77 300**	**77 863**
Capital requirements for credit risk	5 643	5 693
Capital requirements for market risks	149	149
Capital requirements for operational risks	392	387
Capital requirements according to the SolvV	**6 184**	**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 Mar. 2013	31 Dec. 2012
Paid-in capital	1 662	1 666
Further capital	10	10
Other reserves	5 367	5 356
Special item for general banking risks in accordance with § 340g of the German Commercial Code	1 466	1 466
Other capital with § 10 2a Nr. 10 KWG	954	954
Other components	– 78	– 92
Core capital	**9 381**	**9 360**
Deductions from core capital	– 1 060	– 909
Core capital for solvency reasons	**8 321**	**8 451**
Non-current subordinated liabilities	3 044	3 051
Participatory capital liabilities	158	193
Other components	– 10	– 10
Supplementary capital	**3 192**	**3 234**
Deductions from supplementary capital	– 1 060	– 909
Supplementary capital for solvency reasons	**2 132**	**2 325**
Modified available equity	**10 453**	**10 776**
Tier three capital	–	–
Eligible capital in accordance with § 10 of the German Banking Act	**10 453**	**10 776**

(in %)	31 Mar. 2013	31 Dec. 2012
Overall ratio according to § 2 Paragraph 6 of the German Solvency Regulation (SolvV)	13.52	13.84
Core capital ratio	10.76	10.85

(37) Contingent liabilities and other obligations

	31 Mar. 2013 (in € million)	31 Dec. 2012 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	5 071	5 170	– 2
Other obligations			
Irrevocable credit commitments	8 687	9 525	– 9
Total	**13 758**	**14 695**	**– 6**

(38) 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. 2013 (in € 000)	Companies with a significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Outstanding loans and advances						
to banks	–	–	–	785 358	–	251 966
to customers	3 333 120	54 390	14 073	235 396	857	395 184
Other unsettled assets	2 654 478	–	–	67 696	–	24 498
Total assets	**5 987 598**	**54 390**	**14 073**	**1 088 450**	**857**	**671 648**
Unsettled liabilities						
to banks	–	–	–	459 391	–	115 511
to customers	693 036	33 110	74 608	80 396	2 541	267 996
Other unsettled liabilities	45 863	521 830	–	–	13	155 067
Total liabilities	**738 899**	**554 940**	**74 608**	**539 787**	**2 554**	**538 574**
Guarantees/sureties received	4 193 947	27	50	–	–	20
Guarantees/sureties granted	5 250 680	700	1 056	10 511	–	8 414

1 Jan.–31 Mar. 2013 (in € 000)	Companies with a significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expense	7 845	13 035	25	6 684	8	2 976
Interest income	40 597	650	139	9 084	13	5 791
Commission expense	5 869	–	–	2	–	12
Commission income	5	2	6	142	–	9
Other income and expenses	– 20 285	–	1	6 027	– 964	3 261
Total contributions to income	**6 603**	**– 12 383**	**121**	**8 567**	**– 959**	**6 073**

31 Dec. 2012 (in € 000)	Companies with a significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Outstanding loans and advances						
to banks	–	–	–	936 116	–	255 795
to customers	2 778 248	54 095	34 053	235 077	1 505	402 899
Other unsettled assets	2 629 046	1	–	62 939	–	12 290
Total assets	**5 407 294**	**54 096**	**34 053**	**1 234 132**	**1 505**	**670 984**
Unsettled liabilities						
to banks	–	–	–	471 754	–	128 013
to customers	259 863	32 817	119 803	100 887	2 501	296 098
Other unsettled liabilities	51 091	512 517	–	–	50	165 352
Total liabilities	**310 954**	**545 334**	**119 803**	**572 641**	**2 551**	**589 463**
Guarantees / sureties received	4 193 947	27	50	5 000	–	20
Guarantees / sureties granted	5 250 662	700	1 056	12 130	–	11 354

1 Jan. – 31 Mar. 2012 (in € 000)	Companies with a significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expense	10 402	25 426	47	7 358	8	3 261
Interest income	44 082	327	123	15 952	28	5 881
Commission expense	6 007	–	–	–	–	198
Commission income	5	3	9	97	–	8
Other income and expenses	14 527	9	–	– 10 229	– 23	669
Total contributions to income	**42 205**	**– 25 087**	**85**	**– 1 538**	**– 3**	**3 099**

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 loan loss provisions in the period under review total € 0 million (€ 1 million).

In the item guarantees / sureties received from companies with a significant influence, guarantees in the amount of € 3 500 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 / sureties granted to companies with a significant influence, guarantees in the amount of € 5 250 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 5 years.

(39) Members of governing bodies

1. Members of the Managing Board

Dr. Gunter Dunkel
(Chairman)

Dr. Johannes-Jörg Riegler
(Deputy Chairman)

Ulrike Brouzi

Eckhard Forst

Dr. Hinrich Holm

Christoph Schulz

2. Members of the Supervisory Board

Hartmut Möllring (Chairman)
Minister of Finance, State of Lower Saxony
(until 19 February 2013)

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

Ulrich Mädge
Mayor, City of Hansestadt Lüneburg

Heinrich von Nathusius
Managing Director, IFA Gruppe

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

Klaus-Peter Wennemann
Management consultant

(40) Companies and investment funds included in the basis of consolidation

Company name and registered office	Shares (%) direct	Shares (%) indirect
Subsidiaries included in the consolidated financial statements		
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	–	100.00
MALIBO GmbH & Co. Unternehmensbeteiligungs KG, Pullach im Isartal	–	77.81
Nieba GmbH, 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 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	–	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
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	–	–
Investment funds included in the consolidated financial statements		
NORD/LB AM 56	–	100.00
NORD/LB AM 65	–	100.00
NORD/LB AM ALCO	–	100.00
NORD/LB AM OELB	100.00	–
NORD/LB AM OESB	100.00	–
Companies / investment funds accounted for in the consolidated financial statements using the equity method		
Joint ventures		
LHI Leasing GmbH, Pullach im Isartal [1]	43.00	6.00
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]	–	56.61
Toto-Lotto Niedersachsen GmbH, Hanover	–	49.85
Investment funds		
Lazard-Sparkassen Rendite-Plus-Fonds	49.18	–

[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 associated company.

STATEMENTS RELATING TO THE FUTURE

This report contains statements relating to the future. They can be recognised in terms such as “expect”, “intend”, “plan”, “endeavour” and “estimate” and are based on our current plans and estimations. These statements contain uncertainties since a number of factors which affect our business are beyond the sphere of influence of NORD/LB. These factors notably include developments in the financial markets and changes in interest rates and market prices. Actual results and developments may deviate considerably from current assumptions. NORD/LB does not assume any responsibility and nor does it intend to update these statements relating to the future or to adjust them in the event of developments which deviate from those that had been anticipated.

OTHER INFORMATION

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the income, assets and financial position of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Hanover / Braunschweig / Magdeburg, 28 May 2013

Norddeutsche Landesbank Girozentrale

The Managing Board

Dr. Dunkel	Dr. Riegler	Brouzi
Forst	Dr. Holm	Schulz

NORD/LB

Die norddeutsche Art.

OUR PROXIMITY/YOUR STRENGTH

NORD/LB
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Finanzgruppe