Interim Report
as at 30 June 2014

NORD/LB
Die norddeutsche Art.

RESPONSIBLE BANKING

Finanzgruppe

NORD/LB GROUP AT A GLANCE

	1 Jan.–30 Jun. 2014	1 Jan.–30 Jun. 2013	Change (in %)
In € million			
Net interest income	995	974	2
Loan loss provisions	224	432	– 48
Net commission income	84	77	9
Profit / loss from financial instruments at fair value through profit or loss including hedge accounting	105	102	3
Profit / loss from financial assets	50	– 4	> 100
Profit / loss from investments accounted for using the equity method	– 8	18	> 100
Administrative expenses	557	575	– 3
Other operating profit / loss	– 84	– 24	> 100
Earnings before reorganisation and taxes	361	136	> 100
Reorganisation expenses	– 12	– 18	33
Expenses for Public Guarantees related to Reorganisation	1	22	– 95
Earnings before taxes	**348**	**96**	**> 100**
Income taxes	105	9	> 100
Consolidated profit	**243**	**87**	**> 100**
Key figures in %			
Cost-Income-Ratio (CIR)	51.0	50.2	
Return-on-Equity (RoE)	9.1	2.5	

	30 Jun. 2014	31 Dec. 2013	Change (in %)
Balance figures in € million			
Total assets	198 617	200 823	– 1
Liabilities to customers	53 672	54 859	– 2
Loans and advances to customers	105 432	107 604	– 2
Equity	8 446	8 169	3
Regulatory key figures			
Core capital for solvency reasons in € million	7 183	8 112	– 11
Regulatory equity in € million	9 419	9 811	– 4
Risk-weighted assets	66 874	68 500	– 2
Total regulatory capital ratio in %	14.08	14.32	
Common equity tier 1 ratio in %	10.74	11.84	

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

Rating agency	Rating	Date of rating
Moody’s	A3 / P–2 / D	11 August 2014
Fitch Ratings	A / F1 / bbb–	6 August 2014

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

INTERIM REPORT
AS AT 30. JUNE 2014

INTERIM GROUP MANAGEMENT REPORT AS AT 30 JUNE 2014

THE NORD/LB GROUP – BASIC INFORMATION

BUSINESS MODEL

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. The owners of the bank are the federal states of Lower Saxony and Saxony-Anhalt, the Association of the Savings Banks of Lower Saxony (Sparkassenverband Niedersachsen, 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.

NORD/LB is a business bank, landesbank (state bank) and a central bank for the savings banks operating in Northern Germany and beyond the core region with branches in Hamburg, Munich, Düsseldorf, Schwerin, London, New York, Shanghai and Singapore.

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

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

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

In the NORD/LB Group, NORD/LB acts as the parent company, controlling all of the business activities in line with the strategic objectives, creating synergy effects, reinforcing customer divisions and bundling service offerings. The NORD/LB Group comprises among others

- Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen (hereafter Bremer Landesbank),
- Norddeutsche Landesbank Luxembourg S.A., Luxemburg (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 short for Öffentlichen Versicherungen Braunschweig: ÖVBS).

The bank also holds other investments as shown in the disclosures of the notes.

STRATEGIC DEVELOPMENT OF NORD/LB

In the annual strategy process NORD/LB develops and reviews as the parent company together with its subsidiaries Bremer Landesbank, Deutsche Hypothekenbank and the sub-group NORD/LB Luxembourg the strategic direction for the next five years.

Based on the economic conditions, the NORD/LB Group will continue to pursue its proven customer-oriented business model and its risk-conscious business policy. The essence of the 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.

Further information on the strategy can be found in the Group management report as at 31 December 2013.

CONTROL SYSTEMS

Outline of the Control System

NORD/LB's key control indicators are return on equity (RoE) and at business segment level the return on risk-adjusted capital (RoRaC), the cost-income ratio (CIR) and earnings before taxes.

Return-on-Equity (RoE)	RoE = Earnings before taxes / Long-term equity under commercial law (= reported equity capital – revaluation reserve – earnings after taxes)
Return on Risk-adjusted Capital (RoRaC) (at business segment level)	RoRaC = Earnings before taxes / Committed core capital (8 per cent (7 per cent) of the higher of the RWA limit and the amount called on) Earnings before taxes = Operating result after risk provisioning, less extraordinary profit / loss, less servicing of silent participations
Cost-Income-Ratio (CIR)	CIR = Administrative expenses / (Total earnings including balance of other income / expenses)

Risk Management

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 are described in detail in the Annual Report 2013. Only significant developments in the period under review are addressed in this interim report.

With effect of 1 January 2014 NORD/LB internally reorganised its Finance and Risk Control Division away from a risk-type-oriented structure to a function-oriented structure. The operational tasks are again the responsibility of the Operational Control and Risk Control departments. These are flanked by the departments Strategic Control (responsible for fundamental issues and determining the methods and key performance indicators) and Risk / Performance Measurement (responsible for data management, instruments, models and the reporting system).

Likewise with effect of 1 January 2014, the Risk Committee replaced the General Working and Credit Committee (AAKA). In addition to performing the tasks of the AAKA (in particular lending and the acquisition of investments), it also advises and supports the Supervisory Board in matters concerning risk-taking and risk strategy as well as the implementation of the strategy.

ECONOMIC REPORT

GENERAL ECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

After an excellent start to 2014, the economic engine is starting to stutter at the mid-year point.

Germany

The German economy had an excellent start to 2014. Seasonally-adjusted real GDP rose in the first quarter by 0.7 per cent compared to the previous quarter. However, the high quarterly growth at the start of the year was largely due to the very mild weather, with a rise in particular in construction investment being recorded.

Following the economic growth at the start of the year which was skewed upwards due to a few special factors, the German economy shrank in the second quarter for the first time since the end of 2012. Real GDP fell by 0.2 per cent compared to the previous quarter. Incoming orders for manufacturing fell significantly in May and June, while a downward trend was also noticed with the ifo business climate index and the Centre for European Economic Research's expectations for the economy. Overall this suggests that the growth in industrial production will again be slow in the third quarter.

Very moderate rate of recovery in the Eurozone.

Eurozone

In the first half of 2014 the economic recovery process in the Eurozone continued at a moderate rate, with economic growth slower than had been hoped. In the first quarter seasonally-adjusted real GDP rose by only 0.2 per cent compared to the previous quarter and stagnated in the second quarter. The annual rate at the mid-year point was 0.7 per cent. However, growth within the Eurozone was very mixed. Supported by the mild winter, Germany started the year surprisingly strongly, although a correction followed in the second quarter. In addition to the poor situation in Italy, which returned to recession in the first half of the year after two quarters of negative growth in a row, economic output stagnated in France. Spain on the other hand recorded its strongest increase in economic activity since the start of the crisis in 2008.

USA

Following solid growth in 2012 and 2013, after the first half of 2014 the signs are that GDP growth in the USA will be around 2 per cent. The biggest economy in the world faced a massive headwind due to the poor weather in winter, which resulted in a fall in GDP in the first quarter of 2014. However, the US economy was boosted by a significant catch-up effect in the second quarter. The trend of a moderate recovery should continue in the remainder of the year.

After the euro rose continually against the dollar in the first quarter and twice almost reached $ 1.40, it came under pressure due to an improvement in US economic data, the outlook of a less expansive US monetary policy and in particular due to the once again more expansive monetary policy of the European Central Bank (ECB). The exchange rate therefore appears to take into account the diverging developments on both sides of the Atlantic.

ECB continues expansive monetary policy.

Financial Markets and Interest Rates

In the Eurozone the focus of investors is shifting away from the debt crisis. The trend towards convergence for yields of government bonds of countries in the Eurozone is largely due to the policies of the ECB. In particular the comments by the ECB President Mario Draghi that it would be willing to commence a bond-buying programme for government bonds of problem countries has resulted in more confidence among investors and increased their willingness to buy. As a result, the prices of Greek government bonds for example have risen sharply.

The first half of 2014 saw a number of records being chased in the share market . The DAX moved towards the psychologically-important total of 10,000 points. In the USA the index for the Dow Jones Industrial Average approached 17,000 points, while the S & P 500 index leapt over 1,900 points. Accordingly, yields in international bond markets are low and bond prices are high. The yields of German government bonds with a term of ten years fell almost continually in the first half-year towards 1.20 per cent, and fell well below this figure in the weeks that followed.

Stock markets chasing records in first half of 2014.

The narrowing of the EUR/USD cross currency basis swap spreads seen during 2013 and in the first quarter of 2014 initially continued in the second quarter. In mid-April spreads touched the zero line, and for 5 and 10-year terms they were even positive for a while. The spreads have since returned to within a band of – 10 to – 5 basis points across the entire curve and been very stable of late. Unlike before the critical distortions of recent years, when the EUR/USD cross currency basis swap spreads were positive with a few basis points, the signs are that they will settle close to, but below the zero line. The largely relaxed supply of European banks with USD liquidity will continue to be supported by their credit standing, which is documented for example in the iTraxx Senior Financials Credit Default Swap index. This indicator of default risks fell for a period to below 60 basis points, its lowest level since spring 2008. In contrast, the EUR/USD dollar exchange rate, which is no longer as stable as it had been in the first quarter, has contributed to the spreads returning to between – 5 and – 10 basis points.

Aircraft

According to the International Air Transportation Organisation (IATA), global revenue passenger kilometres (RPK) increased in the first six months of 2014 in the global market by 5.9 per cent. The growth rates were 6.4 per cent for international traffic and 5.1 per cent for domestic traffic.

Above-average growth rates in global passenger transport were recorded in the Middle East (13.4 per cent), Asia / Pacific (6.9 per cent) and Latin America (6.9 per cent) regions. Europe also reported solid growth of 6.1 per cent. Below-average growth rates were recorded in North America (2.6 per cent) and Africa (– 0.6 per cent).

Capacity (ASK, available seat kilometres) grew by 5.6 per cent in the first half of 2014. The passenger load factor (PLF) in the global market rose slightly to 79.3 per cent (previous year: 79.0 per cent).

In the air freight market, the number of freight tonne kilometres (FTK)) sold increased in the first half of 2014 against the background of an improved business environment compared to the previous year by 4.1 per cent. Freight carriers in the Middle East reported the highest growth compared to the previous year (10.0 per cent). Global air freight capacity (AFTK, available freight tonne kilometres) rose by 3.6 per cent. The freight load factor (FLF) in the global air freight markets marginally improved to 45.4 per cent (previous year: 45.2 per cent).

Airbus recorded 290 (722) net orders and 303 (295) deliveries between January and June 2014. Boeing recorded 499 (690) net orders and 342 (306) deliveries. Narrowbodies accounted for the majority of the orders. The A320 and B737 families were again particularly in demand.

Order activity at Airbus and Boeing below the previous year's level as expected.

Ships

In the first six months of 2014 developments in the shipping market were mixed. On the one hand prices remained relatively stable and continued to bottom out. Rate developments on the other hand disappointed. Charter rates in the three core sectors were affected by a number of factors: the impending three-way alliance of the leading shipping lines Maersk, MSC and CMA/CGM (P3), China's market position in the bulk goods sector and the effects of the increasing geopolitical risks on the tanker sector.

The alliance sought by the three leading shipping lines Maersk, MSC and CMA/CGM (P3) might trigger further consolidations in the container sector, as extended cooperations (CKYHE) and mergers (Hapag Lloyd and CSAV) have shown. China therefore ended all further speculation about the effects of the intended alliance with its refusal to approve the "P3" in June. This came as a surprise, as both the US Federal Maritime Commission and the EU had given their approval.

The freight rate increases announced for the middle of the second quarter once again failed to have their intended effect, which no doubt was partly due to the developments surrounding the P3 alliance. At the end of the quarter the Shanghai Containerized Freight Index (SCFI) SCFI on the Far East-Europe route was even lower than at the end of March at 1106 USD/TEU (Twenty-foot Equivalent Unit). The charter market was primarily characterised by caution. This was not surprising, though, as the P3 shipping lines had announced that in view of the planned alliance there would be less follow-on charters. However, one positive development noted in the second quarter of 2014 was that, despite the increase in the number of high-volume container ships delivered, the number of laid-up ships fell significantly. At the end of the half-year unemployed ships only made up 1.4 per cent of the fleet (2013: 2.6 per cent).

In the bulk goods sector, following its slump, the Baltic Dry Index started the second quarter of 2014 on 1,362 points. After a short period of stabilisation, the market once again came under pressure and fell to 850 points (–37 per cent) at the end of June. The Panamax segment suffered from the low level of demand for coal transport and grain, while the Capesize segment was affected by the reduction in iron ore bought by China. Following the massive building up of stock levels that took place around the turn of the year, demand has fallen again and will not rise for the time being despite attractive raw materials prices. The level of coal imported by China was also low and therefore also failed to boost demand.

As the correction in the tanker sector following the sharp rate increases at the end of 2013 largely took place in the first quarter, the disappointment concerning the development of the Baltic Dirty Tanker Index was muted, despite the fact that the year's low of 637 points was recorded in mid-June. Reduced oil production in the Middle East (unrest in Iraq) and the low level of demand from European refineries have done little to boost demand. Expectations concerning Chinese oil imports also appeared to be too high.

Meanwhile the mood in the cruise ship market remains positive. Following a further increase in demand, the leading companies placed further orders for ocean cruisers with shipyards specialising in this niche. The Meyer Werft shipyard in Germany, for example, can look forward to a production level close to capacity.

Real Estate

Global commercial real estate investment market benefiting from improved economic climate.

Global investment in commercial real estate totalled $ 294 billion in the first half of 2014. This equates to an increase of around 27 per cent compared to the previous year. The good performance is mainly being driven by an improvement in economic and fundamental data.

Germany – good result at half-time.

The first half-year in the German investment market for commercial real estate was positive, with demand from international investors for investment opportunities remaining high and interest rates remaining low. At € 16.9 billion, the transaction volume in the first six months of 2014 was around 29 per cent higher than in the previous year. Investors continued to focus on office properties.

The office letting market remained steady despite the unrest in Ukraine and the temporary slump in the German economy. Despite the increase in the number of completions in the first six months, the vacancy rate has fallen again as at the end of the second quarter of 2014.

The retail letting market has, thanks to the high level of demand for space in the first half-year, continued the success of the last three years. International retailers further increased their share of space by three percentage points to 57 per cent, while interest in the Top 10 locations increased again with a 40 per cent share in total volume.

In the residential property market, the transaction volume in the large residential portfolio segment totalled around € 6.9 billion in the first half-year with 117,000 residential units and was therefore slightly above the previous year's figures. Demand remains well above supply for residential investments and portfolios. However, investors are not willing to pay any price. Instead, listed housing companies, funds and other indirect vehicles are trying to enter the housing market in the leading metropolises through project developments.

Europe: Second-best quarterly result since 2007.

The European commercial real estate markets continued to grow in the second quarter of 2014 following a positive start to the year. With a transaction volume of € 44.6 billion, turnover was up by 30 per cent in the second quarter compared to the same quarter of the previous year and 11 per cent compared to the previous quarter.

SIGNIFICANT EVENTS IN THE PERIOD

ECB Comprehensive Assessment

The NORD/LB Group is participating in the current Comprehensive Assessment by the European regulatory authorities.

The Comprehensive Assessment consists of three stages:

In the Supervisory Risk Assessment the main risks – including liquidity risks, level of gearing, refinancing risks – were assessed from a quantitative and qualitative point of view. For this purpose the bank handed over an extensive package of data to the regulatory authorities. This phase started in autumn 2013 and, as far as NORD/LB is concerned, has been completed for the deadlines that have needed to be met to date.

In the Asset Quality Review (AQR) the balance sheets of banks are reviewed. Here the quality of the banks' assets is assessed. Among other things it is analysed whether the bank's assets and securities have been measured and the bank's risk provisioning for non-performing loans has been made appropriately and in accordance with the methods formulated specifically for the AQR by the ECB. Here particular attention is also paid to the quality of the data. For this purpose the bank has already supplied the ECB with extensive Group data at portfolio and individual transaction level. The data was supplied in preparation of an on-site audit that has been conducted since February 2014 by an auditor instructed by the regulatory authorities. The AQR will soon be completed.

In the stress test the ECB and the European Banking Authority (EBA) examine the resilience of the banks that are being assessed under stress scenarios. Here it is assumed for the period 2013 to 2016 that there is an economic recession in which the hard core capital ratio is not allowed to fall below 5.5 per cent. The first key points were decided in January, further details were published gradually in the period April to June 2014. The data supplied by NORD/LB is currently being reviewed intensively by the Deutsche Bundesbank, the Federal Financial Supervisory Authority (BaFin), the EBA and the ECB. The results of the AQR will be combined with the results of the stress test in a so-called "Join up".

Despite the solid regulatory capital that meets the requirements of Basel III and the risk provisions made, additional risks might arise for NORD/LB from the ECB's EU-wide Comprehensive Assessment in the AQR and stress test that is expected to be completed in October.

Findings by the ECB that relate purely to the balance sheet, or additional valuation adjustments by the ECB based on particularly conservative regulatory valuation methods, which would result in values below those using the IFRS valuation methods, might result in the AQR in an arithmetic adjustment of the CET 1 capital ratio (hard core capital ratio).

Theoretically this might have an impact in the area of credit risk assessment for loans and advances and derivatives, also taking into account the Challenger model used by the ECB.

In order to meet the general requirements that apply for all banks in relation to the AQR, the bank has submitted a capital measures plan. If a bank exceeds the applicable limits for the AQR or stress test, it is required to increase the hard core capital based on such a plan.

NORD/LB has therefore made all of the necessary preparations to pass the Comprehensive Assessment. As the work both for the AQR and the stress test has not yet been completed, it is not possible to make a statement on the possible results and the potential effects. In particular the discussions on the valuation of ship portfolios, though, might have a significant influence on the results of the AQR and the stress test.

REPORT ON THE EARNINGS, ASSETS AND FINANCIAL POSITION

(In the following text the previous year's figures for the first six months of 2013 or as at 31 December 2013 are shown in brackets.)

Earnings Position

NORD/LB closes first half of 2014 with earnings before taxes of € 348 million.

Earnings before taxes for the first six months of the financial year 2014 totalled € 348 million.

The figures for the income statement are summarised as follows:

(in € million)	1 Jan.–30 Jun. 2014	1 Jan.–30 Jun. 2013 [1)]	Change (in %)
Net interest income	995	974	2
Loan loss provisions	224	432	– 48
Net commission income	84	77	9
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	105	102	3
Profit/loss from financial assets	50	– 4	> 100
Profit/loss from investments accounted for using the equity method	– 8	18	> 100
Administrative expenses	557	575	– 3
Other operating profit/loss	– 84	– 24	> 100
Earnings before reorganisation expenses and taxes	**361**	**136**	**> 100**
Reorganisation expenses	– 12	– 18	33
Expenses for public guarantees related to reorganisation	1	22	– 95
Earnings before taxes	**348**	**96**	**> 100**
Income taxes	105	9	> 100
Consolidated profit	**243**	**87**	**> 100**

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

Net interest income has increased compared to the previous year by € 21 million to € 995 million. With interest rates remaining low in money and capital markets, interest expenses were reduced by more than interest income. The fall in interest income from lending and money market transactions is largely due to the continued low interest rates and reduced volume of loans and advances to banks and customers and the reduction of the bank's security portfolios. Interest expenses were also reduced due to improved refinancing options and volume reductions. Interest income and interest expenses from financial instruments at fair value through profit or loss also declined.

Loan loss provisions greatly reduced in the area of ship financing.

Expenses related to **loan loss provisions** fell significantly by € 208 million compared to the previous year to € 224 million. While a net allocation to general loan loss provisions of € 127 million was made in the same period of the previous year, in the period under review a net reversal of general loan loss provisions of € 58 million had a positive effect on earnings. This total improvement in earnings of € 185 million is mainly attributable to ship financing.

Net commission income rose compared to the previous year by € 7 million to € 84 million. The € 16 million increase in commission income is seen alongside a € 9 million increase in commission expenses. The change is mainly attributable to guarantee commission, loan processing and arrangement fees.

The **profit / loss from financial instruments at fair value through profit or loss including hedge accounting** totals € 105 million and improved slightly on € 3 million compared to on the previous year. This effect is mainly attributable to an increase in trading profit compared to the previous year and an increase in the profit from hedge accounting, which compensate for the negative contribution to earnings from the fair value option. The trading profit / loss was affected by the positive development in estimated profits / losses and realised profits / losses for debt securities and promissory notes as well as interest-rate derivatives due to the fall in Euro-interest-rate levels compared to the previous year. Due primarily to the further reduction in the relevant credit spreads, the valuation result from credit derivatives is up on the same period of the previous year. The profit / loss from the use of the fair value option is affected significantly by inverse interest-induced effects compared to the trading profit / loss and fell to € – 311 million. The development of profit / loss from hedge accounting is partly attributable to an adjustment of the valuation method in line with market practice. This has resulted in a smaller balancing item for changes in values between the underlying and hedging transactions used in hedge accounting.

The **profit / loss from financial assets** rose from € – 4 million to € 50 million compared to the previous year. This is mainly due to the fact that in the previous year the positive contributions to income were less than the valuation allowances for financial assets (€ 42 million). In addition, there was a write-down requirement for the shares in non-consolidated companies (€ 12 million). As these negative contributions to earnings no longer apply in the period under review, the profit / loss from financial assets has improved significantly compared to the previous year by € 54 million.

Due in particular to a write-down on an affiliated company, the **profit / loss from investments accounted for using the equity method** has reduced compared to the previous year by € 26 million to € – 8 million.

Administrative expenses fell compared to the previous year by € 18 million to € 557 million. This fall is attributable to a reduction in depreciation and non-staff-related administrative expenses, in particular IT and communication expenses.

Other operating profit / loss negatively affected by insurance business.

Other operating profit fell compared to the previous year by € 60 million. This development is primarily due to a fall in net income and rise in net allocations to provisions in insurance business. Lower income from the disposal of receivables and an increase in expenses from the redemption of issued debt securities have also had a negative contribution.

Reorganisation expenses in the amount of € – 12 million are mainly due to net allocations to reorganisation provisions. These were made for the contracted agreements concerning the termination of contracts of employment as part of the efficiency improvement programme.

Expenses for public guarantees related to reorganisation concern the NORD/LB Group’s capital-boosting programme. The reported amount is attributable to the payment of a premium for a guarantee provided by the states of Lower Saxony and Saxony-Anhalt and the partial reversal of a provision made in the previous year.

Income taxes correspond as earnings before taxes. Special tax effects were not considered.

Assets and Financial Position

(in € million)	30 Jun. 2014	31 Dec. 2013[1]	Change (in %)
Loans and advances to banks	26 928	27 481	– 2
Loans and advances to customers	105 432	107 604	– 2
Risk provisioning	– 2 390	– 2 246	– 6
Financial assets at fair value through profit or loss	14 542	13 541	7
Positive fair values from hedge accounting derivatives	4 507	3 872	16
Financial assets	46 250	47 043	– 2
Shares in investments accounted for using the equity method	303	306	– 1
Other assets	3 045	3 222	– 5
Total assets	**198 617**	**200 823**	**– 1**
Liabilities to banks	62 710	59 181	6
Liabilities to customers	53 672	54 859	– 2
Securitised liabilities	43 001	50 228	– 14
Financial liabilities at fair value through profit or loss	15 077	15 131	–
Negative fair values from hedge accounting derivatives	4 686	3 344	40
Provisions	4 822	4 304	12
Other liabilities	1 442	894	61
Subordinated capital	4 761	4 713	1
Reported equity capital including non-controlling interests	8 446	8 169	3
Total liabilities	**198 617**	**200 823**	**– 1**

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

Compared to 31 December 2013 the **balance sheet total** has fallen by € 2.2 billion. On the assets side this was mainly due to a reduction in loans and advances to banks and customers and a reduction in financial assets. On the liabilities side the fall in the balance sheet total is reflected in a fall in liabilities to customers and securitised liabilities.

Total assets reduced by € 2.2 billion.

Loans and advances to banks have reduced compared to the previous year by € 553 million. This change is mainly due to the reduction in other loans and advances and loans and advances for money market transactions to German banks.

Loans and advances to customers are still the largest balance sheet item at 53 per cent (54 per cent). Compared to the previous year, this item has reduced by € 2.2 billion.

Risk provisioning increased compared to the previous year by € 144 million to € 2.4 billion. The increase is mainly attributable to the increase in specific valuation allowances in ship financing.

Risk provisioning affected by valuation allowances in the area of ship financing.

Financial assets at fair value through profit or loss comprise trading assets and financial assets designated at fair value and are € 1 billion above the previous year's level. This is mainly attributable to valuation and volume effects.

Financial assets have reduced compared to the previous period by € 793 million and now total € 46.3 billion. This is attributable to the reduction in AfS financial assets as part of the reduction in risk-weighted assets (RWA).

Liabilities to banks have increased by € 3.5 billion compared to the previous year. The increase is due in particular to an increase in liabilities from money market transactions to German banks.

Liabilities to customers have fallen by € 1.2 billion compared to the previous year. This is due basically in particular to a reduction in liabilities resulting from money market transactions.

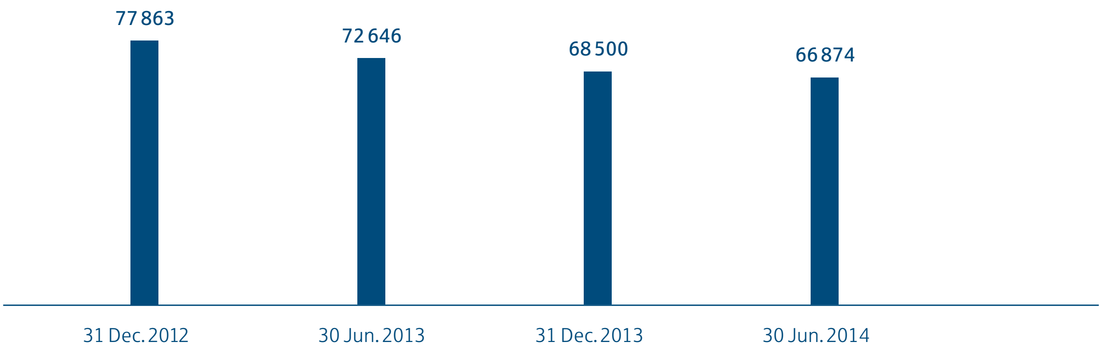
The reduction in **securitised liabilities** of € 7.2 billion to € 43.0 billion is attributable to the maturity of municipal bonds and other debt securities. New issues were not made at the same level.

Liabilities at fair value through profit or loss comprise trading liabilities and financial liabilities designated at fair value. Compared to the previous year this item has reduced slightly by € 54 million.

No equity measures were taken in the first half of the year. The increase in **reported equity capital** is almost the same as the comprehensive income generated in the period under review.

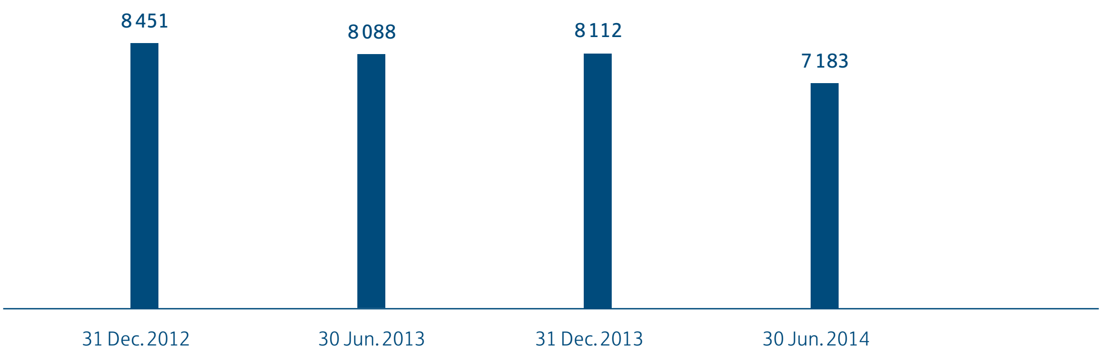
RWA have changed as follows:

RISK-WEIGHTED ASSETS (in € million)



Total core capital has changed as follows:

COMMON EQUITY TIER 1 (in € million)



The significant fall in total core capital as at the reporting date compared to the previous periods is mainly due to the application of a new legal basis. Up to and including the end of 2013, total core capital was calculated based on the regulations of the German Banking Act (Kreditwesengesetz, KWG) and the German Commercial Code (Handelsgesetzbuch, HGB). As at the reporting date, the regulations of the EU Capital Requirements Regulation (CRR) applicable since the start of 2014 were applied for the first time. These specify IFRSs as the relevant accounting basis for calculating total core capital for NORD/LB at Group level.

OVERALL ASSESSMENT

Earnings before taxes total € 348 million; this represents a significant improvement with a reduction in risk provisioning compared to the same quarter in the previous year. Accordingly, consolidated profit has developed positively compared to the previous year and totals € 243 million (€ 87 million).

SUPPLEMENTARY REPORT

No events that are of relevance for the period under review from 1 January to 30 June 2014 have taken place after the reporting date of 30 June 2014.

FORECAST AND RISK REPORT

GENERAL ECONOMIC DEVELOPMENT

Subdued outlook for the Eurozone …

Economic Forecast for the Germany and Eurozone

The general economic outlook for the Eurozone remains subdued. The economy should continue to recover slowly, even though a slowdown is being experienced as at the half-year point. For 2014 as a whole NORD/LB is expecting real GDP to rise by approx. 0.7 per cent. It appears that market participants are currently not sure how the economy will develop. While the Market Purchasing Managers Index has stabilised at a good level, in particular the financial market players who took part in the survey by the Centre for European Economic Research are worried. In particular the ongoing political uncertainty in Ukraine, and more recently in Iraq and Israel as well, are likely to have had a dampening effect. In addition, the difficult situation in the job market remains a significant negative factor. The unemployment rate in the Eurozone is currently 11.5 per cent and therefore still close to its all-time high. It is therefore expected that the impetus provided by private households will be limited. The national debt crisis in Europe has taken a back seat in recent months. However, negative news can still result in significant reactions in the market, as shown for example by the reports on the Portuguese bank Banco Espírito Santo.

… global economic outlook remains on the whole positive.

The medium-term outlook for the German economy remains friendly. However, according to sentiment indicators, economic growth will slow in the short term. NORD/LB is also expecting a slowdown in growth in mid-2014, particularly against the background of the uncertainty caused by the conflict in Ukraine. However, after this the economic recovery should continue. In particular domestic demand is expected to provide a boost to the economy. The robust state of the German job market and sustained low interest rates suggest that domestic demand will be strong, even though the fall in unemployment is expected to slow. However, the prospects for German exports are limited by the somewhat more difficult economic conditions in the Eurozone. NORD/LB is expecting real GDP to grow by a little less than 2 per cent in 2014.

While the Federal Reserve and the Bank of England are slowly starting to think about the right time for a normalisation in monetary policy, the European Central Bank (ECB) remains in crisis mode. The low inflation rates in the Eurozone, and without doubt the sluggish economic recovery in the single currency area, made the ECB lower base rates once again in early June. The ECB has also introduced in conjunction with this step a whole range of measures that should basically ensure that there is more liquidity. This is tantamount to an indefinite period of low interest rates. In June consumer prices in the Eurozone were up 0.5 per cent compared to June 2013. However, NORD/LB does not believe that there is currently a serious risk of deflation. The development in inflation expectations does suggest, though, that pricing pressure will remain at a very manageable level in the near future. The same applies for Germany in equal measure, although consumer prices were up by somewhat more (1 per cent) in Germany in June compared to June 2013.

Global Economic Outlook and economic forecast USA

Moderate recovery for the global economy for the remainder of the year.

For the remainder of 2014, NORD/LB is expecting the global economy to recover at a moderate rate. The rate of global industrial production will therefore be able to increase slightly in the second half of the year. In particular the US economy will continue to grow. In the Eurozone, though, economic recovery will remain slow for the time being. Against this background, the outlook for global trade is also cautiously positive. However, the risk of a hard landing for China caused by distortions in the shadow banking or real estate market represents a risk for the global economy. The Chinese central government will though, NORD/LB believes, take further support measures if necessary to prevent a slump in economic activity.

For the remainder of 2014 NORD/LB is expecting the economic revival to speed up in the USA due to catch-up effects. However, real gross domestic product (GDP) will not increase by more than 2 per cent compared to the previous year. The US job market should also remain in a healthy state in the second half of 2014. The Federal Reserve will continue to taper the monthly purchase of bonds gradually and cautiously. One interest rate move by the Federal Reserve has the potential to cause short-term turbulence in financial markets in some emerging markets.

Financial Market Development and Interest Rate Forecast

US monetary policy will continue with the gradual tapering of bond purchases. The bond purchase programme will be completed in 2014. NORD/LB does not expect the Fed Funds Target Rate to be raised until mid-2015. Interestingly, though, the Fed recently stated that, depending on the situation, base rates could be raised earlier and more quickly than currently expected by the market. This might happen, for example, if the job market recovered stronger than the Federal Reserve currently expects. All of the comments made by Fed suggest that the Federal Reserve will take great care in its realignment of US monetary policy. It shall be averted that the financial markets present themselves scared. This might ultimately have a negative impact on the share market and harm US consumption with a negative effect on wealth. In general though monetary policy is a helpful factor for the US dollar; while the Federal Reserve is discussing more and more openly about very slowly reducing its support measures, at least some parts of the ECB would prefer to take further steps to relax the monetary reins. NORD/LB therefore sees the euro at $ 1.29 in 12 months.

The calculations with the econometric forecast models developed by NORD/LB indicate that the EUR/USD cross currency basis swap spreads will stabilise, with a US dollar that is stronger against the euro across the entire time curve for the foreseeable future, within the current band of – 10 to – 5 basis points. The banks meanwhile will be able to make use of the weekly liquidity-supply measures under the Liquidity Swap Agreement between the ECB and the Federal Reserve. It was initially intended that these measures would end on 31 July, but the ECB has now announced that they will continue until further notice. Only this can ensure a high level of planning reliability for the utilisation of USD liquidity in US-dollars, NORD/LB therefore considers wider spread movements to be unlikely.

The tapering of the Federal Reserve will probably result in a gradual rise in capital market yields in the USA. A change of course towards a more restrictive monetary policy is also on the agenda at the Bank of England. The ECB on the other hand will want to act much more cautiously. It remains to be seen how the global share market will react in 2015 to the first rise in base rates that can be expected in the USA. It might have a negative impact in particular in the short term. However, the Federal Reserve will of course not act without reason. The slow normalisation of Fed monetary policy will be a reaction to an acceleration in economic growth in the US, which would be positive for the share market. In addition, the tense geopolitical situation has to be recognised as a relevant negative factor that might result in higher risk premiums. However, there are still good arguments for the asset class of shares. First of all it needs to be pointed out that interest rates are low. The current environment of low interest rates is almost forcing a greater risk appetite among investors. In the opinion of NORD/LB, the cautious normalisation of US monetary policy should do little to change this. Furthermore, the increase in mergers and acquisitions activity has to be viewed as beneficial for the share market. The anticipated acceleration in US economic growth might also help.

Only moderate increase in yields expected – monetary policy will remain expansive.

Banking Market Development

The European banking market continues to experience market adjustment, accompanied by consolidation measures, risk reduction, capital boosting and tighter regulation of the financial market. There is limited potential for growth; the environment of low interest rates is affecting the development of interest margins. The associated reduction in earnings potential will require rigorous cost management and the continued concentration on core business segments. However, the progress that has been made, particularly in the banking markets in the peripheral countries of the Eurozone, is undeniable. Proof of this is also provided by increasing investor confidence in these markets, even though, against the background of the uncertain economic developments, there is no prospect of a sustained turnaround before the end of 2014.

With regard to the regulation of the banks, 2014 will provide the European financial institutes, in particular the systemically important ones, with further challenges. The transfer of responsibility for financial supervision to the ECB will be accompanied by an intensive risk review and a further stress test. There is uncertainty concerning the potential consequences, and particularly concerning the issue of capital adequacy.

The picture for the development of the US banking market is mixed. Although the major banks, despite the high costs of legal disputes, weak demand for loans and a continuing environment of low interest rates, impressed with record results particularly in 2013, on the whole the upward potential is limited. The US banking market will therefore be characterised by further strict cost management in 2014. Overall the US banks are under increasing pressure. The extent to which the institutes will be able to build up sustainable resistance from this starting position will depend not only on them coping with the difficult operating environment, but also on them implementing in particular successful capital-boosting measures and constant reducing balance sheet risks.

With regard to regulation, the focus of the US banking market will be on the implementation of further measures as a result of the Dodd-Frank Act. Here in particular the tighter capital requirements and the strict requirements concerning the debt and liquidity ratio will provide the US banks with additional challenges.

The Asia / Pacific banking markets were largely stable in 2013. The outlook for 2014 is also largely positive. The fast-growing countries of recent years, and in particular China, might experience a slight slowdown in 2014. Such a slowdown of the in some cases rapid credit portfolio growth rates might have the positive side effect that some economic sectors that are already under heavy pressure in some countries will be saved from overheating. Some banking systems already reached their growth limits in their core markets in 2013. This resulted in efforts to expand into other markets in Asia, as well as into market niches in other parts of the world. This trend is likely to continue in 2014. The implementation of new regulatory requirements, here in particular the new capital and liquidity requirements are referred to, will be possible in most banking systems in the Asia/Pacific region. Some banks in this economic region already satisfied the future requirements in 2013.

Ships

Although there are signs of recovery in some parts of the global economy (e. g. in the USA), the geopolitical tensions that increased yet again towards the end of the second quarter cannot be underestimated. Therefore in the shipping sector, despite a slight improvement in some indicators, caution is advisable. For the second half of the year it is expected that freight and charter rates will be volatile, whereby further extreme fluctuations cannot be ruled out, as the temporary positive developments in the tanker and bulker markets seen around the turn of the past year have already shown. In addition, unexpected developments, such as the for many market participants surprising failure of the planned appliance between the market-leading shipping lines Maersk, MSC and CGA / CGM in the container sector, are providing momentum for further speculation.

Fuel prices for ships once again rose above $ 600 per tonne towards the end of the second quarter of 2014. However, oil prices have fallen significantly since June 2014, and as a result NORD/LB is not expecting fuel prices to cause a significant increase in costs.

In the container sector the peak season had a much more positive impact on the number of unemployed ships than in recent years. However, the number of laid-up ships is expected to increase again from October at the latest, whereby interest will be focused on the numbers of the larger TEU (Twenty-foot Equivalent Unit) subsegments. Due to the increase in the number of container ships with high load capacities (greater than 7,500 TEU) delivered in 2014, the cascade effect will be greater.

The veto of the alliance of the three market leaders Maersk, MSC and CMA/CGM by the Chinese authorities has resulted in additional unrest in the container market. One alternative is the formation of the “2M” alliance, consisting of the shipping lines Maersk and MSC, that has been announced. The consolidation process in the container sector has meanwhile gathered pace with the merger of CSAV of Chile, Hapag Lloyd and Hamburg Süd. With speculation of further mergers and new alliances, in particular the 2M shipping lines and CMA / CGM are the subject of attention. However, NORD/LB considers it unlikely that charter rates will recover in the short term.

The bulker sector started the second half of the year well below expectations. The Baltic Dry Index fell due to a shortage of demand in the Capesize segment to its lowest level for the year of 723 points. Forecasts for the sector have recently been revised down. While the fleet is still expected to grow by approx. 5.1 per cent, on the demand side growth expectations have been revised down from 5 per cent to approx. 4.2 per cent.

Chinese imports of coking coal for example fell by 22 per cent in the first half of the year as stock levels were reduced. The outlook in the iron ore sector is somewhat better as the price of iron ore has fallen significantly due to the leading mining companies increasing production. It is therefore expected that China's iron ore imports will increase by 13 per cent in the current year, although environmental regulations and a drop in steel production will have a negative impact. The agricultural market might also provide a boost to the bulker sector. The USDA (US Department of Agriculture) is expecting harvests of near-record levels, which will have a positive impact on demand for Panamax bulkers. As they also compete with Capesize bulkers in South America, this situation should ease slightly here.

Instead of reducing, the risks in the oil-producing regions of the Middle East (Libya, Syria and Iraq) have risen again, and as a result an increase in production or return to a normal level is not expected in the foreseeable future. However, due to the increase in oil imported by China from West Africa and the increase in refinery capacity in India, overall a 2.5 per cent increase in demand is expected in the crude oil sector. Fortunately the sharp rise in order numbers in the VLCC (Very Large Crude Carrier) segment at the start of the year has not continued.

The product tanker segment is benefiting from an increase in oil products imported into Europe via the Atlantic route, the increase in refinery capacity in the Middle East and the development of the oil industry in the US.

The increase in demand will be close to 5 per cent in 2014. The available fleet capacity will rise by approx. 4 per cent.

The cruise industry continues to provide very positive headlines. The market leaders are expanding their fleets and the Cruise Lines International Association now considers Germany to be the biggest European cruise market in 2014.

Rates remain stable in the offshore sector (oil and gas). While private oil companies such as Chevron and Shell have announced that they will be reducing their exploration and production budgets for the time being, state-owned oil companies such as Petrobras and Pemex are intending to increase their investment in the next few years. Against the background of diminishing oil reserves and the growing demand of emerging markets in the medium term, the search for offshore oil will continue in future.

Aircraft

The International Air Transportation Organisation (IATA) is forecasting a further increase in air transport for 2014. Global passenger transport (RPK) is expected to grow by 5.9 per cent. It is expected that capacity (ASK) will expand by 5.5 per cent in 2014. Average global utilisation should therefore rise to 80.4 per cent in 2014 (2013: 79.7 per cent). The demand for airfreight volume (FTK) should rise by 3.1 per cent in 2014, with a further fall in average profits (2014 (expected: – 1.5 per cent).

Positive development in air transport will continue in 2014.

Against this background, the IATA is expecting a net profit for global airlines of $ 18.0 billion (2013: $ 10.6 billion), which equates to a net margin of approx. 2.4 per cent (2013: 1.5 per cent).

From 2013 to 2017 the IATA is forecasting an average annual growth rate for global passenger transport of 6.4 per cent (RPK, national and international) and for airfreight of 4.5 per cent (FTK). For the same period an annual average growth rate for international passenger transport of 7.2 per cent (RPK) and for international airfreight of 5.0 per cent (FTK) is expected by the IATA.

For 2014 NORD/LB iswe are expecting that order activity will settle down at both Boeing and Airbus and that as a result the number of new orders should fall in the market for civil aircraft with more than 100 seats. Based on the increase in production capacity at Airbus and Boeing, NORD/LB is expecting an increase in the number of deliveries in 2014.

Real Estate

As in previous years, global investment in commercial real estate is expected to rise in 2014. The consulting company Jones Lang LaSalle has revised its forecast for the current year up to $ 700 billion. This is due in particular to the better-than-expected performance in America and Europe and the stable volumes in the Asia-Pacific region.

Real estate – transaction volume continues to increase.

The very positive sentiment trend in the German investment market for commercial real estate will continue for the remainder of the year. The forecasted economic growth of 2 per cent continues to encourage the demand for space in the individual real estate markets and will ensure, together with rising rents, that an increase in capital will be invested in the real estate segment. As the additional capital is also likely to be placed in large-volume investments totalling more than € 100 million in the second half of the year, estate agents are expecting the commercial transaction volume to rise again in 2014 to between € 35 and 40 billion. In the transaction market for large residential portfolios a volume of at least € 11 billion is expected.

EXTENDED RISK REPORT

Risk-Bearing Capacity

The utilisation rate for risk capital in the going-concern scenario is 40 per cent as at 30 June 2014 and therefore slightly below above the utilisation rate as at 31 December 2013. In particular a fall in market-price risk capital is responsible for this. The reason for this is the Capital Requirements Regulation (CRR) and Capital Requirements Directive IV (CRD IV) regulations which came into effect on 1 January 2014 and require that the Group risk capital is calculated based on IFRSs. This switch was also made as far as possible in the RBC (risk-bearing-capacity) methods.

Risk-bearing capability remains strong as at 30 June 2014.

Risk-bearing capacity is given up to an 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 30 Jun. 2014		Risk-bearing capacity 31 Dec. 2013	
Risk capital	**2 758**	**100 %**	**3 846**	**100 %**
Credit risk	822	30 %	857	22 %
Investment risk	52	2 %	42	1 %
Market-price risk	253	9 %	502	13 %
Liquidity risk	111	4 %	102	3 %
Operational risk	75	3 %	75	2 %
Other[2]	– 220	– 8 %	– 103	– 3 %
Total risk potential	**1 091**		**1 476**	
Risk capital utilisation		**40 %**		**38 %**

[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 six months of 2014. The reduction is primarily due to loans and advances to customers and banks, financial assets and irrevocable credit commitments.

Risk-bearing financial instruments (in € million)	Maximum default risk 30 Jun. 2014	Maximum default risk 31 Dec. 2013 [1]
Loans and advances to banks	26 925	27 478
Loans and advances to customers	103 045	105 416
Adjustment item for financial instruments hedged in the fair value hedge portfolio	– 28	– 171
Financial assets at fair value through profit or loss	14 542	13 541
Positive fair values from hedge accounting derivatives	4 507	3 872
Financial assets	46 250	47 043
Sub-total	**195 241**	**197 179**
Liabilities from guarantees, other indemnity agreements and irrevocable credit commitments	16 122	17 221
Total	**211 363**	**214 400**

[1] The previous year's figures were adjusted accordingly.

The total exposure used for internal control rose in the period under review from € 213 billion to € 221 billion. The increase is due to the consideration of loans and advances to central counterparties and clearing brokers (financing institutions / insurance companies) required by CRR, which increased in the second quarter. Without this effect the total exposure would have fallen by € 3 billion.

Credit exposure increased due to switch to CRR.

The quality of the NORD/LB Group's credit portfolio has improved slightly in the first half of 2014. The share of non-performing loans as at the reporting date is 3.6 per cent (3.7 per cent).

Slight improvement in the quality of the credit portfolio.

The Rating Structure table shows the breakdown of the total exposure in the NORD/LB Group by rating class and product type. The share of items in the rating category “Very good to good” remains at a high level at 77 per cent (75 per cent) as at 30 June 2014. 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)] 30 Jun. 2014	Securities [4)] 30 Jun. 2014	Derivates [5)] 30 Jun. 2014	Other [6)] 30 Jun. 2014	Total exposure 30 Jun. 2014	Total exposure 31 Dec. 2013
Very good to good	106 511	41 319	9 657	13 975	171 462	158 669
Good / satisfactory	12 158	2 092	443	1 202	15 895	17 826
Reasonable / satisfactory	8 408	652	255	1 061	10 376	11 565
Increased risk	5 755	695	219	426	7 094	9 047
High risk	3 501	110	29	104	3 745	3 357
Very high risk	4 477	181	105	54	4 818	4 466
Default (= NPL)	7 900	7	21	45	7 973	7 770
Total	**148 711**	**45 056**	**10 729**	**16 867**	**221 363**	**212 698**

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 43 per cent (43 per cent) and revocable credit commitments at 36 per cent (36 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 (58 per cent) and still constitutes a significant share of the total exposure.

Industries [1] [2] (in € million)	Loans [3] 30 Jun. 2014	Securities [4] 30 Jun. 2014	Derivates [5] 30 Jun. 2014	Other [6] 30 Jun. 2014	Total exposure 30 Jun. 2014	Total exposure 31 Dec. 2013
Financing institutes / insurance companies	47 942	24 204	6 395	8 589	87 130	76 076
Service industries / other	58 744	18 443	2 346	1 977	81 511	83 071
– Of which: Land, housing	18 619	–	512	499	19 630	19 078
– Of which: Public administration	25 175	18 122	1 411	260	44 969	47 571
Transport / communications	22 283	834	463	268	23 848	24 762
– Of which: Shipping	15 783	0	156	89	16 028	16 395
– Of which: Aviation	3 516	–	16	0	3 532	4 009
Manufacturing industry	5 255	643	574	242	6 714	6 739
Energy, water and mining	8 342	738	617	4 379	14 076	13 645
Trade, maintenance and repairs	3 511	111	230	303	4 155	4 236
Agriculture, forestry and fishing	771	27	4	1 035	1 837	1 851
Construction	1 863	56	100	73	2 093	2 318
Total	**148 711**	**45 056**	**10 729**	**16 867**	**221 363**	**212 698**

[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 entire credit exposure by region shows that the Eurozone accounts for a high share of 85 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 70 per cent (69 per cent).

Germany and the Eurozone remain the most important business region.

Regions [1] [2] (in € million)	Loans [3] 30 Jun. 2014	Securities [4] 30 Jun. 2014	Derivates [5] 30 Jun. 2014	Other [6] 30 Jun. 2014	Total exposure 30 Jun. 2014	Total exposure 31 Dec. 2013
Euro countries	125 509	38 211	6 675	16 772	187 168	179 482
– Of which: Germany	109 888	24 872	4 132	16 114	155 006	145 928
Other Europe	9 842	3 006	2 871	66	15 785	13 938
North America	5 496	2 587	920	4	9 007	9 712
Middle and South America	2 523	147	17	0	2 687	2 564
Middle East / Africa	1 035	–	5	15	1 055	1 191
Asia / Australia	4 305	1 105	241	9	5 661	5 811
Total	**148 711**	**45 056**	**10 729**	**16 867**	**221 363**	**212 698**

[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 institutes and insurance companies, reduced further in the first half of 2014 and is now € 9.4 billion (€ 10.3 billion). Their share in the total exposure is 4 per cent (5 per cent). The share of receivables owed by the respective countries, regional governments and municipalities is € 2.8 billion (€ 2.8 billion) and still 1 per cent of the total exposure.

Exposure in selected European countries [1] [2] (in € million)	Greece		Ireland		Italy		Portugal		Spain		Total	
	30 Jun. 2014	30 Jun. 2013	30 Jun. 2014	30 Jun. 2013	30 Jun. 2014	30 Jun. 2013	30 Jun. 2014	30 Jun. 2013	30 Jun. 2014	30 Jun. 2013	30 Jun. 2014	30 Jun. 2013
Sovereign Exposure	0	0	288	289	1 766	1 792	350	350	348	344	2 752	2 774
– Of which: CDS	–	–	185	184	37	73	193	193	–	–	415	449
Financing institutes/insurance companies	–	–	550	568	708	1 272	188	292	1 906	2 099	3 352	4 232
Corporates/Other	214	224	2 353	2 262	110	133	139	144	443	488	3 260	3 252
Total	**214**	**225**	**3 191**	**3 120**	**2 584**	**3 197**	**677**	**786**	**2 698**	**2 931**	**9 364**	**10 258**

[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 € 1.1 billion 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 institutes and insurance companies in Cyprus.

In Hungary the NORD/LB Group has an exposure of € 369 million (€ 288 million sovereign exposure, € 42 million financing institutes and insurance companies, € 39 million corporates/others), in Russia € 247 million (€ 54 million Corporates, € 193 million financing institutes and insurance companies) and in Slovenia € 55 million (€ 30 million sovereign exposure, € 25 million financing institutes and insurance companies). The exposure in Argentina, Egypt and Ukraine is of minor significance.

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. Further details can be found in the Notes to the Interim Report in Note (35) Disclosures relating to selected countries.

Sovereign Exposure in selected countries by maturity [1] [2] (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
	30 Jun. 2014	30 Jun. 2014	30 Jun. 2014	30 Jun. 2014	30 Jun. 2014	30 Jun. 2014
Up to 1 year	–	–	165	10	95	270
More than 1 up to 5 years	–	288	335	340	221	1 184
More than 5 years	0	–	1 267	–	31	1 298
Total	**0**	**288**	**1 766**	**350**	**348**	**2 752**

[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.

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) 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.

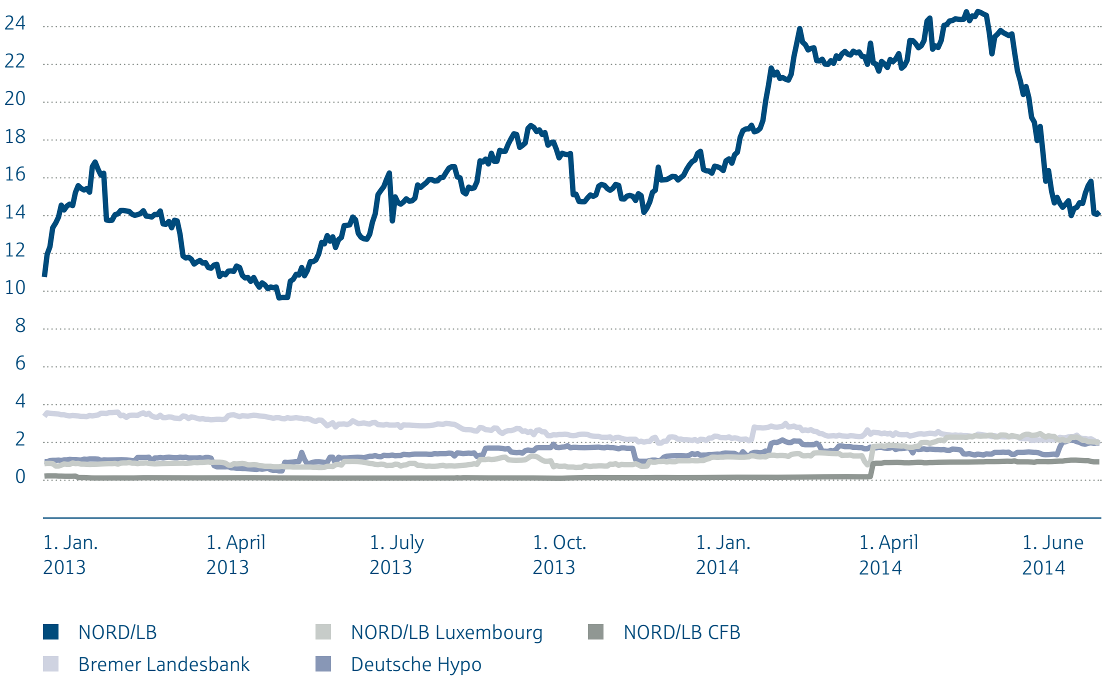
Market-Price Risk

The market-price risk of the NORD/LB Group (confidence level 95 per cent, holding period 250 days) was reduced in the first half of 2014 from € 502 million to € 253 million. This reduction is due on the one hand to a change in the strategic interest position in the second quarter and is a result on the other hand of the following change in method implemented at the start of 2014: With the switch to IFRS-based regulatory capital, adjustments were also necessary for the credit-spread risks which are now considered in the going-concern scenario at the level of the NORD/LB Group for portfolios in the IAS categories Held for Trading (HfT), Designated at Fair Value through Profit or Loss and Available for Sale (AfS). The credit-spread risks for the AfS category are currently given a weighting of 40 per cent in accordance with the transition regulations for Basel III. Due to correlations in interest-rate risk, as a result of the switch the Group's total risk is reduced compared to the previous year.

The market-price risks are calculated at the level of the significant Group companies from a risk point of view taking into account in each case the local accounting regulations, i. e. for the Group companies reporting in accordance with the German Commercial Code (Handelsgesetzbuch, HGB), the credit-spread risks of the trading portfolio and the liquidity reserve are included in the going-concern scenario. In the gone-concern scenario credit-spread risks are still included regardless of the accounting method.

There was also a change in the method for calculating the daily risk indicators (confidence level 95 per cent, holding period one day). Regarding the calculation of market-price risks in the risk-bearing capacity model, in the daily control process the Value-at-Risk (VaR) indicators are scaled using a stabilising correction factor, which is calculated using statistical long-term analyses of the significant market-price risk factors for the NORD/LB Group. In periods when the market is calm, the factor increases the VaR values by around 30 to 40 per cent at Group level, as at the reporting date. In the chart and table below, the switch from 1 January 2014 is included in the risk calculations.

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



Between early January and late June, 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 € 20 million and € 31 million, with an average Value-at-Risk of € 27 million. The portfolios of NORD/LB clearly dominate the risk position in the period under review. The distinct reduction in risks in NORD/LB as at the end of the half-year is the result of the aforementioned change in the strategic interest position. The correlation effects within interest-rate risk that have a risk-reducing effect at Group level do not occur at individual institute level. Together with the implementation of the correction factor (which was implemented at Group level in 2013), an increase in the VaR is shown at individual institute level, although there is a fall in the correlate risk at Group level.

Market-price risks [1)] (in € 000)	Maximum		Average		Minimum		End-of year risk	
	1 Jan.– 30 Jun. 2014	1 Jan.– 31 Dec. 2013	1 Jan.– 30 Jun. 2014	1 Jan.– 31 Dec. 2013	1 Jan.– 30 Jun. 2014	1 Jan.– 31 Dec. 2013	30 Jun. 2014	31 Dec. 2013 [2)]
Interest-rate risk (VaR 95 %, 1 day)	30 572	22 899	26 648	18 578	20 299	13 410	20 541	22 083
Currency risk (VaR 95 %, 1 day)	815	1 059	647	730	523	387	757	1 010
Share-price and fund-price risk (VaR 95 %, 1 day)	1 839	1 224	1 497	931	933	270	1 512	736
Volatility risk (VaR 95 %, 1 day)	736	1 361	535	648	342	298	449	384
Other add-ons	108	104	47	45	0	4	58	8
Total	**31 394**	**23 781**	**27 295**	**19 222**	**20 525**	**13 786**	**20 701**	**22 375**

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.
2) The final results for 2013 have been calculated on consolidated basis.

The historical simulation method was used throughout the Group to calculate the VaR. The validation of the VaR model shows a further improvement in the number of backtesting exceptions in NORD/LB's banking book in the period under review. The remaining exceptions result primarily from fundamental risks, i. e. differences in the scope of movements in the various swap curves within the same currency leading to higher daily fluctuations in the cash value in the Treasury Division. Until the planned inclusion of these risks in the VaR model, a reserve item will be considered in the RBC model. The validation of the risk model in the NORD/LB Covered Finance Bank shows in addition that there is need for action regarding the risk assessment of bond options in the banking book. Until the presentation of these options in the VaR model has been corrected, a conservative add-on amount will be calculated and added to the VaR of NORD/LB CFB.

For comparison purposes, the VaR is also calculated on the basis of regulatory parameters (confidence level 99 per cent, holding period ten days) and without a scaling factor. As at 30 June 2014 it is € 54 million (€ 148 million) in the NORD/LB Group. These figures also include, unlike the regulatory reporting, the interest rate and share price risks in the banking book.

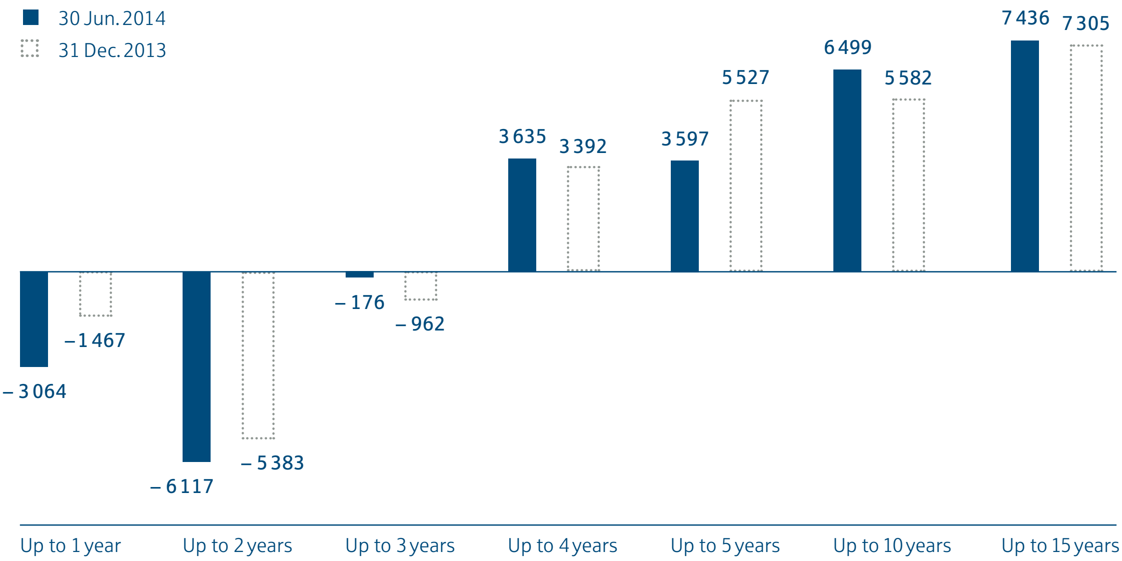
Liquidity Risk

The liquidity situation in the markets stabilised in the first half of 2014 due to the measures taken by the European Central Bank. However, the current global trouble spots, in particular in Ukraine and in the Middle East, and the high national debts of some EU countries continue to present risks.

The cumulative liquidity maturity balance sheet shows as at 30 June 2014 a slight increase in liquidity gaps in the maturity range of up to two years, although these are within the liquidity risk limits derived from the risk-bearing capacity model. The NORD/LB Group had sufficient liquidity at all times during the first six months of 2014. The liquidity risk limits were complied with at all times at NORD/LB Group level; this applies for all currencies together and the principal individual currencies.

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 € 52 billion (€ 54 billion), 85 per cent (86 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]	30 Jun. 2014	31 Dec. 2013
NORD/LB	1.36	1.35
Bremer Landesbank	2.39	2.15
Deutsche Hypo	1.41	1.87

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

Operational Risk

The setup of an integrated OpRisk management was continued in the first half of 2014. The NORD/LB Group prepared in the first quarter of 2014 for the first time a joint, Group-wide Governance, OpRisk and Compliance Report which reports on the internal control system, compliance, operational risk and security. Regular integrated reporting also takes place on a quarterly basis.

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

Overall assessment

The NORD/LB Group's development currently depends above all on the continuing uncertain developments in the shipping markets and the development of the euro countries. Risks may also emerge from the current stress test by the ECB. The current global trouble spots, in particular in Ukraine and in the Middle East, continue to present risks.

However, the NORD/LB Group considers these effects to be manageable and will continue to monitor and analyse developments closely.

No new material risks noticeable.

Beyond the above-mentioned risks, no new material risks can currently be identified. The NORD/LB Group has taken account of all the risks known to the bank with precautionary measures.

Satisfactory start for the financial year 2014.

The good consolidated profit under the prevailing conditions achieved in 2013 forms the basis for the target for 2014, i. e. to beat the previous year's figure. In the NORD/LB Group the first half of 2014 is very pleasing in respect of target and the previous year, and as a result it is expected that profit will be well above the previous year's figure.

However, the challenges presented in previous years have not yet been overcome.

In the first half of 2014 additional risk provisioning has been made in particular for the shipping portfolio, although at a much lower level than in the previous year and in the budget. In addition, the change in market parameters (including the EUR / USD base spread) had a negative impact in the valuation effects in the profit / loss from financial instruments at fair value, although this was been more than compensated for by upward revaluations related to credit and interest-rate derivatives. As a result, the profit / loss for the first half-year cannot be extrapolated for the whole year.

However, thanks to stable income and our proven, customer-oriented business model with its highly diversified sources of income, the NORD/LB Group expects that the targets set for 2014 will be met by most of the profit and service centres. As a result the consolidated profit should be significant higher than in the previous year, with the RoE and CIR improving accordingly. However, this assessment entails risks under the current conditions, such as the ongoing crisis in the shipping sector, cost-containment measures, a reduction in RWA and total assets and one-time expenses (reorganisation expenses, expenses for guarantees) and the debt crisis that has not yet been overcome. We also need to wait and see whether the ECB stress test and the Asset Quality Review will have any effect at the end of the year (further information, please see page 12).

In the current forecast income is slightly behind target. With the individual sources of income different developments have been recorded. Net interest income, profit / loss from hedge accounting and financial assets are above target, while net commission income and profit / loss from AFV financial instruments are currently behind target in the forecast for the end of 2014.

Administrative expenses are slightly below budget.

Due to the continuing difficult situation in the shipping markets, the NORD/LB Group is expecting that the planned risk provisioning for 2014 will be slightly exceeded. The profit / loss from public guarantees in conjunction with restructuring is much lower than in the plan for 2014, because some of the costs for the state guarantee were already covered by a provision in the profit for 2013 and also because this state guarantee was terminated with effect of 30 June 2014.

The regulatory capital will be largely determined in 2014 by the new requirements of the EU-CRR. However, taking into account these changes, NORD/LB still expects to meet in 2014 the minimum requirements of the EU-CRR and possible additional regulatory requirements concerning the required level of regulatory capital.

The NORD/LB Group continues to face strong competition from banks for deposits and for certain customer groups with the resulting pressure on margins, and the continuing phase of low interest rates is limiting sources of income that are dependent on interest rate levels. On the other hand there are opportunities for new business and increased margins due to the withdrawal of competitors and due to the good reputation of the bank. The NORD/LB Group will continue on a cautious path of upward development.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014

INCOME STATEMENT

	Notes	1 Jan.– 30 Jun. 2014 (in € million)	1 Jan.– 30 Jun. 2013[1] (in € million)	Change (in %)
Interest income		4 545	5 055	– 10
Interest expense		3 550	4 081	– 13
Net interest income	6	**995**	**974**	**2**
Loan loss provisions	7	224	432	– 48
Commission income		147	131	12
Commission expense		63	54	17
Net commission income	8	**84**	**77**	**9**
Trading profit/loss		381	– 134	> 100
Profit/loss from the use of the fair value option		– 311	235	> 100
Profit/loss from financial instruments at fair value through profit or loss	9	**70**	**101**	**– 31**
Profit/loss from hedge accounting	10	35	1	> 100
Profit/loss from financial assets	11	50	– 4	> 100
Profit/loss from investments accounted for using the equity method		– 8	18	> 100
Administrative expenses	12	557	575	– 3
Other operating profit/loss	13	– 84	– 24	> 100
Earnings before reorganisation and taxes		**361**	**136**	**> 100**
Reorganisation expenses	14	– 12	– 18	33
Expenses for public guarantees related to reorganisation	15	1	22	– 95
Earnings before taxes		**348**	**96**	**> 100**
Income taxes	16	105	9	> 100
Consolidated profit		**243**	**87**	**> 100**
of which: attributable to the owners of NORD/LB		279	57	
of which: attributable to non-controlling interests		– 36	30	

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

INCOME STATEMENT – SUMMARY BY QUARTER

(in € million)	2014 Q2	2014 Q1 [1]	2013 Q2 [2]	2013 Q1 [1]
Interest income	2 270	2 275	2 458	2 597
Interest expense	1 767	1 783	1 982	2 099
Net interest income	**503**	**492**	**476**	**498**
Loan loss provisions	124	100	191	241
Commission income	77	70	64	67
Commission expense	33	30	23	31
Net commission income	**44**	**40**	**41**	**36**
Trading profit/loss	213	168	– 51	– 83
Profit/loss from the use of the fair value option	– 135	– 176	149	86
Profit/loss from financial instruments at fair value through profit or loss	**78**	**– 8**	**98**	**3**
Profit/loss from hedge accounting	22	13	16	– 15
Profit/loss from financial assets	15	35	– 44	40
Profit/loss from investments accounted for using the equity method	– 4	– 4	8	10
Administrative expenses	266	291	281	294
Other operating profit/loss	– 60	– 24	43	– 67
Earnings before reorganisation and taxes	**208**	**153**	**166**	**– 30**
Reorganisation expenses	– 2	– 10	– 13	– 5
Expenses for public guarantees related to reorganisation	– 9	10	11	11
Earnings before taxes	**215**	**133**	**142**	**– 46**
Income taxes	64	41	23	– 14
Consolidated profit	**151**	**92**	**119**	**– 32**
of which: attributable to the owners of NORD/LB	166	113	90	– 33
of which: attributable to non-controlling interests	– 15	– 21	29	1

[1] As in part of Note (3) Adjustment of figures for the previous year described individual items of quarterly figures were adjusted.
[2] 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.

	1 Jan.– 30 Jun. 2014 (in € million)	1 Jan.– 30 Jun. 2013[1)] (in € million)	Change (in %)
Consolidated profit	**243**	**87**	**> 100**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Remeasurements of the net defined benefit liability	– 358	10	> 100
Changes in value of investments accounted for using the equity method recognised directly in equity	– 11	– 2	> 100
Deferred taxes	113	– 5	> 100
	– 256	**3**	**> 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	364	148	> 100
Transfer due to realisation profit / loss	7	9	– 22
Translation differences of foreign business units			
Unrealised profit / losses	11	2	> 100
Changes in value of investments accounted for using the equity method recognised directly in equity	28	– 24	> 100
Deferred taxes	– 118	– 49	> 100
	292	**86**	**> 100**
Other profit / loss	**36**	**89**	**– 60**
Comprehensive income for the period under review	**279**	**176**	**59**
of which: attributable to the owners of NORD/LB	295	153	
of which: attributable to non-controlling interests	– 16	23	

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 – SUMMARY BY QUARTER

(in € million)	2014 Q2	2014 Q1[1]	2013 Q2[2]	2013 Q1[1]
Consolidated profit	**151**	**92**	**119**	**– 32**
Other comprehensive income that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability	– 156	– 202	8	2
Changes in value of investments accounted for using the equity method recognised directly in equity	– 6	– 5	– 1	– 1
Deferred taxes	49	64	– 5	–
	– 113	**– 143**	**2**	**1**
Other comprehensive income that will be reclassified subsequently to profit or loss				
Increase/decrease from available for sale (AfS) financial instruments				
Unrealised profit/losses	133	231	– 16	164
Transfer due to realisation profit/loss	5	2	6	3
Translation differences of foreign business units				
Unrealised profit/losses	9	2	– 13	15
Changes in value of investments accounted for using the equity method recognised directly in equity	13	15	– 19	– 5
Deferred taxes	– 42	– 76	3	– 52
	118	**174**	**– 39**	**125**
Other profit/loss	**5**	**31**	**– 37**	**126**
Comprehensive income for the period under review	**156**	**123**	**82**	**94**
of which: attributable to the owners of NORD/LB	150	145	58	95
of which: attributable to non-controlling interests	6	– 22	24	– 1

[1] As in part of Note (3) Adjustment of figures for the previous year described individual items of quarterly figures were adjusted.
[2] 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**	**30 Jun. 2014 (in € million)**	**31 Dec. 2013[1] (in € million)**	**Change (in %)**
Cash reserve		906	1 311	– 31
Loans and advances to banks	17	26 928	27 481	– 2
Loans and advances to customers	18	105 432	107 604	– 2
Risk provisioning	19	– 2 390	– 2 246	– 6
Balancing items for financial instruments hedged in the fair value hedge portfolio		– 28	– 171	84
Financial assets at fair value through profit or loss	20	14 542	13 541	7
Positive fair values from hedge accounting derivatives		4 507	3 872	16
Financial assets	21	46 250	47 043	– 2
Investments accounted for using the equity method	22	303	306	– 1
Property and equipment	23	604	623	– 3
Investment property		99	101	– 2
Intangible assets	24	133	136	– 2
Current income tax assets		53	69	– 23
Deferred income taxes		709	741	– 4
Other assets	25	569	412	38
Total assets		**198 617**	**200 823**	**– 1**

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

Liabilities	Notes	30 Jun. 2014 (in € million)	31 Dec. 2013[1] (in € million)	Change (in %)
Liabilities to banks	26	62 710	59 181	6
Liabilties to customers	27	53 672	54 859	– 2
Securitised liabilities	28	43 001	50 228	– 14
Balancing items for financial instruments hedged in the fair value hedge portfolio		764	351	> 100
Financial liabilities at fair value through profit or loss	29	15 077	15 131	–
Negative fair values from hedge accounting derivatives		4 686	3 344	40
Provisions	30	4 822	4 304	12
Current income tax liabilities		105	116	– 9
Deferred income taxes		79	48	65
Other liabilities	31	494	379	30
Subordinated capital	32	4 761	4 713	1
Equity				
Issued capital		1 607	1 607	–
Capital reserves		3 332	3 332	–
Retained earnings		2 138	2 052	4
Revaluation reserve		330	122	> 100
Currency translation reserve		– 6	– 6	–
Equity capital attributable to the owners of NORD/LB		**7 401**	**7 107**	**4**
Equity capital attributable to non-controlling interests		1 045	1 062	– 2
		8 446	**8 169**	**3**
Total liabilities and equity		**198 617**	**200 823**	**– 1**

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

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. 2014	**1 607**	**3 332**	**2 052**	**122**	**– 6**	**7 107**	**1 062**	**8 169**
Comprehensive income for the period under preview	–	–	87	208	–	295	– 16	279
Distribution	–	–	– 1	–	–	– 1	– 1	– 2
Equity as at 30 Jun. 2014	**1 607**	**3 332**	**2 138**	**330**	**– 6**	**7 401**	**1 045**	**8 446**

(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**	**2 011**	**– 95**	**– 3**	**6 852**	**848**	**7 700**
Adjustments according to IAS 8	–	–	– 154	–	–	– 154	154	–
Adjusted equity as at 1 Jan. 2013	**1 607**	**3 332**	**1 857**	**– 95**	**– 3**	**6 698**	**1 002**	**7 700**
Comprehensive income for the period under preview	–	–	63	91	– 1	153	23	176
Equity as at 30 Jun. 2013	**1 607**	**3 332**	**1 920**	**– 4**	**– 4**	**6 851**	**1 025**	**7 876**

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.– 30 Jun. 2014 (in € million)	1 Jan.– 30 Jun. 2013 (in € million)	Change (in %)
Cash and cash equivalents as at 1 January	**1 311**	**665**	**97**
Cash flow from operating activities	– 31	249	> 100
Cash flow from investing activities	– 132	– 4	> 100
Cash flow from financing activities	– 242	– 198	– 22
Total cash flow	**– 405**	**47**	**> 100**
Effects of changes in exchange rates	–	1	– 100
Cash and cash equivalents as at 30 June	**906**	**713**	**27**

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

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 30 June 2014 were prepared on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB). The interim financial statements meet the requirements of IAS 34 for condensed interim financial reporting. National regulations contained in the German Commercial Code (HGB) under § 315a of the HGB were also observed insofar as these regulations are to be applied as at the reporting date for the interim financial statements. The interim consolidated financial statements are to be read in conjunction with information contained in the certified, published consolidated financial statements of NORD/LB as at 31 December 2013.

The interim consolidated financial statements as at 30 June 2014 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 19 August 2014 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 2013 unless specified otherwise.

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

- **IFRS 10 – Consolidated Financial Statements**

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

  The NORD/LB Group prepared for the first application of IFRS 10 starting in August 2011 within the scope of a project. However, the importance of traditional credit collateralisation rights in relation to the borrower under the new definition of control of IFRS 10 is the subject of international debate. At the time these interim consolidated financial statements were prepared, a common view had not yet been established in all areas.

  The initial application of IFRS 10 with retrospective effect results in the changes disclosed in Note (3) Adjustment of figures for the previous year and Note (4) Basis of Consolidation.

- **IFRS 11 – Joint Arrangements**

  IAS 31 – Interests in joint ventures was replaced by IFRS 11, which was published in May 2011 and is applicable from 1 January 2014. This regulates the recognition of facts when an entity has joint control over a joint venture or runs a joint operation. Compared to the current standard, there are two significant changes. Firstly, for the consolidation of joint ventures the option of proportionate consolidation has been abolished, i.e. consolidation is only allowed based on the equity method as in IAS 28. Secondly, the new category of joint operations has been introduced. In this case the assets and liabilities of the joint operations, which attributable to the NORD/LB Group, are reported.

  The initial application of IFRS 11 with retrospective effect does not result in any need for adjustments to NORD/LB's interim consolidated financial statements.

- **IFRS 12 – Disclosure of Interests in Other Entities**

  The new IFRS 12 condenses the disclosure requirements related to subsidiaries, joint ventures, associated companies and unconsolidated structured entities in one standard. The objective is the disclosure of information on the nature of control over the aforementioned companies and the associated risks and the effects resulting from the control on the balance sheet, income statement and cash flow.

  IFRS 12 results in extended disclosure requirements which need to be considered for the first time NORD/LB's consolidated financial statements as at 31 December 2014. These concern in particular the disclosures relating to unconsolidated structured entities .

- **Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**

  In June 2012 the IASB published amendments which substantiate and clarify the transition regulations in IFRS 10 – Consolidated financial statements. In addition, some relief is granted with only the reference figures for the immediately preceding reference period having to be adjusted and the disclosure requirement of comparative information on non-consolidated special purpose entities upon initial application of IFRS 12 being struck.

  The transition guidance simplifies matters for the NORD/LB Group with the initial application of the new consolidation regulations.

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

  The amended IAS 28 includes rules on the use of the equity method for the accounting of associates and joint ventures. This is primarily a consequential amendment to extend the scope in conjunction with IFRS 11.

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

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

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

  The application of the amendments to IAS 32 with retrospective effect do not have any effect on NORD/LB interim consolidated financial statements as at 30 June 2014.

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

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

- **Amendments to IAS 36 – Impairment of Assets – Recoverable Amounts Disclosures for Non-Financial Assets**
  With these amendments the disclosure of the recoverable amount of cash-generating units implemented with IFRS 13 was corrected and new disclosure requirements were introduced for when there is an impairment or reversal of impairment and the recoverable amount has been calculated based on the fair value less the costs of the disposal.

  The amendment of IAS 36 does not have any effect on the interim consolidated financial statements as at 30 June 2014

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

(3) Adjustment of Figures for the Previous Year

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

In the financial year 2013 there was a change in the reporting of the equity components of the sub-group Öffentliche Versicherung Braunschweig (ÖVBS). Part of the portfolio, which was reported in the past as equity attributable to the owners of NORD/LB, is now reported under non-controlling interests. The adjustments in the interim consolidated financial statements therefore only concern the breakdown of consolidated profit and the consolidated comprehensive income as at 30 June 2013.

In addition, since the second quarter of 2014 requirements for the presentation of non-controlling interests for partnerships of IAS 32 AG 29(A) have applied. Accordingly non-controlling interests for partnerships are to be reported as liabilities in the consolidated financial statements. As the partnerships concerned have negative equity, this is allocated entirely to the Group. As a result, part of the portfolio previously reported under Equity attributable to the owners of NORD/LB is now reported under Non-controlling interests.

As a result of the initial application of IFRS 10 with retrospective effect there are also additional changes in the figures for the previous year.

The effects of the changes described above are shown below.

Adjustment of figures reported as at 1 January 2013:

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

Adjustment of figures reported as at 31 December 2013:

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

Adjustment of the allocation of the consolidated profit and the comprehensive income for the period under review based on the period from 1 January to 30 June 2013.

1 Jan.–30 Jun. 2013 (in € million)	Prior to adjustment	Adjustment IAS 8[1)]	After adjustment
Consolidated profit			
Of which: attributable to the owners of NORD/LB	69	– 12	57
Of which: capital attributable to non-controlling interests	18	12	30
Comprehensive income for the period under review			
Of which: attributable to the owners of NORD/LB	163	– 10	153
Of which: capital attributable to non-controlling interests	13	10	23

1) Of € 12 million accounted € 13 million to the adjustment of previous year figures related to the subgroup Öffentliche Versicherung Brauschweig.
Of € 10 million accounted € 11 million to the adjustment of previous year figures related to the subgroup Öffentliche Versicherung Brauschweig.

The respective adjustments were also taken into account in the notes for the following items:
(18) Loans and advances to customers, (19) Risk provisioning, (23) Property and equipment, (25) Other assets, (27) Liabilities to customers, (30) Provisions and (33) Fair values of financial instruments.

(4) Basis of consolidation

In addition to NORD/LB as the parent company, the interim consolidated financial statements include 55 (31 December 2013: 57) subsidiaries in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB is in a position to exercise a controlling influence in another manner. In addition 2 (31 December 2013: 1) joint ventures and 10 (31 December 2013: 10) affiliated companies are accounted for using the equity method.

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

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

Due to the discontinuation of business activities, the previously fully-consolidated NORD/LB G-MTN S. A., Luxembourg Findel, has been deconsolidated with effect of 1 April 2014.

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

The effects resulting from the changes to the basis of consolidation have no significant impact on the Group’s assets, financial and earnings position.

Information on the subsidiaries, joint ventures and affiliated companies included in the consolidated financial statements can be found in Note (40) Basis of consolidation.

Segment Reporting

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

Segment reporting by business segment

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

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

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

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

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

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

RoRaC (Return on Risk adjusted Capital) calculations in the segments include the contribution to income after risk provisioning and valuation on committed capital (here 8 per cent of the higher value of the 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 of risk-weighted assets applies for calculating committed capital in the segments. 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 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, projects covering the entire bank; consolidation items; profit / loss from interest rate change risk control, balancing provision, liquidity management and self-induced assets (in particular Treasury and Bank Asset Allocation). Other operating profit / loss includes the bank levy.

Earnings after taxes in Group Controlling / Others totalled € 114 million in the second quarter of 2014.

Positive contributions were made by net interest income in the amount of € 126 million, and in particular approx. € 107 million from Financial Markets activities recorded here, approx. € 47 million from income from investments and financing not allocated to the segments and € – 33 million from consolidations. Also recognised in this segment under risk provisioning are reversals, primarily of general loan loss provisions and consolidations, in the amount of approx. € 88 million.

Net commission income had a negative effect in the amount of € – 23 million, with € – 7 from consolidations and in particular the guarantee costs for the "Northvest" transaction having an impact here.

The profit / loss from financial instruments at fair value totalled € 27 million due in particular to the central valuation effects reported here; positive factors such as interest-rate-level and credit-rating-induced valuation effects with derivatives were partly offset by the negative impact of valuation losses in the fair value option following the improvement in NORD/LB's own credit spread and other investments. The profit / loss from hedge accounting had a positive effect in the amount of € 36 million.

Also reported in this segment are the effects from the profit / loss from financial assets (€ 40 million, in particular from the sale of AfS items) and the profit / loss from investments accounted for using the equity method (€ –8 million). Other operating profit / loss (€ –47 million) was affected in particular by the bank levy, the redemption of debt securities and promissory notes issued by the bank and Group consolidations.

Administrative expenses in this segment total € 112 million, with € 46 million from the Financial Markets activities reported here and € 25 million from other Group companies. Further administrative expenses (€ 87 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 € – 46 million.

Furthermore, in the second quarter of 2014 reorganisation expenses (€ 12 million) and expenses related to public guarantees for reorganisation (€ 1 million) were incurred.

Reconciliations

Under this topic are shown the reconciliation items from internal accounting to the consolidated figures in the income statement as well as reclassifications of profit and loss items that are reported differently in the internal reporting in comparison to 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 (negative) adjustment item resulting from the comparison to regulatory risk-weighted assets report flows into the reconciliation.

(5) Segment reporting by business segment

30 Jun. 2014 (in € million)	Private and Commercial Customers	Corporate Customers & Markets	Energy and Infrastructure Customers	Ship and Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	151	265	84	226	121	126	21	995
Loan loss provisions	–	– 1	– 7	288	34	– 88	– 2	224
Net interest income after loan loss provisions	**152**	**266**	**91**	**– 62**	**87**	**214**	**24**	**771**
Net commission income	17	50	29	20	5	– 23	– 13	84
Profit/loss from financial instruments at fair value through profit or loss	2	– 2	– 2	1	5	27	40	71
Profit/loss from hedge accounting	–	–	–	–	–	36	– 1	35
Profit/loss from financial assets	10	–	–	–	–	40	–	50
Profit/loss from investments accounted for using equity method	–	–	–	–	–	– 8	–	– 8
Administrative expenses	162	141	42	63	35	112	3	557
Other operating profit/loss	– 30	4	1	–	–	– 47	– 11	– 84
Profit/loss before reorganisation and taxes	**– 11**	**176**	**77**	**– 104**	**62**	**127**	**35**	**362**
Reorganisation expenses	–	–	–	–	–	– 12	–	– 12
Expenses for public guarantees related to reorganisation	–	–	–	–	–	1	–	1
Earnings before taxes (EBT)	**– 11**	**176**	**77**	**– 104**	**62**	**114**	**35**	**348**
Taxes	–	–	–	–	–	–	105	105
Consolidated profit	**– 11**	**176**	**77**	**– 104**	**62**	**114**	**– 70**	**243**
Segment assets	10 802	61 481	14 312	25 914	16 215	69 550	342	198 617
of which: investments at equity	–	–	–	–	–	303	–	303
Segment liabilities	11 144	45 382	3 033	4 826	557	131 671	2 003	198 617
Risk-weighted assets	4 805	17 034	7 110	40 802	10 142	13 614	– 26 632	66 874
Capital employed [1]	385	1 346	569	3 266	797	1 039	228	7 630
CIR	115.6 %	44.6 %	37.4 %	25.5 %	26.6 %			51.0 %
RoRaC/RoE [2]	– 4.7 %	23.7 %	23.5 %	– 6.3 %	13.2 %			9.1 %

30 Jun. 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	144	245	79	257	128	120	–	974
Loan loss provisions	– 2	12	4	259	37	142	– 20	432
Net interest income after loan loss provisions	**146**	**233**	**76**	**– 2**	**91**	**– 21**	**20**	**542**
Net commission income	18	45	25	17	2	– 13	– 18	77
Profit/loss from financial instruments at fair value through profit or loss	2	61	9	8	14	– 3	11	101
Profit/loss from hedge accounting	–	–	–	–	–	1	– 1	1
Profit/loss from financial assets	12	–	–	–	–	19	– 34	– 4
Profit/loss from investments accounted for using equity method	–	–	–	–	–	18	–	18
Administrative expenses	163	143	40	57	35	128	9	575
Other operating profit/loss	31	4	2	–	–	– 37	– 23	– 24
Profit/loss before reorganisation and taxes	**46**	**200**	**71**	**– 35**	**72**	**– 164**	**– 54**	**135**
Reorganisation expenses	–	–	–	–	–	– 17	–	– 18
Expenses for public guarantees related to reorganisation	–	–	–	–	–	22	–	22
Earnings before taxes (EBT)	**46**	**200**	**71**	**– 35**	**71**	**– 204**	**– 54**	**96**
Taxes	–	–	–	–	–	–	8	8
Consolidated profit	**46**	**200**	**71**	**– 35**	**71**	**– 204**	**– 63**	**87**
Segment assets (31 Dec. 2013)	10 801	65 457	14 047	26 335	16 374	67 583	226	200 823
of which: investments at equity	–	–	–	–	–	306	–	306
Segment liabilities (31 Dec. 2013)	11 145	43 364	2 952	4 974	733	136 308	1 346	200 823
Risk-weighted assets	5 709	15 339	7 226	42 490	14 288	14 329	– 26 734	72 646
Capital employed [1]	479	1 231	578	3 399	1 143	1 120	– 348	7 602
CIR	83.5 %	40.3 %	34.6 %	20.4 %	24.5 %			50.2 %
RoRaC/RoE [2]	19.1 %	23.8 %	18.9 %	– 2.0 %	11.3 %			2.5 %

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

(in € million)	30 Jun. 2014	30 Jun. 2013
Long-term equity under commercial law	7 630	7 602
Revaluation reserve	330	99
Earnings after Taxes	487	175
Reported equity	**8 446**	**7 876**

[2] Business segment RoRaC:
(earnings before taxes*2) / committed core capital
(8 per cent of the higher value of the RWA limit
and the amount called on) Group RoE:
(earnings before taxes*2) / long-term equity under commercial law
(= reported equity – revaluation reserve – earnings after taxes)

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

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.– 30 Jun. 2014 (in € million)	1 Jan.– 30 Jun. 2013 (in € million)	Change (in %)
Interest income			
Interest income from lending and money market transactions	1 950	2 140	– 9
Interest income from debt securities and other fixed-interest securities	433	493	– 12
Interest income from financial instruments at fair value			
Interest income from trading profit/loss and hedge accounting derivatives	1 848	2 114	– 13
Interest income from fair value option	23	27	– 15
Current income			
from shares and other non fixed-interest securities	13	7	86
from investments	10	6	67
Interest income from other amortisations	267	267	–
Other interest income and similar income	1	1	–
	4 545	**5 055**	**– 10**
Interest expenses			
Interest expenses from lending and money market transactions	993	1 084	– 8
Interest expenses from securitised liabilities	410	599	– 32
Interest expenses from financial instruments at fair value			
Interest expenses from trading profit/loss and hedge accounting derivatives	1 655	1 901	– 13
Interest expenses from fair value option	140	158	– 11
Interest expenses from subordinated capital	114	119	– 4
Interest expenses from other amortisations	194	181	7
Interest expenses from provisions and liabilities	37	35	6
Other interest expenses and similar expenses	7	4	75
	3 550	**4 081**	**– 13**
Total	**995**	**974**	**2**

(7) Loan loss provisions

	1 Jan. – 30 Jun. 2014 (in € million)	1 Jan.– 30 Jun. 2013 (in € million)	Change (in %)
Income from loan loss provisions			
Reversal of specific valuation allowances	460	233	97
Reversal of lumpsum specific loan loss provisions	4	6	– 33
Reversal of general loan loss provisions	76	29	> 100
Reversal of provisions for lending business	43	36	19
Additions to receivables written off	14	15	– 7
	597	**319**	**87**
Expenses for loan loss provisions			
Allocation to specific valuation allowances	762	526	45
Allocation to lumpsum specific loan loss provisions	2	4	– 50
Allocation to general loan loss provisions	18	156	– 88
Allocation to provisions for lending business	30	27	11
Direct write-offs of bad debts	8	38	– 79
Premium payments for credit insurance	1	–	–
	821	**751**	**9**
Total	**224**	**432**	**– 48**

(8) Net commission income

	1 Jan. – 30 Jun. 2014 (in € million)	1 Jan.– 30 Jun. 2013 (in € million)	Change (in %)
Commission income			
Commission income from banking transactions	135	121	12
Commission income from non-banking transactions	12	10	20
	147	**131**	**12**
Commission expenses			
Commission expenses from banking transactions	45	37	22
Commission expenses from non-banking transactions	18	17	6
	63	**54**	**17**
Total	**84**	**77**	**9**

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

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

	1 Jan.– 30 Jun. 2014 (in € million)	1 Jan.– 30 Jun. 2013 (in € million)	Change (in %)
Trading profit/loss			
Profit/loss from debt securities and other fixed-interest securities	83	– 62	> 100
Profit/loss from derivatives			
Interest-rate risks	176	– 64	> 100
Currency risks	– 13	– 42	69
Share-price and other price risks	8	13	– 38
Credit derivatives	40	28	43
	211	**– 65**	**> 100**
Profit/loss from receivables held for trading	89	– 24	> 100
Profit/loss from other trading transactions	–	2	– 100
	383	**– 149**	**> 100**
Foreign exchange result	– 5	13	> 100
Other income	3	2	50
	381	**– 134**	**> 100**
Profit/loss from the use of fair value option			
Profit/loss from receivables to customers and banks	9	– 10	> 100
Profit/loss from debt securities and other fixed-interest securities	53	– 28	> 100
Profit/loss from liabilties to banks and customers	– 323	308	> 100
Profit/loss from securitised liabilties	– 50	– 36	– 39
Profit/loss from subordinated capital	–	1	– 100
	– 311	**235**	**> 100**
Total	**70**	**101**	**– 31**

(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.– 30 Jun. 2014 (in € million)	1 Jan.– 30 Jun. 2013 (in € million)	Change (in %)
Profit/loss from micro fair value hedges			
from hedged underlying transactions	236	– 237	> 100
from derivatives employed as hedging instruments	– 245	231	> 100
	– 9	**– 6**	**– 50**
Profit/loss from portfolio fair value hedges			
from hedged underlying transactions	– 245	126	> 100
from derivatives employed as hedging instruments	289	– 119	> 100
	44	**7**	**> 100**
Total	**35**	**1**	**> 100**

(11) Profit / loss from financial assets

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

	1 Jan. – 30 Jun. 2014 (in € million)	1 Jan. – 30 Jun. 2013 (in € million)	Change (in %)
Profit / loss from financial assets classified as LaR	**1**	**– 34**	**> 100**
Profit / loss from financial assets classified as AfS (excluding investments)			
Profit / loss from the disposal of			
debt securities and other fixed-interest securities	48	37	30
shares and other non fixed-interest securities	1	14	– 93
Other financial assets classified as AfS	–	– 2	100
Profit / loss from allowances for losses on			
debt securities and other fixed-interest securities	1	1	–
shares and other non fixed-interest securities	– 3	– 11	73
Other financial assets classified as AfS	2	3	– 33
	49	**42**	**17**
Profit / loss from shares in companies (not consolidated)	**–**	**– 12**	**100**
Total	**50**	**– 4**	**> 100**

(12) Administrative expenses

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

	1 Jan. – 30 Jun. 2014 (in € million)	1 Jan. – 30 Jun. 2013 (in € million)	Change (in %)
Staff expenses	310	311	–
Other administrative expenses	210	223	– 6
Amortisation	37	41	– 10
Total	**557**	**575**	**– 3**

(13) Other operating profit/loss

	1 Jan.– 30 Jun. 2014 (in € million)	1 Jan.– 30 Jun. 2013 (in € million)	Change (in %)
Other operating income			
from the reversal of provisions	309	273	13
from insurance business	343	333	3
from other business	55	83	– 34
	707	**689**	**3**
Other operating expenses			
from allocation to provisions	515	455	13
from insurance business	181	154	18
from other business	95	104	– 9
	791	**713**	**11**
Total	**– 84**	**– 24**	**> 100**

Income from the reversal of provisions and expense from allocation to provisions primarily concern provisions relating to insurance business. The expense from allocation to provisions also includes an amount of € 17 million (€ 37 million) provided for the bank levy set in accordance with the Restructuring Fund Regulation.

Other operating income from insurance business is primarily the result of premium income ((€ 307 million (€ 295 million)) and income from reinsurance business (€ 12 million (€ 15 million)).

Income from other business includes income from the disposal of receivables (€ 15 million (€ 36 million)), income from the chartering of ships relating to restructuring commitments in lending business (€ 15 million (€ 19 million)) and rental income from investment property (€ 6 million (€ 5 million)).

Other operating expenses from insurance business mainly comprise indemnity expenses (€ 145 million (€ 121 million)) and expenses from deferred reinsurance contracts (€ 25 million (€ 24 million)).

Expenses from other business essentially comprise expenses from the disposal of other liabilities (€ 35 million (€ 0 million)), expenses to generate charter income from ships (€ 10 million (€ 13 million)), expenses from the redemption of debt securities issued by the bank (€ 10 million (€ 29 million)) and expenses from the disposal of receivables (€ 5 million (€ 18 million)). The expenses from other business also include unscheduled depreciation in the amount of € 9 million (€ 0 million). This is the result of a fall in the market value of ships due to the continuing crisis in the shipping market.

(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 € 12 million (€ 18 million) expenses from the allocation made to reorganisation provisions for contracted agreements already concluded concerning the termination of contracts of employment.

(15) Expenses for public guarantees related to reorganisation

Expenses for public guarantees related to reorganisation concern the NORD/LB Group's capital-boosting programme. The reported amount of € 1 million (€ 22 million) is attributable to the payment of a premium for a guarantee provided by the states of Lower Saxony and Saxony-Anhalt, which ended in the period under review, and associated expenses for services as well as a partial reversal of a provision for this case.

(16) Income taxes

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

Notes to the Balance Sheet

(17) Loans and advances to banks

	30 Jun. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Loans and advances resulting from money market-transactions			
German banks	3 676	4 415	– 17
Foreign banks	3 201	2 172	47
	6 877	**6 587**	**4**
Other loans and advances			
German banks			
Due on demand	1 130	1 253	– 10
With a fixed term or period of notice	15 400	15 803	– 3
Foreign Banks			
Due on demand	1 361	1 823	– 25
With a fixed term or period of notice	2 160	2 015	7
	20 051	**20 894**	**– 4**
Total	**26 928**	**27 481**	**– 2**

(18) Loans and advances to customers

	30 Jun. 2014 (in € million)	31 Dec. 2013 [1] (in € million)	Change (in %)
Loans and advances to customers resulting from money market transactions			
Domestic customers	1 063	1 846	– 42
Customers abroad	25	14	79
	1 088	**1 860**	**– 42**
Other loans and advances			
Domestic customers			
Due on demand	3 333	3 253	2
With a fixed term or period of notice	74 271	75 896	– 2
Customers abroad			
Due on demand	576	431	34
With a fixed term or period of notice	26 164	26 164	–
	104 344	**105 744**	**– 1**
Total	**105 432**	**107 604**	**– 2**

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

(19) Risk provisioning

	30 Jun. 2014 (in € million)	31 Dec. 2013 [1] (in € million)	Change (in %)
Specific valuation allowances	1 973	1 754	12
Lumpsum specific loan loss provisions	12	14	– 14
General loan loss provisions	405	478	– 15
Total	**2 390**	**2 246**	**6**

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

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

	Specific valuation allowance		Lumpsum specific loan loss provisions		General loan loss provisions		Provisions in lending business		Total	
(in € million)	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1 January	**1 757**	**1 491**	**14**	**19**	**478**	**437**	**124**	**136**	**2 373**	**2 083**
Allocations	762	526	2	4	18	156	30	27	812	713
Reversals	460	233	4	6	76	29	43	36	583	304
Utilisation	75	163	–	–	–	–	–	–	75	163
Unwinding	39	35	–	–	–	–	–	–	39	35
Effects of changes of foreign exchange rates and other changes	28	1	–	–	– 15	– 6	– 7	–	6	– 5
30 June	**1 973**	**1 587**	**12**	**17**	**405**	**558**	**104**	**127**	**2 494**	**2 289**

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

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

	30 Jun. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Trading assets			
Debt securities and other fixed-interest securities	2 534	3 551	– 29
Shares and other non fixed-interest securities	49	46	7
Positive fair values from derivatives	7 686	6 603	16
Trading portfolio claims	2 484	2 320	7
	12 753	**12 520**	**2**
Financial assets as at fair value through profit or loss			
Loans and advances to banks and customers	255	246	4
Debt securities and other fixed-interest securities	1 524	765	99
Shares and other non fixed-interest securities	10	10	–
	1 789	**1 021**	**75**
Total	**14 542**	**13 541**	**7**

(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 10, IAS 11 or IAS 28 and financial assets classified as loans and receivables (LaR).

Silent participations and participatory capital with loss sharing are allocated to the category AfS.

	30 Jun. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Financial assets classified as LaR	**3 098**	**3 117**	**– 1**
Financial assets classified as AfS			
Debt securities and other fixed-interest securities	41 939	42 917	– 2
Shares and other non fixed-interest securities	738	536	38
Shares in companies (not consolidated)	351	348	1
Other financial assets classified as AfS	124	125	– 1
	43 152	**43 926**	**– 2**
Total	**46 250**	**47 043**	**– 2**

(22) Investments accounted for using the equity method

	30 Jun. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Joint ventures	27	26	4
Associated companies	276	280	– 1
Total	**303**	**306**	**– 1**

(23) Property and equipment

	30 Jun. 2014 (in € million)	31 Dec. 2013[1)] (in € million)	Change (in %)
Land and buildings	336	343	– 2
Operating and office equipment	57	59	– 3
Ships	195	209	– 7
Other property and equipment	16	12	33
Total	**604**	**623**	**– 3**

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

(24) Intangible assets

	30 Jun. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Software			
Purchased	19	20	– 5
Internally developed	53	64	– 17
	72	**84**	**– 14**
Intangible assets under development	46	39	18
Other intangible assets	15	13	15
Total	**133**	**136**	**– 2**

(25) Other assets

The balance sheet item other assets includes assets relating to insurance contracts in the amount of € 181 million (€ 193 million). These concern solely assets from outwards reinsurance.

(26) Liabilities to banks

	30 Jun. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Deposits from other banks			
German banks	1 138	2 046	– 44
Foreign banks	655	183	> 100
	1 793	**2 229**	**– 20**
Liabilities resulting from money market transactions			
German banks	24 126	18 128	33
Foreign banks	7 738	7 809	– 1
	31 864	**25 937**	**23**
Other liabilities			
German banks			
Due on demand	2 639	2 671	– 1
With a fixed term or period of notice	21 876	22 374	– 2
Foreign banks			
Due on demand	1 532	2 037	– 25
With a fixed term or period of notice	3 006	3 933	– 24
	29 053	**31 015**	**– 6**
Total	**62 710**	**59 181**	**6**

(27) Liabilities to customers

	30 Jun. 2014 (in € million)	31 Dec. 2013[1] (in € million)	Change (in %)
Savings deposits			
With an agreed notice period of three months			
Domestic customers	1 672	1 558	7
Customers abroad	17	18	– 6
With an agreed notice period of more than three months			
Domestic customers	110	343	– 68
Customers abroad	1	2	– 50
	1 800	**1 921**	**– 6**
Liabilities resulting from money market transactions			
Domestic customers	8 483	8 164	4
Customers abroad	1 227	2 172	– 44
	9 710	**10 336**	**– 6**
Other liabilities			
Domestic costumers			
Due on demand	12 062	11 738	3
With a fixed term or period of notice	28 046	29 309	– 4
Customers abroad			
Due on demand	738	692	7
With a fixed term or period of notice	1 316	863	52
	42 162	**42 602**	**– 1**
Total	**53 672**	**54 859**	**– 2**

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

(28) Securitised liabilities

	30 Jun. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Issued debt securities			
Pfandbriefe	9 494	8 947	6
Municipal debentures	10 958	13 417	– 18
Other debt securities	20 561	25 730	– 20
	41 013	**48 094**	**– 15**
Money market instruments			
Commercial paper	1 578	1 790	– 12
Certificates of deposit	410	344	19
	1 988	**2 134**	**– 7**
Total	**43 001**	**50 228**	**– 14**

Repurchased debt securities issued by the bank itself have been directly deducted from securitised liabilities in the amount of € 4,707 million (€ 6,984 million).

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

	30 Jun. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives	6 492	6 178	5
Delivery obligations from short-sales	132	110	20
	6 624	**6 288**	**5**
Financial liabilities designated at fair value			
Liabilities to banks and customers	5 743	5 680	1
Securitised liabilities	2 685	3 138	– 14
Subordinated capital	25	25	–
	8 453	**8 843**	**– 4**
Total	**15 077**	**15 131**	**–**

(30) Provisions

	30 Jun. 2014 (in € million)	31 Dec. 2013 [1] (in € million)	Change (in %)
Provisions for pensions and other obligations	2 338	1 955	20
Other provisions	2 484	2 349	6
Total	**4 822**	**4 304**	**12**

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

Other provisions include provisions for insurance contracts in the amount of € 2,105 million (€ 1,943 million) and provisions for reorganisation measures in the amount of € 9 million (€ 12 million).

(31) Other liabilities

The balance sheet item other liabilities includes liabilities from insurance contracts in the amount of € 48 million (€ 44 million). These contain liabilities from direct insurance and reinsurance contracts to the amount of € 8 million (€ 4 million).

(32) Subordinated capital

	30 Jun. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Subordinated liabilities	3 633	3 540	3
Participatory capital	185	209	– 11
Silent participations	943	964	– 2
Total	**4 761**	**4 713**	**1**

Other Disclosures

(33) Fair values of financial instruments

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

Level 1

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

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

Level 2

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

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

Market data which forms the basis of risk controlling is generally applied for these Level 2 measurements.

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

The financial instruments in the NORD/LB Group to be measured in this manner are ascertained on the basis of individual securities and a subsequent separation into active and inactive markets. Changed market assessments are consistently included in measurement. The identification, analysis and valuation of financial instruments in inactive markets take place in several areas of the Group, whereby the inactivity is assessed as objectively as possible.

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

Level 3

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

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

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

Secured OTC derivatives are primarily measured by the NORD/LB Group using the current market standard of overnight index swap discounting (OIS discounting). In addition, the option to calculate the counterparty risk (credit value adjustment (CVA) / debit value adjustment (DVA) on the basis of the net risk position in accordance with IFRS 13.48 was exercised.

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

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

(in € million)	Fair Value	Carrying amount	30 Jun. 2014 Difference	Fair Value	Carrying amount	31 Dec. 2013 Difference
Assets						
Cash reserve	906	906	–	1 311	1 311	–
Loans and advances to banks	27 835	26 928	907	28 216	27 481	735
Loans and advances to customers	106 009	105 432	577	106 399	107 604	– 1 205
Risk provisioning	– [1]	– 2 390	–	– [1]	– 2 246	–
Sub-total of loans and advances to banks / customers (net after loan loss provisions)	**133 844**	**129 970**	**3 874**	**134 615**	**132 839**	**1 776**
Balancing items for financial instruments hedged in the fair value hedge portfolio	– [2]	– 28	–	– [2]	– 171	–
Financial assets at fair value through profit or loss	14 825	14 825	–	13 541	13 541	–
Positive fair values from hedge accounting derivatives	4 627	4 627	–	3 872	3 872	–
Financial assets not reported at fair value	2 872	3 098	– 226	2 864	3 164	– 300
Financial assets reported at fair value	43 152	43 152	–	43 879	43 879	–
Other assets not reported at fair value	53	53	–	17	17	–
Other assets reported at fair value	35	35	–	25	25	–
Total	**200 314**	**196 638**	**3 648**	**200 124**	**198 477**	**1 476**
Liabilities						
Liabilities to banks	63 797	62 775	1 022	59 836	59 181	655
Liabilties to customers	56 678	53 672	3 006	57 177	54 859	2 318
Securitsed liabilities	43 971	43 001	970	51 116	50 228	888
Balancing items for financial instruments hedged in the fair value hedge portfolio	– [2]	764	–	– [2]	351	–
Financial liabilities at fair value through profit or loss	15 273	15 273	–	15 131	15 131	–
Negative fair values from hedge accounting derivatives	4 826	4 826	–	3 344	3 344	–
Other liabilities not reported at fair value	70	70	–	44	44	–
Subordinated capital	5 108	4 761	347	5 037	4 713	324
Total	**189 723**	**185 142**	**5 345**	**191 685**	**187 851**	**4 185**

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

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

The balances reported in the notes are gross, while in the balance sheet balances are offset in accordance with IAS 32.40. The total reported netting volume of € 403 million includes the market values of derivatives and associated equalisation payments in loans and advances to banks / liabilities to banks. While the netting on the assets side relates to positive market values in the amount of € 402 million and receivables from equalisation payments in the amount of € 1 million, the netting on the liabilities side relates to negative market values in the amount of € 337 million and liabilities from equalisation payments in the amount of € 66 million.

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

(in € million)	Level 1 30 Jun. 2014	Level 1 31 Dec. 2013	Level 2 30 Jun. 2014	Level 2 31 Dec. 2013	Level 3 30 Jun. 2014	Level 3 31 Dec. 2013	Total 30 Jun. 2014	Total 31 Dec. 2013
Assets								
Assets held for trading	1 481	1 569	11 414	10 935	141	16	13 036	12 520
Debt securities and other fixed-interest securities	1 430	1 519	1 104	2 032	–	–	2 534	3 551
Shares and other non fixed-interest securities	49	46	–	–	–	–	49	46
Positive fair values from derivatives	2	4	7 967	6 599	–	–	7 969	6 603
– Interest-rate risks	1	1	7 346	5 697	–	–	7 347	5 698
– Currency risks	1	3	424	720	–	–	425	723
– Share-price and other price risks	–	–	179	169	–	–	179	169
– Credit derivatives	–	–	18	13	–	–	18	13
Trading portfolio claims	–	–	2 343	2 304	141	16	2 484	2 320
Financial assets as at fair value through profit or loss	717	111	1 072	910	–	–	1 789	1 021
Loans and advances to banks and customers	–	–	255	246	–	–	255	246
Debt securities and other fixed-interest securities	707	101	817	664	–	–	1 524	765
Shares and other non fixed-interest securities	10	10	–	–	–	–	10	10
Positive fair values from hedge accounting derivatives	–	–	4 627	3 872	–	–	4 627	3 872
Positive fair values from employed micro fair value hedge derivatives	–	–	2 313	2 116	–	–	2 313	2 116
– Interest-rate risks	–	–	2 143	1 948	–	–	2 143	1 948
– Currency risks	–	–	170	168	–	–	170	168
Positive fair values from employed micro fair value hedge derivatives	–	–	2 314	1 756	–	–	2 314	1 756
– Interest-rate risks	–	–	2 314	1 756	–	–	2 314	1 756
Financial assets at fair value	13 289	9 259	29 423	34 213	440	407	43 152	43 879
Debt securities and other fixed-interest securities	12 565	8 681	29 361	34 147	13	57	41 939	42 885
Shares and other non fixed-interest securities	704	527	34	9	–	–	738	536
Shares in companies (not consolidated)	20	43	28	25	303	227	351	295
Other financial assets classified as AfS	–	8	–	32	124	123	124	163
Other assets recorded at for value	17	17	8	8	10	–	35	25
Total	**15 504**	**10 956**	**46 544**	**49 938**	**591**	**423**	**62 639**	**61 317**

(in € million)	Level 1 30 Jun. 2014	Level 1 31 Dec. 2013	Level 2 30 Jun. 2014	Level 2 31 Dec. 2013	Level 3 30 Jun. 2014	Level 3 31 Dec. 2013	Total 30 Jun. 2014	Total 31 Dec. 2013
Liabilities								
Trading liabilities	119	41	6 691	6 242	10	5	6 820	6 288
Negative fair values from derivatives relating to	3	4	6 675	6 169	10	5	6 688	6 178
– Interest-rate risks	1	2	6 314	5 664	10	–	6 325	5 666
– Currency risks	–	–	333	442	–	1	333	443
– Share-price and other price risks	2	2	1	1	–	–	3	3
– Credit derivatives	–	–	27	62	–	4	27	66
Delivery obligations from short-sales and other trading assets	116	37	16	73	–	–	132	110
Financial liabilities designated at fair value	1	100	8 443	8 735	9	8	8 453	8 843
Liabilities to banks and customers	–	–	5 743	5 680	–	–	5 743	5 680
Securitised liabilities	1	100	2 675	3 030	9	8	2 685	3 138
Subordinated capital	–	–	25	25	–	–	25	25
Negative fair values from hedge accounting derivatives	–	–	4 826	3 344	–	–	4 826	3 344
Negative fair values from employed micro fair value hedge derivatives	–	–	2 898	2 498	–	–	2 898	2 498
– Interest-rate risks	–	–	2 600	2 268	–	–	2 600	2 268
– Currency risks	–	–	298	230	–	–	298	230
Negative fair values from employed portfolio fair value hedge derivatives	–	–	1 928	846	–	–	1 928	846
– Interest-rate risks	–	–	1 928	846	–	–	1 928	846
Total	**120**	**141**	**19 960**	**18 321**	**19**	**13**	**20 099**	**18 475**

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

1 Jan.– 30 Jun. 2014 (in € million)	from Level 1 to Level 2	from Level 1 to Level 3	from Level 2 to Level 1	from Level 2 to Level 3	from Level 3 to Level 1	from Level 3 to Level 2
Assets held for trading						
Debt securities and other fixed-interest securities	5	–	76	–	–	–
Financial assets at fair value						
Debt securities and other fixed-interest securities	267	–	4 523	8	–	13
Liabilities held for trading	–	34	–	–	–	3
Designated financial liabilities reported at fair value						
Securitised liabilities	86	–	–	–	–	–

For asset-side financial instruments, a level assessment takes place on an individual transaction basis. As at the balance sheet date the transfers have been mostly between Level 1 and Level 2 compared to 31 December 2013. This is the result of the application of HFA 47, i. e. the examination of market activity on an individual transaction basis. HFA 47 specifies how financial instruments are to be classified in the various levels. Accordingly, (mixed) prices calculated by price service agencies on the basis of reported prices are to be allocated to Level 2. Broker quotations have to come from an “active market” in order to be allocated to Level 1. If there are only a few broker quotations or if these involve big bid-ask spreads or price differences, it is assumed that there is no active market.

The infrequency of transfers from Level 2 to Level 3 mean that there is insufficient market data for measurement. Conversely, in some cases Level 3 valuations are not necessary because a matrix valuation is possible.

When measuring the bank’s own structured issues (dFV), the use of market prices is reviewed as at the reporting date. Following this review, some issues regularly move between Level 1 and Level 2 due to a change in trading activity.

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

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

	Trading assets			
	Positive fair values from derivatives Credit derivatives		Loans and advances to trading and other trading assets	
(in € million)	2014	2013	2014	2013
1 January	**–**	**–**	**16**	**–**
Effect on the income statement [1]	–	–	13	–
Addition from purchase or issuance	–	–	112	–
Addition from Level 1 and 2	–	1	–	–
30 June	**–**	**1**	**141**	**–**
Profit/losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement [1]	–	–	13	–

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (21) Net interest income and (24) Profit/loss from financial instruments at fair value through profit or loss.

(in € million)	Financial assets at fair value					
	Fixed-income and book entry securities		Shares in companies (not consolidated)		Other financial assets classified as AfS	
	2014	2013	2014	2013	2014	2013
1 January	**57**	**60**	**227**	**217**	**123**	**146**
Effect on the income statement [1]	–	–	–	– 8	2	1
Effect on the equity capital (OCI)	7	– 2	2	– 1	– 1	– 2
Addition from purchase or issuance	2	–	40	11	–	–
Disposal from sale	48	–	–	–	–	–
Repayment/exercise	–	–	–	–	–	17
Addition from Level 1 and 2	8	1	34	–	–	–
Disposal to Level 1 and 2	13	2	–	–	–	–
30 June	**13**	**57**	**303**	**219**	**124**	**128**
Profit/losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement [1]	–	–	–	–	2	1

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (21) Net interest income and (26) Profit/loss from financial assets.

(in € million)	Other assets recorded at for value	
	2014	2013
1 January	**–**	**–**
Changes due to mergers	10	–
30 June	**10**	**–**

(in € million)	Trading liabilities					
	Negative fair values from derivatives relating to Interest-rate risks		Negative fair values from derivatives relating to Currency risks		Negative fair values from derivatives relating to Credit derivatives	
	2014	2013	2014	2013	2014	2013
1 January	**–**	**–**	**–**	**–**	**4**	**4**
Effect on the income statement [1]	–	–	–	–	– 1	– 1
Addition from purchase or issuance	10	–	–	–	–	–
Addition from Level 1 and 2	–	–	–	1	–	–
Disposal to Level 1 and 2	–	–	–	–	3	–
30 June	**10**	**–**	**–**	**1**	**–**	**3**

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (21) Net interest income and (24) Profit/loss from financial instruments at fair value through profit or loss.

(in € million)	Designated financial liabilities reported at fair value Securitsed liabilities 2014	2013
1 January	**8**	**–**
Effect on the income statement [1]	–	–
Addition from purchase or issuance	1	1
Addition from Level 1 and 2	–	5
Disposal to Level 1 and 2	–	–
30 June	**9**	**6**

[1] The effects reported include valuation gains / losses, realised profit / loss and deferred interest; these are reported in the income statement under the items (21) Net interest income and (24) Profit / loss from financial instruments at fair value through profit or loss.

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

Product	Fair value on balance sheet (in € million)	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Asset Backed Securities	3	ABS-Intensity-Spread	15 – 2 500 Basispoints	1 275 Basispoints
	–	Weighted-Average-Life (WAL)	0,05 – 21,4 years	13.9 years
Interest-bearing bonds	2	Intensity-Spread	14 – 212 Basispoints	58 Basispoints
Silent participations	110	Credit Spread	+/– 100 Basispoints	+/– 100 Basispoints
Participations	60	Adjusted Beta	+/– 60 Basispoints	+/– 600 Basispoints
Derivatives	– 10	Rating	Rating Class (25er DSGV-Skala) 8 – 11	averaged Rating 8,08
Loans	125	Rating	Rating Class (25er DSGV-Skala) 8	averaged Rating 8

Significant unobservable data in the fair value measurement of ABS securities are the ABS intensity spread, which is derived from the rating and associated probability of default, and the weighted average life (WAL). Significant changes in the input data result in a significantly higher or lower fair value. As part of the sensitivity analysis, the ABS intensity spread and the WAL shift factor were stressed, with the rating being moved up and down a class and the WAL increased or reduced by one year. Accordingly an imputed change in the ABS intensity spread would result in a change in the fair values of ABS securities in Level 3 of € 0.6 (€ 1.6 million) 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 € 0.6 million (€ 1.6 million).

Significant unobservable data in the fair value measurement of interest-bearing securities is the intensity spread, which is derived from the rating and associated probability of default. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the intensity spread was stressed in the measurement, with the rating being moved up and down a class. Accordingly an imputed change in the parameter would result in a change in the fair value of the interest-bearing securities in Level 3 of € 0.06 million (€ 0.02 million).

Significant unobservable data in the fair value measurement of silent participations is the credit spread. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the credit spread was stressed in the measurement by increasing or reducing it by 100 basis points. Accordingly an imputed change in the parameter would result in a change in the fair value of all silent participations in Level 3 of € 5 million (€ 6 million).

Significant unobservable data in the fair value measurement of silent participations is the adjusted beta. Significant changes in this input parameter result in a higher or lower fair value. As part of the sensitivity analysis, the adjusted beta was stressed in the measurement by increasing or reducing it by 0.1. Accordingly an imputed change in the parameter would result in a change in the fair value of investments in Level 3 of € 4.4 million (€ 3.7 million).

No credit default swaps have been measured on a mark-to-model basis. However, there are derivatives that have been measured as part of syndicated loans and allocated to Level 3. These involve futures transactions and interest and credit derivatives. There are also derivatives that have been allocated to Level 3 based on historic volatility.

Significant unobservable input data in the fair value measurement of these derivatives are the rating of the loan and historic volatilities. Details concerning the sensitivity of historic volatilities are permissibly not given, as the historic volatilities are not calculated by the company itself, but are based on original market transactions. Significant changes in the ratings result in a significantly higher or lower fair value. As part of the sensitivity analysis, the rating was stressed by being moved up and down a level. Accordingly an imputed change would result in a rating change in the fair value of the derivatives in Level 3 of € 0.8 million (€ 0 million).

A significant unobservable input parameter in the fair value measurement of loans is the internal rating. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the rating was moved up and down one class. Accordingly an imputed change in the parameter has resulted in a change in the fair value of the loans in Level 3 of € 0.8 million (€ 0 million).

The sensitivity of the loans and derivatives of in each case approx. € 0.8 million (€ 0 million) also takes into account transactions whose performance based on parameters that cannot be observed in the market do not have any effect on the income statement due to economically inseparable relationships (at individual transaction level). Changes in the value of loans are partly compensated for by changes in the value of derivatives. This compensation results in a net (income-statement-relevant) sensitivity of only € 31,000 (€ 0 thousand).

The ABS securities, interest-bearing securities and silent participations are mainly reported under financial assets, while derivatives and loans are reported under financial assets and liabilities at fair value through profit or loss.

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

(34) Derivative financial instruments

	Nominal values		Fair value positive		Fair value negative	
(in € million)	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013
Interest-rate risk	251 747	252 913	11 804	9 402	10 853	8 780
Currency risk	50 477	57 139	595	891	631	673
Share-price and other price risks	417	435	179	169	3	3
Credit risk	4 835	4 816	18	13	27	66
Total	**307 476**	**315 303**	**12 596**	**10 475**	**11 514**	**9 522**

The comments on offsetting in the balance sheet in Note (33) are also referred to.

(35) Disclosures concerning selected countries

The tables below show, in contrast to the exposure in the risk report (see the interim management 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.

(in € million)	Financial Instruments Held for Trading		Financial Instruments designated at Fair Value through Profit or Loss		Available for Sale Assets	
	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013
Ireland						
Country	– 1	– 5	93	95	25	27
Financing institutes/ insurance companies	– 15	– 14	5	5	211	238
Companies/other	27	11	–	–	4	2
	11	**– 8**	**98**	**100**	**240**	**267**
Italy						
Country	12	–	242	221	1 409	1 274
Financing institutes/ insurance companies	21	– 5	–	–	605	832
Companies/other	3	2	–	–	28	43
	36	**– 3**	**242**	**221**	**2 042**	**2 149**
Portugal						
Country	– 6	– 19	–	–	176	164
Financing institutes/ insurance companies	– 3	9	–	–	37	126
Companies/other	–	–	–	–	22	21
	– 9	**– 10**	**–**	**–**	**235**	**311**
Slowenia						
Country	–	–	–	–	33	32
	–	**–**	**–**	**–**	**33**	**32**
Spain						
Country	– 1	–	–	–	364	329
Financing institutes/ insurance companies	36	33	–	–	1 585	1 586
Companies/other	10	7	–	–	24	30
	45	**40**	**–**	**–**	**1 973**	**1 945**
Hungary						
Country	– 1	– 1	–	–	162	189
Financing institutes/ insurance companies	–	–	–	–	42	41
	– 1	**– 1**	**–**	**–**	**204**	**230**
Cyprys						
Companies/other	12	13	–	–	–	–
	12	**13**	**–**	**–**	**–**	**–**
Total	**94**	**31**	**340**	**321**	**4 727**	**4 934**

For financial instruments categorised as available for sale with acquisition costs totalling € 4,430 million (€ 4,947 million), the cumulative valuation of the selected countries reported in equity totals € 222 million (€ 82 million). In addition to this, depreciation of € 0 million (€ 1 million) was recognised in the income statement for the period.

	Loans and Receivables							
	Gross book value		Specific valuation allowances		General loan loss provisions		Fair value	
(in € million)	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013	30 Jun. 2014	31 Dec. 2013
Greece								
Companies/other	227	229	31	21	1	5	200	188
	227	**229**	**31**	**21**	**1**	**5**	**200**	**188**
Ireland								
Financing institutes/ insurance companies	249	270	–	–	2	3	250	263
Companies/other	1 983	1 862	–	–	2	3	2 007	1 873
	2 232	**2 132**	**–**	**–**	**4**	**6**	**2 257**	**2 136**
Italy								
Financing institutes/ insurance companies	96	111	–	–	–	–	78	86
Companies/other	43	46	–	–	–	–	45	46
	139	**157**	**–**	**–**	**–**	**–**	**123**	**132**
Portugal								
Financing institutes/ insurance companies	12	12	–	–	1	1	12	12
Companies/other	33	35	–	–	–	–	33	35
	45	**47**	**–**	**–**	**1**	**1**	**45**	**47**
Slowenia								
Financing institutes/ insurance companies	25	25	–	–	–	–	25	25
	25	**25**	**–**	**–**	**–**	**–**	**25**	**25**
Spain								
Country	53	52	–	–	1	1	56	53
Financing institutes/ insurance companies	143	125	–	–	–	1	143	123
Companies/other	409	442	41	44	1	1	398	425
	605	**619**	**41**	**44**	**2**	**3**	**597**	**601**
Hungary								
Financing institutes/ insurance companies	1	3	–	–	–	–	1	3
Companies/other	38	47	–	–	–	–	38	47
	39	**50**	**–**	**–**	**–**	**–**	**39**	**50**
Cyprys								
Companies/other	1 128	1 156	4	16	22	20	884	928
	1 128	**1 156**	**4**	**16**	**22**	**20**	**884**	**928**
Total	**4 440**	**4 415**	**76**	**81**	**30**	**35**	**4 170**	**4 107**

The nominal value of credit derivatives relating to the selected countries in the NORD/LB Group's portfolio is € 1,011 million (€ 1,446 million). Of this, states account for € 459 million (€ 495 million), financing institutes/insurance companies for € 551 million (€ 950 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 € –14 million (€ –41 million).

Business with Egypt is of minor significance.

(36) Regulatory data

The consolidated regulatory capital below was calculated as at the reporting date in accordance with the EU Capital Requirements Regulation (CRR) applicable from 1 January 2014. The reference figures as at 31 December 2013 are still essentially based on the regulations of the German Banking Act that were applicable to the end of 2013, but have been adjusted based on the CRR regulations.

(in € million)	30 Jun. 2014	31 Dec. 2013
Risk-weighted assets	**66 874**	**68 500**
Capital requirements for credit risk	4 589	4 933
Capital requirements for operational risks	382	392
Capital requirements for market risks	246	155
Eigenmittelanforderungen for adjustments on principals	133	–
Capital requirements	**5 350**	**5 480**

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

(in € million)	30 Jun. 2014	31 Dec. 2013
Subscribed capital including premium	4 964	4 980
Reserves	2 236	2 063
Eligible components of core tier 1 capital at subsidiaries	779	–
Other components of core tier 1 capital	60	1 517
– Deductible items	– 1 913	–
Adjustments due to transition rules	1 095	–
Balancing item to prevent negative additional core capital	– 39	– 448
Common equity tier 1	**7 183**	**8 112**
Paid-in instruments of additional core capital	–	813
Components of additional core capital for portfolio protection	709	–
– Deductible items	–	– 1 261
Adjustments due to transition rules	– 748	–
Balancing item to prevent negative additional core capital	39	448
Tier 1 capital (going-concern)	**7 183**	**8 112**
Paid-in instruments of supplementary capital	2 830	2 846
Eligible components of supplementary capital at subsidiaries	733	–
Other components of supplementary capital	–	3
– Deductible items	–	– 1 150
Adjustments due to transition rules	– 1 327	–
Tier 2 capital (Supplementary capital)	**2 236**	**1 699**
Total regulatory capital (gone-concern)	**9 419**	**9 811**

(in %)	30 Jun. 2014	31 Dec. 2013
Common equity tier 1 ratio	10.74 %	11.84 %
Tier 1 capital ratio	10.74 %	11.84 %
Total regulatory capital ratio	14.08 %	14.32 %

(37) Contingent liabilities and other obligations

	30 Jun. 2014 (in € million)	31 Dec. 2013 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	6 812	6 779	–
Other obligations			
Irrevocable credit commitments	9 413	10 566	– 11
Total	**16 225**	**17 345**	**– 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:

30 Jun. 2014 (in € million)	Companies with a significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**637**	**–**	**231**
of which: money market transcations	–	–	–	287	–	–
of which: loans	–	–	–	350	–	230
public-sector loans	–	–	–	–	–	13
other loans	–	–	–	350	–	217
Loans and advances to customers	**3 140**	**36**	**4**	**319**	**1**	**917**
of which: money market transcations	–	–	–	–	–	36
of which: loans	3 140	13	4	319	1	859
public-sector loans	3 084	–	–	16	–	796
mortage-backed loans	–	12	–	102	1	26
other loans	56	1	4	201	–	37
Financial assets at fair value through profit or loss	**156**	**–**	**–**	**52**	**–**	**103**
of which: Debt securities and other fixed-interest securities	54	–	–	–	–	–
of which: Positive fair values from derivatives	53	–	–	52	–	3
of which: Trading portfolio claims	49	–	–	–	–	100
Positive fair values from hedge accounting derivatives	**111**	**–**	**–**	**–**	**–**	**–**
Financial assets	**2 042**	**–**	**–**	**17**	**–**	**–**
of which: Debt securities and other fixed-interest securities	2 042	–	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	–	17	–	–
Other assets	**–**	**–**	**–**	**–**	**–**	**4**
Total	**5 449**	**36**	**4**	**1 025**	**1**	**1 255**

30 Jun. 2014 (in € million)	Companies with a significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Liabilities to banks	**–**	**–**	**–**	**394**	**–**	**104**
of which: money market transcations	–	–	–	–	–	50
Liabilities to customers	**386**	**34**	**53**	**308**	**2**	**425**
of which: money market transcations	–	–	–	–	1	–
of which: savings deposits	64	16	–	22	–	265
Securitsed liabilities	**–**	**–**	**–**	**–**	**–**	**1**
Financial liabilities at fair value through profit or loss	**38**	**–**	**–**	**–**	**–**	**141**
of which: negative fair values from derivatives	11	–	–	–	–	19
Subordinated capital	**1**	**495**	**3**	**–**	**–**	**16**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**4**
Total	**425**	**529**	**56**	**702**	**2**	**691**
Guarantees / sureties received	525	–	–	–	–	–
Guarantees / sureties granted	–	1	1	11	–	8

1 Jan.–30 Jun. 2014 (in € million)	Companies with a significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expenses	22	25	–	18	–	5
Interest income	78	–	–	13	–	21
Commission expenses	1	–	–	–	–	–
Other income and expenses	108	–	–	6	– 3	– 10
Total	**163**	**– 25**	**–**	**1**	**– 3**	**6**

31 Dec. 2013 (in € million)	Companies with a significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**602**	**–**	**228**
of which: money market-transcations	–	–	–	205	–	–
of which: loans	–	–	–	397	–	228
public-sector loans	–	–	–	–	–	13
other loans	–	–	–	397	–	215
Loans and advances to customers	**3 010**	**40**	**8**	**326**	**1**	**917**
of which: money market transcations	39	–	–	–	–	36
of which: loans	2 971	39	8	326	1	881
public-sector loans	2 915	–	–	16	–	820
mortage-backed loans	–	15	–	106	–	27
other loans	56	24	8	204	1	34
Financial assets at fair value through profit or loss	**270**	**–**	**–**	**48**	**–**	**91**
of which: Debt securities and other fixed-interest securities	215	–	–	–	–	–
of which: Positive fair values from derivatives	30	–	–	48	–	3
of which: Trading portfolio claims	24	–	–	–	–	88
Positive fair values from hedge accounting derivatives	**47**	**–**	**–**	**–**	**–**	**–**
Financial assets	**2 250**	**–**	**–**	**17**	**–**	**–**
of which: Debt securities and other fixed-interest securities	2 250	–	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	–	17	–	–
Total	**5 577**	**40**	**8**	**993**	**1**	**1 236**

31 Dec. 2013 (in € 000)	Companies with a significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Liabilities to banks	**–**	**–**	**–**	**452**	**–**	**118**
of which: money market-transcations	–	–	–	–	–	53
of which: deposits from other banks	–	–	–	134	–	13
Liabilities to customers	**347**	**33**	**85**	**282**	**3**	**288**
of which: money market-transcations	26	16	–	21	–	152
Securitsed liabilities	**–**	**–**	**–**	**–**	**–**	**1**
Financial liabilities at fair value through profit or loss	**39**	**–**	**–**	**–**	**–**	**134**
of which: negative fair values from derivatives	15	–	–	–	–	11
Negative fair values from hedge accounting derivatives	**9**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**496**	**3**	**–**	**–**	**15**
Total	**396**	**529**	**88**	**734**	**3**	**556**
Guarantees/sureties received	2 541	–	–	–	–	–
Guarantees/sureties granted	3 000	1	1	11	–	8

1 Jan. – 30 Jun. 2013 (in € million)	Companies with a significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expense	19	26	–	18	–	8
Interest income	88	1	–	21	–	12
Commission expense	11	–	–	–	–	–
Other income and expenses	– 86	–	–	– 8	– 2	9
Total	**– 28**	**– 25**	**–**	**– 5**	**– 2**	**13**

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

The issue programme (G-MTN programme) guaranteed by the states of Lower Saxony and Saxony-Anhalt for the refinancing of the NORD/LB Group expired as scheduled in the first quarter of 2014.

(39) Members of governing bodies

1. Members of the Managing Board

Dr. Gunter Dunkel
(Chairman)

Dr. Johannes-Jörg Riegler
(Deputy Chairman until 28 February 2014)

Ulrike Brouzi

Thomas Bürkle
(since 1 January 2014)

Eckhard Forst

Dr. Hinrich Holm

Christoph Schulz

2. Members of the Supervisory Board

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

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

Elke Eller
Member of the Board,
Volkswagen Commercial Vehicles,
(since 1 July 2014)

Hans-Heinrich Hahne
Chairman of the Managing Board,
Sparkasse Schaumburg

Frank Hildebrandt
Bank employee,
NORD/LB Braunschweig

Martin Kind
Managing Director
KIND Hörgeräte GmbH & Co. KG
(until 30 June 2014)

Frank Klingebiel
Mayor, City of Salzgitter

Prof. Dr. Susanne Knorre
Management consultant

Ulrich Mädge
Mayor, City of Hansestadt Lüneburg

Antje Niewisch-Lennartz
Minister of Justice, State of Lower Saxony

Heinrich von Nathusius
IFA ROTORION – Holding GmbH

Freddy Pedersen
ver.di Vereinte Dienstleistungsgewerkschaft

Jörg Reinbrecht
ver.di Vereinte Dienstleistungsgewerkschaft

Ilse Thonagel
Bank employee
Landesförderinstitut Mecklenburg-Western Pomerania

(40) Basis of consolidation

Company name and registered office	Shares (%) direct	Shares (%) indirect
Subsidiaries included in the consolidated financial statements		
BLB Grundbesitz KG, Bremen	100.00	–
BLB Immobilien GmbH, Bremen	100.00	–
BLBI Investment GmbH & Co. KG, Bremen	100.00	–
BLB Leasing GmbH, Oldenburg	100.00	–
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., Luxemburg-Findel / Luxembourg	–	100.00
NORD/FM Norddeutsche Facility Management GmbH, Hanover	–	100.00
NORD/LB Asset Management Holding GmbH, Hanover	–	100.00
NORD/LB Asset Management AG, Hanover	100.00	–
NORD/LB COVERED FINANCE BANK S.A., Luxemburg-Findel / Luxembourg	100.00	–
Nord-Ostdeutsche Bankbeteiligungs GmbH, Hanover	–	100.00
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	–
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	100.00	–
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		
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal	–	–
Fürstenberg Capital Erste GmbH, Fürstenberg	–	–
Fürstenberg Capital II GmbH, Fürstenberg	–	–
Hannover Funding Company LLC, Dover (Delaware) / USA	–	–
KMU Gruppe		
Beteiligungs- Kommanditgesellschaft MS „Buxmelody“ Verwaltungs- und Bereederungs GmbH & Co., Buxtehude	–	–
KMU Shipping Invest GmbH, Hamburg	–	–
GEBAB Ocean Shipping II GmbH & Co. KG, Hamburg	–	–
GEBAB Ocean Shipping III GmbH & Co. KG, Hamburg	–	–
MT „BALTIC CHAMPION“ 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		
„OLIVIA“ Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
„OLYMPIA“ Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
„PANDORA“ Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
„PRIMAVERA“ Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
„QUADRIGA“ Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
MS „HEDDA SCHULTE“ Shipping GmbH & Co. KG, Hamburg	–	–
Niraven Gruppe		
Niraven B.V., Amsterdam	–	–
Olympiaweg 4 BV, Amsterdam	–	–
Rochussen CV, Amsterdam	–	–
Rochussenstraat 125 BV, Amsterdam	–	–
Zender CV, Amsterdam	–	–
Zenderstraat 27 BV, Amsterdam	–	–
NORD/LB Immobilien-Holding GmbH & Co. Objekt Magdeburg KG, Pullach im Isartal	–	–
Investment funds included in the consolidated financial statements		
NORD/LB AM 65	–	100.00
NORD/LB AM ALCO	–	100.00
NORD/LB AM OELB	100.00	–
NORD/LB AM OESB	100.00	–

Company name and registered office	Shares (%) direct	Shares (%) indirect
Companies / investment funds accounted for in the consolidated financial statements using the equity method		
Joint ventures		
LHI Leasing GmbH, Pullach im Isartal [1]	43.00	6.00
caplantic GmbH, Hanover	–	50.00
Associated companies		
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	–
BREBAU GmbH, Bremen	48.84	–
Deutsche Factoring Bank Deutsche Factoring GmbH & Co., Bremen	27.50	–
GSG OLDENBURG Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	22.22	–
LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover	44.00	–
LINOVO Productions GmbH & Co. KG, Pöcking	–	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hanover	–	28.66
SALEG Sachsen-Anhaltinische-Landesentwicklungsgesellschaft mbH, Magdeburg [2]	–	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.

FORWARD-LOOKING STATEMENTS

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

OTHER INFORMATION

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, taking into account generally accepted accounting principles and in accordance with the applicable accounting framework for interim reporting, the interim consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations of the group and that the interim group management report gives a true and fair view of the development of business including the operating result and the state of the group, and also describes the principal opportunities and risks relating to the expected future development of the Group in the remainder of the financial year.

Hanover / Braunschweig / Magdeburg, 19 August 2014

Norddeutsche Landesbank Girozentrale

The Managing Board

Dr. Dunkel	Brouzi	Bürkle
Forst	Dr. Holm	Schulz

REVIEW REPORT

To Norddeutsche Landesbank – Girozentrale –, Hanover, Braunschweig and Magdeburg

We have reviewed the condensed interim consolidated financial statements of Norddeutsche Landesbank – Girozentrale –, Hanover, Braunschweig and Magdeburg (NORD/LB), comprising 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 – together with the interim group management report of NORD/LB for the period from 1 January to 30 June 2014 that are part of the semi annual report according to § 37 w WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Hanover, 20 August 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Ufer	Leitz
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial calendar 2014

29 April 2014	Release of results as at 31 December 2013
27 May 2014	Release of results as at 31 March 2014
28 August 2014	Release of results as at 30 June 2014
27 November 2014	Release of results as at 30 September 2014

Please download our annual and interim reports at
geschaeftsbericht@nordlb.de.

Our Investor Relations team will be glad to give assistance in case of any questions.
Phone: +49 511 361-43 38
Email: ir@nordlb.de

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

Branches (including Braunschweigische Landessparkasse)

Braunschweig	Bad Harzburg	Düsseldorf
Hamburg	Helmstedt	Holzminden
Magdeburg	München	Salzgitter
Schwerin	Seesen	Vorsfelde
Wolfenbüttel		

In addition there are more than 100 Branches and self-services in the Braunschweig area. For more details, please follow this link: https://www.blsk.de

International branches
London, New York, Singapore, Shanghai

Major holdings (alphabetical)
Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale, Bremen und Oldenburg
Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover
Norddeutsche Landesbank Luxembourg S.A., Luxemburg

Die norddeutsche Art.

RESPONSIBLE BANKING

NORD/LB
Norddeutsche Landesbank Girozentrale

Friedrichswall 10
30159 Hanover

Phone: +49 (0) 511/361-0
Fax: +49 (0) 511/361-2502
www.nordlb.com
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Finanzgruppe