

Norddeutsche Landesbank Luxembourg S.A.



Consolidated Annual Report  
as at 31.12.2013

**NORD/LB**  
Luxembourg

## Summary of Key Data

Performance	31.12.2013 (EUR Million)	31.12.2012 (EUR Million)	Increase/Decrease (EUR Million) (%)	
Loans and Advances to Banks	2,163.1	1,693.9	469.3	28
Loans and Advances to Customers	5,174.5	5,115.0	59.5	1
Risk Provisions	-45.6	-36.5	-9.1	25
Financial Assets	8,866.5	9,332.0	-465.6	-5
Other Assets	670.7	889.7	-219.0	-25
<b>Balance Sheet Total – Assets</b>	<b>16,829.2</b>	<b>16,994.0</b>	<b>-164.8</b>	<b>-1</b>
Liabilities to Banks	10,075.2	9,749.6	325.6	3
Liabilities to Customers	2,788.8	2,283.3	505.5	22
Securitised Liabilities	2,271.8	2,810.8	-539.0	-19
Other Liabilities	994.8	1,473.5	-478.6	-32
Reported Equity	698.6	676.8	21.8	3
<b>Balance Sheet Total – Liabilities</b>	<b>16,829.2</b>	<b>16,994.0</b>	<b>-164.8</b>	<b>-1</b>
Profit/Loss Performance	2013 (KEUR)	2012 (KEUR)	Increase/Decrease (KEUR) (%)	
Net Interest Income	98,412	110,327	-11,915	-11
Net Commission Income	-10,914	-1,484	-9,430	> 100
Profit/Loss from Financial Assets	-15,637	-16,820	1,183	-7
Other Profit/Loss	-1,722	-2,551	829	-32
<b>Earnings before Expenses</b>	<b>70,138</b>	<b>89,472</b>	<b>-19,334</b>	<b>-22</b>
Administrative Expenses	-48,607	-49,634	1,027	-2
Profit/Loss from Changes in Valuation and Risk Provision	-5,583	20,206	-25,789	< -100
Taxes	-795	-13,760	12,965	-94
<b>Earnings after Taxes</b>	<b>15,153</b>	<b>46,285</b>	<b>-31,132</b>	<b>-67</b>
Key Economic Data	2013	2012	Increase/Decrease (%)	
Cost-Income-Ratio in % *)	69.3 %	55.5 %	13.8 %	25
RoRaC in % **)	4.0 %	16.6 %	-12.6 %	-76

\*) The Cost-Income-Ratio (CIR) is equal to the quotients from administrative expenses and the earnings before costs.

\*\*\*) The RoRaC is equal to the quotients from the earnings before taxes and the maximum value from limit for tied-up capital or tied-up capital.

Regulatory Law Key Figures	31.12.2013 (EUR Million)	31.12.2012 (EUR Million)	Increase/Decrease (EUR Million) (%)	
Risk-weighted Asset Values	4,410.2	4,520.2	-110.0	-2
Core Capital	689.2	673.7	15.5	2
Equity Capital	734.0	740.4	-6.4	-1
Core Capital Ratio	15.6 %	14.9 %	0.7 %	5
Overall Coefficient	16.6 %	16.4 %	0.3 %	2
Change in Number of Employees	2013	2012	Increase/Decrease (%)	
Number of Employees	197	186	11	6



330

320

340 350

**N**

10

20

# Contents

## Organisational Structure

## Management Report

- 11 The Group
- 12 International Economic Development
- 18 Development of Business Segments
- 22 Earnings
- 27 Schedule of Assets and Financial Data
- 28 Risk Report
- 55 Personnel Report
- 56 Internal Controls and Risk Management within the Framework of Establishing Financial Data and Organisation
- 58 Sustainability Report
- 59 Supplementary Report
- 59 Future-related Statements

## Consolidated Financial Statements

- 61 Consolidated Profit and Loss Account
- 62 Consolidated Overall Profit and Loss Account
- 63 Consolidated Balance Sheet
- 64 Consolidated Cash Flow Statement
- 66 Consolidated Statement of Changes in Equity

## Consolidated Notes to the Financial Statements

- 71 Accounting Policies
- 87 Segment Reporting
- 91 Notes to the Consolidated Profit and Loss Account
- 99 Notes to the Consolidated Balance Sheet
- 120 Other Disclosures

## Statements to the Annual Report

- 151 Responsibility Statement
- 153 Report of the Auditors
- 156 Report of the Supervisory Board

# Consolidated Annual Report as at 31.12.2013

Norddeutsche Landesbank Luxembourg S.A.  
7, rue Lou Hemmer  
L-1748 Luxembourg-Findel  
R.C.S. Luxembourg B 10405

This Annual Report is a translation of the original German version. In all matters of interpretation the original German version shall prevail.

# Consolidated Financial Statements 2013



NORD/LB Luxembourg

## Members of the Supervisory Board

**Dr. Gunter Dunkel**

Chairman of the Board of Directors  
NORD/LB Norddeutsche Landesbank Girozentrale  
(Chairman)

**Christoph Schulz**

Member of the Board of Directors  
NORD/LB Norddeutsche Landesbank Girozentrale  
(Deputy Chairman)

**Ulrike Brouzi**

Member of the Board of Directors  
NORD/LB Norddeutsche Landesbank Girozentrale

**Thomas Bürkle (as of 1 March 2014)**

Member of the Board of Directors  
NORD/LB Norddeutsche Landesbank Girozentrale

**Walter Kleine**

Chairman of the Board of Directors  
Sparkasse Hannover

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

Deputy Chairman of the Board of Directors  
NORD/LB Norddeutsche Landesbank Girozentrale

## Board of Directors

**Chairman of the Board of Directors/  
Chief Executive Officer**

Harry Rosenbaum

**Deputy Chairman of the Board of  
Directors/  
Chief Financial-/Risk-/Operations  
Officer**

Christian Veit

**Member of the Board of Directors**

Thorsten Schmidt

## Organisation (Effective 25 March 2014)

**Business Development**

Joachim Razen

**Financial Markets**

Thomas Keith

**Credit Management**

Olaf-Alexander Prieß

**Private Banking**

Markus Linnert

**Finance**

Peter Heumüller

**Credit Risk Management**

Jörn Janisch

**Operation Services**

Rita Kranz

**ORG/IT**

Frank Seeberger

Romain Wantz

**Compliance**

Joachim Seifer

**Human Resources**

Christian Ehrismann

**Legal**

Dr. Ursula Hohenadel

**Internal Audit**

Frank Steingrube

**Administration**

David Gunson



**Chairman of the Board  
of Directors/  
Chief Executive Officer**  
Harry Rosenbaum



**Deputy Chairman of the Board  
of Directors/  
Chief Financial-/Risk-/Operations  
Officer**  
Christian Veit



**Member of the Board of Directors**  
Thorsten Schmidt

# Consolidated Financial Statements 2013



NORD/LB Luxembourg

## The Group

Norddeutsche Landesbank Luxembourg S.A., Luxembourg (hereinafter referred to as “NORD/LB Luxembourg” is the parent company of a group of companies (hereinafter referred to as “NORD/LB Luxembourg Group” or “the Bank” for short) that includes NORD/LB Covered Finance Bank S.A., based in Luxembourg (hereinafter called “NORD/LB CFB”), and Skandifinanz AG, based in Zurich, Switzerland. NORD/LB Luxembourg holds 100 % of the shares of each of the two companies.

NORD/LB Luxembourg has issued a letter of comfort for NORD/LB CFB (see Note (65) Contingent liabilities and other obligations).

NORD/LB Luxembourg itself is a wholly-owned subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale, based in Hanover, Germany (hereinafter referred to as “NORD/LB”), and its consolidated financial statements are included in the consolidated financial statement of NORD/LB (hereinafter called “NORD/LB Group” or “the Group” for short). The consolidated financial statements of NORD/LB can be viewed on the Internet at [www.nordlb.de](http://www.nordlb.de). The consolidated financial statements of NORD/LB can be viewed on the Internet at [www.nordlb.de](http://www.nordlb.de).

The business segments of NORD/LB Luxembourg are Financial Markets, Loan Management and Private Banking.

The business purpose of NORD/LB CFB is to conduct the business of a covered bond bank (Pfandbriefbank) to the extent permitted under the law of the Grand Duchy of Luxembourg. In terms of organisation and personnel, it is fully integrated into the control and management of NORD/LB Luxembourg.

The business activities of Skandifinanz AG had already been totally reduced or transferred to the parent company in the 2011 reporting year.

This report relates to the consolidated annual financial statements of NORD/LB Luxembourg in compliance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

## International Economic Development

### Global Economic Environment

At the beginning of 2013, the world economy only grew moderately. After a weak start to the year, the economic driving forces increasingly gained the upper hand. For example, global industrial production was able to find its way out of the economic trough in mid-year. The Eurozone escaped from the persistent recession in the spring. This was facilitated by the fact that there were no dramatic relapses in the context of the debt crisis in contrast to the previous years. The mood indicators grew in the major currency areas over the course of the year and document increasing optimism again amongst companies and consumers. World trade also gained momentum again in the second half of the year in conjunction with the expansion of production.

In the USA, the economy was put under strain by the emerging headwind caused by the fiscal policy. Nevertheless, the USA was one of the industrial countries with the biggest growth again in 2013 at nearly 2%. The tangible recovery on the property market, where a rise in the prices of houses has meanwhile been recorded again, should be noted here. The sustained low interest rate has also contributed to the situation. Even though a change in the very expansionary monetary policy was not yet implemented in 2013, the mere announcement of a gradual reduction in the monthly additional bond purchases in mid-year was reflected in significantly increasing bond yields. In some emerging markets, there were also outflows as a result of the growing fear amongst financial market players that the end to flooding the markets with liquidity was imminent.

The Chinese economy was able to hold its ground on a solid growth path in 2013 – the annual growth in GDP was 7.7% and was therefore within the expected range. At the same time, the Chinese government announced significant structural changes, the effects of which should be felt way beyond the end of the year. In the past twelve months, the Chinese central bank (PBOC) in particular has excelled in some initial steps. For example, the monetary authorities have pressed ahead with the internationalisation of the Renminbi (RMB). The RMB continued to increase steadily in value against the US dollar. On the other hand, the PBOC made multiple attempts to dam the floods of liquidity and the surging shadow banking market, which led to significantly rising money market rates (SHIBOR) in mid-year and again in December.

### Economic Development in Germany

In 2013, the economy in Germany recovered rapidly from the weak phase in the winter half-year of 2012/2013. Nevertheless, the real gross domestic product (GDP) only increased by a total of 0.4% in 2013 as compared to the previous year. The still slightly lower annual growth rate for 2013 is, however, primarily due to the weak start to the year. Following a strong decline in GDP at the end of 2012, economic performance stagnated in the spring. Along with the muted global economic growth, the effects of the bad weather especially played a big role in this. During the rest of the year, the German economy recovered from the downturn; in the spring, growth was additionally fuelled by the catch-up and recovery effects of the extraordinarily hard winter. The situation was also helped by the Eurozone being able to find its way out of the recession in the spring, and the recovery has continued – albeit only at a moderate rate. After the first half of the year was characterised by strong distortions caused by the bad weather, the recovery continued in the second half of the year. In both the third and fourth quarters, there was moderate economic growth of 0.3% and 0.4% respectively as compared to the previous quarters.

The essential pillar of the economy in 2013 was once again private consumption. At an expansion of 0.9% in comparison to the previous year, private consumption contributed half a percentage point to GDP. Real purchasing power profited from the marked fall in the inflation rate to a yearly average of 1.4%, measured by the Harmonised Index of Consumer Prices. Above all, there was another very positive growth in employment. Despite this development, the economic weak phase was also reflected in a slight rise in the unemployment figures and the unemployment rate increased slightly to 6.9%. However, due to the sustained high level of migration into the German employment market, the number of those in employment increased to nearly 42 million, seasonally adjusted, at the end of the year, thus reaching the highest level since the reunification.

Due to the weak growth in exports (0.6%), net exports produced a slightly moderating effect (–0.3 percentage points) in the face of a stronger growth in imports (1.3%) in 2013. There was also an adverse impact from investments once again. Despite a gradual revival in investment activity over the course of the year, gross fixed asset investment shrank slightly by –0.8% in comparison to the previous year. In contrast to the negative growth of 2.2% in technical equipment, construction investment only recorded a minimal decline totalling 0.3%. While commercial construction investment fell again in alignment with the general reluctance to invest on the part of companies, residential construction

investment rose slightly by 0.3%. This is, however, the lowest annual growth in the last four years.

The general government accounts were almost balanced according to the Maastricht definition in 2013 – in contrast to the previous year. At EUR 1.7 billion, net lending/net borrowing was only slightly negative; measured by nominal GDP, the ratio is –0.1%. Expenditure climbed by 2.8% in comparison to the previous year and was therefore slightly stronger than income (2.5%). Municipal councils and social insurance generated surpluses again, albeit to a lesser degree than in 2012. In the case of social insurance, the surpluses fell primarily due to the lower contribution rate for pension insurance and the lower federal subsidy. Despite renewed improvements, the federal and state governments reported deficits once again. Whilst around EUR 3.0 billion less debt was taken on than planned in the federal budget, according to the provisional accounts, the deficit still remained clearly in the two-figure range at EUR 22.1 billion. All in all, the German state has now easily met the Maastricht criteria for net lending/net borrowing for the third year in succession. The general government accounts have even almost been balanced for two years. Germany has thus stood out positively from comparable industrial nations, and not just within the Eurozone.

### ... in Euroland

The economic development in the Eurozone hardly produced any surprises in 2013. As expected, the common currency area came out of the recession, which had lasted since the autumn of 2011, in the spring. After a very weak final quarter of 2012, there was just a slight contraction of economic performance by –0.2% in the first quarter of 2013 as compared to the previous quarter. This drop in GDP at the beginning of the year was, however, only moderate in view of the slump in production caused by the extreme weather in large swathes of Europe. Inversely, catch-up and recovery effects in several European economies in the spring then led to a countermovement. Since Italy and Spain persistently remained in recession, at least in the second quarter, however, the real GDP of the whole Eurozone only increased moderately by 0.3%. At the end of the year, the momentum picked up and the economic recovery had an ever broader base.

In the past year, the necessary adjustments in the public and private sectors once again slowed overall demand in the economy. This also led to a consistently high growth differential within the common currency area. In 2013,



real GDP fell overall by 0.4% in the Eurozone despite the economic turning point in the spring, and in the rest of the euro area outside of Germany, it decreased by as much as 0.8% in comparison to the previous year. France's economy was only able to expand minimally by 0.3%, whilst a very marked contraction of economic performance was recorded once again in Italy and Spain for the whole year, by more than 1% for each country.

### ... in the USA

Following on from a growth rate of 1.8% in 2011 and 2.8% in 2012, the USA achieved a GDP growth rate of 1.9% in 2013. That said, the largest economy in the world hit a strong headwind in the form of the fiscal burdens taking effect at the beginning of 2013. The USA continues to be a positive contrast to many other regions of the world and is setting the trend for a moderate recovery, more recently even at an increasing pace.

A significant slowing effect on the economy came from the state. Initially, the uncertainties regarding the ongoing fiscal policy still led to a certain reluctance to consume and invest, whilst the loss of tax breaks and automatic spending cuts were quite specifically discernible in the private sector in the first quarter of 2013. The Washington politicians' lack of willingness to compromise applied a major economic brake at an estimated good one percent, but at the same time, also led to a significant reduction of the budget deficit. When no solution was found in the dispute over the budget in October, there was a 16-day government shutdown with the temporary closure of public authorities. The agreement that was finally reached ended this phase of extreme uncertainty.

In order to support the economy, the Federal Reserve continued its expansionary monetary policy with a purchasing

programme totalling 85 billion USD (Quantitative Easing 3, or “QE3” for short). After the Federal Reserve held out the prospect in May of a curb in QE3 for the rest of the year, the announcement of the reduction anticipated for September did not take place until 18 December and in view of the good US economic data, can be described as appropriate.

As at the beginning of 2013, the euro was also listed slightly above the USD 1.35 mark at the end of the year. Whilst the Euro dived to below USD 1.28 twice in the first seven months, there was a gradual upwards movement in the second half of the year. In the second half of the year, the European common currency climbed up to the level of USD 1.38, driven by a receding risk aversion of investors and a correspondingly positive stock market performance. Conversely, the stronger US data and the start of the reduction of quantitative easing (QE3 Tapering) received relatively less consideration here.

### Financial Markets and Movements in Interest Rates

The development of the financial and debt crisis was important for the Eurozone in 2013 as well. There was a further recovery on the financial markets, which had already begun in 2012. There were only a few irritations for a short while following the parliamentary elections in Italy at the beginning of the year. Despite the ensuing political impasse that actually lasted for months, investors soon began to show trust again, especially in Italian government bonds. After Cyprus had already applied to its European partners for aid in mid-2012, the details of the conditions for financial support became known in March. There were also some encouraging signals in 2013 with respect to the debt crisis, however.

Roughly three years after its request for help, Ireland was the first country to leave the safety net of the European partners and the International Monetary Fund (IMF).

The fact that the situation on the financial markets could calm down to such an extent is largely due to the policy of the European Central Bank (ECB) since 2012. In 2013, the policy was no longer characterised as much by urgently tackling the crisis, but primarily by the only slow economic recovery and the significant drop in inflationary pressure over the course of the year. As expected, the ECB reduced the tender rate over the course of the year and reacted surprisingly quickly in November to the marked reduction in the inflation rate of the previous month, down to 0.7% in

comparison to the same month of the previous year, with a further decrease in the interest rate for main refinancing operations, to just 0.25%. However, the monetary watchdogs abstained from a negative interest rate for the deposit facility, at least for the time being, and left the interest rate at 0%; only the rate for the marginal lending facility was reduced by 25 base points at the same time. Moreover, the ECB President, Mario Draghi, announced that the main refinancing operations would continue to be carried out at least until July 2015 as fixed rate tenders with full allotment at a fixed interest rate. There will also be no changes to the longer-term refinancing operations with a term of up to three months, at least until mid-2015.

In 2013, many share indexes reached new record levels. The German stock index, the DAX, reached 9,589 points (based on closing prices) on 30 December and was thus at around 1,800 points above the level it was at the beginning of the year. Over the course of the year, the yields of German federal bonds with ten years to maturity ranged between 1.2% at the beginning of May and the year's high of 2.1% for a brief time in mid-September. As a result, German federal bond yields fell gradually – especially after the surprising postponement of the slight decrease in monthly security purchases by the US central bank that had originally been expected in September. Additional pressure on the yields was triggered by the marked drop in inflation in October and the ECB's rapid reaction to it. Good economic data in December, however, ensured a countermovement, so that the yield of ten year federal bonds was at 2.0% at the end of the year. The swap curve in the Eurozone essentially moved in parallel to the yield structure curve of the German federal bonds; the Bund swap spreads tended to narrow slightly by the end of the year. The rise in the yield of US government bonds with longer terms was even more apparent. From the beginning of May to the end of December, ten year bond yields rose by a good 140 base points from 1.6% to a solid 3.0%. The development of the US swap curve was closely linked to the movements on the market for US government bonds. The spreads of other European government bonds to German federal bonds narrowed even further in 2013. The money market rates remained largely stable in the past year, as expected. The 3-month Euribor has been slightly above 0.2% since mid-January, there was only a slightly sharper increase to almost 0.3% at the end of the year.

The spread between unsecured and secured money market rates, which rose rapidly especially in 2008 and 2011 due to the recognisable liquidity tension on the European interbank market, eased noticeably in the past year. In this environment and benefitting from the once again improved

perception of creditworthiness in respect of the banks in the Eurozone, the EUR/USD cross currency basis swap spreads narrowed across all maturity bands. The USD liquidity needed by the banks for refinancing their foreign currency exposure, in addition to funding, was therefore much more easily and less expensively available on the financial markets than at the peaks of the European financial market and government debt crises. Moreover, crucial planning reliability for banks needing USD liquidity came at the end of October from the standing swap agreements concluded between the large central banks, and therefore also the ECB, and the Federal Reserve Bank. For the time being, the banks have been able to fall back on liquidity-providing operations with one week and three months terms. The EUR/USD cross currency basis swap spreads have meanwhile stabilised over the whole curve within a range of between –5 and –10 base points. As a result, the ECB has been able to suspend the liquidity injection for three-month transactions again.

### Covered Bond Markets and Lettres de Gage Publiques

2013 was characterised by a significant decline in the issue volume in Covered Bonds. Although the issue business started out at a very fast pace as usual in the first quarter, the new issue activities slowed down significantly over the course of the year. As a consequence of the strong demand from investors, driven among other things by the need for liquid assets in view of regulatory requirements and the general investment needs on the part of institutional investors, the reduced offering could be absorbed easily; this was expressed in the very low new issue premiums.

The generally positive environment for Covered Bonds was also demonstrated by more covered bond issuers from the periphery states starting up again after a long period of time and being able to place their issues successfully. Therefore, the volume of issues from the periphery states increased considerably in comparison to the previous year while the UK, Australia, France, Switzerland and Norway in particular reported a significant decline. As could be observed in the previous years, the proportion of public covered bonds continued to fall significantly, while mortgage-backed covered bonds came to the fore both in the new issues business and in the secondary markets. The covered bond issues in foreign currencies, which were in heavy demand in the previous year, including those in USD and GBP, were not able to continue on their road to success; their new issue volumes decreased significantly. The trend

towards rating deterioration in covered bond programmes, which could be observed in 2012 and was primarily brought about by the rating pressure on states as a consequence of the “financial crisis”, continued over the course of the year, albeit at a slower pace.

The market for Lettres de Gage did not experience a revival in 2013, despite the amendment to the Luxembourg Pfandbrief (covered bond) Law. Although a new asset class, the “Lettre de Gage Mutuelle”, was introduced within the scope of the adjustment of the legislation, this and the other adjustments (including the revision of the insolvency regulations in the case of the insolvency of an issuer, the strengthening of the transparency requirements, geographical expansion of the permissible cover assets) have thus far not led to a halt in the trend of declining issue volumes for Luxembourg Pfandbriefe.

Even if the volume of new issues was significantly down in 2013 overall, covered bonds were able to strengthen their status as a long-term, high-quality capital market product. This results primarily from the regulatory advantages of covered bonds under Basel III and Solvency II. The increasing importance of covered bonds as a refinancing instrument in the global market is reflected in the structure and expansion of corresponding legislation. This is also reflected by the larger number of issuers that entered the Pfandbrief market in 2013 for the first time.

### Forecasts and other Statements on Anticipated Developments

#### Global Economic Outlook

The outlook for the global economy brightened gradually in 2013, and it has been underpinned by better economic data in the meantime. For example, the momentum of global industrial production has gained considerable speed following the weak phase at the turn of 2012/2013. This is also increasingly reflected in the positive global trading figures. Moreover, the development of most early indicators, not least also in the Eurozone, speaks for stronger growth, so that the global economic slump can be regarded as having been overcome. While risks still remain for the global economy with the gradual change in the monetary policy of the US central bank and the still high structural adjustment requirements in the Eurozone, they are not as high as in previous years, especially in view of the noticeable calming of the financial markets. This also applies with respect to turbulence that flared up in some emerging markets in

mid-2013 and in January 2014. However, notable risks arising from this development for the economic development forecast of the most important currency areas are not to be anticipated in 2014.

For 2014, an acceleration of economic recovery is expected for the USA. Gross domestic product (GDP) may well increase by nearly 3% in comparison to the previous year. On the one hand, the fiscal policy should have fewer restrictive effects. On the other hand, with further improvements on the employment market and recovery of the property market, consumers should demonstrate a significantly increased willingness to consume and spend. According to currently available surveys, companies are very optimistic. The reduction of the monthly bond purchasing amount by the Fed ("tapering") is a certain risk factor, but the US central bank should succeed in reducing the monthly purchases both gradually as well as cautiously.

### Economic Forecast: Germany and the Euro Area

The German economy has launched into a new, strong upswing. Companies and consumers alike are looking very optimistically to the near future. In the processing industries, export expectations have also increased significantly again, which may well herald a return to a higher growth in exports. The German export economy will accordingly be able to profit from the increasing global momentum again. In the wake of the economic recovery, the employment market will continue to be strong. Employment will continue to rise and unemployment figures will fall slightly over the course of the year – despite consistently high migration to the German employment market. Overall, a drop in the unemployment rate to 6.7% is anticipated in 2014. Private consumption will grow by a good 1% against this background. As long with the positive growth in employment, additional wage increases and only moderate inflationary pressure will be contributors to this. Since the inflation rate in Germany may well be significantly below 2% averaged over the year, considerable increases in real income are to be expected. Moreover, domestic demand will be determined by investments that will increase in momentum again, especially investments in equipment. Altogether, the Bank is anticipating a growth in the GDP in Germany of 2% for 2014, as compared to the previous year. Therefore Germany, as the economic locomotive of the Eurozone, will gather pace again.

The outlook for economic development in the Eurozone is currently better than ever since 2011. After two years of shrinking economic performance, GDP in the common currency area will increase by a good 1% in the current year. The most important mood indicators improved further at the beginning of 2014 and are now clearly in the growth range. Whilst the high growth differentials still remain in the current year within the common currency area, more and more countries in Southern Europe are leaving the recession behind and are at least steering towards a moderate economic recovery. The momentum will initially not be sufficient for a noteworthy reduction in the high unemployment rates in many member states. The debt crisis remains the biggest economic risk for the Eurozone, despite the calming of the financial markets that has now lasted for more than a year. In addition to some successes that have already been achieved, for example in the reduction of the current account deficits, the reduction of the financial deficit and government debt ratio remain the challenging tasks for many countries. The deficit ratio of the Eurozone will fall significantly below the 3% of GDP level again in 2014 thanks to the consolidation efforts.

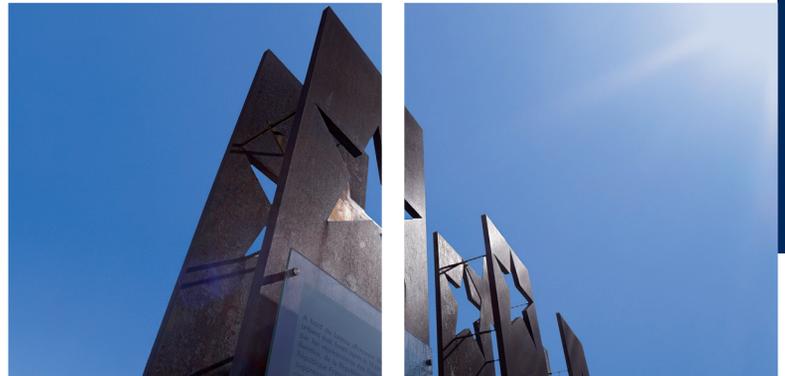
The inflation rate in the Eurozone will be lower than in Germany in 2014. This is definitely desirable as part of the structural adjustments within the common economic area. Nevertheless, the annual rate has been below 1.0% since October 2013 and has thus moved far away from the nearly 2.0% mid-term inflation target of the European Central Bank (ECB). In order to prevent fears of deflation from even emerging, the ECB is also prepared to make its monetary policy even more expansive than to date. Because the leeway in the base rates has been almost totally exhausted, unconventional measures in particular would again appear on the agenda in such a case. This also applies with respect to turbulence that flared up in some emerging markets in mid-2013 and in January 2014. However, notable risks arising from this development for the economic development forecast of the most important currency areas are not to be anticipated in 2014. Following on from very low inflation in the first half of the year, the consumer price inflation rate in the Eurozone should also rise above the 1% level again over the course of the year, as compared to the previous year. Because of the very weak monetary dynamic, however, inflation will remain slow for the medium term.

## Financial Market Development and Interest Rate Forecast

US monetary policy will initially be determined by the gradual reduction in the additional bond purchases in the current year. Since there is not likely to be an initial interest rate increase in 2014 either, despite the strong economic conditions, monetary policy will remain very expansionary for the whole year. A first increase in interest rates by the Fed will not be considered until 2015 at the earliest. Therefore, the potential for an increase in the yields of ten-year US treasuries also remains limited, even if the Bank is expecting a gradual rise to over 3% during the economic revival. The euro will drop slightly against the US dollar in 2014 due to the clear growth differential between the USA and the Eurozone. The euro is therefore expected to be at around USD 1.27 at the end of 2014.

The EUR/USD cross currency basis swap spreads have meanwhile stabilised over the whole curve within a range of between –5 and –10 base points. As a result, the ECB has been able to suspend the liquidity injection for three-month transactions again. We are anticipating a smooth, sideways spread trend in the area of –10 base points for the rest of this year. The effects of a return to a more static exchange rate of the US dollar against the euro that we are expecting and the stabilising impact of a better perception of creditworthiness in respect of the European banks will largely compensate for the spread development. The prerequisite for this, however, is that there is no further liquidity tension on the banking market.

The topic of the debt crisis in the Eurozone has taken a back seat in the financial markets. In principle, an ongoing positive prevailing mood is expected. The tapering by the US central bank could, however, certainly lead to a further alienation of capital from some emerging countries. For German government bonds, the Bank is expecting a gradual increase in yields over the course of the year once the very low inflation at the beginning of the year gradually loses its slowing effect. Due to the currently only moderate economic recovery, weak monetary dynamics and very low inflation, the monetary policy of the ECB will remain expansionary until well into 2015. Credit growth, which is weak in many countries of the Eurozone, could once again lead to a use of “non-standard” measures. The ECB would take firm action against an unwarranted increase in money market interest rates in any case. A change of course to a more restrictive monetary policy in 2014 is not yet on the agenda for the other big central banks (Bank of England, Swiss National Bank) either.



## Development of Business Segments

### Financial Markets

Sales, funding and bank controlling are the core elements of Financial Markets at NORD/LB Luxembourg. The focus continues to be on the development of sales. Financial Markets is divided into the following areas:

#### **ALM/Treasury**

ALM/Treasury is a service provider for the Group and offers solutions for all matters regarding the supply of liquidity and interest rate and currency management. It generates an additional contribution to the results within the framework of risk limits set by the Board of Directors through active management of the client flows. Securing the liquidity supply of the NORD/LB Luxembourg Group is at the forefront at all times.

ALM/Treasury is an integral component of the funding activities of the NORD/LB Group and is involved in committees and coordination processes across the whole institution. This internal service provider is characterised by a broad diversification of the refinancing sources for the lending business and a high degree of flexibility with regard to currencies, maturities and redemption structures.

Exclusive added value exists via the network developed in Switzerland. NORD/LB Luxembourg participates on behalf of the NORD/LB Group in the open market business of the Swiss National Bank via the Eurex Repo platform.

The Bank actively operates as a lender in repo transactions in order to increase its share in the collateralised lending business.

To support the control and management of the liquidity ratios and interest rate risks, the Bank also uses the trading book, primarily through derivatives. In the case of derivatives, there is a concentration on interest rate swaps, cross currency swaps and currency futures as well as currency swaps and futures. The Bank does not enter into any risks pertaining to complex derivative products.

#### **Cover Pool Management (via NORD/LB CFB)**

The strategic approach taken for the business with “lettres de gage” is aimed at utilising the regulatory advantages

of the Luxembourg Pfandbrief (covered bond) Act. In particular, these advantages are leveraged with the municipal undertakings, savings banks and institutional investors customer groups.

The covered bond business is being further strengthened from Luxembourg as a complementary component of the funding of the NORD/LB Group. The investor base is being expanded beyond this business segment.

Cover Pool Management (CPM) is responsible for the management of the cover pool and the issue of covered bonds in NORD/LB CFB. The issue of such covered bonds in accordance with Luxembourg law is carried out in cooperation with ALM/Treasury and in line with the funding requirements of the Bank and Group.

#### **Corporate Sales**

Corporate Sales works in close cooperation with NORD/LB.

Corporate Sales is a product specialist for interest rate and currency management. It identifies potential and develops proposals for individual solutions for corporate customers. As well as the acquisition of new customers, the use of cross-selling potentials within existing customer relationships in the corporate customer sector is a focus of NORD/LB. Products from both the Group and Nord/LB Luxembourg are offered.

#### **Fixed Income/Structured Products Sales**

Fixed Income/Structured Product Sales also operates in close cooperation with the Group and sells standardised and structured financial products to European institutional customers and banks.

The objectives in the standardised product segment (“flow products”) are to support primary market activities and increase the turnover ratio in the Group’s trading book. The geographical diversification of the sources of refinancing through recruiting European investors via NORD/LB Luxembourg is also intended.

Structured loan products (“non-flow products”) are developed on the basis of the business activities of the various market units of the Group. The aim here is to actively use the customer relations of the NORD/LB lending divisions in order to satisfy customer requirements for “alternative investments”.

The Bank does not enter into its own risks in the process.

## Business Development of Financial Markets

The underlying economic conditions continued to be challenging in 2013. The economic mood indicators in the euro area initially turned out to be rather disappointing, but did rise towards the end of the year under report. With the accompanying subdued price trends and the expansive policy of the central banks, the interest curves persisted at an extremely low level. Financial Markets tackled the demanding market environment in 2013 with effective interest rate management and generated a satisfactory transformation result. The central banks supplied the markets with abundant liquidity, thus giving the bond markets momentum. This was apparent in the securities portfolios used for liquidity management and led to a significant improvement in the revaluation reserve. Sales conducted within the scope of the conservative portfolio management had a positive influence on the result from financial investments.

Fixed Income/Structured Products Sales recorded a successful year with respect to the sale of standardised financial products. In cooperation with NORD/LB in primary market transactions, NORD/LB Luxembourg was able to further sharpen its profile in this still rather new initiative. The growth in the secondary market business was also pleasing. The sale of structured products is directly dependent on the available supply from the Group, and experienced a restrained year.

Corporate Sales was expanded to include another regional responsibility and now serves customers from southern Germany as well as western Germany. Business development is still on a sideways course as a result of the low interest rate level.

## Private Banking

The Private Banking Board controls all of the private banking activities of the NORD/LB Group. Under the leadership of NORD/LB Luxembourg, representatives of the relevant Group business units work together on the strategic direction of the private banking segment and coordinate the framework conditions and initiatives across the entire institution.

Private Banking at NORD/LB Luxembourg offers comprehensive support and advice to customers with internation-



al investment interests. Within the scope of the traditional customer service, experienced specialists develop holistic investment concepts in partnership with the customers. These are tailored to the customers' requirements, which arise from their personal and professional circumstances regarding investment style and horizon as well as their risk preference. In addition, the customer can select from various investment management concepts which have been developed on the basis of longstanding experience and consistent success in portfolio management. The product portfolio in Private Banking is rounded out by loans. This focus is on collateralised private customer lending based on securities, deposits and life/pension insurance.

In addition, the Bank is also active as an approved insurance broker in Luxembourg. In this context, Private Banking arranges insurance contracts which accommodate the investment and risk mentality of the customers with regard to the cover values. The Bank also acts as the asset manager for the insurance company.

Moreover, the range of services offered by the Bank also includes the design, launch and management of public funds both for the Bank's own private banking clientele as well as for the clientele of other private banking units within the Group and for external parties, if appropriate. The activities of the Bank are limited to fund management and to the role of initiator; the custodian bank and consolidated fund administration activities are outsourced to service providers. The Group-wide marketing of the fund is achieved by including representatives from NORD/LB and Bremer Landesbank in the launch of the fund via an investment committee, which can make recommendations, and a Group-wide steering committee for Private Banking for products sold jointly.

## Business Development of Private Banking

In the year under report, customers primarily focussed on pension and fund investments, which offer the prospect of a yield above the currently very moderate rate of inflation. The record values on some individual share indexes led to a reluctance with respect to direct investment in shares. Despite a sideways tendency in the depot volume, net commission income improved considerably as compared to the previous year. The volume of new lending grew at a pleasing rate in the lending business. The results from products on the liabilities side were much weaker than in the previous year. This is partly due to a declining volume as a result of the shift to the securities business, but mainly due to the erosion of the valuation rates in the short term maturity bands.

## Credit Management

The lending business is an important source of income for the Bank. As an experienced and efficient quality service provider in financing for corporate customers and structured transactions, the Bank delivers added value for the NORD/LB Group. The lending business in Luxembourg comprises the Allied Lending Business unit along with other Group units and Savings Banks guaranteed lending business. The services provided by the lending business of NORD/LB Luxembourg and NORD/LB CFB within the NORD/LB Group have a complementary character and therefore add to the range of services offered by the NORD/LB Group.

The allied lending business (including loans to municipal undertakings primarily via NORD/LB CFB) is the crucial component in the lending portfolio. Consistent high service quality, longstanding experience and efficient business processes form the basis for a successful lending business in Luxembourg, which functions as a supplement to the credit divisions of NORD/LB. The most important partners are the Corporate Customers and Structured Finance divisions of NORD/LB.

At the centre of business activities are variable interest loans and short-term fixed rate loans in particular, coupled with currency drawdown where applicable. The service is also provided within the scope of more complex consortium financing with the assumption of the role of facility agent.

The personnel and technical infrastructure of NORD/LB Luxembourg is geared to the administration of these types

of loans. NORD/LB provides a loan administration process across the locations, with specialised division of tasks and clear responsibilities.

## Business Development of Credit Management

The year under report was characterised by a very satisfactory new business development, which was significantly above the volumes of the previous years and more than compensated for premature redemptions in the portfolio. Accounts receivable purchases (single and pool purchases) are to be highlighted here. Within the NORD/LB Group, these are handled exclusively by NORD/LB Luxembourg and it was possible to expand them further in 2013. The lending business with municipal undertakings, which is principally represented at NORD/LB Covered Finance Bank S.A., is also of central importance. These receivables can be covered and refinanced by Pfandbriefe under Luxembourg law (Lettres de Gage), so that this customer group is offered attractive, competitive conditions via the Luxembourg branch. The volume was expanded as compared to the previous year.

## Outlook

In the core business divisions, the Bank will continue to offer its customers and business partners professional and reliable service in the future.

The interest rate development assumed in the planning process and increasingly more narrow leeway resulting from regulatory provisions and strictly conservative risk limits lead to a restrained growth in the classic income components in the **Financial Markets** division in comparison to the previous years (in particular the maturity transformation result). In contrast, the strategic measures to strengthen the sales activities in the NORD/LB Group have the opposite effect, leading to a considerable growth in the profit/loss from services provided. Accordingly, NORD/LB Luxembourg supports the essential objectives of the NORD/LB Group, such as the increase in the turnover rate in the trading book and the placement of risk-bearing balance sheet assets in conjunction with the simultaneous fulfilment of customer requirements for alternative investments. In addition, the geographic distribution of refinancing has further diversified by attracting European investors.

In the **Private Banking** division, NORD/LB Luxembourg pursues a growth strategy. The major expansion of volumes and

earnings is set to continue in 2014. New customer relationships are developed using active marketing of finance in the property and real estate segment and secured private customer lending. In addition, the holistic customer support approach will be pushed further into the foreground and the penetration of the existing customer relationships will also be strengthened. Increased earnings are primarily to be expected in the profit/loss of services provided and asset margins. Income on the liabilities side will tend to develop sideways in view of the consistently low level of interest rates.

In **Loans Management**, the focus in 2014 will also be the allied lending business, which will continue to pursue a growth path. The objective is to expand the successful model of cooperation in the corporate customer business to additional customer groups at NORD/LB and to consciously use the locational benefits of Luxembourg. Embedded in the customer-oriented business model of the NORD/LB Group, NORD/LB Luxembourg, together with its subsidiary, NORD/LB CFB, will continue to act as the specialist with respect to certain products and customer groups. With regard to the mid-term appraisal of the business sector, a positive economic situation and economic growth path in the relevant markets is anticipated. The covered refinancing option via NORD/LB CFB, including in longer maturity ranges, will accelerate the lending business with municipal undertakings. Growth is planned in both volume and earnings in view of the continuing good quality of the customer portfolios.

## Earnings

NORD/LB CFB's financial statements as at 31 December 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as implemented by the EU. The Bank was able to achieve a satisfactory operating result against the background of the

market environment, which remained difficult in this year under report as well. The operating result before changes in valuation, risk provision and taxes decreased as compared to the previous year, from KEUR 18,306 to KEUR 21,532, and was therefore 46 % below the figure for the previous year.

For computational reasons, the following tables may contain rounding differences.

Items on the income statement changed as follows for the period under report:

	2013 (KEUR)	2012 (KEUR)	Increase/Decrease <sup>*)</sup> (KEUR)
Net interest income	98,412	110,327	-11,915
Loan loss provisions	-9,266	-4,280	-4,985
Commission expenses/net income	-10,914	-1,484	-9,430
Profit/loss from financial instruments stated at fair value through profit or loss, including hedge accounting	3,683	24,487	-20,804
Other operating profit/loss	-1,722	-2,551	829
Administrative expenses	-48,607	-49,634	1,027
Profit/loss from financial assets	-15,637	-16,820	1,183
<b>Group profit/loss before income taxes</b>	<b>15,948</b>	<b>60,044</b>	<b>-44,097</b>
Income taxes	-795	-13,760	12,965
<b>Group profit/loss for the year</b>	<b>15,153</b>	<b>46,285</b>	<b>-31,132</b>

<sup>\*)</sup> The prefix in the Increase/decrease column indicates the effects on the results.

Net interest income decreased as compared to the previous year by KEUR 11,915 to KEUR 98,412.

Risk provisions were increased in the 2013 year under report.

Commission expenses/net income fell as compared to the previous year by KEUR 9,430 to KEUR -10,914.

Profit/loss from financial instruments stated at fair value through profit or loss shows both trading profit/loss in the true sense and profit/loss from financial instruments that are voluntarily designated under the fair value option. Profits/losses from hedge accounting are also shown here.

The other operating result is slightly negative, due in particular to internal accounting for services with NORD/LB.

The administrative expenses fell slightly in comparison to the previous year by KEUR 1,027. Personnel expenses decreased by KEUR 172.

The negative result from financial assets results primarily from direct write-downs on commitments in the "Public Administration" sector (KEUR 23,050). Positive results are attributable to the restructuring of the portfolio and targeted reduction of risk positions.

Before taxes, the Bank reported earnings of KEUR 15,948 for 2013; after taxes, the net income for the year amounts to KEUR 15,153.

The individual items comprising the result are as follows:

## Net Interest Income

	2013 (KEUR)	2012 (KEUR)	Increase/Decrease <sup>*)</sup> (KEUR)
Interest income	600,128	707,895	-107,767
Interest expense	-501,717	-597,568	95,852
<b>Net interest income</b>	<b>98,412</b>	<b>110,327</b>	<b>-11,915</b>

<sup>\*)</sup> The prefix in the Increase/decrease column indicates the effects on the results.

Both interest income and interest expense fell slightly in the year under report as compared to the previous year. This is attributable both to changes in the balance sheet structure between the reporting dates and to changes in the market interest rates. Net interest income decreased as a result of the market environment. The profit/loss from interest continues to include commitment fees from the lending business.

## Loan Loss Provisions

The level of the risk provision was further increased in the financial year.

More information on this can be found in Note (19) Loan Loss Provisions.

## Net Commission Income

	2013 (KEUR)	2012 (KEUR)	Increase/Decrease <sup>*)</sup> (KEUR)
Commission income	20,042	24,737	-4,695
Commission expense	-30,956	-26,221	-4,735
<b>Net commission income</b>	<b>-10,914</b>	<b>-1,484</b>	<b>-9,430</b>

<sup>\*)</sup> The prefix in the Increase/decrease column indicates the effects on the results.

Net commission income only includes income and expense from banking. The negative development is characterised by both a decrease in commission income compared to the previous year and higher commission expenses (especially for commission from the lending and guarantees business) on the other. This includes expenses arising from margin splitting in the case of mediatory transactions.

## Profit/Loss from Financial Instruments Stated at Fair Value through Profit or Loss and Hedge Accounting

	2013 (KEUR)	2012 (KEUR)	Increase/Decrease <sup>*)</sup> (KEUR)
Trading profit/loss	2,648	22,085	-19,438
Profit/loss from initial recording of financial instruments designated at fair value through profit or loss	0	315	-315
Profit/loss from hedge accounting	1,035	2,087	-1,051
<b>Profit/loss from financial instruments stated at fair value through profit or loss, including hedge accounting</b>	<b>3,683</b>	<b>24,487</b>	<b>-20,804</b>

<sup>\*)</sup> The prefix in the Increase/decrease column indicates the effects on the results.

The trading profit/loss mainly comprises the profit/loss from derivative transactions, which do not satisfy the restrictive criteria of hedge accounting. Opposing valuation changes in underlying transactions can therefore not be offset. The significantly positive result in the previous year results from the reversal of micro fair value hedge relationships at the NORD/LB Luxembourg Group. The opposing measurement effect of the hedged underlying transactions in the profit and loss account was eliminated in the process. The profit/loss from securities transactions was transferred to the trading result, so that the corresponding effects primarily became apparent there.

## Other Operating Profit/Loss

	2013 (KEUR)	2012 (KEUR)	Increase/Decrease <sup>*)</sup> (KEUR)
Other operating income	3,354	4,429	-1,075
Other operating expenses	-5,076	-6,980	1,904
<b>Other operating profit/loss</b>	<b>-1,722</b>	<b>-2,551</b>	<b>829</b>

<sup>\*)</sup> The prefix in the Increase/decrease column indicates the effects on the results.

The other operating income was characterised in the year under report by other income related to other accounting periods resulting from VAT refunds.

The other operating expense mainly includes expenses for accounting for services with NORD/LB (KEUR 4,617, previous year KEUR 3,275).

## Administrative Expenses

	2013 (KEUR)	2012 (KEUR)	Increase/Decrease <sup>*)</sup> (KEUR)
<b>Staff expenses</b>	<b>-24,772</b>	<b>-24,943</b>	<b>172</b>
Wages and salaries	-21,466	-21,668	202
Other staff expenses	-3,306	-3,275	-31
<b>Other administrative expenses</b>	<b>-20,493</b>	<b>-21,707</b>	<b>1,214</b>
<b>Depreciation and value adjustments</b>	<b>-3,343</b>	<b>-2,985</b>	<b>-359</b>
<b>Administrative expenses</b>	<b>-48,607</b>	<b>-49,634</b>	<b>1,027</b>

\*) The prefix in the Increase/decrease column indicates the effects on the results.

The administrative expenses, including depreciation, decreased by a total of KEUR 1,027 to KEUR 48,607. In comparison to the previous year, the other administrative expenses are lower by KEUR 1,214. This is primarily due to reduced costs for IT. Personnel expenses were slightly reduced, by KEUR 172.

## Profit/Loss from Financial Assets

	2013 (KEUR)	2012 (KEUR)	Increase/Decrease <sup>*)</sup> (KEUR)
Profit/loss from financial assets classified as LaR incl. portfolio value adjustments	-21,979	-19,242	-2,737
Profit/loss from financial assets classified as AfS (without participating interests)	6,341	-3,422	9,764
Profit/loss from repurchase of own bonds	0	5,845	-5,845
<b>Profit/loss from financial assets</b>	<b>-15,637</b>	<b>-16,820</b>	<b>1,183</b>

\*) The prefix in the Increase/decrease column indicates the effects on the results.

The negative result from financial assets results primarily from direct write-downs on commitments in the "Public Administration" sector (KEUR 23,050). Positive results are attributable to the restructuring of the portfolio and targeted reduction of risk positions.

## Income Taxes

	2013 (KEUR)	2012 (KEUR)	Increase/Decrease *) (KEUR)
Current taxes	-5,421	-8,968	3,548
Deferred taxes	4,626	-4,791	9,417
<b>Income taxes</b>	<b>-795</b>	<b>-13,760</b>	<b>12,965</b>

\*) The prefix in the Increase/decrease column indicates the effects on the results.

NORD/LB Luxembourg and NORD/LB CFB form a tax group in accordance with article 164bis of the Luxembourg income tax law.

## Appropriation of Earnings

The profit/loss of these consolidated financial statements, which are subject to commercial law, is not a benchmark for a dividend payment to the shareholders.

Please refer here to the individual financial statements of NORD/LB Luxembourg, which are subject to commercial law, and are published at [www.nordlb.lu](http://www.nordlb.lu). The dividend policy of NORD/LB Luxembourg as resolved by the shareholders meeting is detailed below for informational purposes only:

	2013	2012	2011	2010	2009
Dividends (EUR)	15,000,000.00	30,000,000.00*)	40,000,000.00	40,000,000.00	0.00
Number of shares	820,000	820,000	820,000	820,000	820,000
Dividends per share (EUR)	18.29	36.59*)	48.78	48.78	0.00

\*) Dividends totalling EUR 15.0 million were paid out in 2013 for financial year 2012. Over the course of the rest of the financial year, an additional EUR 15.0 million in dividends were paid out.

## Schedule of Assets and Financial Data

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/Decrease (EUR million)
Loans and advances to banks	2,163.1	1,693.9	469.3
Loans and advances to customers	5,174.5	5,115.0	59.5
Risk provisions	-45.6	-36.5	-9.1
Financial assets at fair value through profit or loss	244.4	264.0	-19.6
Financial assets	8,866.5	9,332.0	-465.6
Other assets	426.3	625.7	-199.4
<b>Total assets</b>	<b>16,829.2</b>	<b>16,994.0</b>	<b>-164.8</b>
Liabilities to banks	10,075.2	9,749.6	325.6
Liabilities to customers	2,788.8	2,283.3	505.5
Securitised liabilities	2,271.8	2,810.8	-539.0
Financial liabilities at fair value through profit or loss	106.5	116.7	-10.1
Provisions	17.7	10.6	7.1
Other liabilities	870.6	1,346.2	-475.6
Reported equity	698.6	676.8	21.8
<b>Total equity and liabilities</b>	<b>16,829.2</b>	<b>16,994.0</b>	<b>-164.8</b>

The balance sheet total decreased in the financial year by EUR 164.8 million to EUR 16,829.2 million. Loans and advances to banks increased by EUR 469.3 million. Loans and advances to customers rose by EUR 59.5 million. The decrease in financial assets (EUR -465.6 million) is largely due to non-callable positions and valuation changes. The financial assets stated at fair value through profit or loss include trading assets in the amount of EUR 244.4 million (previous year: EUR 264.0 million). Other assets also include the cash reserves at EUR 55.7 million (previous year EUR 75.1 million).

On the liabilities side, liabilities to banks rose considerably, by EUR 325.6 million. Liabilities to customers saw an increase of EUR 505.5 million. In contrast, securitised liabilities fell by EUR 539.0 million. Financial liabilities stated

at fair value through profit or loss consist solely of trading liabilities in the amount of EUR 106.5 million (previous year: EUR 116.7 million) as at the reporting date.

As at 31 December 2013, the reported equity of the Bank was EUR 698.6 million (previous year: EUR 676.8 million).

The NORD/LB Luxembourg Group does not have any branches and does not hold any of its own shares.

## Risk Report

The risk report for the NORD/LB Luxembourg Group as at 31 December 2013 was prepared on the basis of IFRS 7.

The NORD/LB Luxembourg Group does not enter into any noteworthy risks from complex structured derivatives.

### Risk Management

#### Risk Management – Policy

The business activities of a bank are inextricably linked to the conscious taking of risks. Efficient risk management in terms of a risk and yield oriented equity allocation is therefore a central component of modern bank management and has always been of great importance to the NORD/LB Luxembourg Group.

The risk management process implemented in the NORD/LB Luxembourg Group consists of the following levels: risk identification, risk assessment, risk reporting as well as risk management and monitoring. It is subject to continuous review and improvement in close cooperation with NORD/LB. Adjustments that may become necessary include organisational measures, revisions in the procedures for quantifying risk, and the continuous updating of all relevant parameters.

From a business point of view, the NORD/LB Luxembourg Group defines risk as being potential direct or indirect financial losses due to unexpected negative deviations between the actual and the projected results of business activity.

In order to identify risks, the NORD/LB Luxembourg Group has established a multi-stage process (risk inventory) in accordance with the Minimum Requirements for Risk Management (MaRisk) AT 2.2 and AT 4.5 in order to derive the overall risk profile, which depicts the types of risk relevant to the NORD/LB Luxembourg Group and differentiates between significant and insignificant risks for the purpose of further differentiation. Of primary importance in this connection are all relevant risk types which could significantly impair the financial status (including capital adequacy), earnings position or liquidity position of the NORD/LB Luxembourg Group.

The overall risk profile results from the business activities, which are defined in the business strategy of the NORD/LB Luxembourg Group for the Financial Markets (including Cover Pool Management), Loans Management and Private Banking segments. The overall risk profile is reviewed at least once a year as well as in relation to events (risk inventory) and adjusted if necessary.

As a result of the last risk inventory, the following risks continue to be deemed significant: credit risk, participation risk, market price risk, liquidity risk and operational risk. In addition, the following risks are deemed to be relevant: business and strategic risk (including allied risks), reputational risk, syndication risk, real estate risk and model risk. Appropriate precautions were taken for all identified risks.

According to the regulations of the supervisory legislation, institutions must have proper business organisation, which ensures adherence to the statutory provisions to be observed by the institution and its operating requirements. Proper business organisation includes the specification of strategies on the basis of procedures for ascertaining and securing risk-bearing capacity, which comprises both risks and the capital available for covering these risks. For the NORD/LB Luxembourg Group, these statutory requirements are firmly established in Luxembourg law as well as in German law.

Changed requirements for risk management emerge from the fourth amendment to MaRisk, which was published in December 2012 and came into force on 1 January 2013. An analysis of the new requirements shows that the NORD/LB Luxembourg Group already fulfils a large number of them. The outstanding items were dealt with during the year under report in coordination with NORD/LB. A final implementation deadline for the establishment of an accounting system for liquidity costs in accordance with MaRisk has been set in principle for 31 December 2013. In accordance with the minutes of the MaRisk technical forum on 18 June 2013 (Item 7), a “sense of proportion” is to be anticipated with the regulatory assessment as long as the creation of a concept has been fully completed and the delay in implementation is not due to the failings of the bank. The drafting of the liquidity transfer price system was already finished by 31 December 2013, although the implementation will last until into 2014. In addition, a gap analysis was conducted with regard to Circular 12/552 (“Central Administration, Internal Governance and Risk Management”). The implementation of the risk pricing system that has to be set

up will also take place in 2014, as will the implementation of the liquidity transfer price system. All other necessary measures, in particular the establishment of a risk management function, were successfully implemented internally at the Bank over the course of the year.

## Risk Management – Strategies

The business policy of the NORD/LB Luxembourg Group is deliberately conservative in its orientation. Accordingly, NORD/LB Luxembourg's main principle is to responsibly handle risks. The risk strategy formulated is thus in alignment with the business model, the business strategy and the specifications of the Group risk strategy and is reviewed at least once a year. It consists of the risk policy principles of the NORD/LB Luxembourg Group, the organisation of risk management, the overall risk profile and the risk sub-strategies regarding the essential bank-specific risk types.

The core element of the risk strategies is the risk-bearing capacity model (RBC model), on the basis of which the risk appetite is defined and the allocation of the risk capital to the significant risk categories is undertaken.

Through this Group-wide RBC model, it was established conservatively that, in normal cases considering the going concern as the primary control loop, a maximum of 80% of the risk capital may be burdened with risk potential. 20% of the risk capital is held as a buffer and serves to cover risks arising from stress situations in particular and risks that are not explicitly quantified. The risk situation is measured using the utilisation of the risk capital (quotient from the total risk potential and total risk capital).

The maximum allocation of risk capital to the significant risk types is also specified within the scope of the risk strategy on the basis of the RBC model. The majority of the cover volume is thereby allocated to credit risks and reflects the focus of the NORD/LB Luxembourg Group, which is on the customer-oriented lending business.

The risk strategy aims for optimum management of all significant risk categories and their transparent depiction to the company management, the supervisory bodies and other third parties with justified interests. Based on this, the NORD/LB Luxembourg Group has a large number of other instruments on an operational level, which guarantee sufficient transparency regarding the risk situation and the required limitation and portfolio diversification which can be monitored and controlled. This range of instruments

is described in detail in the risk handbook of the NORD/LB Group and the documents of the written fixed regulations of the NORD/LB Luxembourg Group, which are based on it.

During the year under report, the risk strategy was reviewed, adjusted and, following approval by the Board of Directors, discussed with and approved by the Supervisory Board.

## Risk Management – Structure and Organisation

All market and back office activities of NORD/LB CFB were integrated into NORD/LB Luxembourg as far as possible in the first half-year of 2012 as part of the realignment of the NORD/LB Luxembourg Group. The CSSF, as the competent regulatory authority in Luxembourg, agreed to and confirmed this integration, in particular with regard to the following points:

- The performance of business activities by the market units of NORD/LB Luxembourg is primarily carried out by the former staff of NORD/LB CFB, who have been provided with the relevant working contracts by NORD/LB Luxembourg.
- As a result of this shared union of personnel, NORD/LB CFB is completely integrated into the risk management and monitoring systems of NORD/LB Luxembourg. As the controlling company of the NORD/LB Luxembourg Group, NORD/LB Luxembourg is responsible for implementing the relevant mechanisms for risk management in the individual companies of the NORD/LB Luxembourg Group.
- Reporting on capital adequacy (ICAAP reporting in accordance with CSSF circular 07/301 and its addenda circulars) can be submitted to the regulatory authorities in one single document as of reporting period 2012.

In addition, as part of this realignment, the role of the board of directors within NORD/LB CFB is being exercised by the Market and Back Office Board of NORD/LB Luxembourg by way of a union of personnel. In addition to this, the role of the supervisory board in both companies is performed by the same elected representatives.

The responsibility for risk management is borne by the Board of Directors of NORD/LB Luxembourg, which also defines the risk strategy for the Group. Following the adoption of the risk strategy by the Board of Directors, it will be discussed with and approved by the Supervisory Board.

Following a relevant resolution of the full board, the risk committee at NORD/LB Luxembourg bears the responsibility for the development and monitoring of the risk strategy. This includes the monitoring of all significant risks, including risk reporting.

Risk management is subjected to continuous review and improvement. In the process, the NORD/LB Luxembourg Group applies the standard methods of the NORD/LB Group. It is subject to continuous review and improvement in close cooperation with NORD/LB. Adjustments that may become necessary include organisational measures, revisions in the procedures for quantifying risk, and the continuous updating of relevant parameters.

A risk-related organisational structure, as well as the functions, responsibilities and authorisation of the divisions that deal with risk processes, is clearly defined at the employee level. An organisational separation of market and risk management functions is established right up to and including the director level.

The following departments of the NORD/LB Luxembourg Group are involved in the risk management process:

Market/Back Office	Department
Market	Financial Markets
	Business Development
	Loans
Back Office	Finance
	Credit Risk Management
	Operation Services
	Org/IT
	Compliance
	Law
	Administration
Auditing	

The responsibility for the implementation of the RBC model, which applies to NORD/LB, the ongoing monitoring of compliance and the regular review of the risk strategies lies with Risk Controlling (Finance Division) at NORD/LB Luxembourg.

The internal auditors are responsible for the risk-related audit of the effectiveness and adequacy of the risk management system. Amongst its goals are monitoring the effectiveness, efficiency, compliance and correctness of the business activities. They also facilitate the optimisation of business processes as well as the controlling and monitoring of procedures.

As part of the ongoing further development of group-wide monitoring tools, the internal auditors at NORD/LB and NORD/LB Luxembourg work closely together using a standardised Group audit policy and an evaluation matrix for the audit findings. Cross-institutional competence centres were also set up in this regard, in order to develop complex specialised subjects and conduct audits in the Banks.

NORD/LB Luxembourg's compliance function is responsible for identifying and assessing the compliance risks within the NORD/LB Luxembourg Group. It is responsible for ensuring that the requirements related to the Internal Capital Adequacy Assessment Process (ICAAP), in particular those arising from circular CSSF 07/301 and its addenda circulars, are complied with in full conformity by the NORD/LB Luxembourg Group. The Compliance Charter of the NORD/LB Luxembourg Group describes which tasks and responsibilities were defined.

Along with the compliance function and internal auditing, the risk control function pursuant to CSSF circular 12/552 is an essential component of risk management. Following successful approval by the CSSF, the role of CRO as defined by CSSF circular 12/552 has been undertaken since 1 December 2013 in the NORD/LB Luxembourg Group by the Director of Finance. The CRO reports directly to the risk committee. The main duty of the risk control function is to review compliance with all internal regulations and procedures which fall under their sphere of responsibility, to assess their adequacy with a view to the organisational structures and procedures, the strategies, business activities, risks of the bank and the pertinent statutory and regulatory provisions and give an account of this directly to the Board of Directors and Supervisory Board. The findings of this review are incorporated in a report on the risk control function that must be produced annually.

The handling of new products, new markets, new distribution channels, new services and their variations is regulated within the scope of the New Product Processes (NPP). The essential aim of the NPP is for all potential risks for the NORD/LB Luxembourg Group to be identified, analysed and

assessed prior to the commencement of the business. Associated with this is the integration of all necessary audit areas and documentation of new business activities, their treatment in the overall operational process, the decisions regarding the commencement of the business and any associated restrictions.

All procedures and responsibilities which are relevant to the risk management process are documented in the risk handbook of the NORD/LB Group and in the working directives of the NORD/LB Luxembourg Group.

### Risk Management – Risk-bearing Capacity Model

The risk-bearing capacity model forms the methodological basis for monitoring adherence to the NORD/LB Luxembourg Group's risk strategy. Monitoring is carried out by the Risk Controlling division of NORD/LB Luxembourg.

The objective of the model is the aggregated presentation of the risk bearing capacity (RBC) within the scope of a comparison of the risk potential arising from the main risks and the risk capital. Through the regular monitoring and reporting process, it is ensured that the competent governing bodies are informed promptly of the risk-bearing capacity situation of the NORD/LB Luxembourg Group. This model serves to secure risk-oriented corporate management.

The NORD/LB Group employs a scenario-based RBC model, which also fulfils the requirements of the ICAAP in accordance with Basel II. Besides providing the required proof that an adequate amount of capital is available, the model also serves to verify consistency between risk strategies and specific business activities.

The RBC model consists of the three perspectives of going concern, gone concern and regulatory, in each of which the significant risks (risk potential) are compared with the defined risk capital.

The going concern case represents the authoritative control loop for the assessment of the risk-bearing capacity and the adequacy of the equity position (ICAAP). The overarching guiding principle of this primary control loop is the independent going concern on the basis of the existing business model, even if all the available cover pool has been drained by risks that have been incurred. In the going concern approach, economically calculated risk potentials are set against risk capital, which is determined in the course of a consideration of the bottleneck of the free regu-

latory capital at fixed minimal ratios (total capital and core capital) and adjusted by adding further risk capital effects within the scope of a dynamisation process at a standard confidence level of 95 %.

The second level of assessment is represented by the gone concern approach and constitutes a secondary condition within the RBC model. The gone concern approach takes a higher confidence level of 99.9 % into consideration on the risk potential side and sets the relevant economically calculated risk potentials against a risk capital that is based on the full regulatory capital. The risk capital is again adjusted in relation to various aspects here. If the capital needed to cover the risks is used up, a continuation of the Bank would in principle no longer be possible under otherwise unchanged assumptions.

The third level of consideration of the RBC model, "Regulatory", reproduces the official regulatory report on capital adequacy and accordingly takes into account the risk potentials determined in accordance with regulatory guidelines. The regulatory consideration constitutes a strict secondary condition within the RBC model.

The structure of the RBC model provides for the gone concern approach to act as a stimulus for the going concern approach that is crucial in the assessment of the risk-bearing capacity. Direct management-relevant stimuli come from the going concern approach, however.

When determining the risk-bearing capacity, risk concentrations are also taken into account, both within a risk category and across risk categories. Concentrations within a risk category mainly relate to credit risks as the most important risk category of the NORD/LB Luxembourg Group. These are integrated into the RBC model via the internal credit risk model and flow into the economic risk potentials.

Concentrations across risk categories are taken into account via stress tests. When selecting the stress scenarios, the business and risk focuses of the NORD/LB Group are initially utilised as selection guidelines. Amongst others, this includes selecting sectors, segments, regions and customers that have a decisive influence on the risk situation of the Group. These risk concentrations are regularly determined, reported and monitored with targeted stress tests in the context of risk-bearing capacity.

The relevant scenarios are ascertained at NORD/LB Group level and are to be applied as a standard across all individual companies, in order to ensure comparability between the

banks and to ensure that it is possible to aggregate them into group values. The specific business and risk focuses of the NORD/LB Luxembourg Group are taken into account via the bank-specific scenarios.

In addition to the stress tests, which relate to all risk types, topics are addressed through an interview procedure, which covers a wide range of positions in the NORD/LB Luxembourg Group, behind which marked concentrations could be concealed. These are prioritised and subjected to a detailed scenario analysis if they are of significant importance. This scenario analysis is initially detached from the assumptions made regarding concentration and diversification during the measurement of risk potentials. To this extent, the procedure constitutes an additional, independent approach to measuring concentrations. The objective is to develop scenarios that can identify and record all major consequences for the key figures of the NORD/LB Luxembourg Group.

Pursuant to both the requirements of MaRisk (AT 4.3.3) and of Circular CSSF 11/506 of 11 March 2011, inverse stress tests are to be carried out for the NORD/LB Luxembourg Group. Inverse stress tests examine which events could threaten the ability of the NORD/LB Luxembourg Group to survive because the original business model would prove

no longer viable or sustainable, or there would be insufficient equity or liquidity, for example. Inverse stress tests complement the other stress tests in that unfavourable event or combinations of unfavourable events which could lead to such a situation are imputed. Stress tests are carried out on an annual basis using standard methods across the Group.

The quarterly reports prepared by Risk Controlling on the risk-bearing capacity (RBC reports) constitute the main instrument for risk reporting to the Board and the supervisory bodies at the overall Bank level. These are used to regularly check compliance with the specifications of the risk strategy regarding the appetite for risk and allocation of the risk capital to the primary risk categories. Furthermore, the risk-bearing capacity is always assessed during the regular supervisory board meetings.

### Risk Management – Development in 2013

For the NORD/LB Luxembourg Group, the level of utilisation in the going concern scenario was considerably below the maximum utilisation of 80 % over the whole year. The risk-bearing capacity was therefore met.

The utilisation of risk capital in the going concern scenario for the NORD/LB Luxembourg Group is shown in the following table:

EUR million	Risk-bearing Capacity 31.12.2013		Risk-bearing Capacity 31.12.2012	
<b>Risk capital</b>	<b>308.5</b>	<b>100 %</b>	<b>288.4</b>	<b>100 %</b>
Credit risks	49.4	16 %	50.5	18 %
Participation risks	0.0	0 %	0.0	0 %
Market Price risks	20.6	7 %	14.9	5 %
Liquidity risks	10.0	3 %	9.9	3 %
Operational risks	2.4	1 %	2.3	1 %
<b>Total risk potential</b>	<b>82.4</b>		<b>77.6</b>	
<b>Utilisation</b>		<b>27 %</b>		<b>27 %</b>

The NORD/LB Luxembourg Group has not entered into any significant new risk positions over the course of the year so far. In terms of the credit, liquidity and operational risks, the risk potentials have only changed very slightly as compared to 31 December 2012. The increase in market price risks,

which mainly results from positions entered into within the scope of interest rate management, is fully compensated by the rise in risk capital, and thus the utilisation level in the NORD/LB Luxembourg Group remains unchanged at a comfortable 27 %.

## Risk Management – Outlook

At the end of the first quarter of 2014, the risk-bearing capacity model of the NORD/LB Group will be converted to an IFRS-based logic.

A comprehensive revision of the “stress landscape” of the NORD/LB Group is currently underway. The RBC scenarios are also being integrated into this. The aim is to expand the scenario analyses into a fundamental pillar of the management process within the scope of the new concept. Implementation is scheduled for 2014. The NORD/LB Luxembourg Group is involved in the improvement and is revising the bank-specific stress scenarios within this framework.

In addition, a reorganisation of the executive bodies in the NORD/LB Luxembourg Group is planned in order to increase efficiency through a closer exchange of specialist information. Another focus of risk management in 2014 will be the implementation of the new requirements of CRR and CRD.

## Credit Risk

Credit risk is a component of counterparty risk and is subdivided into classic credit risk and counterparty risk in trading. The classic credit risk describes the risk of a loss occurring because of the default or decline in creditworthiness of a borrower. The counterparty risk in trading describes the risk of a loss occurring because of the default or decline in creditworthiness of a borrower or contractual partner in trading transactions. This is sub-divided into the default risk in trading, replacement, settlement and issuer risks:

- The default risk in trading describes the risk of a loss occurring because of the default or decline in creditworthiness of a borrower. It is equivalent to the classic credit risk and relates to money market transactions.
- The replacement risk describes the risk of the contracting partner defaulting in a pending transaction with positive present value and this transaction with a loss must be replaced.
- The settlement risk is broken down into the advance delivery risk and the final settlement risk. The advance delivery risk describes the risk of there being no compensation by the contracting partner following the Bank’s own performance when a transaction is settled or of the com-

pensation not being paid upon netting of the payments. The processing risk describes the risk of it not being possible to settle transactions mutually at or after the contractually agreed-on time of fulfilment.

- The issuer risk describes the risk of a loss being incurred as a result of the default or decline in creditworthiness on the part of an issuer or a reference debtor.

Along with the original credit risk, there is a country risk (transfer risk) associated with international transactions. This includes the risk of a loss occurring because of overriding state restraints, despite the ability and willingness of the counterparty to fulfil its payment obligations.

## Credit Risk – Management

### Strategy

For the NORD/LB Luxembourg Group, the lending business and the management of credit risks represent a core competence, which must be continuously further developed and expanded. It goes without saying that the NORD/LB Luxembourg Group must position itself in relation to customers as a reliable universal and covered finance bank with a focus on the lending business.

The lending business of the NORD/LB Luxembourg Group is focussed on the cooperative/transfer lending business with NORD/LB. There has been a successful and trusting cooperation for many years in this field.

The range of products comprises the spectrum of classic lending products in all major currencies. The services on offer include the entire spectrum of loan servicing and management services, including assumption of the facility agent function.

In the Private Banking sector, NORD/LB Luxembourg issues loans in exchange for assets within the scope of the secured private customer lending. Furthermore, the Bank offers customers with a private banking background financing for property. Cover is provided by means of land charges or similar securities.

The NORD/LB Luxembourg Group also concentrates on business with good counterparties in the capital market business. Credit risks in the Financial Markets segment are managed within the ALM/Treasury organisational unit.

### Structure and Organisation

In accordance with the requirements of the Luxembourg bank supervisory authorities, lending business processes are characterised by a clear organisational separation of the front and back office, right up to the Board level.

The Loan Management (Lending – Market segment) and Credit Risk Management (Lending – Back Office), Finance, Financial Markets and Business Development divisions in particular are integrated into this system.

The Board of Directors is responsible for the general credit risk management of the portfolio. It is supported in this by the credit risk committee, which creates the connection between the individual loan decision and portfolio management as well as an analysis across all types of risk. To this end, the credit risk committee recommends various instruments to the Board of Directors, such as the ordering of an acquisition stop, the limitation of national, industrial or borrower-related risks or the placement of exposures or sub-portfolios.

### Credit Risk – Control and Monitoring

The management of the lending portfolio focuses on opportunities and risks. With regard to the early detection of crisis situations, structured procedures and processes for the standardised collection of risk-related information and its transformation into counter measures are used within the scope of the risk management process. In the context of credit risk, there are appropriate processes, systems and guidelines on the early identification of risks at both the portfolio and individual borrower levels. Taking into consideration existing risk limits, qualitative early warning indicators are derived on the basis of this standardised infrastructure for the purpose of identifying crisis situations and initiating risk mitigation measures.

NORD/LB Luxembourg Group's credit risk management is based on the concepts of NORD/LB and is continuously improved in accordance with economic and regulatory criteria and if necessary adjusted to each bank's specific characteristics.

In order to assess the credit risk of individual borrowers, a rating or credit rating category is determined for each borrower through an initial or annual creditworthiness assessment or on an ad-hoc basis and provided to the NORD/LB Luxembourg Group.

In order to control the risks at individual transaction level, specific limits are set for each borrower within the scope of the operational limiting, which act as an upper lending limit. Significant parameters for deriving these limits are the creditworthiness of the debtor expressed as a rating and the free funds available to it to operate the debt service.

Risk concentrations and correlations at the portfolio level are mapped as part of the quantification of the credit risk potential in the credit risk model. Moreover, risk concentrations at NORD/LB Group level are limited and monitored via "strategic limiting" for the identification and monitoring of risk concentrations at the country and sector level as well as on the basis of borrower units within the scope of the large exposure management limit model. In addition to this superordinate limiting, there is also limiting of counterparty, country and sector concentrations at the NORD/LB Luxembourg Group level based on the risk-bearing capacity of the NORD/LB Luxembourg Group. The independent monitoring of the portfolio in relation to strategic and operational standards is performed by NORD/LB Luxembourg's Finance division.

### Credit Risks – Securitisation

Securitisation transactions are subject to a strict approval and monitoring process in the NORD/LB Luxembourg Group, so that potential risks before and after the conclusion of the contract can be identified and managed.

In order to measure securitisations within the scope of determining the capital requirement, the NORD/LB Luxembourg Group applies the standard regulatory approach (KSA) or the IRB approach, depending on the underlying receivables pool.

In the year under report, NORD/LB Luxembourg acted as sponsor and investor for two securitisations for the first time as part of its allied business with NORD/LB. As sponsor, NORD/LB Luxembourg provides a liquidity facility to improve the credit quality of the Asset-Backed Commercial Paper (ABCP) Conduit programme of NORD/LB. In addition, the Bank acts as an investor within the scope of purchase of receivables. This exposure is fully guaranteed by NORD/LB. From the Bank's viewpoint, the two aforementioned securitised positions are to be rated as posing less of a risk.

NORD/LB CFB continues to have no securitised positions in its portfolio.

## Credit Risks – Assessment

Credit risks are quantified on the basis of the “Expected Loss” and “Unexpected Loss” risk figures. Expected loss is determined on the basis of one-year default probabilities taking into account recovery rates or resultant loss ratios.

The unexpected loss for the credit risk is quantified across the NORD/LB Luxembourg Group with the aid of an economic credit risk model for different confidence levels and a time horizon of one year. The credit risk model used by the entire NORD/LB Group incorporates correlations and concentrations into the risk assessment and is subject to an annual review and validation.

The credit risk model determines the unexpected loss at the level of the overall portfolio. The model used is based on the basic model CreditRisk+. It involves representing systematic sector influences on the distribution of loss using correlated sector variables. The estimate of the probability of default (PD) draws on the internal rating procedure. The loss quotas (loss given default or LGD) are defined on a transaction-specific basis.

The credit risk model works with a simulation process, which also takes into account specific interdependence among the borrowers themselves, e.g. on the basis of group structures. In addition to losses through default, losses which could emerge from rating migrations are also taken into account.

The methods and procedures for quantifying risk are coordinated among the main companies in the NORD/LB Group in order to ensure a standardised approach within the Group. The current risk management and control procedures are carried out for the NORD/LB Luxembourg Group by the Finance and Credit Risk Management divisions of NORD/LB Luxembourg, taking into account any characteristics specific to the individual banks.

## Credit Risks – Reporting

As part of the management information system, the Finance division drafts a counterparty risk notification on a monthly basis at the level of the individual bank and the NORD/LB Luxembourg Group and a more detailed quarterly counterparty risk report for the Board of Directors and for the members of the credit risk committee in order to make existing risks or risk concentrations transparent at an early state and if require, initiate any necessary measures. The counterparty risk report of the NORD/LB Luxembourg Group is also sent to the Supervisory Board. The counterparty risk reports are discussed at the meetings of the supervisory board.

The counterparty risk reports contain a detailed and comprehensive presentation and analysis of the counterparty risk at the NORD/LB Luxembourg Group and individual bank levels according to various aspects. The counterparty risk report also features a stress test. The exposure considered comprises the whole of the assets, including contingent liabilities and commitments as well as derivatives and repo transactions. The counterparty risk reports are based on the data from the regulatory reporting process. The NORD/LB Luxembourg Group performs all of the above processes on the basis of the IRB base rate.

The monthly Credit Risk Watchlist is prepared by Credit Risk Management for the purpose of monitoring borrowers with poor credit ratings. The list is prepared and commented on at the NORD/LB Luxembourg Group level.

## Credit Risk – Development in 2013

The maximum credit default risk amount for reported and off-balance sheet financial instruments is EUR 18.0 billion as at the reporting date and dropped slightly by 1.3 % in 2013.

Risk-bearing Financial Instruments EUR million	Maximum Default Risk Amount	Maximum Default Risk Amount
	31.12.2013	31.12.2012
Loans and advances to banks	2,163.1	1,693.9
Loans and advances to customers	5,174.5	5,115.0
Financial assets stated at fair value through profit or loss	244.4	264.0
Fair values from hedge accounting	269.8	433.4
Financial assets	8,866.5	9,332.0
<b>Sub-total</b>	<b>16,718.3</b>	<b>16,838.3</b>
Liabilities from guarantees and indemnity agreements and irrevocable loan commitments	1,260.9	1,383.7
<b>Total</b>	<b>17,979.2</b>	<b>18,222.0</b>

In comparison to the following tables on overall exposure, which are based on the data provided internally to management, the maximum credit default risk amount in the above table is shown at book value.

The differences between the total of the overall exposure according to internal reporting and the maximum credit default risk amount result from the different areas of application, from the definition of the overall exposure for internal purposes and from different accounting and valuation methods.

The basis for the calculation of the credit exposure is the drawdown (in the case of guarantees, the nominal value; in the case of securities, the book value) and the credit equivalents from derivatives (including add-on and taking netting into account). Irrevocable lending commitments are included in the credit exposure at 45 % and revocable lending commitments at 25 %, while securities are not taken into account.

### Analysis of Credit Exposure

The credit exposure as at 31 December 2013 amounts to EUR 21.7 billion and has therefore risen by 2.1 % in comparison to the previous year.

The NORD/LB Luxembourg Group uses the standard IFD rating scale, which has been agreed upon by the banks, savings banks and associations who have joined up in the Initiative Finanzstandort Deutschland (IFD – Initiative of the Financial Centre Germany) in order to classify the credit exposure according to rating categories. This has been designed to improve the comparability of the various rating levels of the individual financial institutions. The rating categories of the 18-tier DSGV rating master scale used as standard in the NORD/LB Luxembourg Group can be transferred directly into the IFD categories.

The following table shows the rating structure of the entire credit exposure – divided into product categories and the totals compared with the structure of the previous year:

Rating Structure <sup>1) 2)</sup> EUR million	Loans <sup>3)</sup>	Securities <sup>4)</sup>	Derivatives <sup>5)</sup>	Other <sup>6)</sup>	Total	
					31.12.2013	31.12.2012
Very good to good	9,533.7	8,110.3	251.7	0.0	17,895.7	17,820.7
Good/satisfactory	1,281.7	857.8	1.9	0.0	2,141.5	1,456.7
Still good/adequate	227.0	290.4	3.6	0.0	521.0	976.3
Increased risk	557.8	166.7	2.6	0.0	727.0	571.3
High risk	51.1	81.1	0.0	0.0	132.2	123.2
Very high risk	51.1	0.8	0.0	0.0	51.9	83.1
Default (= NPL)	175.1	11.5	1.6	0.0	188.2	184.8
<b>Total</b>	<b>11,877.5</b>	<b>9,518.5</b>	<b>261.4</b>	<b>0.0</b>	<b>21,657.4</b>	<b>21,216.0</b>

1) Classification in accordance with IFD rating categories

2) Differences in amount are rounding differences

3) Includes loans taken up or loan commitments, guarantees and other non-derivative off-balance sheet assets, the irrevocable credit commitments being included at 45 % and the revocable ones at 25 %, as in the internal reporting

4) Includes the Bank's own portfolio of securities of external issuers (investment 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 administrative loans

The majority of total exposure (82.6 %) is in the “very good to good” rating category. The proportion of this rating, the best rating category, in the total exposure continues to be very high due to the large volume of business conducted with financing institutions and public administrative offices.

The classification of total credit exposure into sectors is as follows:

Sectors <sup>1) 2)</sup> EUR million	Loans <sup>3)</sup>	Securities <sup>4)</sup>	Derivatives <sup>5)</sup>	Other <sup>6)</sup>	31.12.2013	Total 31.12.2012
Financial institutes/insurers	7,229.3	5,467.7	244.3	0.0	12,941.3	12,810.6
Service industry/other	1,560.1	3,613.5	6.0	0.0	5,179.6	5,047.9
of which real estate and residential	363.8	0.0	0.0	0.0	363.8	425.2
of which public administration	17.0	3,607.3	0.2	0.0	3,624.4	3,654.9
Transport/communications and information transmission	487.8	107.1	0.0	0.0	594.9	617.9
of which shipping	22.4	0.0	0.0	0.0	22.4	13.7
of which air transport	26.3	0.0	0.0	0.0	26.3	29.7
Processing industry	1,386.2	0.0	5.7	0.0	1,391.9	1,421.3
Energy, water supply, mining	892.8	330.3	2.3	0.0	1,225.5	984.6
Trade, maintenance, repair	282.9	0.0	3.1	0.0	286.1	289.8
Agriculture, forestry and fishing	3.6	0.0	0.0	0.0	3.6	4.4
Construction industry	34.6	0.0	0.0	0.0	34.6	39.6
Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>11,877.5</b>	<b>9,518.5</b>	<b>261.4</b>	<b>0.0</b>	<b>21,657.4</b>	<b>21,216.0</b>

1) Classification same as internal reporting according to economic criteria

2) to 6) See previous table on rating structure

The table shows that the generally relatively low-risk business with financial institutions/insurance companies, at an overall proportion of 59.8 %, continues to make up a significant share of the overall exposure. Including public administration, the proportion of the overall exposure amounts to 76.5 %.

A breakdown of the total credit exposure by region is as follows:

Regions <sup>1) 2)</sup> EUR million	Loans <sup>3)</sup>	Securities <sup>4)</sup> 31.12.2013	Derivatives <sup>5)</sup>	Other <sup>6)</sup>	31.12.2013	Total 31.12.2012
Euro states	9,840.3	6,423.9	156.6	0.0	16,420.8	15,980.5
of which Germany	6,374.0	2,678.6	142.2	0.0	9,194.8	11,146.8
Other Europe	1,096.6	1,182.6	68.6	0.0	2,347.9	2,170.4
North America	800.7	1,535.3	36.1	0.0	2,372.1	2,712.3
Central and South America	6.1	13.0	0.0	0.0	19.1	68.1
Middle East/Africa	102.4	0.0	0.0	0.0	102.4	9.0
Asia/Australia	31.4	363.7	0.1	0.0	395.2	275.7
Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>11,877.5</b>	<b>9,518.5</b>	<b>261.4</b>	<b>0.0</b>	<b>21,657.4</b>	<b>21,216.0</b>

1) Classification same as internal reporting according to economic criteria

2) to 6) See previous table on rating structure

The NORD/LB Luxembourg Group invests almost exclusively in economically strong regions. The country risk tends to be of low importance due to the good country ratings. The Eurozone, with a high proportion (75.8%) of loans, continues to be the most important business region by far.

### Non-performing Loans (NPL)

In accordance with the impairment policy, specific value adjustments are established within the NORD/LB Luxembourg Group for acute borrower's default risks in the event of the presence of objective indications. Loan loss provision requirements are based on a cash equivalent consideration of anticipated interest and redemption payments as well as on earnings from the realisation of collateral.

The latent borrower's default risk for the total amount of reported and off-balance-sheet transactions for which there is no specific value adjustment is accounted for by means of portfolio-based provisions (portfolio-based loss provisions or provisions in the lending business) for impairments which have already occurred, but were not known at the reporting date.

The NORD/LB Luxembourg Group's risk provision (including loan loss provisions) totals EUR 55.3 million on the reporting date and in addition to portfolio-based loss provisions in the amount of EUR 5.0 million, includes specific value adjustments in the sum of EUR 40.6 million. EUR 22.9 million of this is attributable to two borrowers from the service in-

dustry and EUR 10.8 million to one borrower from the processing industry sector. The remaining EUR 6.9 million are spread over three borrowers from various sectors.

In addition to this, loan loss provisions were established in the amount of EUR 9.6 million.

### Credit Risk – Outlook

In 2014, measures are planned for the further optimisation of the models for quantifying and controlling credit risks. As well as further developing the economic credit risk model (including implementing idiosyncratic migrations and expanding the sector schematic), the loss data collection for the validation of the LGD and Credit Conversion Factor (CCF) components will also be further expanded.

In order to provide consistency between the presentation of the credit risks in the risk-bearing capacity and counterparty risk reports, the counterparty risk report will be converted into economically determined key risk figures (expected loss, unexpected loss) in 2014.

## Participation Risk

Participation risk is also a component of counterparty risk. It describes the risk that losses may arise by providing equity to third parties. In addition, participation risk also includes the risk of a potential loss due to other financial obligations, if it has not been taken into account in other risks.

Along with original participation risk, a country risk (transfer risk) arises in connection with international capital services.

### Participation Risk – Management

#### Strategy

The essential motive behind the investment strategy of the Group's parent company, NORD/LB Luxembourg, is to secure and strengthen its own market position. The secondary aim is to suitably complement the business activities of the NORD/LB Group. Participating interests with no relation to the banking industry are not part of the focus of the business model.

NORD/LB Luxembourg's interests in relation to the investments are mainly protected using centrally-specified key economic figures or definite terms of reference. The objectives are the effective control of the NORD/LB Luxembourg Group and the guarantee of transparency towards third parties.

#### Structure and Organisation

In terms of organisation, participation controlling is located in the Finance division, which monitors the participation risk in cooperation with other divisions and supplies the necessary information to the management units. In addition, the Nord/LB Luxembourg Group's internal auditing is integrated into the monitoring of the participations in its function as group auditor. The implementation of the guidelines is ensured via seats on the main governing bodies of the subsidiaries (union of personnel on the board).

The risks that arise from entering into participation are controlled and monitored by the NORD/LB Luxembourg's Board of Directors.

### Participation Risk – Control and Monitoring

Participating interests are monitored regularly by analysing reports drawn up during the year, interim and annual financial statements and audit reports prepared by the external auditors. The NORD/LB Luxembourg Group exercises the control function by assigning representatives of NORD/LB Luxembourg to operational mandates in the companies or by exercising its Administrative Board function. Moreover, the NORD/LB Luxembourg Group has established committees, in which the control-relevant topics are also discussed.

With regard to the operational integration and control of companies in which the extensive union of personnel has been established (NORD/LB CFB subsidiary), reports similar to their own risk reports are prepared by NORD/LB Luxembourg itself. The business activities of Skandifinanz AG were reduced in an orderly fashion starting in the third quarter of 2010, so that active business activities are no longer undertaken. The participation is no longer strategically relevant. Moreover, the NORD/LB Luxembourg Group is continually informed of any decisions relevant to participation by NORD/LB.

The individual banks in the NORD/LB Luxembourg Group are integrated into the control of the risk-bearing capacity via the review procedure: the key figures are quantified and the risk-bearing capacity monitored at the consolidated level. Isolated participation risk is not measured.

### Participation Risk – Development in 2013

The composition of the investment portfolio remained unchanged in the 2013 reporting year.

## Market Price Risk

Market price risks are potential losses which may be incurred as a result of changes in market parameters. The NORD/LB Luxembourg Group divides the market price risk into interest rate risk, currency risk, volatility risk, fund price risk and credit-spread risk.

The interest rate risk consists of the general interest rate risk and specific interest rate risk components. A general interest rate risk will always occur when the value of a position or portfolio reacts to changes in one or more interest rates or to changes in complete interest rate curves and these changes could result in an impairment of the position. The credit spread risk in the trading portfolio and the liquidity reserve is also subsumed under interest rate risk.

According to the regulatory definition, potential changes in value are subsumed in the specific interest rate risk, and can arise due to rating migrations or from the failure of issuers (in the case of securities) or the reference entity (in the case of credit derivatives). In the NORD/LB Group, it is understood as the specific interest rate risk of the issuer risk.

The interest rate risk is therefore equivalent to the general interest rate risk as the NORD/LB Group defines it. Therefore, no distinction is made in the internal reports of the NORD/LB Group between the interest risk and the general interest rate risk.

Currency risks (or exchange rate risks) arise when the value of a position or portfolio reacts sensitively to changes in one or more currency exchange rates and if changes to the exchange rates could impair the position.

The volatility risk describes the risk that the value of an option position might react to potential price changes resulting from market movements in the volatilities used to value the option, and that these changes could lead to a reduction in value of the position.

The fund price risk describes the risk that the value of a position may react to changes in one or more fund prices and the changes in the fund price could lead to a value reduction of that position.

The credit spread risk denotes potential price changes which arise if the credit spread applicable to the respective issuer, borrower or reference debtors and used in terms of the market valuation of the position changes.

## Market Price Risk – Management

### Strategy

The activities associated with market price risks at the NORD/LB Luxembourg Group are concentrated on selected markets, customers and product segments. The positioning in the money, foreign exchange and capital markets should correspond to the importance and size of the NORD/LB Luxembourg Group and is primarily oriented on the needs of the clients and the support of the overall bank management. The NORD/LB Luxembourg Group does not operate any opportunistic positioning beyond this.

The focus of the trading activities is on interest rate products and in particular in the Financial Markets segment. The biggest risk positions result from interest rate derivatives and securities. The aim is to generate results within the scope of the established market price risk limits from maturity transformation and from credit spreads and to participate in the general market developments within the framework of these risk limits.

### Structure and Organisation

All divisions that manage market price risk bearing positions and bear gains and losses arising from market changes are included in the process of controlling market price risks.

The market price risks are managed operationally by Trade or the ALM/Treasury business unit at NORD/LB Luxembourg. The strategic control of market price risks is supported by the Asset Liability Committee (ALCO). The ALCO is an advisory body, which meets six times a year and defines the framework conditions for the strategic control of the market risk positions, liquidity and interest rate risk positions and the investment books in the NORD/LB Luxembourg Group. At the same time, the focus is on the goal of profitability optimisation of the risk capital tied into the positions.

The ALCO prepares recommendations for action as a decision basis for the board of directors, taking into account the (current) market situation and its effects on the liquidity and funding situation.

Monitoring of the risks is carried out by Risk Controlling (Finance division).

In accordance with national requirements and the German MaRisk, Risk Controlling operates independently of the divisions responsible for market price risk management, in terms of both function and organisation, and performs various monitoring, limiting and reporting activities for the NORD/LB Luxembourg Group.

## Market Price Risk – Control and Monitoring

In order to control and monitor, including limiting, the market price risks of the NORD/LB Luxembourg Group, a standardised Value-at-Risk (VaR) procedure is used for all portfolios within the NORD/LB Group. The VaR limit for market price risks is derived overall from the RBC model. Competency for the allocation to sub-limits for individual portfolios is delegated by resolution of the Board of Directors to the heads of Financial Markets and Finance.

Compliance with the limits is monitored by Risk Controlling. Any possible losses are set off against separate loss limits and lead to a reduction in the VaR limits based on the principle of self-depreciation. Correlation effects between the portfolios are taken into account both in the VaR calculation and in the derivation of the sub-limits.

## Market Price Risk – Assessment

The value-at-risk key figures are determined for both individual banks on a daily basis using the method of historical simulation. In the process, a group-wide standard unilateral confidence level of 95% and a holding time of one trading day are applied or 250 days in the case of the credit spread value-at-risk. Each month, Risk Controlling produces another VaR calculation at the consolidated level of the NORD/LB Luxembourg Group on the basis of the aforementioned parameters as well as within the scope of calculating the risk-bearing capacity.

The VaR analysis is based on historical changes to risk factors over the last twelve months. The models take account of correlation effects between the risk factors and sub-portfolios.

VaR models are especially suitable for measuring market price risks in normal market environments. The method of historical simulation used is based on data relating to past events and to this extent depends on the reliability of the time series used. The VaR is calculated on the basis of the portfolios received by the end of the day and therefore

does not cover possible changes in positions occurring during the day.

The prediction quality of the value-at-risk model (VaR and CSVaR) is verified with comprehensive backtesting analyses. This involves the comparison of the daily change in value of the respective portfolios with the value-at-risk of the previous day. A “backtesting” outlier occurs if the negative change in value observed exceeds the value-at-risk.

In the year under report, the number of outliers in relation to the VaR and CSVaR at the overall bank level according to the Basel approach is in the green region at NORD/LB Luxembourg.

In the year under report, with regard to the VaR at the overall bank level, the number of outliers in NORD/LB CFB was in the red for the first time. Within the scope of the model analysis subsequently conducted by Risk Controlling, an error was detected in the depiction of the bond options in RiskManager (software for determining the VaR), which will be rectified in the first quarter of 2014 by the pertinent software company. In order to guarantee a conservative risk measurement, an add-on amount for the options portfolio is calculated and added to the overall bank VaR. The add-on is adjusted weekly.

Within the scope of backtesting the CSVaR, the outlier ratio at NORD/LB CFB was in the amber range in the reporting year. Therefore, the procedure is currently under special observation by Risk Controlling, the last outlier occurred on 25 October 2013.

In addition to the VaR, the effects of extreme market changes on the risk positions are investigated within the scope of monthly stress test analyses. For each of the market price risk types – interest, currency, fund price and volatility risks – various stress scenarios were defined for this purpose, which approximately reflect the average of the highest observed changes for the respective risk factors and are combined into cross-market price risk type scenarios. The risk factors under consideration were selected at the Group level and likewise reflect the major risks for the NORD/LB Luxembourg Group.

In addition, interest rate sensitivities are calculated on a daily basis. These are reported in the daily report in aggregated form for each currency at the level of the individual portfolios, for the various product types and in maturity bands.

## Market Price Risks – Reporting

In accordance with MaRisk, Risk Controlling, which is independent of the areas responsible for the positions, reports the market price risks (VaR and CSVaR) to the relevant heads of the departments (Head of Financial Markets and the Board of Directors) on a daily basis.

As well as the Value-at-Risk analyses, the department heads are informed on a monthly basis regarding the CSSF stress test as well as the effects of additional stress scenarios and the results of the backtesting.

The entire Board of Directors is informed comprehensively on a daily basis with regard to the market price risks and the earnings position. Reporting also takes place in the

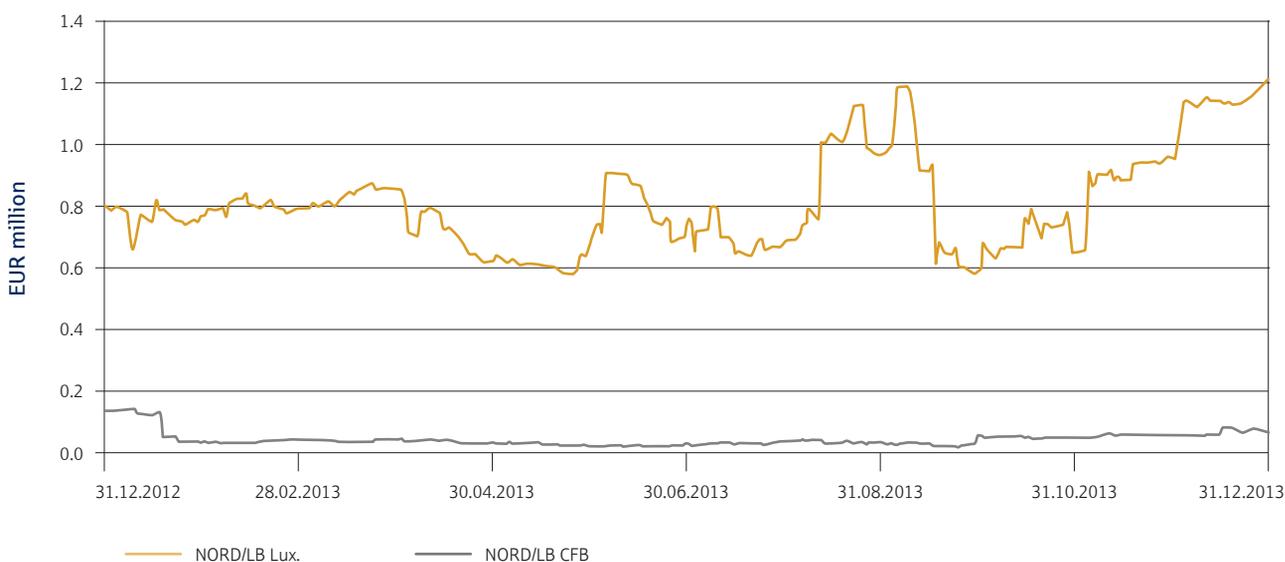
form of weekly and monthly risk reports. The market price risks also flow into the cross-risk type reports on the risk-bearing capacity.

## Market Price Risks – Development in 2013

The development of the market price risk in the NORD/LB Luxembourg Group was at a moderate level in the year under report relative to the allocated economic capital and the limits derived from it.

The graph below shows the development of the overall bank VaR (including the credit spread risks of the trading book and the liquidity reserve) over the course of the year at both individual banks:

## Value-at-Risk (95 %, 1 day)



The bank's overall value-at-risk limit at NORD/LB Luxembourg was reduced on 15 March 2013 to EUR 4.3 million. The value-at-risk on 31 December 2013 was EUR 1.2 million (previous year EUR 0.8 million). The annual average utilisation of the value-at-risk limit was 17.6% (previous year 23.2%), the maximum utilisation was 28.2% and the

minimum utilisation was 10.9%. As per 31 December 2013, interest rate risks were measured in the amount of EUR 1.0 million, foreign currency risks in the amount of EUR 0.3 million and credit spread risks in the liquidity reserve and trading book in the amount of EUR 0.6 million.

As at 31 December 2013, the interest sensitivities of NORD/LB Luxembourg are as follows:

Sensitivities (Interest) Present Value of a Basis Point (PVBP) per Portfolio and Currency																	31.12.2013 in KEUR	
Currencies	AUD	CAD	CHF	CZK	DKK	EUR	GBP	HKD	HUF	JPY	NOK	NZD	PLN	SEK	TRY	USD	ZAR	Total
Total bank	-2	+0	-5	-0	-1	-277	+3	+0	+0	-0	-0	+0	+0	+0	+0	+9	+0	-274
Total bank, excl. equity	-2	+0	-5	-0	-1	-254	+3	+0	+0	-0	-0	+0	+0	+0	+0	+9	+0	-251
Bank book	-2	+0	-5	-0	-1	-275	+3	+0	+0	-0	-0	+0	+0	+0	+0	+9	+0	-270
Trading book	+0	+0	+0	+0	+0	-2	+0	+0	+0	-0	+0	+0	+0	+0	+0	-1	+0	-3

The bank's overall value-at-risk limit at NORD/LB CFB was reduced on 15 March 2013 to EUR 0.2 million. The value-at-risk on 31 December 2013 was EUR 0.07 million (previous year EUR 0.1 million). The average utilisation of the value-at-risk limit in 2013 was 19.6% (previous year 43.2%); the maximum utilisation was 41.0% and the minimum 9.3%. The proportion of interest rate and foreign currency risks amounts to EUR 0.06 million and EUR 0.05 million respectively as at 31 December 2013. At the end of the reporting year the add-on amount for volatility risks is zero.

On 31 December 2013 the interest sensitivities of NORD/LB CFB are as follows:

Sensitivities (Interest) Present Value of a Basis Point (PVBP) per Portfolio and Currency																		31.12.2013 in KEUR
Currencies	AUD	CAD	CHF	CZK	DKK	EUR	GBP	HKD	HUF	JPY	NOK	NZD	PLN	SEK	TRY	USD	ZAR	Total
Total bank	+0.0	+0.0	+1.2	+0.0	+0.0	-15.1	-4.1	+0.0	+0.0	+0.0	-0.0	+0.0	+0.0	+0.0	+0.0	+0.8	+0.0	-17.2

With regard to the interest rate risks in the investment book, the effects of a standardised interest rate shock are also analysed on a monthly basis in the NORD/LB Luxembourg Group in accordance with the requirements of CSSF circular 08/338. The result continues to be far below the regulatory threshold, which provides for a maximum proportion of 20% of authorised equity capital.

For the calculation of the capital requirements for interest, currency and price risks, the NORD/LB Luxembourg Group uses the standard procedure according to SolvV. As at 31 December 2013, a capital requirement in the sum of EUR 4.7 million was calculated.

In contrast to the credit spread risks of the trading book and the liquidity reserve, the credit spread risks of the assets are not included in the VaR for market price risks, since

these are based on the going concern perspective of the RBC model. They are therefore measured and limited separately via the credit spread value-at-risk with a confidence level of 95% and a holding period of 250 days. The limit is derived from the gone concern perspective of the RBC model.

In 2013, the credit spread risks of the assets fell slightly overall.

The CSVaR limit for assets was raised in the NORD/LB Luxembourg Group on 1 July 2013 from EUR 130.0 million to EUR 182.0 million. In 2013, the utilisation of the limit was an average of 62.7%, the maximum utilisation 98.5% and the minimum utilisation was 43.5%. As at 31 December 2013, the credit spread value at risk for the investment assets was EUR 79.1 million (EUR 84.4 million in the previous year).

## Market Price Risks – Outlook

During the conversion of the risk bearing capacity model of the NORD/LB Group to an IFRS-based methodology, operational control in the NORD/LB Luxembourg Group will also be converted accordingly. In this connection, the NORD/LB Luxembourg Group will be confronted by tighter limits for market price risks. As a result, the NORD/LB Luxembourg Group is expecting a higher utilisation of the operational limits for 2014. With respect to the further development of the credit spread risks, the NORD/LB Luxembourg Group is anticipating a lateral movement or slight recovery in the credit spread level. In addition, the NORD/LB Luxembourg Group is not expecting any significant growth in the credit spread risks from new business, since, as before, no new transactions are to be conducted against the background of optimising the risk potentials from investment assets in the credit investment book and investments nearing maturity are primarily being replaced by covered bonds.

## Liquidity Risk

Liquidity risks comprise risks which may result from problems in the liquidity of individual market segments, unexpected events in lending or investment business, or deteriorations in the Bank's own refinancing conditions. In the understanding of the NORD/LB Luxembourg Group, the placement risk is part of the liquidity risk. It describes the risk that the Bank's own issues cannot be placed on the market or can only be placed only at poor conditions.

The NORD/LB Luxembourg Group differentiates between the following characteristics of liquidity risk within the scope of liquidity management:

### Classic Liquidity Risk

Classic liquidity risk is defined as the risk that payment obligations cannot be met at all or not on time. A potential cause can be a general disruption in the liquidity of the money markets affecting individual banks or the whole financial market. In particular, market disruptions can lead to important asset classes being dropped from use as securities. Alternatively, unexpected events in the Bank's own lending, deposit or issue business can also be a cause of liquidity bottlenecks. The assessment focuses on the next twelve months in the NORD/LB Group.



### Refinancing Risk

The refinancing risk refers to potential decreases in earnings for the NORD/LB Luxembourg Group as a result of the change in its own refinancing conditions on the money market or capital market. The most significant cause of this is a change in the estimation of the NORD/LB Luxembourg Group's credit rating by the other market participants. The focus of this assessment is the entire maturity range. For positions in foreign currencies, the refinancing risk also includes the change from currency-specific mark-ups on the liquidity spreads (cross-currency spreads). In particular, this includes the spread risks from cross-currency swaps.

### Market Liquidity Risk

The market liquidity risk defines the potential losses that the NORD/LB Luxembourg Group would have to bear if it needs to conclude transactions under conditions which are not in line with the fair market value due to a lack of liquidity in individual market segments. Market liquidity risks can particularly arise from security positions in the trading and investment books.

## Liquidity Risk – Management

### Strategy

The liquidity risk strategy of the NORD/LB Luxembourg Group is aligned with the recommendations published by the EBA on efficient liquidity risk management, the requirements derived from them on the part of the Luxembourg regulatory authorities and the Central Bank, as well as the requirements pursuant to MaRisk.

The NORD/LB Luxembourg Group has implemented a liquidity sub-strategy within the risk strategy, a liquidity policy and a contingency funding plan, which take these requirements into account.

Ensuring liquidity at all times represents a strategic necessity for the NORD/LB Luxembourg Group. While classic liquidity risk is principally covered by maintaining a sufficient supply of liquid assets (in particular central bank eligible securities), a structural transformation of liquidity terms is undertaken for the refinancing risk. In both cases, the risks are mitigated by means of suitable limits.

The limit for the classic liquidity risk serves to ensure the ability to pay even under a conservative stress scenario. The limit for the refinancing risk (in the form of volume structure limits and present value liquidity risk cost limits) is derived from the risk strategy and the risk-bearing capacity model.

The principles of the liquidity control and liquidity control in emergencies are defined in the respective working instructions, in the risk handbook and in the methodology handbook of the NORD/LB Group. In addition, the Global Group Liquidity Policy (GGLP) describes the strategic guidelines to ensure sufficient liquidity in the NORD/LB Group. The measures for liquidity control in emergencies and crisis situations are described in the GGLP concept (NORD/LB Group).

### Structure and Organisation

The Financial Markets and Finance departments are involved in the process of liquidity risk management.

The ALM/Treasury organisational unit (Financial Markets department) assumes the lead role in the management of the liquidity risk at the level of the NORD/LB Luxembourg Group and carries the gains and losses resulting from the changes in the liquidity situation. The strategic management of the liquidity risks is supported by the Asset Liability Committee (ALCO).

Risk Controlling (Finance division) is responsible for monitoring the liquidity risks. Risk Controlling assumes a control function in the calculation of the refinancing risk as well as in ascertaining and monitoring the classic liquidity risk and plays a key role in the introduction and improvement of internal procedures for measuring, limiting, and monitoring liquidity risks.

### Liquidity Risk – Control and Monitoring

The refinancing risk of the NORD/LB Luxembourg Group is limited by present value limits and maturity-dependent volume structure limits, which are derived from the risk-bearing

capacity. The assessment of the liquidity flows is also undertaken separately by currency.

The classic liquidity risk is primarily limited on the basis of an analysis of a dynamic stress scenario. The scenario describes the respective most probable crisis situation and thus on the reporting date, a market environment which is still characterised by the economic problems of the EU periphery states, supplemented by the risk of increased loan defaults. The analysis is performed on the basis of liquidity cash flows and covers the next twelve months on a daily basis. For products without definite liquidity flows and for optional components (e.g. from irrevocable loan commitments), models are made of the market situation, which are subject to regular validation.

With the aid of the limit system it is ensured that even in a stress situation, there are liquidity surpluses for at least three months. Therefore, ensuring the permanent ability to pay in this maturity band is given preference over possible opportunities to generate profits. Taking profitability aspects into consideration, the aim is to guarantee a liquidity surplus of at least six months in the dynamic stress situation.

In addition, the dynamic stress scenario is complemented by additional static stress tests. These tests cover a scenario specific to NORD/LB as well as the scenario of a comprehensive liquidity crisis, along with a short-term scenario for a market-wide liquidity problem.

One aim of risk monitoring that should be emphasised is the early identification of risks. In terms of the liquidity risks, the early warning indicators particularly include the liquidity stress test performed every business day, potential crisis triggers (trigger events) and warning indicators in accordance with the Global Group Liquidity Policy.

Market liquidity risks are accounted for implicitly by means of distinguishing securities in the liquidity progress review in accordance with their market liquidity. On the basis of a detailed security class concept based on the liquidity grade of the individual security, they are classified into main categories and also into respective sub-categories (e.g. according to central bank eligibility and rating). They are depicted in the liquidity progress review depending on the liquidity class in the maturity range between daily and final due date.

When classifying the securities into liquidity classes, the usefulness as collateral, i.e. the suitability of the security to cover repo transactions, at central banks or for covering Pfandbriefe is of central importance, alongside tradability.

The Funds Transfer Pricing (FTP) is also part of the management and control of liquidity and liquidity risks. The principles of the corporate policy for the Funds Transfer Pricing System (FTP System) of the NORD/LB Group are formulated in the Group Funds Transfer Pricing Policy (Group FTP Policy). The FTP System complements the market interest rate method with its methods, procedures and processes for determining and offsetting market-oriented internal transfer prices for utilising and providing liquidity as well as for assuming liquidity risks between Market and Treasury units.

### Liquidity Risk – Measurement

The liquidity risk is quantified in a risk-bearing capacity concept, resulting from the consideration of the refinancing risk in cash terms. Operational limits for the refinancing risk in cash terms as well as maturity and currency dependent volume structure limits are derived from this.

The current liquidity flows form the basis for the calculation of the dynamic and static stress scenarios for modelling the classic liquidity risk. These are stressed to the extent that they reflect a crisis situation. Therefore, e.g., the assumption would be that the Group's ability to dispose of positions has become limited and there is an increase in the number of borrowers drawing on loans. The stress scenarios can be used to show the effects of unexpected events on the liquidity situation of the NORD/LB Luxembourg Group. This offers the opportunity to plan for the future and be well prepared for emergencies.

The aforementioned analyses take into account the central importance of the market liquidity of all securities in the portfolio. In addition, the credit spread risks are also taken into consideration for all securities within the scope of the market price risks. Since the market liquidity of the securities is reflected in the spreads observed on the market as well as the creditworthiness of the issuer, the market liquidity of the securities is also considered indirectly within the scope of the risk reporting. A separate risk scale for market liquidity risks is not used.

### Liquidity Risk – Reporting

The key liquidity figures are calculated daily by Risk Controlling and supplied to the Trading department for the management of the liquidity risk.

The responsible departments are informed of the classic liquidity risk as well as the refinancing risk of the NORD/LB Luxembourg Group. Furthermore, weekly and monthly risk reports are prepared for the Board of Directors. Information is also provided within the scope of a quarterly report on the risk-bearing capacity.

The ALCO monitors the liquidity situation in the NORD/LB Luxembourg Group (the basis being the liquidity progress review, which takes into account all payment flows affecting liquidity [except future interest and margin payments] from Bank products).

Within the scope of the monitoring of the refinancing structure, a concentration report is compiled for NORD/LB Luxembourg and NORD/LB CFB, which contains the analysis of the funding. As well as the liabilities side, concentrations of off-balance sheet obligations are also reported regularly to the Market division and the Board of Directors.

A liquidity buffer report is calculated at the level of the NORD/LB Luxembourg Group on a daily basis, supplementary to the control of the classic liquidity risk, in accordance with the requirements of MaRisk. The report provides Trading with daily information on the amount of the free assets, which are available over a period of 7 or 30 days as cover or liquidity buffer.

Another key management figure within the scope of the liquidity risk is the Liquidity Coverage Ratio (LCR) pursuant to Basel III. The LCR is the ratio of the portfolio as first class assets to the total net outflow over the next 30 days.

In the case of the liquidity buffers, the first class assets, a distinction is made between Level 1 assets and Level 2 assets, which are given a certain weighting factor depending on their classification. In addition, outgoing payment flows are also modelled under stress conditions (e.g. partial withdrawal of deposits, unscheduled drawdown of unused credit lines and loss of uncovered refinancing).

With regard to the management of the key figures until the final introduction, the NORD/LB Luxembourg Group will report at quarterly intervals to the Luxembourg regulators and to NORD/LB.

### Liquidity Risk – Development in 2013

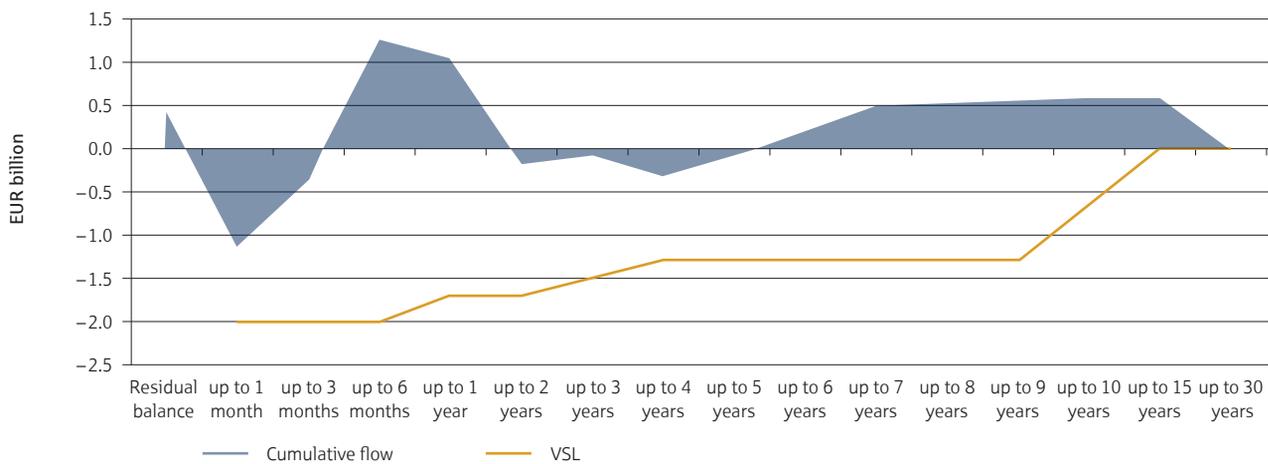
Over the course of 2013, the financial market continued to find itself in a tense mood. The liquidity resources of the NORD/LB Luxembourg Group were guaranteed at all times. The NORD/LB Luxembourg Group continues to have a balanced funding mix. Due to the business strategy and the

local characteristics of the Luxembourg banking centre, there are concentrations with regard to refinancing via banks. Transactions in the area of fixed term deposits with corporate customers also make up another substantial proportion of the refinancing. In addition, the coverage of the refinancing requirement in the “more than two years” segment is predominantly carried out via NORD/LB (uncovered funding).

The aggregated liquidity progress review used for the internal control and monitoring of the refinancing risk was as follows on the reporting date:

### Liquidity Refinancing Risk at NORD/LB CFB

#### Cumulative Schedule of Liquidity Flows



The regulatory requirements were complied with at all times in the reporting period.

## Liquidity Risk – Outlook

By managing its liquidity risk to an extent beyond that required by regulatory provisions, the NORD/LB Luxembourg Group ensures that it is always in a position to meet its payment obligations on time and that it is able to raise refinancing funds on the market at reasonable conditions.

The NORD/LB Luxembourg Group is primarily active on liquid markets and maintains a portfolio of high quality securities.

For 2014, we are not expecting any further substantial increase in the liquidity risks due to active liquidity control.

The methods of risk assessment and the reporting processes are being improved. In particular, new concepts and processes are being developed for managing and controlling liquidity and liquidity risks with respect to the depiction of the irrevocable loan commitments and the stronger consideration of the covered refinancing opportunities by separating the liquidity progress review into covered and uncovered sections. In particular, the standardisation of the procedure for the market price risk and the profit and loss account in cash terms is being striven for. The aim is to standardise the risk measurement procedure for the market price risk and the liquidity risk so that the profit and loss account can be compared to a consistent risk amount. This subject – like other developments in this area – is being dealt with jointly in the NORD/LB Group, where compliance with regulatory requirements is a strict auxiliary condition.

## Operational Risk

Operational risks are possible events that are unintentional in the view of the NORD/LB Luxembourg Group and which occur as a result of the inadequacy or failure of internal processes, employees or technology or external influences and lead to losses or significantly negative consequences for the NORD/LB Luxembourg Group (e.g. an infringement of the law). They do not include business and strategic risks.

In accordance with this definition, legal risks and risks arising from changes in legislation, compliance risks, outsourcing risks, dilution risks, fraud risks and vulnerabilities within the scope of emergency and crisis management are included in the operational risks.

- Legal risk denotes the risk that loss or damage may occur due to the lack of or incomplete consideration of the

legal framework prescribed by statutory regulations and the administration of justice. Risks arising from changes in legislation constitutes the risk of a loss due to new legislation or regulations, a disadvantageous change in existing legislation or regulations or their interpretation or application by the courts. The legal risk only exists in the external relations of the NORD/LB Luxembourg Group.

- Compliance risk denotes judicial, official or disciplinary measures which result from improper conduct, procedures, processes, etc. (resulting from non-compliance with laws, regulations, codes of conduct and standards) in the internal relations within the NORD/LB Luxembourg Group.
- Outsourcing risk denotes a risk resulting from the outsourcing of activities and processes.
- Dilution risk denotes the risk, with respect to the holding and realisability of a purchased receivable, that the debtor is not obliged to pay the whole amount of the purchased receivable.
- Fraud risk denotes the risk arising from other criminal actions in respect of the NORD/LB Luxembourg Group, which lead to an avoidable loss of assets or damage to the Bank's reputation.

## Operational Risk – Management

### Strategy

NORD/LB Luxembourg pursues the objective of an efficient and sustainable management of operational risks, i.e. avoidance or transfer, wherever it is economically feasible. Countermeasures are taken as required if the costs of protection do not exceed the direct costs of the risk that may be incurred or if the Bank's reputation could be significantly affected. Compliance with the pertinent legal requirements must be guaranteed at all times.

Operational risks are taken into consideration in all corporate decisions. Future losses are countered through regulations and the internal control system, but also through a solid risk culture. The awareness and sensitivity of all employees to risks and an open approach to them play a key role in the avoidance of operational risks. Emergency plans serve to limit damage in the event of unexpected extreme events. Very extreme, unforeseeable events are countered by a crisis management organisation. Insurance policies are taken out to actively cover against residual risks.

Operational risks are mostly managed on a decentralised basis, supported by a central methodical framework to identify and assess risks. In order to maintain an up-to-date estimate of the risk situation at all times, a variety of information, such as loss events, risk indicators and scenarios are evaluated on an ongoing basis. Depending on the occasion, suitable countermeasures are taken by the responsible specialist divisions. The suitability and effectiveness of the internal management system are reviewed at regular intervals.

### Structure and Organisation

All levels of the hierarchy and departments are involved in the management of operational risks. The Board stipulates the basic method for handling operational risks, taking into consideration the risk situation for the Bank as a whole. Within the defined framework conditions, the responsibility for controlling operational risks is decentralised and is borne by the individual divisions.

Risk Controlling, to which the OpRisk Officer of the NORD/LB Luxembourg Group also belongs, is responsible for the central monitoring of operational risks and for independent reporting. The decision-making authority with respect to methodology for improving the group-wide instruments for controlling operational risks lies with the Finance and Risk Controlling department of NORD/LB. Risk Controlling at NORD/LB Luxembourg is involved in improving the methods via the regular group-level method boards as well as through an ongoing exchange of information with the experts at NORD/LB. It is accountable for the responsible implementation of the central methods and assumes a coordinating function in the implementation of decentralised methods within the NORD/LB Luxembourg Group.

The strategic and conceptual tasks of security, emergency and crisis management are bundled together in NORD/LB Luxembourg's ORG/IT Security organisational unit. The Compliance organisational unit is organised independently of the business departments. It ensures that the NORD/LB Luxembourg Group has adequate principles and procedures integrated into its processes to meet the requirements of securities trading legislation and so that money laundering, financing of terrorism or other criminal actions can be prevented. The Internal Audit division is in charge of independently auditing the correct implementation and execution of methods and procedures.

### Operational Risk – Control and Monitoring

The NORD/LB Luxembourg Group has established appropriate framework conditions in the form of technical and organisational measures, contractual regulations and the written organisational rules, in order to prevent the occurrence of operational risks in its procedures to the greatest possible extent. Using control and monitoring measures, the NORD/LB Luxembourg Group ensures that relevant regulations and standards are met and the compliance of the Group is secured.

Process-related and structural organisational risks are countered with well-organised structures and procedures. As soon as weaknesses are identified in the organisation, appropriate countermeasures are initiated. The structures of the internal control system are intended to support this and permanently guarantee a regulated interaction of all departments involved in the control and management process for operational risks.

The ICS framework introduced for this purpose – which is standard for all major companies of the NORD/LB Group in terms of risks – focuses on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for internal controls and includes a specific organisational and operational structure. By applying standardised methods and procedures, an adequate and effective ICS is to be ensured across the bank and sustained optimisation is pursued.

The ICS organisational and procedural structure comprises a control loop, which is a recurrent cycle. The superordinate aim is the bank-wide assessment of the ICS on the basis of the consideration of the adequacy and effectiveness of the implemented controls. The control loop is supported by a structure that has been optimised for this purpose. This comprises roles with specific ICS concerns, whose tasks, competencies and responsibilities are defined and separated from each other. Regular reports to the Board of Directors form a component of this control loop.

On the basis of a standard process map within the NORD/LB Group, processes are assessed with regard to their risk content with the aid of a scoring model and subjected to a detailed analysis with respect to the adequacy and effectiveness of the ICS.

An IT-supported ICS tool is used to support the recording, documentation and management of the ICS at the process level.

Safety concepts and contingency concepts have been established for the purpose of protecting persons and tangible assets; among other things, they regulate the use of buildings, the procurement of replacement operating and office equipment, and the supply of energy. The top priority is maintaining the health of employees. To this end, extensive preventative measures are taken, e.g. to prepare for pandemics.

The personnel risk is countered by a permanent, adequate provision of personnel in terms of both quality and quantity. The NORD/LB Luxembourg Group pays special attention to the qualifications of its employees in the process; the standard of qualifications is reviewed using a system of requirement profiles and employee appraisals. Targeted personal development measures can then be initiated.

In order to protect against criminal actions, money laundering, financing of terrorism and other compliance risks, the NORD/LB Group has established extensive protective and preventative measures. These are continually verified within the scope of control and monitoring activities and constantly improved on the basis of bank-specific risk analyses. If major deficits should emerge in the process, corrective measures are initiated and their implementation monitored.

If there are any indications of significant acts of fraud, the further procedure is resolved in an ad hoc committee meeting at the management level of the NORD/LB Luxembourg Group. Employees are made aware of the topic via in-person and online-based training as well as by means of a regular newsletter and ad hoc information on current risks. There is an internal information system for employees and customers that allows them to confidentially submit information (whistle-blowing).

In the IT division, instructions on procedures, alternative capacities and backups ensure that the IT infrastructure is adequately stable. Safety concepts and contingency plans supplement the pre-emptive measures in order to prevent loss or damage resulting from the failure, tampering or manipulation of systems and information. The concepts are tested and updated regularly. In order to prevent the risk of the failure of the internal computer centre at the headquarters of the NORD/LB Luxembourg Group, there is a second, physically separate computer centre.

The legal department of NORD/LB Luxembourg has to be consulted with regard to hedging legal risks, for example if legal steps are to be initiated and when contracts are concluded which are not based on approved templates. In order to ensure that the requirements of new banking supervisory legislation are implemented correctly, the Compliance organisational unit produces a cross-departmental report and informs the specialist departments concerned about the necessary actions to be derived from the new regulations.

The quality of external suppliers and service providers is ensured by the conclusion of service level agreements or detailed specifications as well as through the subsequent control of the relevant key figures. In order to implement the MaRisk requirements on outsourcing, a process for appraising service providers with regard to their essentiality in respect of risk aspects was established. For every major outsourcing relationship, a competent office was designated, which is responsible for the service and risk management of the business relationship.

The NORD/LB Luxembourg Group is sufficiently insured. The legal department is to be consulted with regard to hedging legal risks, for example if legal steps are to be initiated and when contracts are concluded. Natural disasters and terrorist attacks are defined as force majeure. These risks are handled with contingency planning and a disaster recovery centre.

### Operational Risk – Assessment

The NORD/LB Group stores all losses arising from operational risks in a loss event database with a de minimis limit of KEUR 1. The NORD/LB Luxembourg Group participates in this collection of loss events. The data for the loss event database provides the starting point for analyses to support risk management and forms an essential building block for the statistical and mathematical risk model developed by NORD/LB.

The collected loss events are exchanged with other banks in the OpRisk data consortium (DakOR) in anonymised form. The consortium data expand the data base which is used for the internal model. In addition, information in the Öffentliche Schadenfälle OpRisk (ÖffSchOR) [public loss event] database is available, in which press reports

regarding major losses from operational risks are compiled, structured and processed. Both data sources are used in scenario analyses and for regular benchmarking.

The collection of historical loss events is supplemented by future components with the aid of the risk assessment methods carried out annually in the NORD/LB Luxembourg Group and across the rest of the Group. Expert appraisals of the effects of specific scenarios provide detailed insight into the risk situation of the individual divisions, so that relevant measures can be derived if necessary. The scenarios and scope of collection are selected on the basis of analyses of various data sources (e.g. loss events and audit reports) with a focus on the risks. The results are incorporated into the internal model and therefore increase the accuracy of measurement.

Risk indicators are used in the NORD/LB Group in order to detect potential risks early and to tackle them with counter measures. The indicators are selected with a focus on the risks and are reviewed regularly to ensure they are up-to-date. Through a continuous and comparative analysis of loss events, risk indicators and scenarios, the causes of risks are likewise to be identified and risk concentrations avoided. The risk indicators method was also introduced at NORD/LB Luxembourg. The structure of the indicator system focuses on that of the NORD/LB Group, taking into consideration the bank-specific characteristics.

The NORD/LB Group has an internal model to measure the operational risk. A loss distribution approach, which utilises the elements of the extreme value theory, is also used. The distribution parameters are determined on the basis of internal data, scenario analyses and external data from the DakOR consortium. Correlation effects are modelled with the aid of a Gauss copula. Risk indicators in the critical zone have an impact on the model. The value-at-risk calculated using the model is used as an internal control parameter for operational risks in the RBC model.

An allocation method, which combines the size indicators with risk-sensitive elements, is used to distribute the results of the model to the individual institutes. The parameterisation of the model is regularly subjected to a comprehensive validation and stress test.

The methods and procedures introduced at NORD/LB Luxembourg fulfil the regulatory requirements regarding the use of the standard approach for operational risks.

Amounts qualifying for recognition in terms of operational risk were determined using this approach in the year under report.

NORD/LB Group's internal model that is used in the overall management of the entire bank and for determining the risk-bearing capacity meets the requirements of SolvV on the use of the advanced measurement approach to the greatest extent.

### Operational Risk – Reporting

Within the scope of this continuing risk management process, the results from the collection of loss events, risk assessment, risk indicators and the internal model are analysed, presented at the OpRisk roundtable and communicated to the Board on a quarterly basis as well as to the competent divisions on occasion. All results are included in the quarterly RBC report.

The Board of Directors and Supervisory Board are informed at least once a year with regard to the essential results relating to the appropriateness and effectiveness of the internal control system as well as the analyses of the Compliance department.

### Operational Risk – Development in 2013

In 2013, the NORD/LB Group continued on its path to integrated OpRisk management. The primary objective was to revise the existing reporting channels and formats and link them closer together as well as to further expand the standard risk management system in the NORD/LB Group. As part of this, the committee for operational risks was transferred to the OpRisk Roundtable in the NORD/LB Luxembourg Group.

The valuation matrix introduced in the previous year was rolled out in the reporting year to all parts of the NORD/LB Group and thus also to the NORD/LB Luxembourg Group. Its purpose is the standard measurement and valuation of all types of operational risk.

As per 31 December 2013, the risk potential for the operational risk according to the internal model (confidence level 95 %, holding period one year) was EUR 2.4 million in the NORD/LB Luxembourg Group.

## Operational Risk – Outlook

The path to integrated OpRisk management, which has already been started, will be continued in the NORD/LB Luxembourg Group in 2014. In this connection, the development of an integrated OpRisk report for the NORD/LB Luxembourg Group is being planned.

## Other Risks

Apart from the credit, participation, market price, liquidity and operational risks already presented, there are no other risks identified as significant. The relevant risks of the NORD/LB Luxembourg Group, which were not identified as major, include the business and strategic risk (including allied risks), reputational risk, syndication risk, real estate risk and model risk.

The business and strategic risk denotes the risk of an unexpected negative trend in business, resulting in particular from changes in customer behaviour or the competition position, from corporate strategy decisions regarding the alignment of the NORD/LB Luxembourg Group, including the introduction of new products and entry into new markets, or changes in the general economic environment in which the Bank conducts its business. Risks that have already been covered by the other risk types are not taken into consideration here.

The allied risk (as part of the business and strategic risk) denotes the risk that services have to be rendered due to membership in the security systems of the financial industry, which may have a negative impact on the business performance of the NORD/LB Luxembourg Group.

The reputational risk denotes the risk that the NORD/LB Luxembourg Group may incur a loss of confidence amongst customers, business partners, employees, providers or the public.

The syndication risk denotes the risk that no syndicate or consortium partners may be available for the planned consortium transaction and the risks would therefore remain at the NORD/LB Luxembourg Group.

The real estate risk denotes the risk of negative changes in value of the company's own real estate. Possible causes for negative depreciation could emerge from the property itself (e.g. wear and tear), a decrease in the attractiveness

of the location or external causes (e.g. fire, explosion or flooding).

The model risk denotes the risk that the market realities are not adequately depicted as a result of applying simplified or incorrect methods or parameters and the earnings or risk position of the NORD/LB Luxembourg Group are misrepresented.

In order to monitor the other risks, an expert roundtable on the "Management of Other Risks" meets quarterly prior to the OpRisk roundtable. Within this framework, the current status is discussed with the respective experts for the individual risk types and reported on. The findings of this roundtable are then presented to the OpRisk roundtable for informational purposes.

Within the NORD/LB Luxembourg Group, the respective specialist departments are directly responsible for keeping risks as low as possible or for not letting them occur in the first place. The Compliance Charter of the NORD/LB Luxembourg Group describes which tasks and responsibilities were defined.

In principle, a qualitative risk assessment takes place for the other risks within the framework of risk assessments and the expert roundtable on the "Management of Other Risks". The findings of the analyses are used by the risk officers and incorporated into their activities.

When determining the risk-bearing capacity, a quantitative assessment of the other risks is undertaken in that these are taken into account indirectly via the major risks. Moreover, a portion of the entire cover pool is deliberately kept as a buffer and is used to cover the risk contributions from non-major risks.

## Summary and Outlook

The NORD/LB Luxembourg Group has taken reasonable account of all known risks by employing precautionary measures. The appropriate tools have been implemented in order to identify risks at an early stage.

The utilisation calculated in the RBC model shows that the risks were covered at all times in the period under report. According to the estimation of the NORD/LB Luxembourg Group, there are no risks that jeopardize its existence.

In 2013, the NORD/LB Luxembourg Group fulfilled the regulatory provisions on equity and liquidity at all times. Likewise, in the year under report, the NORD/LB Luxembourg Group complied with the regulations on large credit limits in accordance with Luxembourg and German laws.

The methods and processes that are currently used to control significant risks are subject to ongoing verification and are refined as necessary. The improvements for particular types of risk which were specifically targeted in 2014 have been covered in the relevant sections.

## Personnel Report

### Number of Employees

The NORD/LB Luxembourg Group increased its number of employees in the financial year as follows:

Reporting Date	31.12.2013	31.12.2012	Absolute Change	Increase/Decrease (%)
NORD/LB Luxembourg	196	185	11	5.9
Skandifinanz AG	1	1	0	0.0
NORD/LB CFB	0	0	0	0.0
<b>Total number of employees</b>	<b>197</b>	<b>186</b>	<b>11</b>	<b>5.9</b>

All members of staff deserve the special recognition of the Board of Directors and Supervisory Board for the company results for the 2013 reporting year, which can be described as satisfactory. The Bank's success is largely driven by the professionalism and competence of its staff. The Board of Directors and Supervisory Board therefore thank the staff for their commitment, motivation and, last but not least, their faithful cooperation.

The Bank takes the further development, training and qualifications of its staff very seriously. Flat hierarchies enable faster response times, which in a dynamic environment are absolutely essential for lasting success. By offering performance-related pay plus appropriate fringe benefits and promoting an innovative and dynamic team culture, the Bank aims to create opportunities for the personal development of its staff and a motivating and constructive working environment.

## Internal Controls and Risk Management within the Framework of Establishing Financial Data and Organisation

### Definition and Objectives

The aim of the internal control system and risk management with respect to financial reporting is for the annual financial statements of NORD/LB Luxembourg to convey a true and fair view of the financial position and performance in accordance with the applicable accounting principles according to the International Financial Reporting Standards, as they are to be applied in the European Union. The term "ICS" (Internal Control System) is used hereinafter.

The aim of proper financial reporting is put at risk by the existence of risks that have an effect on financial reporting. These risks are understood to be the possibility that the abovementioned aim might not be achieved and substantial information in the financial reports could be erroneous. The Bank rates information as substantial if its omission or incorrect statement could influence the economic decisions of the addressees. No distinction is made here between individual or cumulative substantial facts.

Risks to financial reporting can arise through errors in business processes. In addition fraudulent conduct can lead to a misrepresentation of information. Therefore the

Bank must ensure that the risks in relation to erroneous presentation, assessment or reporting of information in financial reports are minimised.

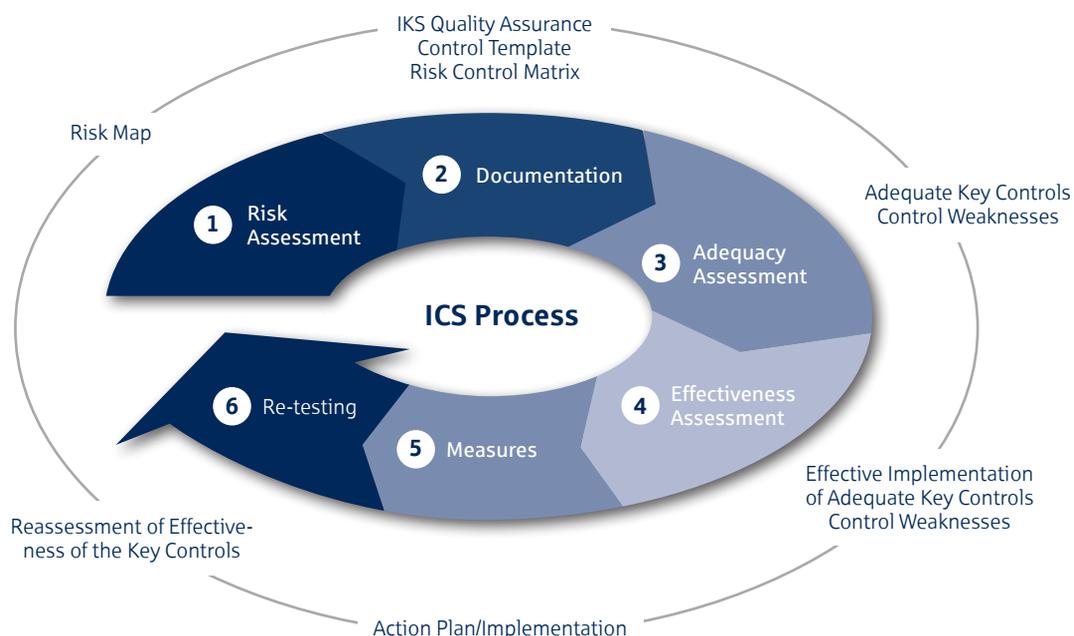
The Bank's ICS is designed to ensure adequate reliability in relation to compliance with applicable legal requirements, regularity and sound financial management of the business activities and the completeness and accuracy of the financial reports.

At the same time it must be taken into account that despite all of the Bank's measures, the implemented methods and processes of the ICS can never provide absolute reliability, but can offer adequate reliability. No substantial changes have been made to the ICS for financial reporting since the reporting date.

### Summary of the Internal Control System (ICS)

The ICS in the NORD/LB Luxembourg group is based on the group-wide methodology of the ICS control loop. This ensures a uniform process for assessing the ICS with reference to the key audits.

#### ICS Control Loop



The existing audits are identified using process mapping and/or documentation (scoping). Each key audit is tested with respect to its audit aims (adequacy) and its effectiveness. Measures for rectifying audit weaknesses are created for possible audit gaps and monitored by those responsible for the ICS. Optimised audits are then tested with respect to their adequacy and effectiveness.

The Bank's ICS is based on the requirements of the banking supervisory body (CSSF), mainly in circular 12/552 and provides for the following four audit levels:

- daily audits by the personnel performing transactions,
- constant critical audits by the persons entrusted with the administrative processing of transactions,
- audits that the members of the authorised management perform with regard to the business activities and functions under their direct responsibility, and
- audits by the internal auditors.

The structural organisation of the Bank is defined in an organisational chart, which was created according to the principle of the separation of functions. The joint overall responsibility of the Board of Directors in exercising its powers is borne by the mutual representation of the Member of the Board, among other measures.

The procedures are regulated in the written organisational rules. They are continually monitored and adjusted with respect to changes in the markets, work procedures and external regulations. Organisational charts, work instructions, process descriptions, forms and informative communications form constituent parts. These binding documents are compiled in the Bank's organisational handbook.

The essential business transactions are processed using the "four eyes principle". The required separation of functions in the business processes is also safeguarded from an IT point of view. Personal and technical capacities are adapted to the scope and nature of the business activity.



### **Risk Control Function**

The risk control function is responsible for anticipating, identifying, measuring, following up, monitoring and reporting all risks that the Bank is or could be exposed to. The results of these activities are compiled in an annual report by the risk control function that is submitted to the Board of Directors and Supervisory Board of the Bank.

### **Compliance Function**

The compliance function performs its activities in accordance with an audit plan approved by the Board of Directors. The Compliance Officer informs the Board of Directors about the audits carried out and their results on a regular basis.

### **Internal Auditing**

The Bank has internal auditors whose aims, functions, duties and position within the organisation of the Bank are defined by the Board of Directors in an auditing charter. The internal auditors report to the Board of Directors on an ongoing basis about each audit they have conducted and their findings. The implementation of the necessary measures to rectify any identified deficiencies are followed up by the internal auditors.

# Sustainability Report

Sustainability is managed at the NORD/LB Luxembourg Group level.

## Our Conviction

The success of our company can only be sustained in a stable natural environment and only in a society with balanced economic and social relations. This understanding shapes the strategic focus of NORD/LB Luxembourg and the organisation of our business model. At the same time, this approach is an important contribution, helping us to organise our daily actions in alignment with the requirements of our interest groups. A management system that also focuses on requirements that go beyond what is legally required therefore contributes to our sustainability – in the interests of our company success and with a sense of responsibility towards our customers and employees, the environment and society.

We have therefore decided to systematically incorporate sustainability into our corporate and business activities and to establish sustainability management at NORD/LB Luxembourg.

## Sustainability as a Strategic Factor

In our sustainability strategy, we have documented the basic focus of our activities, the main focuses in the individual spheres of activity and the specific objectives which we are striving to achieve by 2020. In a sustainability programme, which is being continuously improved, we disclose the measures we are using to achieve these focuses and objectives. In the future, we will be informing our interest groups regularly on our websites about the results of our sustainability activities.

## Governance

Responsible corporate management: for us this also means acting with integrity in order to secure our stakeholders' confidence in NORD/LB Luxembourg on a sustained basis. This goes beyond the statutory requirements. For example, we issue our own guidelines as voluntary commitments, which extend our corporate actions to additional ecological, social and ethical aspects.

## Customers

As a service provider, we want to actively support our customers as they look to the future. We support them in utilising opportunities arising from sustainable development and global change and reducing possible risks. This also assures customer satisfaction and thus customer loyalty to NORD/LB Luxembourg in the sense of lasting partnerships.

## Staff

Our employees are our future. We therefore create the conditions in which they can develop their potential – for their own benefit and to the advantage of customers and the Bank. These include offers for professional and personal development and for a balance of work and family life, just as much as providing a healthy, anti-discriminatory work environment where people enjoy working.

## Environment

Active corporate environmental protection is an integral part of our actions and the corporate responsibility we practice. Through this, we reduce our corporate environmental impact, reduce our energy and resource costs, and thus put less of a burden on our corporate balance sheet as well as on the environment. In financial year 2011 we therefore designed our new building to be energy efficient in accordance with the current standards.

## Society

NORD/LB Luxembourg is actively committed to the sustainability of its corporate environment and to improving the living conditions of people within its sphere of influence. This includes the training and education of bank employees just as much as supporting community organisations and initiatives. For example, the bank donated to the SOS-Kinderdorf, Lebenshilfe and Solistes Européens organisations, among others, in the current financial year.

We will be continually reporting on the development of these and future focuses and objectives in our financial statements as well as on our website.

## Supplementary Report

There were no significant events between the balance sheet reporting date on 31 December 2013 and the preparation of this statement on 25 March 2014 by the Board of Directors.

## Future-related Statements

This report contains future-related statements. They can be recognised through terms such as “expect”, “intend”, “plan”, “seek”, and “estimate”, and relate to current plans and estimates. These statements contain uncertainties, since a large number of factors that have an effect on the business lie outside the sphere of influence of NORD/LB Luxembourg Group. These primarily include the development of the financial markets and the changes in interest rates and market prices. The actual results and developments can differ considerably from the statements made today. The NORD/LB Luxembourg Group assumes no responsibility and also does not intend to update the statements relating to the future or to correct them in the event of a development other than that expected.

The Board of Directors  
25 March 2014

Harry Rosenbaum  
Chairman of the Board of Directors  
Norddeutsche Landesbank  
Luxembourg S.A.

Christian Veit  
Deputy Chairman of the Board of Directors  
Norddeutsche Landesbank  
Luxembourg S.A.

Thorsten Schmidt  
Member of the Board of Directors  
Norddeutsche Landesbank  
Luxembourg S.A.

# Consolidated Financial Statements 2013



NORD/LB Luxembourg

For computational reasons, the following tables may contain rounding differences.  
The following Notes to the consolidated financial statements are an integral part of the consolidated financial statements.

## Consolidated Profit and Loss Account

Consolidated NORD/LB Luxembourg Group, for the year under report from 1 January to 31 December 2013:

	Notes	2013 (KEUR)	2012 (KEUR)
<b>Net interest income and current income</b>	<b>18</b>	<b>98,412</b>	<b>110,327</b>
Net interest income and current income		600,128	707,895
Interest expense		-501,717	-597,568
<b>Loan loss provisions</b>	<b>19</b>	<b>-9,266</b>	<b>-4,280</b>
<b>Net commission income</b>	<b>20</b>	<b>-10,914</b>	<b>-1,484</b>
Commission income		20,042	24,737
Commission expense		-30,956	-26,221
<b>Profit/loss from financial instruments at fair value through profit or loss</b>	<b>21</b>	<b>2,648</b>	<b>22,400</b>
Trading profit/loss		2,648	22,085
Profit/loss from fair value option		0	315
<b>Profit/loss from hedge accounting</b>	<b>22</b>	<b>1,035</b>	<b>2,087</b>
<b>Profit/loss from financial assets</b>	<b>23</b>	<b>-15,637</b>	<b>-16,820</b>
<b>Administrative expenses</b>	<b>24</b>	<b>-48,607</b>	<b>-49,634</b>
Staff expenses		-24,772	-24,943
Other administrative expenses		-20,493	-21,707
Depreciation of property, plant and equipment		-2,005	-2,022
Depreciation on intangible assets		-1,338	-963
<b>Other operating profit/loss</b>	<b>25</b>	<b>-1,722</b>	<b>-2,551</b>
<b>Earnings before taxes (EBT)</b>		<b>15,948</b>	<b>60,044</b>
<b>Income taxes</b>	<b>26</b>	<b>-795</b>	<b>-13,760</b>
<b>Consolidated net income for the year</b>		<b>15,153</b>	<b>46,285</b>
of which due to the shareholders		15,153	46,285
of which not attributable to controlling shares		0	0

The following consolidated Notes constitute an integral part of the Consolidated Financial Statements.

## Consolidated Overall Profit and Loss Account

The total income for the banking group for 2013 comprises the income and expenses recorded in the profit and loss account and the income and expenses recorded directly in the equity. The overall profit and loss account was restructured on the basis of the amendment to IAS 1; see Note (3) New and New IFRS. The previous year's values were adjusted accordingly.

Consolidated NORDBANK Luxembourg Group, for the year under report from 1 January to 31 December 2013:

	2013 (KEUR)	2012 (KEUR)
<b>Consolidated net income for the year</b>	<b>15,153</b>	<b>46,285</b>
<b>Other profit/loss</b>	<b>36,632</b>	<b>77,607</b>
<b>Other profit/loss, which will not be reclassified to the P&amp;L account in subsequent years</b>	<b>-420</b>	<b>-1,161</b>
Revaluation of net liability from performance-related (defined benefit) pension plans	-590	-1,638
Deferred taxes	170	477
<b>Other profit/loss, which will not be reclassified to the P&amp;L account in subsequent periods</b>	<b>37,051</b>	<b>78,768</b>
Changes from AFS financial instruments	53,059	109,910
Unrealised gains/losses	55,170	109,236
Reclassifications due to realisation of profit/loss	-2,110	674
Translation differences of foreign business units	-504	187
Unrealised gains/losses	-504	187
Reclassifications due to realisation of profit/loss	0	0
Deferred taxes	-15,504	-31,329
<b>Total profit/loss for the year</b>	<b>51,785</b>	<b>123,892</b>
of which due to the shareholders	51,785	123,892
of which not attributable to controlling shares	0	0

The following consolidated Notes constitute an integral part of the Consolidated Financial Statements.

## Consolidated Balance Sheet

Consolidated NORD/LB Luxembourg Group, for the reporting date 31 December 2013:

Assets	Notes	31.12.2013 (EUR million)	31.12.2012 (EUR million)
Cash reserve	27	55.7	75.1
Loans and advances to banks	28	2,163.1	1,693.9
Loans and advances to customers	29	5,174.5	5,115.0
Risk provisions	30	-45.6	-36.5
Financial assets at fair value through profit or loss	31	244.4	264.0
Derivatives – fair values from hedge accounting	32	269.8	433.4
Financial assets	33	8,866.5	9,332.0
Property, plant and equipment	34	70.5	72.2
Intangible assets	35	11.4	11.6
Current income tax assets	36	0.3	5.1
Deferred income tax claims	36	9.3	23.0
Other assets	37	9.2	5.3
<b>Total assets</b>		<b>16,829.2</b>	<b>16,994.0</b>
Liabilities	Notes	31.12.2013 (EUR million)	31.12.2012 (EUR million)
Liabilities to banks	38	10,075.2	9,749.6
Liabilities to customers	39	2,788.8	2,283.3
Securitised liabilities	40	2,271.8	2,810.8
Financial liabilities at fair value through profit or loss	41	106.5	116.7
Derivatives – fair values from hedge accounting	42	741.5	1,206.7
Provisions	43	17.7	10.6
Current income tax liabilities	44	4.0	5.2
Deferred income tax liabilities	44	6.9	9.9
Other liabilities	45	27.6	29.6
Subordinated capital	46	90.7	94.8
Equity			
Issued capital		205.0	205.0
Capital reserves		0.0	0.0
Revenue reserves		504.5	519.8
Revaluation reserve		-17.2	-54.8
Currency translation reserve		6.3	6.8
<b>Total equity</b>	48	<b>698.6</b>	<b>676.8</b>
Equity attributable to shareholders		698.6	676.8
Equity allocated to shares without a controlling influence		0.0	0.0
<b>Total equity and liabilities</b>		<b>16,829.2</b>	<b>16,994.0</b>

The following consolidated Notes constitute an integral part of the Consolidated Financial Statements.

## Consolidated Cash Flow Statement

Consolidated NORD/LB Luxembourg Group, for the year under report from 1 January to 31 December 2013:

	2013 (EUR million)	2012 (EUR million)
<b>Group profit/loss before taxes</b>	<b>15.9</b>	<b>60.0</b>
Adjustment for non-cash items		
Depreciation, value adjustments and write-ups of property, plant and equipment, write-value adjustments and write-ups of financial assets	34.6	23.2
Increase/decrease in provisions	1.3	-1.5
Gains/losses from the disposal of property, plant and equipment and financial assets	-6.4	0.9
Increase/decrease in other non-cash items	0.8	-2.5
Profit/loss from interest	-98.4	-110.3
Other adjustments (balance)	-0.4	-0.4
<b>Sub-total</b>	<b>-52.5</b>	<b>-30.5</b>
Increase/decrease in assets and liabilities from operating activities after adjustment for non-cash items		
Loans and advances to banks and customers	-535.7	782.3
Other assets and liabilities from operational business activities	161.5	220.4
Liabilities to banks and customers	835.5	-762.0
Securitised liabilities	-526.0	-1,343.3
Interest received	418.3	732.3
Dividends received	0.2	0.1
Interest paid	-362.2	-620.0
Income taxes paid	-1.9	3.5
<b>Cash flow from operating activities</b>	<b>-63.1</b>	<b>-1,017.3</b>
Cash receipts from the disposal of		
Financial assets	1,685.2	2,142.5
Property, plant and equipment and intangible assets	0.0	0.5
Cash payments for the acquisition of		
Financial assets	-1,609.4	-1,539.2
Property, plant and equipment and intangible assets	-1.5	-9.6
Changes in funds from other investment activities (balance)	0.0	0.0
<b>Cash flow from investment activity</b>	<b>74.3</b>	<b>594.3</b>

The following consolidated Notes constitute an integral part of the Consolidated Financial Statements.

	2013 (EUR million)	2012 (EUR million)
Cash receipts from equity contributions	0.0	0.0
Increase/decrease in funds from other capital	0.0	400.0
Interest expense on subordinated capital	-0.6	-0.8
Dividends paid	-30.0	-40.0
<b>Cash flow from financing activities</b>	<b>-30.6</b>	<b>359.3</b>
<b>Cash and cash equivalents at end of the previous year</b>	<b>75.1</b>	<b>138.9</b>
Cash flow from operating activities	-63.1	-1,017.3
Cash flow from investment activity	74.3	594.3
Cash flow from financing activities	-30.6	359.3
<b>Cash flow total</b>	<b>-19.4</b>	<b>-63.8</b>
Effects of exchange rate differences and changes in the basis of consolidation	0.0	0.0
<b>Cash and cash equivalents at end of reporting year</b>	<b>55.7</b>	<b>75.1</b>

The following consolidated Notes constitute an integral part of the Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity

Consolidated NORD/LB Luxembourg Group, for the year under report from 1 January to 31 December 2013:

EUR million	Issued Capital	Capital Reserves	Revenue Reserves	Revaluation Reserve	Currency Translation Reserve	Equity before Shares without a Controlling Influence	Shares without a Controlling Influence	Equity
<b>Equity on 01.01.2012</b>	<b>205.0</b>	<b>0.0</b>	<b>514.7</b>	<b>-133.4</b>	<b>6.6</b>	<b>592.9</b>	<b>0.0</b>	<b>592.9</b>
Net income for the year	0.0	0.0	46.3	0.0	0.0	46.3	0.0	46.3
Increase/decrease from AfS financial instruments	0.0	0.0	0.0	109.9	0.0	109.9	0.0	109.9
Revaluation of net liability from performance-related (defined benefit) pension plans	0.0	0.0	-1.6	0.0	0.0	-1.6	0.0	-1.6
Deferred taxes	0.0	0.0	0.4	-31.3	0.0	-30.9	0.0	-30.9
Currency translation	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.2
<b>Total profit/loss for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>45.1</b>	<b>78.6</b>	<b>0.2</b>	<b>123.9</b>	<b>0.0</b>	<b>123.9</b>
Distribution	0.0	0.0	-40.0	0.0	0.0	-40.0	0.0	-40.0
Increase/decrease from capital receipts and payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in group of consolidated companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Equity on 31.12.2012</b>	<b>205.0</b>	<b>0.0</b>	<b>519.8</b>	<b>-54.8</b>	<b>6.8</b>	<b>676.8</b>	<b>0.0</b>	<b>676.8</b>
Net income for the year	0.0	0.0	15.2	0.0	0.0	15.2	0.0	15.2
Increase/decrease from AfS financial instruments	0.0	0.0	0.0	53.1	0.0	53.1	0.0	53.1
Revaluation of net liability from defined benefit pension plans	0.0	0.0	-0.6	0.0	0.0	-0.6	0.0	-0.6
Deferred taxes	0.0	0.0	0.2	-15.5	0.0	-15.3	0.0	-15.3
Currency translation	0.0	0.0	0.0	0.0	-0.5	-0.5	0.0	-0.5
<b>Total profit/loss for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>14.7</b>	<b>37.6</b>	<b>-0.5</b>	<b>51.8</b>	<b>0.0</b>	<b>51.8</b>
Distribution	0.0	0.0	-30.0	0.0	0.0	-30.0	0.0	-30.0
Increase/decrease from capital receipts and payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in group of consolidated companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Equity on 31.12.2013</b>	<b>205.0</b>	<b>0.0</b>	<b>504.5</b>	<b>-17.2</b>	<b>6.3</b>	<b>698.6</b>	<b>0.0</b>	<b>698.6</b>

The following consolidated Notes constitute an integral part of the Consolidated Financial Statements.



# Consolidated Notes to the Financial Statements

## 71 Accounting Policies

- 71 (1) Principles for Preparing the Consolidated Financial Statements
- 71 (2) Discretionary Decisions, Estimates and Assumptions
- 72 (3) Adopted and New IFRS
- 76 (4) Principles of Consolidation
- 76 (5) Basis of Consolidation
- 76 (6) Currency Translation
- 77 (7) Financial Instruments
- 83 (8) Risk Provisions
- 83 (9) Property, Plant and Equipment
- 83 (10) Leasing Transactions
- 84 (11) Intangible Assets
- 84 (12) Provisions for Pensions and Similar Obligations
- 85 (13) Other Provisions
- 85 (14) Income Tax Assets and Liabilities
- 86 (15) Subordinated Capital

## 87 Segment Reporting

- 88 (16) Segmentation of the NORD/LB Luxembourg Group by Business Segments
- 90 (17) Segmentation of the NORD/LB Luxembourg Group by Geographical Characteristics

## 91 Notes to the Consolidated Profit and Loss Account

- 91 (18) Net Interest Income and Current Income
- 92 (19) Loan Loss Provisions
- 93 (20) Net Commission Income
- 94 (21) Profit/Loss from Financial Instruments at Fair Value through Profit or Loss
- 95 (22) Profit/Loss from Hedge Accounting
- 95 (23) Profit/Loss from Financial Assets
- 96 (24) Administrative Expenses
- 97 (25) Other Operating Profit/Loss
- 97 (26) Income Taxes

## 99 Notes to the Consolidated Balance Sheet

- 99 (27) Cash Reserve
- 99 (28) Loans and Advances to Banks
- 100 (29) Loans and Advances to Customers
- 100 (30) Risk Provisions
- 102 (31) Financial Assets at Fair Value through Profit or Loss
- 103 (32) Fair Values from Hedge Accounting
- 103 (33) Financial Assets
- 105 (34) Property, Plant and Equipment

107	(35) Intangible Assets
109	(36) Income Tax Assets
110	(37) Other Assets
110	(38) Liabilities to Banks
111	(39) Liabilities to Customers
111	(40) Securitised Liabilities
112	(41) Financial Liabilities at Fair Value through Profit or Loss
112	(42) Fair Values from Hedge Accounting
113	(43) Provisions
117	(44) Income Tax Liabilities
118	(45) Other Liabilities
119	(46) Subordinated Capital

## 120 Other Disclosures

120	(47) Notes to the Overall Profit and Loss Account
120	(48) Notes to the Statement of Changes in Equity
121	(49) Notes to the Cash Flow Statement

## 122 Notes to Financial Instruments

122	(50) Term to Maturity of Financial Liabilities and Contingent Liabilities
123	(51) Book Values According to Valuation Categories
124	(52) Net Results According to Valuation Categories
124	(53) Impairment/Reversal of Impairment According to Valuation Categories
125	(54) Fair Value Hierarchy
129	(55) Fair Value of Financial Instruments
130	(56) Derivative Financial Instruments
132	(57) Information Relating to Selected Countries
136	(58) Forbearance Exposure
137	(59) Underlying Transactions in Effective Hedging Relationships
137	(60) The NORDB/LB Luxembourg Group as Assignor and Assignee
138	(61) Offsetting Financial Assets and Liabilities
140	(62) Transfer and Derecognition of Financial Assets

## 141 Other Notes

141	(63) Regulatory Information
143	(64) Foreign Currency Volumes
144	(65) Contingent Liabilities and other Obligations
144	(66) Subordinated Assets
145	(67) Trust Transactions/Activities
145	(68) Events after the Balance Sheet Date
145	(69) Group Auditor's Fees

## 145 Related Parties

145	(70) Number of Employees
146	(71) Related Party Disclosures
148	(72) Members of Executive Bodies and their Positions
149	(73) Remuneration of and Loans to Executive Bodies

# Consolidated Financial Statements 2013



NORD/LB Luxembourg

## Accounting Policies

### (1) Principles for Preparing the Consolidated Financial Statements

The financial statements of the NORD/LB Luxembourg Group as at 31 December 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The standards used were those that had been published and adopted by the European Union at the time the financial statements were prepared (see Note (3) Adopted and New IFRS).

The financial statements as at 31 December 2013 take into account the national provisions of the law of 17 June 1992 on the annual accounts (financial statements) of credit institutions established under Luxembourg law (version dated March 2009). The financial statements for the year ended 31 December 2013 comprise the consolidated profit and loss account, consolidated overall profit and loss account, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and the consolidated notes. The segment reporting is included in the notes. Risk reporting in accordance with IFRS 7 is essentially carried out in the separate report on the risks and rewards of future development (risk report) as part of the management report.

Assets are measured in principle at amortised cost, apart from financial instruments under IAS 39, which are measured at fair value. These financial statements have been prepared under the going concern assumption. Income and expense are amortised on a pro rata basis. They are reported and shown in the period to which they are economically attributable. The fundamental accounting policies are described below.

The reporting and functional currency used in the financial statements is the euro. Unless stated otherwise, all amounts are shown in millions of euros (EUR million) rounded to one decimal place. The statement of percentage variances relates to unrounded figures.

### (2) Discretionary Decisions, Estimates and Assumptions

The estimates and assessments necessary within the scope of the balance sheet preparation by management are made in accordance with the respective IFRS standard. They are regularly reviewed and are based on experience and other factors, including expectations regarding future events which appear to be reasonable under the given circumstances. If broad estimates were required, the relevant significant assumptions are stated. The estimates and judgements themselves, and the factors underlying the judgements and estimating processes, are reviewed and adjusted to the actual events as they occur. The parameters used are appropriate and tenable. Changes to estimates, if the change concerns only one period, are only taken into account in that period. Where the change concerns the current and subsequent reporting periods, it is taken into consideration in those periods too.

The essential methods are shown below:

#### a) Fair Value of Financial Instruments

If there are no active market listings for financial assets or financial liabilities, the fair value is determined using valuation methods. The parameters needed for this are based as far as possible on observed market data. If such input data is not available, then valuation methods are used which are based on volatility and market liquidity, among other factors. Changes in the assumptions relating to these parameters could have an effect on the reported fair value of financial instruments calculated using these methods.

Further information can be found in Notes (7), (8) and (54).

#### b) Pension Payments

The expenditure from performance-related (defined benefit) plans and the cash value from pension obligations are determined with reference to actuarial calculations. These are based on various wage, salary and pension development, mortality rate and the discount rate assumptions. Due to the long term nature of the underlying assumptions and the complex calculation methods, changes made to those assumptions can have significant effects.

Further information can be found in Note (12) Provisions for Pensions and Similar Obligations and Note (43) Provisions.

### c) Taxes

Deferred tax claims are assessed for unused tax losses carried forward to the extent that it is probable that the taxable income for this purpose will be available, i.e. that it will actually also be possible to use the losses carried forward. The time of entry and the amount of the future taxable income are determined by a significant exercise of discretion.

Further information about taxes can be found in Note (14) Income tax assets and liabilities.

## (3) Adopted and New IFRS

All IFRS, interpretations and their amendments have been applied in these consolidated financial statements where they have been recognised by the EU within the scope of its endorsement process and are pertinent to the NORD/LB Luxembourg Group in the reporting year 2013.

In the period under report, the following changes to standards to be applied to the NORD/LB Luxembourg Group for the first time as of 1 January 2013 were taken into account:

- **IAS 19 (rev. 2011) – Employee Benefits**

In June 2011, the IASB published the amended IAS 19 – Employee Benefits. Actuarial gains and losses are accordingly to be shown directly in Other Comprehensive Income (OCI) i.e. the previously valid right to opt to apply the corridor method was abolished. In addition, the interest on the plan assets may no longer be estimated on the basis of underlying assets, instead interest is to be recorded in the amount of the discounting interest rate. In addition, expanded notes have to be published. The resultant changes to the accounting and valuation methods for the NORD/LB Luxembourg Group in comparison to the reporting date on 31 December 2012 mainly relate to the recording of costs and taxes from benefit plans. Since 2013, the expected revenue from the plan assets has been calculated using a standardised interest rate, which is equivalent to the discount interest rate of the liability. In addition, the top-up amounts committed to within the scope of semi-retirement were reported and valued for the first time in accordance with the regulations regarding other long-term employee benefits.

On the basis of the subordinate importance of the effects of IAS 19 (rev. 2011) for the NORD/LB Luxembourg Group, the previous year's values were not adjusted. Since the Bank already records actuarial gains and losses in Other Comprehensive Income (OCI) under the former IAS 19 rules, there are no effects emerging from this amendment.

- **IFRS 13 – Fair Value Measurement**

In IFRS 13 – Fair Value Measurement, published in May 2011 and to be applied prospectively, the various regulations on fair value measurement in the individual standards have been consolidated into one standard framework for the first time and at the same time, some sections have been modified or broadened; there will only continue to be individual regulations for IAS 17 and IFRS 2.

The specific rules introduced within the framework of the new standard relate among other things to the definition of fair value, the introduction of amended approaches, particularly in the context of defining the relevant markets (principal or most advantageous market), the level allocation, as well as the reporting of a day-one profit/loss and the application of a bid/ask spread when valuing assets and liabilities.

There are no major effects on the measurement of assets and liabilities of the NORD/LB Luxembourg Group resulting from the introduction of IFRS 13. In connection with the expanded disclosure requirements of the standard, a description of the process of the fair value measurement has been included in the Notes. Furthermore, there is a more detailed presentation relating to the risks for the level disclosure for financial instruments, which are measured at fair value on the balance sheet as well, since, for the first time, a presentation of the level disclosure for financial instruments whose fair value is only calculated for disclosure purposes.

- **Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income**

The amendments to IAS 1, published in June 2011 by the IASB within the scope of the Financial Statement Presentation project, rearrange the statement of comprehensive income. Accordingly, the items in other comprehensive income (OCI) are to be sub-divided depending on whether or not they can be recycled in the profit and loss account. In the case of pre-tax presentation of OCI, the procedure should be the same as regards the deferred tax amounts and a division into reclassifiable and non-reclassifiable items should be undertaken.

The adjustments to IAS 1 will lead to a corresponding change in the presentation in the statement of comprehensive income at the NORD/LB Luxembourg Group.

- **Amendments to IAS 12 – Deferred Taxes: Recovery of Underlying Assets**

The amendments to IAS 12 – Deferred Taxes: Recovery of Underlying Assets, clarify that the valuation of deferred taxes for property held as a financial investment, which are valued using the model of the fair value in IAS 40, shall be undertaken on the basis of the rebuttable presumption of the realisation of the book value by way of sale.

This new regulation does not give rise to any effects on NORD/LB Luxembourg's consolidated financial statements.

- **Amendments to IFRS 7 – Disclosure: Offsetting Financial Assets and Financial Liabilities**

In connection with the publication of the amendments to IAS 32 – Financial Instruments: Presentation, the disclosure requirements of IFRS 7 in relation to offsetting were extended in December 2011 in order to allow readers of financial statements to better estimate the effects of existing offsetting arrangements, including the rights to offset financial instruments and their effects on the financial position of an entity. For the NORD/LB Luxembourg Group, the amendments are to be applied retrospectively for financial years that begin on or after 1 January 2013.

The amendments result in additional disclosure requirements that have to be complied with in the consolidated financial statement of NORD/LB Luxembourg for the first time on 31 December 2013.

- **Improvements of the IFRS (2009 – 2011 cycle) within the Scope of the Annual Improvement Process of the IASB**

The changes within the scope of the annual improvement project for the 2009 – 2011 cycle published in May 2012 comprise clarifications in relation to IFRS 1 First-time Adoption of the International Financial Reporting Standards, IAS 1 Presentation of the Financial Statements, IAS 16 Property, Plant and Equipment, IAS 32 Financial Instruments: Presentation, and IAS 34 Interim Financial Reporting.

There are no major effects on the annual consolidated financial statements of NORD/LB Luxembourg resulting

from the annual improvements of the IFRS (2009 – 2011 cycle).

We were permitted not to proceed with the early adoption of the following standards, which do not have to be implemented until after 31 December 2013 for the NORD/LB Luxembourg consolidated financial statements:

- **IFRS 9 – Financial Instruments**

Within the scope of the project to replace IAS 39, a revised version of IFRS 9, which was issued in November 2009, was published in October 2010. The first of three phases includes regulations on the categorisation and valuation of financial assets and financial obligations. For the categorisation of financial assets according to IFRS 9, only two options were initially provided for: measurement at amortised cost or valuation at fair value through profit or loss. In November 2012, a proposal to amend the categorisation and measurement rules in IFRS 9 was published, which contained in particular the proposal to introduce a third measurement model for financial assets in the form of debt instruments. This provides for a measurement of instruments at fair value with a recognition of the changes in valuation having no effect on profit or loss in Other Comprehensive Income (OCI).

In the future, categorisation will be aligned to the business model of the reporting entity and the contractually agreed-on payment flows of the assets. The requirements for embedded derivatives and reclassification have also been amended. The rules relating to financial obligations are largely unchanged from IAS 39. The essential difference to the current rule relates to the application of the fair value option. In principle, the credit rating induced changes in the valuation of financial liabilities will be shown in Other Comprehensive Income (OCI) in the future, the remaining portion of the change in value will continue to be reported in the profit and loss account.

In the first half of 2013, the second phase of IFRS 9 on the subject of impairment was published. Along with financial instruments, loan and credit commitments and financial guarantees are also included in the scope of the second phase, among others. The new impairment model provides for a departure from the concept of incurred losses towards the concept of expected loss. According to the new impairment model, financial instruments, loan and credit commitments and financial guarantees will be sub-divided into three stages depending on the change in their credit quality as compared to the time of acquisi-

tion. The calculation of the anticipated loan defaults is based on the classification of a financial instrument, a loan/credit commitment or a financial guarantee into the corresponding stages. In Stage 1, the anticipated loan defaults in the sum of the expected loss with an observation period of one year are calculated. In Stages 2 and 3, the anticipated loan defaults over the entire remaining term to maturity are calculated (lifetime expected loss).

With regard to phase 3 on hedge accounting, the IASB has resolved an additional division of the subject into the sub-areas of General Hedge Accounting (Phase 3a) and Macro Hedge Accounting (Phase 3b). In the fourth quarter of 2013, a Standard on General Hedge Accounting was published. The publication of a proposal on macro hedge accounting is now not expected before 2018. Until then, the regulations of IAS 39 on portfolio fair value hedge accounting for interest rate risks remain in place and will not be transferred into IFRS 9. The Standard on General Hedge Accounting pursues the objective of reflecting corporate risk management in the balance sheet presentation of hedge accounting in closed portfolios more strongly than was the previous case. In this connection, the role of qualitative implementation criteria was strengthened in comparison to the quantitative implementation criteria, in contrast to the provisions of IAS 39. In addition, the scope of underlying and hedge transactions which come into question for hedge accounting has been considerably extended, and additional designation options were created. With regard to the effectiveness of hedge accounting, the focus will no longer be on a rigid percentage-based effectiveness threshold in the future.

In the fourth quarter of 2013, the IASB resolved to revoke the former initial application date of 1 January 2015 and to set a new date when a conclusion of the discussions is foreseeable, in particular relating to the phases of categorisation and measurement and impairment.

In relation to IFRS 9, considerable influences on accounting, valuation and reporting are expected for future consolidated financial statements. The potential effects on the consolidated financial statements of NORD/LB Luxembourg can only be quantified after the final regulations on all phases of IFRS 9 are adopted by the IASB.

- **IFRS 10 – Consolidated Financial Statements**

Published in May 2011, IFRS 10 changes the definition of control and creates standardised rules on the determination of control both for subsidiaries and for structured entities (single purpose entities), which form the basis

for assessing whether there is an obligation to consolidate. Accordingly, control exists if the potential parent company holds the present power of decision over the relevant activities of the potential subsidiary; it participates in positive or negative variable returns from the potential subsidiary or holds rights to them and has the possibility of influencing the amount of its own returns through its power of decision. The standard replaces the provisions of the current IAS 27 in this respect as well as SIC-12 and, following endorsement by the EU, comes into effect for financial years beginning on or after 1 January 2014 at the latest.

For NORD/LB Luxembourg there will be no changes as a result.

- **IFRS 11 – Joint Arrangements**

IAS 31 – Interests in Joint Ventures will be replaced by IFRS 11, published in May 2011, and is to be applied from 1 January 2014. This regulates the accounting of circumstances in which a company has joint control over a joint venture or is a joint operation. There are two major changes from the current standard. On the one hand, the right to opt for proportionate consolidation of joint ventures has been eliminated, i.e. consolidation is only permissible on the basis of the equity method now, similar to IAS 28. On the other hand, the new category "joint operations" has been included, which provides for the reporting of assets and liabilities attributable to the group.

It is anticipated that NORD/LB Luxembourg will not need to make any adjustments to the consolidated financial statements based on the initial application of IFRS 11.

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

The new IFRS 12 summarises the disclosure requirements for subsidiaries, joint ventures, affiliated undertakings, and non-consolidated, structured companies in one standard. The aim is the provision of information regarding the type of control options regarding the said companies and the associated risks and effects arising from the influence on balance sheet, profit and loss account and cash flow. It will be mandatory to apply IFRS 12 for the first time to financial years beginning on or after 1 January 2014.

It is anticipated that NORD/LB Luxembourg will not need to make any adjustments to the consolidated financial statements based on the initial application of IFRS 11.

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

In June 2012, the IASB published amendments which lead to a substantiation and clarification of the transition guidelines in IFRS 10 – Consolidated Financial Statements. In addition, relief is granted in that the adjusted comparative figures will be restricted to the directly preceding comparative period in the initial application and the obligation to disclose comparative information from non-consolidated special purpose vehicles will be omitted for the initial application of IFRS 12. The amendments come into force due to the adoption into European law for reporting periods starting on or after 1 January 2014.

For NORD/LB Luxembourg there will be no changes as a result.

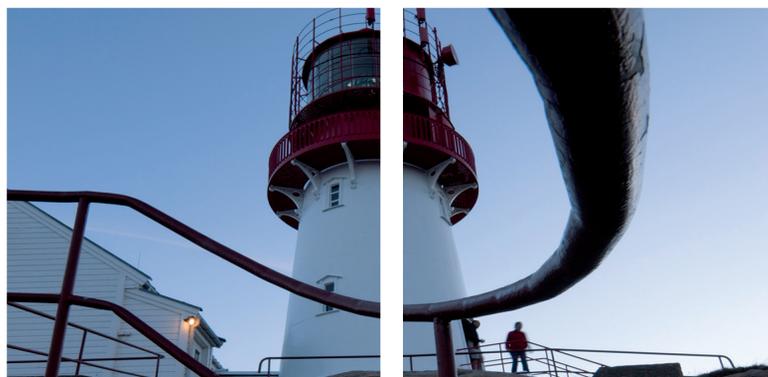
- **Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities**

With the publication of the amendments to IAS 32 – Presentation of Financial Instruments – in December 2011, the IASB clearly defined its requirements for the offsetting of financial instruments clear. The changes essentially substantiate the implementation guidelines and are intended to remedy the existing inconsistencies in the implementation of the offsetting criteria. In particular, the importance of the “present legal entitlement to offsetting” and the conditions for systems with gross settlement as the equivalent of net settlement are explained. It will be mandatory to apply the amendments retrospectively for financial years which begin on or after 1 January 2014.

No effects are expected for NORD/LB Luxembourg on the grounds of the amendments to IAS 32.

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

In June 2013, the IASB published an amendment to IAS 39. The amendment introduces an exception to the termination of hedge accounting. This applies if a novation in the context of a settlement of the hedge instrument via a central counterparty is undertaken due to regulatory requirements. It will be mandatory to apply the amendments retrospectively for financial years which begin on or after 1 January 2014.



No effects on the existing business in hedge accounting are expected at NORD/LB Luxembourg, even in the case of the obligatory application of the clearing obligation introduced by the European Market Infrastructure Regulation (EMIR). A final statement can only be made after the obligatory application of the EMIR has been undertaken.

Furthermore, early application of the following standard amendments and revisions of standards is being refrained from:

- IAS 27 (amended 2011) – Separate Financial Statements
- IAS 28 (amended 2011) – Investments in Associates and Joint Ventures
- Amendments to IAS 19 – Deferred Taxes: Employee Contributions
- Amendments to IAS 36 – Impairment of Assets – Disclosure of Recoverable Amount of Non-financial Assets
- Improvements of the IFRS (2010 – 2012 cycle) within the scope of the annual improvement process of the IASB
- Improvements of the IFRS (2011 – 2013 cycle) within the scope of the annual improvement process of the IASB

It will be mandatory to apply the amendments for financial years which begin on or after 1 January 2014.

No major effects on the consolidated financial statements of NORD/LB Luxembourg are expected from the changes to IAS 19, IAS 27, IAS 28 and IAS 36 or the annual improvements to the IFRS (Cycle 2010 – 2012 and 2011 – 2013).

The adoption into European law by the EU Commission is still pending with regard to IFRS 9 – Financial Instruments, the amendments to IAS 19 and the annual improvements to the IFRS (2010 – 2012 and 2011 – 2013 cycles).

The initial implementation of the amendments to the standards described above is scheduled for the respective first application date.

The previous year's comparative figures were adjusted on the basis of IAS 8.42 in Note (57) Information relating to selected countries. In the case of Portugal and Italy, some of the wrong receivables categories were allocated to Level 2 assets in financial year 2012. The previous year's figures have therefore been adjusted accordingly in the financial statements for this financial year.

#### (4) Principles of Consolidation

The consolidated financial statements of NORD/LB Luxembourg, which were prepared in accordance with uniform, group-wide accounting and valuation methods, include the financial statements of the parent company (NORD/LB Luxembourg) and the companies it controls, including the single purposes entities (subsidiaries). Control exists as soon as a Group company has the option of determining the financial and business policies of a company in order to obtain benefits from its activities.

The capital consolidation is done using the purchase method. At the same time, all assets and liabilities of the subsidiaries at the time the controlling influence was gained are shown at fair value taking into account deferred taxes. The differences in the amounts of assets within the scope of the initial consolidation are shown under intangible assets. The value of the goodwill is reviewed at least once a year and subjected to unscheduled depreciation, if necessary. The differences on the liabilities side within the scope of the initial consolidation are calculated with the provisions (badwill). The shares in equity of subsidiaries not allocated to the parent company are shown in the group equity as minority shares in subsidiaries. There is neither positive goodwill nor minority shares in subsidiaries within the NORD/LB Luxembourg Group.

Internal receivables and liabilities and expenses and income generated within the Group are eliminated within the scope of the consolidation of debts and expenditure and income within the NORD/LB Luxembourg Group. Interim results within the NORD/LB Luxembourg Group are eliminated from the calculations as part of the interim result elimination.

The results of subsidiaries that have been included or removed over the course of the year are recorded in the consolidated profit and loss account according to the actual

date of inclusion (acquisition) or effective date of removal. Deconsolidation is carried out starting from the time when a controlling or significant influence ceases to exist or joint management no longer exists.

#### (5) Basis of Consolidation

In addition to NORD/LB Luxembourg as the parent company, the consolidated financial statements also include two subsidiaries (previous year: two) in which NORD/LB Luxembourg directly or indirectly holds more than 50 percent of the voting rights or can otherwise exert a controlling influence.

##### **These Subsidiaries are:**

- Skandifinanz AG, Zürich, 100 % of the voting rights
- NORD/LB Covered Finance Bank S.A., Luxembourg, 100 % of the voting rights

The annual financial statements included in the consolidated financial statements were prepared on the reporting date of 31 December according to group-wide uniform accounting and valuation methods in accordance with IFRS.

#### (6) Currency Translation

Each group company calculates its financial statements in its functional currency (balance sheet currency). The financial statements are consolidated in the reporting currency (EURO). The methods used for the currency translation are described below.

##### **Translation into the Functional Currency**

When monetary assets and liabilities or non-monetary items at fair value are denominated in foreign currencies, they must be translated at the ECB reference rate as at 31 December 2013. Non-monetary items that are valued at cost are translated at the historical rates. Expenses and income in foreign currencies are translated at market rates on value dates. Exchange rate differences relating to monetary items are generally reflected in the profit and loss account; non-monetary items are recognised through profit or loss or as not affecting profit or loss in accordance with how the profits or losses relating to such items are recorded.

##### **Translation into the Reporting Currency**

In the case of the foreign subsidiaries and foreign branches to be consolidated, whose functional currency is not the euro, assets and liabilities are translated using the ECB ref-

erence rates as at 31 December 2013. With the exception of revaluation reserves (at the rate on the reporting date) and the annual net profit, equity is translated on the basis of historical exchange rates. Income and expenses are translated into the Group currencies at average exchange rates for the period. Translation differences resulting from this are shown as a separate item in the group equity. In the case of disposal, the translation differences accrued to that date are included in the gain or loss on disposal.

## (7) Financial Instruments

A financial instrument is defined as a contract that gives rise to a financial asset of one entity and a financial liability or debt instrument. NORD/LB Luxembourg's financial instruments are recognised in its accounts accordingly. They are classified in accordance with the requirements of IAS 39 and measured in line with that classification.

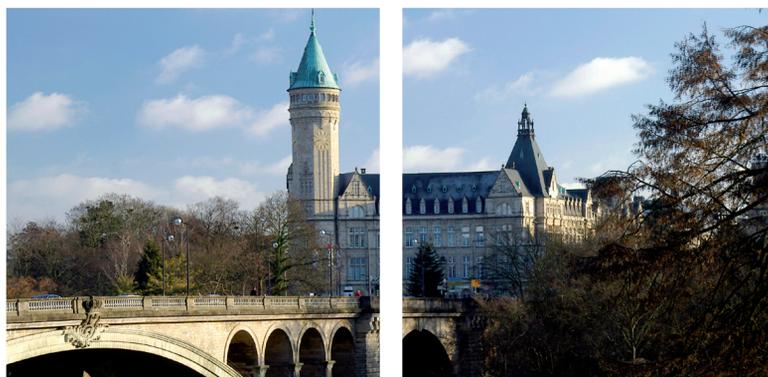
### a) Recognition and Derecognition of Financial Instruments

A financial asset or a financial liability shall be recognised on the balance sheet when the Bank becomes a party to the contractual provisions of the financial instrument. The trade date and settlement date generally diverge in the case of regular way purchases or sales of financial assets. An entity is entitled to choose whether to use trade date accounting or settlement date accounting for these regular way purchases or sales. All financial assets must be recognised on the balance sheet using settlement date accounting.

The derecognition requirements of IAS 39 depend on the concept of risks and rewards and on control, with the evaluation of the risks and rewards of ownership taking precedence over the evaluation of the transfer of control when assessing whether derecognition is appropriate.

In the event of only a partial transfer of risks and rewards and the retention of control, the continuing involvement approach is applied. The financial asset is then subject to specific accounting policies to the extent of the entity's continuing involvement. The extent of the entity's continuing involvement is determined by the extent to which the Bank continues to be exposed to changes in the value of the transferred asset.

A financial liability (or part of a financial liability) is derecognised when it is extinguished, i.e. when the obligation spec-



ified in the contract is discharged or cancelled or expires. The reacquisition of debt instruments is also covered by the derecognition of financial liabilities. At the time of repurchase, the difference between the carrying amount of the liability (including premiums and discounts) and the repurchase price is recognised through profit or loss; disposal at a later stage gives rise to a new financial liability, the acquisition cost of which corresponds to the disposal proceeds. Differences between the new acquisition cost and the redemption amount are spread over the remaining life of the debt instrument using the effective interest method.

### b) Classification and Measurement

Financial assets and liabilities are initially measured at fair value. For financial instruments in the loans and receivables (LaR), held-to-maturity (HtM), available-for-sale (AFS) and other liabilities (OL) categories, transaction costs are included in the acquisition cost provided that they are directly attributable. They are accounted for in the context of spreading premiums and discounts using a constant effective rate at the nominal value or redemption amount. For financial instruments in the financial assets or financial liabilities at fair value through profit or loss (aFV) category, transaction costs are recognised immediately through profit or loss.

The subsequent measurement of financial assets and liabilities depends on their classification under IAS 39 at the time of acquisition:

- **Loans and Receivables (LaR)**

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market provided they are not classified as financial assets at fair value through profit or loss (aFV) or available-for-sale (AFS). Subsequent measurement is at

amortised cost. At each balance sheet date or if there are indications of a potential impairment, the value of loans and receivables (LaR) is reviewed and adjusted if necessary (see Note (8) Risk Provisions). Reversal of impairment losses is reported through profit or loss. The upper limit for the reversal of impairment losses is the amortised cost that would have arisen at the time of measurement without impairment.

- **Held-to-Maturity (HtM)**

This category includes non-derivative financial assets with fixed or determinable payments and a fixed life that an entity intends and is able to hold to maturity. Financial instruments may be allocated to this category provided they are not classified as financial assets at fair value through profit or loss (aFV), as available-for-sale (AFS) or as loans and receivables (LaR). Subsequent measurement is at amortised cost. The held-to-maturity category is not currently used in the financial statements of NORD/LB Luxembourg.

- **Financial Assets or Financial Liabilities at Fair Value through Profit or Loss (aFV).**

This category is divided into two sub-categories:

- a) Held-for-trading (HfT)

This sub-category comprises financial instruments (trading assets and trading liabilities) that were acquired with the intention of making profit from short term buying and selling. It includes all derivatives provided they are not hedging instruments. Trading assets are essentially composed of money market papers, bonds and debt securities, as well as derivatives with positive fair value. Trading liabilities comprise, in particular, derivatives with negative fair value as well as short sale delivery obligations. The subsequent measurement of trading assets and trading liabilities is at fair value through profit or loss. Upfront payments are amortised using the effective interest rate. At the same time, the Bank differentiates between trading book derivatives, where amortisation is not carried out using the effective interest rate, and banking book derivatives, where amortisation is carried out using the effective interest rate in the profit/loss from interest.

- b) Designated at fair value through profit or loss (dFV)

As long as they meet certain conditions, all financial instruments may be allocated to this sub-category, known as the fair value option. Using the fair value

option avoids or significantly reduces the recognition and measurement discrepancies that arise from the different measurement methods for financial assets and liabilities (e.g. by designating economic hedging relationships without having to meet the restrictive requirements of hedge accounting). Additional explanations on the nature and scope of the application of the Fair Value Option are provided in Note (31) Financial assets at fair value through profit or loss and Note (41) Financial liabilities at fair value through profit or loss. Financial instruments for which the fair value option is used are shown in the relevant balance sheet items and designated at fair value through profit or loss in the context of the subsequent valuation. Premiums and discounts are amortised using the effective interest rate.

The Designated at Fair Value through Profit or Loss category is not currently used in the financial statements of NORD/LB Luxembourg.

- **Available-for-Sale (AFS)**

This category includes all non-derivative financial assets that are not allocated to any of the above categories. In particular, this can be bonds and debt securities as well as shares and interests, which are not measured in accordance with IAS 27, IAS 28 or IAS 31. Subsequent measurement is carried out at fair value; if the fair value of financial investments in equity instruments, such as certain shares or interests for which no prices listed on active markets are available (as well as derivatives on such, which can only be settled by delivery), cannot be determined in a reliable manner, then they are measured at cost of acquisition. The profit/loss from the fair value measurement is shown as not affecting profit or loss in a separate equity item (revaluation reserve). Upon the disposal of financial assets, the measured profit/loss included in the balance sheet under revaluation reserve is removed and included in the profit and loss account.

A creditworthiness-induced impairment only occurs with a permanent impairment. Checking the existence of a permanent impairment is carried out with reference to certain objective factors. Objective factors in this context are the trigger events listed in IAS 39, such as considerable financial difficulties of the issuer or debtor or breach of contract such as default or delinquency regarding the interest or redemption payments. In the case of equity capital securities, alongside other additional criteria, a significant drop in fair value below the cost of acquisition is an objective indicator of an impairment.

In the case of creditworthiness-induced impairments, the revaluation reserve is to be adjusted by the impairment amount and the amount taken into account in the profit and loss account, provided it is impairment as defined by IAS 39. Reversals of impairment losses relating to debt instruments are recognised in the revaluation reserve through profit or loss for the part of the reversal that corresponds to the impairment and beyond that with no effect on profit or loss. Reversals of impairment losses relating to equity instruments are recognised in equity as not affecting profit or loss – unless they are valued at cost. Differences between acquisition costs and redemption amounts are amortised using the effective interest method through profit or loss.

- **Other Liabilities (OL)**

In particular, this category includes liabilities to banks and customers, securitised liabilities and the subordinate capital where these liabilities have not been designated within the scope of the fair value option. Subsequent measurement is carried out at amortised cost applying the effective interest rate method.

The book values and net results per measurement category are shown in Note (51) Book values according to valuation categories.

### c) Reclassification

In accordance with the provisions of IAS 39, reclassification of financial instruments from the HfT category (trading assets) into the LaR, HtM and AfS categories and from the AfS category into the LaR and HtM categories may be permitted under certain conditions. This reclassification entitlement was not used at NORD/LB Luxembourg.

### d) Determination of Fair Value

The unit of account underlying the determination of value is strictly defined by IAS 39. In the NORD/LB Luxembourg Group, the financial instrument constitutes the unit of account unless IFRS 13 provides for exceptions.

The fair value of financial instruments pursuant to IAS 39 in conjunction with IFRS 13 reflects the price at which an asset may be sold or a liability transferred within the scope of a standard transaction between market players on the valuation date, i.e. the fair value is a market-related and not company-specific value. According to IFRS 13, the fair value is the price which is either directly observable or a price

calculated using a valuation method and which would be achieved in a normal transaction, i.e. a sale or transfer on the principal market or the most advantageous market on the valuation date. The valuation on the valuation date is always based on a notional potential market transaction. If there is a principal market, the price on this market constitutes the fair value, irrespective of whether this price can be directly observed or is determined on the basis of a valuation method. This also applies if the price is potentially more advantageous in another market.

- **Financial Instruments which are Disclosed at Fair Value on the Balance Sheet**

The three-tier fair value hierarchy with the Level 1 (Mark to Market), Level 2 (Mark to Matrix) and Level 3 (Mark to Model) terminology stipulated in IFRS 13 is used in the NORD/LB Luxembourg Group.

The respective level is determined in accordance with the input data, which is used for the measurement, and reflects the market proximity of the parameters used in the determination of the fair value. If input data from various levels of the hierarchy is used in the measurement of the fair value, the resultant fair value of the respective financial instrument is assigned to the lowest level whose input parameters have a major influence on the measurement of the fair value.

Within the scope of the fair value hierarchy, the fair value of a financial instrument is classified as Level 1 if it is traded on an active market and publicly quoted exchange prices or actual traded prices on the over-the-counter market (OTC market) are used to determine the fair value. At the same time, quotations may be used that are set by other banks or market makers if recourse is made to observable price sources other than exchanges. The transfer of Level 1 prices is done without adjustment. Level 1 financial instruments include trading assets and liabilities, financial instruments designated at fair value as well as financial assets reported at fair value and other assets.

If no prices quoted on active markets can be drawn on, the fair value is determined using recognised measurement methods or models as well as external pricing services unless the valuation is performed there wholly or partially via spread curves (Level 2). In terms of the valuation of financial instruments, these include measurement models established on the market under normal market conditions (e.g. discounted cash flow methods or the Hull & White model for options), where the calculations are strictly based on input parameters available on the market. Impact factors which a market participant would take

into account when fixing the price must be included in the measurement. Wherever possible, the corresponding parameters are taken from the market where the instrument was issued or acquired.

Measurement models are used mainly for OTC derivatives and for securities listed on inactive markets. Various input data are incorporated into the valuation models, such as market prices and other market listings, no-risk interest rate curves, risk premiums, exchange rates and volatilities. If estimates should be necessary in individual cases, using option price models if applicable, a standard market method is always used.

Level 2 valuations utilise the market data that is already used as a basis for risk controlling. In the discounted cash flow method, all payments are discounted at the interest curve adjusted by the credit spread of the counterparty. The spreads are determined on the basis of comparable financial instruments (for example taking into account the respective market segment and creditworthiness of the issuer).

In the case of financial instruments for which there is no active market on 31 December 2013 and which can no longer be measured on the basis of market prices, a fair value is determined for measurement purposes using a mark-to-matrix process based on discounted cash flows.

The determination of which financial instrument in the NORD/LB Group is to be valued in this manner is decided on the basis of individual securities and a distinction between active and inactive markets based on this. A changing estimation of the market is used continually in the valuation. The identification, analysis and assessment of financial instruments on inactive markets are carried out in various areas of the Group, thus guaranteeing an estimate of the inactivity that is as objective as possible. The measurement model for financial instruments in inactive markets is based on fixed term interest rates, the credit rating of the respective issuers and an appropriate interest calculation for the equity.

The ratings of the respective counterparty are also used, among other things, as parameters in the procedure. If these are taken from publicly available sources, financial instruments thus measured are assigned to Level 2. Level 2 financial instruments include trading assets and liabilities, hedge accounting derivatives, financial instruments designated at fair value and financial assets reported at fair value.

Financial instruments for which no active market exists and for which no market prices or observable market parameters can be utilised fully for their measurement are to be assigned to Level 3. In contrast to and unlike the Level 2 measurement, institution-specific models are used and data is included which cannot be observed on the market for the Level 3 measurement. These instruments are either measured with reference to a comparable process of transactions with similar financial instruments observable on the market or using models customary in the business. The input parameters used in these methods include assumptions regarding payment flows, loss estimates and the discounting rate and to this extent, they are obtained in as close alignment to the market as possible.

Accordingly, financial instruments are to be assigned to Level 3 if internal ratings used by NORD/LB from the Internal Ratings Based Approach (in accordance with Basel II) are used in the method. This applies irrespective of whether the internal data has been calibrated for supervisory certification with data from publicly available ratings, which form the basis for the price decisions of market participants.

All measurement models used at the Bank are reviewed periodically. The fair values are subject to internal controls and procedures at NORD/LB. These controls and procedures are implemented or coordinated in the Finance department or in Risk Controlling. The models, data used and resulting fair values are reviewed regularly.

When determining values, all relevant factors such as the bid-ask spread, counterparty default risk, or discounting factors typical of the transaction are adequately taken into account. In the context of the bid-ask spread, a valuation is carried out strictly at the average rate or average listing. In particular, financial instruments relevant here are securities or liabilities whose fair values are based on prices quoted on active markets as well as financial instruments such as OTC derivatives, whose fair value is determined using a measurement method and for which the average listing constitutes an observable input parameter of the measurement method.

In addition, the option to determine the counterparty default risk (credit value adjustment (CVA) / debt value adjustment (DVA)) on the basis of the net risk position pursuant to IFRS 13.48 was also used. The CVA/DVA

is allocated to individual transactions on the balance sheet on the basis of the “Relative Credit Adjustment Approach”.

With reference to the counterparty default risk, there are no quoted prices on active markets for some types of derivatives, so that the fair value is determined using other measurement methods. Initially a measurement is carried out regularly without considering the credit default risk, which is only taken into account subsequently. Both the credit default risk of the counterparty (CVA) and the Bank’s own credit default risk (DVA) are taken into account in the fair value measurement. For the measurement of hedged OTC derivatives, the Bank has essentially switched to the current market standard:

For the measurement of hedged OTC derivatives, the Bank has essentially switched to the current market standard: Overnight Index Swap Discounting (OIS discounting). Discounting in terms of the fair value measurement of unhedged derivatives continues to be carried out at a maturity-specific interest rate.

- **Financial Instruments Reported at Fair Value for Disclosure Purposes**

In principle, the same provisions for determining fair value apply to financial instruments for which a fair value is only determined for disclosure purposes as for financial instruments whose fair value is reported on the balance sheet. These financial instruments include, for example, cash reserves, loans and advances to banks and customers and liabilities owed to banks and customers, certain debt securities and company shares as well as securitised liabilities and subordinate capital.

The nominal value is taken as the fair value for the cash reserve and for short-term loans and advances and liabilities to banks and customers (sight deposits) due to their short-term nature.

For securities and liabilities, various forms of measurement are used which are the same as for financial instruments shown at fair value on the balance sheet (e.g. market or comparable prices or measurement models), but a measurement method is generally used (discounted cash flow model). A risk-free interest rate structure curve is often used to determine the value in this measurement model, which is adjusted by risk premiums and other components if appropriate. For liabilities, NORD/LB’s



own credit default risk is used as the risk premium. A corresponding level assignment in the existing fair value hierarchy is undertaken depending on the significance of the input data.

No observable market prices are available for long-term loans and advances and liabilities owed to banks and customers and for deposits, since neither observable primary or secondary markets exist. The determination of the fair value for these financial instruments is performed with the aid of recognised measurement methods (discounted cash flow model). The input date for this model is the risk-free interest rate, a risk premium and other premiums to cover administrative and equity costs.

Further information on the fair value hierarchy and the fair values of financial instruments can be found in Notes (54) Fair Value Hierarchy and (55) Fair Value of financial instruments.

### e) Structured Products

Structured products are made up of two components – one or more embedded derivative financial instruments (embedded derivatives e.g. swaps, futures, caps) and a host contract (e.g. financial instruments, leasing agreements). Both components are the object of a single contract for the structured product, i.e. these products form a legal entity and cannot be treated separately because of the single contract.

IAS 39 requires an embedded derivative to be separated from its host contract and accounted for as a derivative when the following criteria are cumulatively met:

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

Currently there are no financial instruments that must be separately accounted for.

## f) Hedge Accounting

Hedge accounting means showing hedging relationships in the financial statements. This involves documenting the relationships between the hedging transactions and the underlying transactions. The objective is to avoid or reduce the fluctuations in annual profit/loss and equity that arise from the different measurement of hedging transactions and underlying transactions.

Under IAS 39, there are three basic types of hedges which must be treated differently in hedge accounting. In fair value hedge accounting (portions of) assets and/or liabilities are hedged against changes in fair value. The Bank's issuing and lending business, and holdings for liquidity management purposes, provided they consist of interest-bearing securities, are particularly subject to such a market value risk. Fair value hedges are used for individual transactions. Interest rate and currency swaps are predominantly used to hedge these risks.

The other two basic forms, cash flow hedge accounting and hedging of a net investment in a foreign operation, are not currently used.

Hedging relationships may only be reported in accordance with the rules of hedge accounting if the restrictive conditions laid down by IAS 39 are fulfilled. The requirements of hedge accounting, particularly proving hedge effectiveness, must be met on all balance sheet dates and for all hedging relationships. The Critical Term Matching method is used for the prospective performance of effectiveness tests. For retrospective effectiveness tests, a modified Dollar Offset method is used, which takes into account the problem arising with small figures in the case of slight changes in value of hedging transactions and underlying transactions through an additional tolerance limit.

In accordance with the rules and requirements of fair value hedge accounting, derivatives at fair value used in hedging are reported as positive or negative fair values from hedge accounting (Note (32) Fair Values from hedge accounting and Note (42) Fair Values from hedge accounting). The changes in valuation are shown through profit or loss (Note (22) Profit/loss from hedge accounting). With regard to the hedged asset or hedged liability, the changes in fair value attributable to the hedged risk are also stated in the recognition of profit or loss under the Profit/Loss from Hedge Accounting item.

If financial instruments in the AfS category form part of a hedging relationship, the change in fair value is divided into a hedged component and an unhedged component. When hedge accounting is used, the portion of the change in value that relates to hedged risks is recognised through profit or loss under profit/loss from hedge accounting, while the portion that is not attributable to the hedged risk is reported under the revaluation reserve.

Within the scope of micro hedge accounting, the financial instrument valued at amortised cost are adjusted in the balance sheet on both the assets and liabilities sides by the change in fair value caused by the hedged risk (hedge adjustment).

A hedging relationship ends when the hedging transaction or underlying transaction expires, is sold or exercised or when the hedge accounting requirements are no longer met.

## g) Securities Repurchase Agreements and Securities Lending

In the case of genuine securities repurchase agreements (repos), transferring the securities sold under repurchase agreements does not lead to derecognition, as the transferring entity essentially retains all the risks and rewards associated with the ownership of the repurchased securities. Therefore, the transferred asset should still be recognised by the repurchase seller and measured in accordance with the relevant category. The payment received is to be shown as a financial liability (either under liabilities owed to banks or liabilities owed to customers, depending on the counterparty). The agreed-on interest payments are recognised as interest expenses in accordance with the term.

Reverse repos are correspondingly accounted for as loans and advances to banks or customers and included in the

loans and receivables (LaR) category. The securities bought under repurchase agreements on which the financial transaction is based are not shown in the balance sheet. The interest arising from of this transaction is recognised as interest income in accordance with the term.

There were no non-genuine securities repurchase agreements outstanding as at 31 December 2013.

The principles of accounting for genuine repurchase agreements are similar to those for securities lending. Loaned securities are included in the securities portfolio and measured in accordance with IAS 39, whereas borrowed securities are not shown on the balance sheet. Cash collateral provided for securities lending transactions is included under loans and advances and cash collateral received is shown as a liability.

Reference is made to Note (61) Offsetting Financial Assets and Liabilities.

## (8) Risk Provisions

The risks arising from the balance sheet lending business are accommodated through the formation of loan loss provisions and portfolio loss provisions.

Checking of intrinsic value is done for all significant receivables at individual business level. Risk provision in the lending business covers all discernible credit rating risks by creating individual loan loss provisions. A value adjustment is required when it is probable, based on observable criteria, that not all interest and repayment obligations or other obligations can be met on time. Such criteria include 90 days or more of default or delay in interest payments or repayment of the principal amount and the debtor having serious financial difficulties. The size of the value adjustment is calculated on the basis of the difference between the book value and the cash value of the expected future cash flow.

For risks that have occurred but have not yet been identified by the institutions, loss provisions are made at portfolio level for groups of financial assets with comparable credit risks. This portfolio-based provision relating to credit rating is made on the basis of historical default probabilities and regulatory loss given defaults. In addition, the portfolio-specific LIP (loss identification period) factor is applied in order to ensure that only incurred losses are taken into consideration. The parameters used are derived

from the Basel II system. In addition, the Bank adjusts the measurement parameters to the parameters observed on the market in the case of problematic portfolios and bases these scenarios on a probability of occurrence.

The risks for off-balance sheet transactions (guarantees, endorsement liabilities, loan commitments) are accommodated by establishing a provision.

Irrecoverable debts for which there was no specific loss provision are written off directly. Additions to debts written off are recognised through profit or loss.

A risk provision is not made for losses that have not yet been incurred.

## (9) Property, Plant and Equipment

Property, plant and equipment are recognised at cost at the recognition date. With regard to subsequent measurement, the depreciable amount of property, plant and equipment is allocated on a scheduled straight line basis over its useful life. Impairments are carried out to the extent in which the carrying amount exceeds the higher value of an asset's fair value less costs to sell and its value in use. Scheduled depreciation and impairments are recognised in administrative expenses.

Property, plant and equipment are depreciated over the following periods of time:

	Useful Life in Years
Buildings	50
Operating and office equipment	3–15
Other property, plant and equipment	3–15

The acquisition costs of assets of minor value are immediately recognised as an expense on the basis of materiality.

## (10) Leasing Transactions

In accordance with IAS 17, leasing agreements must be classified as either finance leases or operating leases at their

inception. A lease is classified as a finance lease if it substantially transfers the risks and rewards associated with ownership to the lessee; the leased property is accounted for by the lessee. A lease is classified as an operating lease if it does not substantially transfer the risks and rewards associated with ownership to the lessee; the leased property is accounted for by the lessor.

#### **Finance Leases**

Two agreements concluded by the Bank (IT hardware) are classified as finance leases. With respect to the scope of leased items, taking into account IAS 8.8, the Bank has refrained from reporting it on the balance sheet for materiality reasons.

#### **Operating Leases**

With an operating lease, the lessee recognises the lease payments made as an expense under other administrative expenses. The initial direct costs (for example expert fees) are recognised immediately as affecting profit or loss.

### **(11) Intangible Assets**

Intangible assets purchased by the NORD/LB Luxembourg Group are recognised at cost, as are self-created intangible assets, provided they meet the recognition criteria specified in IAS 38.

For intangible assets with limited useful life, scheduled linear depreciations are taken into account according to the economic useful life. In the case of intangible assets with limited useful life, valuation adjustments are made in the amount at which the book value exceeds the higher value of fair value, less sales costs and useful value of the asset. If the reasons for impairments no longer apply, impairment losses are reversed, but may not exceed the depreciated cost. Scheduled depreciation is recognised in administrative expenses.

Intangible assets with limited useful life are depreciated over a period of three to fifteen years.

There are no intangible assets with limited useful life in the NORD/LB Luxembourg Group.

### **(12) Provisions for Pensions and Similar Obligations**

The Group's company pension scheme is based on various pension schemes. On the one hand, employees acquire an entitlement to pension rights through a fixed contribution by the relevant institute to an external pension provider (defined contribution plan). These contributions to the pension scheme are recorded as a current expense under the application of the accounting requirements set out under IAS 19 for contributory plans, so that no pension provisions are to be formed.

On the other hand, the company pension scheme of the NORD/LB Luxembourg Group is based on a pension system in which staff acquire an entitlement to pension rights in which the pension benefit is defined and which is based on factors such as expected wage and salary increases, age, length of service and pension trend forecasts (defined benefit plan). The accounting requirements set out under IAS 19 for defined benefit plans are applied to this pension scheme.

The components of pension provisions through profit or loss are the service cost and the interest cost on the cash value of the liability. The pension expenses are reduced by the anticipated net income from the plan assets. Where necessary, a service cost must also be recognised through profit or loss retrospectively. Interest cost and anticipated income from the plan assets are shown under net interest income.

The Bank recognises actuarial gains and losses in full as not affecting profit or loss in equity, so that there is no decrease or increase in pension expenses as a result of the amortisation of posted actuarial gains or losses that are not yet recorded through profit or loss.

Pension obligations arising from defined benefit plans are calculated on the balance sheet date by independent actuaries using the projected unit credit method. The calculation also takes account of biometric assumptions relating to the discount rate for high quality corporate bonds and anticipated future wage and pension growth rates.

The pension scheme is outsourced to a Luxembourg insurance company.

### (13) Other Provisions

In accordance with IAS 37, other provisions are made for contingent liabilities to third parties and anticipated losses from pending transactions if an obligation is probable and its size can be reliably estimated. The amount recognised as a provision should be the best estimate. This estimate is based on the management's assessment, on experience and, where necessary, on expert opinions or reports and should take risks and uncertainties into consideration. Future events that may influence the amount required to settle an obligation are taken into account if there are objective signs that they will occur. Provisions are discounted provided that the effect is material.

If an obligation is not probable or if its amount cannot be estimated reliably, a contingent liability is shown in the Notes.

### (14) Income Tax Assets and Liabilities

Current income tax assets and liabilities were calculated with reference to the applicable tax rates, to the amounts in which the Bank expects having to make payments to or recover payments from the relevant tax authority.

Deferred tax assets and liabilities are calculated on the basis of the difference between the carrying amount of an asset or liability on the balance sheet and the corresponding tax amount. Deferred tax assets and liabilities probably lead, due to the temporary differences, to income tax burdens or tax relief effects in future periods. They were measured at the tax rates applicable for the period in which an asset is realised or a liability is settled.

Current income tax assets and liabilities and deferred tax assets and liabilities are offset if the conditions for offsetting are met. Discounting is not permitted. Depending on how the circumstances are treated, deferred tax assets or liabilities are recognised either through profit or loss or as not affecting profit or loss.

The income tax expense or benefit is shown under income tax in the profit and loss account. The breakdown into current and deferred income tax assets and liabilities for the year under report can be found in the Notes. Current and deferred income tax assets and liabilities are presented on the balance sheet under assets or liabilities, with the carrying amount of a deferred tax asset being reviewed at each balance sheet date.

A Grand Ducal regulation on the taxation of IFRS financial statements that is relevant to both NORD/LB Luxembourg and NORD/LB CFB was published as a draft bill. This provides for the measurement differences arising from financial instruments shown in the profit and loss account to be included in the tax basis. In addition, this regulation guarantees that taxpayers will have the right to choose whether they pay taxes on earnings from first-time adoption in the first year of IFRS accounting or spread these items over two to five years.

NORD/LB Luxembourg has obtained binding information from the Luxembourg tax authorities on tax questions relating to the IFRS balance sheet preparation and first time adoption and will apply the previously described tax measures to the tax group. In the process, the income from the initial application was not spread pro rata but taken into account integrally for taxation in the reporting year 2008.

In a letter dated 2 August 2007, the Luxembourg financial authorities approved the establishment of a tax group with effect for corporation and trade tax comprising Norddeutsche Landesbank Luxembourg S.A. and NORD/LB CFB starting from financial year 2007. Pursuant to Article 164bis L.I.R., the tax group was allowed under the condition that it is maintained for a time span of at least five financial years. The time span ended on 31.12.2012, and thus the conditions pursuant to Art. 164bis L.I.R. were fulfilled.

In this regard, NORD/LB Luxembourg S.A. functions as the parent company.

## (15) Subordinated Capital

The subordinated capital item comprises unsecuritised subordinated liabilities.

Subordinated capital is accounted for at amortised cost. Premiums and discounts are spread over the life and using the effective interest method entered under net interest income in recognition of profit or loss. Accrued interest not yet due is included under the appropriate item as part of the subordinated capital.

Subordinated liabilities are set out in detail in Note (46) Subordinated capital.

## Segment Reporting

### Classification by Business Segment

Segment reporting is carried out in accordance with IFRS 8. It is designed to provide information about the business segments; it is undertaken in compliance with the Bank's business model and on the basis of the internal reporting system. The segments are defined as customer or product groups that are aligned with the Bank's organisational structures.

Net interest income for the individual segments is determined in accordance with the market interest rate method. Segment expenditure comprises original expenses as well as expenses allocated on the basis of cost and accounting for services. Risk provisions were assigned to the segments on the basis of actual cost.

#### **Affiliated Savings Banks**

The interbank business with affiliated savings banks is recorded here with the associated contributions to profit/loss (contribution from interest rate conditions and net commission).

#### **Private Banking**

Business with wealthy private customers is shown under this item. The main contributors to the profit/loss in this segment result from the securities and custodian business segments, the lending and deposit business, fund and asset management and the profit/loss from services to private customers.

#### **Financial Markets**

The segments that have the responsibility for bank controlling are recorded here in particular (liquidity supply, interest rate and currency management). In addition, sales activities in which the European sales capacities of the NORD/LB Group are bundled are assigned to this segment.

#### **Credit Management**

This segment primarily shows the lending business transferred by the Group with the attributable contributions to profit/loss.

#### **Shareholdings/Other**

This segment covers other items and reconciliatory items. The contributions to profit/loss resulting from the holding of investments are shown here.

### Segmentation by Region

Segmentation by geographical characteristics focuses on the counterparty's home country. Expenses and income are determined in relation to the segment's assets and liabilities.

## (16) Segmentation of the NORD/LB Luxembourg Group by Business Segments

KEUR	Segments					Total
	Affiliated Savings Banks	Private Banking	Financial Markets	Loan Management	Other/ Transition	
<b>Net interest income</b>	<b>1,887</b>	<b>1,577</b>	<b>34,983</b>	<b>58,986</b>	<b>978</b>	<b>98,412</b>
do. previous year	2,056	2,507	46,545	56,817	2,400	110,327
<b>Loan loss provisions</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>-15,060</b>	<b>5,768</b>	<b>-9,266</b>
do. previous year	0	0	56	-6,031	1,694	-4,280
<b>Net interest income after loan loss provisions</b>	<b>1,887</b>	<b>1,577</b>	<b>35,010</b>	<b>43,926</b>	<b>6,746</b>	<b>89,146</b>
do. previous year	2,056	2,507	46,601	50,786	4,095	106,046
<b>Net commission income</b>	<b>-1,150</b>	<b>7,967</b>	<b>-909</b>	<b>-15,822</b>	<b>-1,000</b>	<b>-10,914</b>
do. previous year	-1,398	7,055	-965	-6,176	0	-1,484
<b>Profit/loss from financial instruments at fair value through profit or loss</b>	<b>0</b>	<b>10</b>	<b>12,512</b>	<b>22</b>	<b>-9,896</b>	<b>2,648</b>
do. previous year	0	0	7,254	119	15,027	22,400
<b>Profit/loss from hedge accounting</b>	<b>0</b>	<b>0</b>	<b>-2,347</b>	<b>0</b>	<b>3,382</b>	<b>1,035</b>
do. previous year	0	0	1,383	0	703	2,087
<b>Profit/loss from financial assets</b>	<b>0</b>	<b>148</b>	<b>8,583</b>	<b>0</b>	<b>-24,368</b>	<b>-15,637</b>
do. previous year	0	0	-5,424	0	-11,396	-16,820
<b>Administrative expenses</b>	<b>-389</b>	<b>-9,499</b>	<b>-10,979</b>	<b>-8,846</b>	<b>-18,894</b>	<b>-48,607</b>
do. previous year	-112	-9,488	-9,127	-6,188	-24,719	-49,634
<b>Other income/expenses</b>	<b>0</b>	<b>0</b>	<b>-3,575</b>	<b>-2,003</b>	<b>3,856</b>	<b>-1,722</b>
do. previous year	0	0	-1,322	-1,493	265	-2,551
<b>Earnings before taxes (EBT)</b>	<b>349</b>	<b>202</b>	<b>38,295</b>	<b>17,277</b>	<b>-40,175</b>	<b>15,948</b>
do. previous year	546	74	38,401	37,048	-16,025	60,044

EUR million	Segments					Total
	Affiliated Savings Banks	Private Banking	Financial Markets	Loan Management	Other/ Transition	
<b>Segment assets</b>	<b>132.5</b>	<b>149.8</b>	<b>15,826.2</b>	<b>4,943.8</b>	<b>-4,223.1</b>	<b>16,829.2</b>
do. previous year	209.0	97.0	17,851.2	4,632.1	-5,795.2	16,994.0
<b>Segment liabilities (incl. equity)</b>	<b>0.0</b>	<b>154.9</b>	<b>19,034.6</b>	<b>1,319.1</b>	<b>-3,679.4</b>	<b>16,829.2</b>
do. previous year	0.0	66.6	22,437.9	0.0	-5,510.5	16,994.0
<b>Risk assets</b>	<b>154.2</b>	<b>187.5</b>	<b>2,039.3</b>	<b>1,720.1</b>	<b>309.1</b>	<b>4,410.2</b>
do. previous year (annual average values)	260.2	139.4	1,852.8	1,415.8	852.0	4,520.2
<b>Equity commitment**</b>	<b>12.3</b>	<b>15.0</b>	<b>163.1</b>	<b>137.6</b>	<b>24.7</b>	<b>352.8</b>
do. previous year (on the basis of annual average values)	13.0	7.0	92.6	70.8	23.7	207.1
<b>CIR</b>	<b>52.7 %</b>	<b>98.0 %</b>	<b>28.1 %</b>	<b>21.5 %</b>	<b>-92.0 %</b>	<b>69.3 %</b>
do. previous year	17.0 %	99.2 %	23.5 %	12.6 %	-9,660.1 %	55.5 %
<b>RoRaC*</b>	<b>0.9 %</b>	<b>1.3 %</b>	<b>22.8 %</b>	<b>12.6 %</b>	<b>-70.8 %</b>	<b>4.0 %</b>
do. previous year	8.4 %	1.5 %	69.8 %	78.0 %	-169.0 %	16.6 %

\* RoRaC = Earnings before taxes/max (Limit for locked-up capital or locked-up capital)

\*\* In financial year 2013, the adjustment ratio to determine the locked-up capital was changed within the Group from 5 % to 8 %.

Further Segment Information						
EUR million	Affiliated Savings Banks	Private Banking	Financial Markets	Loan Management	Other/ Transition	Total
<b>Property, plant and equipment, net</b>	<b>0.3</b>	<b>12.0</b>	<b>24.5</b>	<b>5.9</b>	<b>27.7</b>	<b>70.5</b>
do. previous year	0.3	12.3	25.1	6.0	28.4	72.2
<b>Depreciation of property, plant and equipment, current year</b>	<b>0.0</b>	<b>-0.3</b>	<b>-0.7</b>	<b>-0.2</b>	<b>-0.8</b>	<b>-2.0</b>
do. previous year	0.0	-0.3	-0.7	-0.2	-0.8	-2.0
<b>Intangible assets, net</b>	<b>0.0</b>	<b>2.0</b>	<b>4.0</b>	<b>1.0</b>	<b>4.5</b>	<b>11.4</b>
do. previous year	0.0	2.0	4.0	1.0	4.6	11.6
<b>Depreciation of intangible assets, current year</b>	<b>0.0</b>	<b>-0.2</b>	<b>-0.5</b>	<b>-0.1</b>	<b>-0.5</b>	<b>-1.3</b>
do. previous year	0.0	-0.2	-0.3	-0.1	-0.4	-1.0
<b>Value adjustments on financial assets, current year</b>	<b>0.0</b>	<b>0.0</b>	<b>-20.7</b>	<b>0.0</b>	<b>0.0</b>	<b>-20.7</b>
do. previous year	0.0	0.0	-2.1	0.0	0.0	-2.1

## (17) Segmentation of the NORD/LB LUXEMBOURG Group by Geographical Characteristics

EUR million	Segments								Total
	Germany	Luxem- bourg	Switzer- land	Rest of Europe	USA	Rest of America	Other Coun- tries	Transi- tion	
<b>Earnings before taxes (EBT)</b>	<b>12.7</b>	<b>9.6</b>	<b>0.2</b>	<b>7.4</b>	<b>1.6</b>	<b>0.4</b>	<b>0.6</b>	<b>-16.5</b>	<b>15.9</b>
do. previous year	15.7	14.2	0.1	10.0	2.8	0.4	0.7	16.0	60.0
<b>Segment assets</b>	<b>7,374.7</b>	<b>5,896.3</b>	<b>99.1</b>	<b>5,273.2</b>	<b>1,788.2</b>	<b>488.4</b>	<b>479.3</b>	<b>-4,570.0</b>	<b>16,829.2</b>
do. previous year	7,031.7	1,017.8	68.1	5,720.6	2,274.8	496.8	442.9	-58.6	16,994.0
<b>Segment liabilities (incl. equity)</b>	<b>7,007.3</b>	<b>11,526.5</b>	<b>528.5</b>	<b>1,929.1</b>	<b>18.3</b>	<b>8.9</b>	<b>380.6</b>	<b>-4,570.0</b>	<b>16,829.2</b>
do. previous year	9,622.1	11,313.4	809.3	1,357.8	9.6	40.6	219.0	-6,377.8	16,994.0
<b>Risk assets</b>	<b>1,664.4</b>	<b>1,299.9</b>	<b>22.8</b>	<b>1,092.2</b>	<b>320.8</b>	<b>83.8</b>	<b>96.8</b>	<b>-170.5</b>	<b>4,410.2</b>
do. previous year (annual average values)	1,346.3	1,314.3	12.4	985.1	345.4	67.2	73.1	376.4	4,520.2
<b>Equity commitment*</b>	<b>133.1</b>	<b>104.0</b>	<b>1.8</b>	<b>87.4</b>	<b>25.7</b>	<b>6.7</b>	<b>7.7</b>	<b>-13.6</b>	<b>352.8</b>
do. previous year (based on annual average values)	67.3	65.7	0.6	49.3	17.3	3.4	3.7	0.0	207.1
<b>Further segment information</b>									
<b>Property, plant and equipment, net</b>	<b>0.0</b>	<b>70.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>70.5</b>
do. previous year	0.0	72.2	0.0	0.0	0.0	0.0	0.0	0.0	72.2
<b>Intangible assets, net</b>	<b>0.0</b>	<b>11.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>11.4</b>
do. previous year	0.0	11.6	0.0	0.0	0.0	0.0	0.0	0.0	11.6

\* In financial year 2013 the adjustment ratio for determining the locked-up capital was changed within the Group from 5% to 8%.

## Notes to the Consolidated Profit and Loss Account

### (18) Net Interest Income and Current Income

The Interest income and Income expense items include amortisation of premiums and discounts at effective interest rates as well as income and expense from interest and dividend income.

Interest profit/loss and dividends from items on the trading book allocated to the Held for Trading (HfT) category and financial instruments voluntarily allocated to the designated at Fair Value through Profit or Loss (dFV) category are excluded from this since they are reported in the trading profit/loss or the profit/loss from the fair value option.

	2013 (KEUR)	2012 (KEUR)	Increase/ Decrease (%)
<b>Interest income</b>	<b>600,128</b>	<b>707,895</b>	<b>-15</b>
Interest income from lending and money market transactions	174,668	188,960	-8
Interest income from fixed income and book entry securities	216,670	248,423	-13
Current income	185	50	> 100
from shares and other variable yield securities	185	50	> 100
from participating interests	0	0	-
Interest income from hedge derivatives	207,639	269,397	-23
Expected return on plan assets	154	115	33
Other interest income and similar income	812	950	-14
<b>Interest expense</b>	<b>-501,717</b>	<b>-597,568</b>	<b>-16</b>
Interest expense from lending and money market transactions	-120,519	-142,753	-16
Interest expense from securitised liabilities	-46,082	-78,522	-41
Interest expense from subordinated capital	-557	-752	-26
Interest expense from hedge derivatives	-334,198	-375,292	-11
Interest expense for provisions and liabilities	-189	-118	60
Other interest expense and similar expense	-172	-131	31
<b>Total</b>	<b>98,412</b>	<b>110,327</b>	<b>-11</b>

Both interest income and interest expense decreased significantly in the year under report. This is attributable both to changes in the balance sheet structure between the reporting dates and to changes in the market interest rates. Interest in the amount of KEUR 470 (previous year KEUR 109) has not been received on value-adjusted loans.

In the financial year, commitment fees in totalling KEUR 5,494 were shown for the first time in the profit/loss from interest (instead of in the profit/loss from commission as previously). In the previous year, this would have led to a change of KEUR 3,110.

The other interest income and expense results primarily from unwinding and from interest rate effects on defined benefit pension plans.

**(19) Loan Loss Provisions**

	2013 (KEUR)	2012 (KEUR)	Increase/ Decrease (%)
<b>Income from loan loss provisions</b>	<b>1,942</b>	<b>13,289</b>	<b>-85</b>
Reduction in provisions for claims	368	1,572	-77
Reductions in portfolio-based provisions for receivables	641	7,892	-92
Reversal of provisions in lending business	933	3,826	-76
Additions to receivables written off	0	0	-
<b>Loan loss provision expense</b>	<b>-11,208</b>	<b>-17,570</b>	<b>-36</b>
Allocations to provisions for claims	-11,191	-17,544	-36
Allocation to portfolio-based provisions for claims	0	-26	-100
Allocation to provisions in lending business	-16	0	> 100
Direct write-offs of claims	0	0	-
<b>Total</b>	<b>-9,266</b>	<b>-4,280</b>	<b>&gt; 100</b>

The reversal of provisions for claims resulted totally from loans to companies in the "renewable energies" sector.

Allocations to the provisions for claims relate to loans to companies from the "temporary work" (KEUR 8,986), "renewable energies" (KEUR 1,986) and "real estate" (KEUR 219) sectors.

The reversal of provisions in the lending business (loan loss provisions) are attributed to a customer in the "renewable energies" sector (KEUR 933).

## (20) Net Commission Income

The NORD/LB Luxembourg Group reports commission expense and commission income in its profit/loss.

The Bank makes a distinction in commission income between transaction-dependent commissions, which are due and entered when the transaction is concluded, and maturity-related commissions, which are allotted to a specific period and entered on a straight-line basis over this period. There is no effective interest spread for term-related commission.

Most of the commission income relates to commission for loans and guarantees received on a pro rata basis in non-banking business, while the smaller part relates to transaction-related commission in brokerage transactions for customers.

The pro rata commission expenses arise primarily as a result of brokerage with NORD/LB. Transaction-related commission is predominantly due to payments and securities transactions carried out by the NORD/LB Luxembourg Group.

	2013 (KEUR)	2012 (KEUR)	Increase/ Decrease (%)
<b>Commission income</b>	<b>20,042</b>	<b>24,737</b>	<b>-19</b>
from security and custody transactions	5,209	3,683	41
from the brokerage business	1,650	2,135	-23
from lending and guarantee transactions	10,787	16,870	-36
Other commission income	2,396	2,049	17
<b>Commission expense</b>	<b>-30,956</b>	<b>-26,221</b>	<b>18</b>
from the brokerage business	-12,329	-16,489	-25
from lending and guarantee transactions	-16,713	-8,352	> 100
Other commission expense	-1,915	-1,380	39
<b>Total</b>	<b>-10,914</b>	<b>-1,484</b>	<b>&gt; 100</b>

Commission income relates mainly to brokerage transactions (KEUR 1,650, previous year KEUR 2,135), security and custody transactions (KEUR 5,209; previous year KEUR 3,683) and lending and guarantee transactions (KEUR 10,787, previous year KEUR 16,870). Other commission income (KEUR 2,396; previous year KEUR 2,049) primarily results from the private customer business.

The commission expenses relate in particular to brokerage transactions (KEUR 12,329, previous year KEUR 16,489) as well as the lending and guarantee business (KEUR 16,713, previous year KEUR 8,352) and the securities and custodian business (KEUR 1,815; previous year KEUR 1,318). The considerable increase in expenses from the lending and

guarantee business in comparison with the previous year results from modified accounting terms within the Group, which led to a positive non-recurring effect in 2012.

With regard to a change in reporting undertaken in the financial year between net interest and commission, please refer to the comments in Note (18) Net Interest Income and Current Income.

In 2009, the Bank extended its range of services to include the arrangement of insurance policies as an insurance broker licensed in Luxembourg. Income from this branch of business is shown in commission income. As a broker, the Bank is not subject to the provisions of IFRS 4.

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

	2013 (KEUR)	2012 (KEUR)	Increase/ Decrease (%)
<b>Trading profit/loss</b>	<b>2,648</b>	<b>22,085</b>	<b>-88</b>
Realised profit/loss	8,048	-157	< -100
from debt securities and other fixed interest securities	1,298	8,232	-84
from shares and other variable yield securities	0	-24	-99
from derivatives	6,749	-8,366	< -100
from other receivables held for trading	0	0	-
Measurement gains/losses	-4,001	18,931	< -100
from debt securities and other fixed interest securities	-2,436	899	< -100
from shares and other variable yield securities	0	0	-
from derivatives	-1,565	18,032	< -100
from other receivables held for trading	0	0	-
Foreign exchange profit/loss	-336	701	< -100
Other profit/loss	-1,063	2,611	< -100
<b>Profit/loss from fair value option</b>	<b>0</b>	<b>315</b>	<b>-100</b>
Profit/loss achieved from	0	0	-
Debt securities and other fixed interest securities	0	0	-
from shares and other variable yield securities	0	0	-
- other business	0	0	-
Measurement gains/losses	0	-263	-100
Debt securities and other fixed interest securities	0	-263	-100
from shares and other variable yield securities	0	0	-
- other business	0	0	-
Other profit/loss	0	577	-100
<b>Total</b>	<b>2,648</b>	<b>22,400</b>	<b>-88</b>

Trading profit/loss includes the measurement gains/losses from trading activities (defined as unrealised expense and income from fair value measurement) as well as the realised profit/loss (defined as the difference between disposal proceeds and carrying amount at the last reporting date).

Interest profit/loss from trading activities in the sum of KEUR -1,063 (previous year KEUR 2,611) is reported under other profit/loss.

## (22) Profit/Loss from Hedge Accounting

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

	2013 (KEUR)	2012 (KEUR)	Increase/ Decrease (%)
<b>Profit/loss from micro fair value hedge transactions</b>	<b>1,035</b>	<b>2,087</b>	<b>-50</b>
from hedged underlying transactions	-248,422	12,400	< -100
from derivatives used as hedging instruments	249,457	-10,314	< -100
<b>Total</b>	<b>1,035</b>	<b>2,087</b>	<b>-50</b>

The NORD/LB Luxembourg Group utilises micro fair value hedge accounting for interest rate and currency hedging. Hedged underlying transactions are loans and advances and liabilities to banks and customers, financial assets, and own issues.

## (23) Profit/Loss from Financial Assets

Profit/loss from financial assets includes gains/losses from disposals and measurement gains/losses through profit or loss from securities in the financial asset portfolio and participating interests.

	2013 (KEUR)	2012 (KEUR)	Increase/ Decrease (%)
<b>Profit/loss from financial assets classified as LaR, incl. portfolio value adjustments</b>	<b>-21,979</b>	<b>-19,242</b>	<b>14</b>
<b>Profit/loss from financial assets classified as AfS (without participating interests)</b>	<b>6,341</b>	<b>2,422</b>	<b>&gt; 100</b>
Profit/loss from disposal	6,341	2,422	> 100
from debt securities and other fixed interest securities	6,341	-3,422	< -100
from repurchases of own bonds	0	5,845	-100
Profit/loss from value adjustments of	0	0	-
<b>Total</b>	<b>-15,637</b>	<b>-16,820</b>	<b>-7</b>

The negative profit/loss from financial assets classified as LaR mainly results from direct depreciation on commitments in the "public administration" sector (KEUR 23,050) as well as consolidation measures.

The profit/loss from financial assets in the AfS category is characterised in the financial year by the targeted reduction in risk positions and restructuring in the Bank's portfolio.

## (24) Administrative Expenses

The administrative expenses comprise personnel expenses, other administrative expenses as well as depreciation and valuation adjustments (impairments) on tangible assets and intangible assets.

	2013 (KEUR)	2012 (KEUR)	Increase/ Decrease (%)
<b>Staff expenses</b>	<b>-24,772</b>	<b>-24,943</b>	<b>-1</b>
Wages and salaries	-21,466	-21,668	-1
Social security contributions	-1,822	-1,553	17
Expenses for pension provision	-1,162	-1,464	-21
Other staff expenses	-322	-258	25
<b>Other administrative expenses</b>	<b>-20,493</b>	<b>-21,707</b>	<b>-6</b>
Expense for operating and office equipment and IT	-13,449	-14,394	-7
Legal, audit, survey and professional fees	-3,797	-3,625	5
Other administrative expenses	-3,246	-3,687	-12
<b>Depreciation and impairments</b>	<b>-3,343</b>	<b>-2,985</b>	<b>12</b>
Depreciation	-3,343	-2,985	12
Property, plant and equipment	-2,005	-2,022	-1
Intangible assets	-1,338	-963	39
<b>Total</b>	<b>-48,607</b>	<b>-49,634</b>	<b>-2</b>

The cost of IT systems decreased in the year under report.

Personnel expenses were reduced slightly in the financial year. This item includes contributions to employees' old age pensions in accordance with a contribution-related plan (defined contribution plan), which have to be shown as current expenditure according to IAS 19, in the sum of KEUR 422 (previous year KEUR 500) and in accordance with

a performance-related plan (defined benefit plan) in the amount of KEUR 740 (previous year KEUR 1,306). Expenses in connection with defined benefit obligations are shown in Note (43) Provisions.

The increase in depreciation on intangible assets results primarily from standard bank software that was commissioned in 2012.

**(25) Other Operating Profit/Loss**

	2013 (KEUR)	2012 (KEUR)	Increase/ Decrease (%)
<b>Other operating income</b>	3,354	4,429	-24
from the reversal of provisions	0	30	-100
Other income	3,354	4,399	-24
<b>Other operating expenses</b>	-5,076	-6,980	-27
from the allocation of provisions	0	0	-
Other expenses	-5,076	-6,980	-27
<b>Total</b>	-1,722	-2,551	-32

Other operating income results primarily from income not relating to the period from TVA (KEUR 2,576) and rental income (KEUR 401).

Other operating expenses mainly include the expenses for accounting for services with NORD/LB (KEUR 4,617, previous year KEUR 3,275).

**(26) Income Taxes**

	2013 (KEUR)	2012 (KEUR)	Increase/ Decrease (%)
Current income taxes	-5,421	-8,968	-40
Deferred taxes	4,626	-4,791	<-100
<b>Total</b>	-795	-13,760	-94

The following tax reconciliation shows an analysis of the differences between the income tax expenditure which would arise by applying the Luxembourg income tax rate to the IFRS profit/loss before taxes, and the actual income tax expenditure shown.

	2013 (KEUR)	2012 (KEUR)
<b>IFRS Earnings before taxes (EBT)</b>	<b>15,948</b>	<b>60,044</b>
Expected income tax expense	-4,660	-17,293
<b>Effects of reconciliation:</b>		
Effects of different tax rates	0	0
Taxes from previous years recognised in the year under report	396	-2
Effects of tax rate changes	0	76
Non-allowable income taxes	0	0
Non-deductible operating expenses	-42	-42
Effects of tax-free income	3,049	3,680
Expected income tax expense	462	-179
<b>Effects of reconciliation:</b>	<b>-795</b>	<b>-13,760</b>

The expected income tax expense in the tax reconciliation is calculated from the corporate and trade tax burden applicable in Luxembourg in 2013, in the amount of 29.22 % (previous year 28.80 %).

## Notes to the Consolidated Balance Sheet

### (27) Cash Reserve

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
Cash	1.9	1.1	76
Balances with central banks	53.8	74.1	-27
<b>Total</b>	<b>55.7</b>	<b>75.1</b>	<b>-26</b>

The balances with central banks, at EUR 53.8 million (previous year EUR 61.0 million), are attributable to balances at the Luxembourg central bank and almost exclusively relate to the minimum reserve credit balance.

### (28) Loans and Advances to Banks

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Receivables from money market transactions</b>	<b>1,731.1</b>	<b>1,171.6</b>	<b>48</b>
Luxembourg banks	141.9	0.0	> 100
Foreign banks	1,589.2	1,171.6	36
<b>Other receivables</b>	<b>432.1</b>	<b>522.2</b>	<b>-17</b>
Luxembourg banks	3.7	27.5	-87
due on demand	3.7	27.5	-87
deferred	0.0	0.0	-
Foreign banks	428.4	494.8	-13
due on demand	63.6	64.8	-2
deferred	364.7	429.9	-15
<b>Total</b>	<b>2,163.1</b>	<b>1,693.9</b>	<b>28</b>

Of the total amount, EUR 2,017.5 million (previous year EUR 1,666.4 million) relate to loans and advances to foreign banks. EUR 303.5 million (previous year EUR 405.6 million) of the receivables from banks is only due after more than twelve months.

**(29) Loans and Advances to Customers**

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Receivables from money market transactions</b>	<b>5.8</b>	<b>0.0</b>	<b>&gt; 100</b>
Luxembourg customers	0.0	0.0	–
Foreign customers	5.8	0.0	> 100
<b>Other receivables</b>	<b>5,168.7</b>	<b>5,115.0</b>	<b>1</b>
Luxembourg customers	189.7	157.2	21
due on demand	119.9	95.0	26
deferred	69.8	62.3	12
Foreign customers	4,979.0	4,957.8	0
due on demand	45.1	6.3	> 100
deferred	4,933.9	4,951.5	0
<b>Total</b>	<b>5,174.5</b>	<b>5,115.0</b>	<b>1</b>

The total amount is primarily attributable to loans and advances to foreign customers. Of the receivables due from customers, EUR 3,430.2 million (previous year EUR 3,272.4 million) is only due after more than twelve months.

**(30) Risk Provisions**

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Individual value adjustments for receivables</b>	<b>–40.6</b>	<b>–30.9</b>	<b>31</b>
Foreign banks	0.0	0.0	–
Luxembourg customers	0.0	0.0	–
Foreign customers	–40.6	–30.9	31
<b>Portfolio-based provisions for receivables</b>	<b>–5.0</b>	<b>–5.7</b>	<b>–11</b>
<b>Total</b>	<b>–45.6</b>	<b>–36.5</b>	<b>25</b>

On the assets side, risk provisions and provisions in the lending business have changed as follows:

EUR million	Specific Value Adjustments	Portfolio-based Provisions	Provisions in Lending Business	Total
<b>01.01.2012</b>	<b>16.4</b>	<b>13.5</b>	<b>7.7</b>	<b>37.8</b>
Allocations	17.5	0.0	0.0	17.6
Reductions	-1.6	-7.9	-3.8	-13.3
Utilisation	-0.8	0.0	0.0	-0.8
Effects from currency translation, unwinding and other changes	-0.7	0.0	0.0	-0.7
Transfers	0.0	0.0	0.0	0.0
<b>31.12.2012</b>	<b>30.9</b>	<b>5.7</b>	<b>3.8</b>	<b>40.5</b>
Allocations	11.2	0.0	6.7	17.9
Reductions	-0.5	-0.7	-0.9	-2.2
Utilisation	0.0	0.0	0.0	0.0
Effects from currency translation, unwinding and other changes	-0.9	0.0	0.0	-0.9
Transfers	0.0	0.0	0.0	0.0
<b>31.12.2013</b>	<b>40.6</b>	<b>5.0</b>	<b>9.6</b>	<b>55.3</b>

Allocations to the provisions for claims relate to loans to companies from the "temporary work" (KEUR 8,986), "renewable energies" (KEUR 1,986) and "real estate" (KEUR 219) sectors.

The reversal of provisions for claims resulted from loans to companies in the "renewable energies" sector (KEUR 368) and from one loan to a private customer (KEUR 152).

The volume of loans in default amounts to EUR 12.1 million as at the reporting date (previous year EUR 1.5 million). Of this amount, EUR 12.0 million is attributable to loan redemptions and EUR 0.1 million to outstanding interest

payments. This relates to four commitments, of which three have been subject to individual value adjustment and have been in default since 2008, 2010 and 2013 respectively as well as another commitment which has been in default since 2013.

Allocations to provisions in the lending business relate to a commitment in the "renewable energies" sector (KEUR 6,700). The reversal of provisions in the lending business are attributed to a customer in the "renewable energies" sector (KEUR 933).

### (31) Financial Assets at Fair Value through Profit or Loss

This item contains trading assets (HfT) and financial assets designated at fair value (dFV). Trading activities comprise trading in debt securities and other fixed interest securities, shares, and other variable yield securities, as well as derivatives that are not used in hedge accounting.

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Trading assets</b>	<b>244.4</b>	<b>264.0</b>	<b>-7</b>
<b>Debt securities and other fixed interest securities</b>	<b>139.2</b>	<b>41.5</b>	<b>&gt; 100</b>
Money market securities	0.0	0.0	-
from public issuers	0.0	0.0	-
from other issuers	0.0	0.0	-
Bonds and debt securities	139.2	41.5	> 100
from public issuers	0.0	0.0	-
from other issuers	139.2	41.5	> 100
<b>Shares and other variable yield securities</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
Shares	0.0	0.0	-
Investment shares	0.0	0.0	-
<b>Positive fair values from derivatives in connection with:</b>	<b>105.2</b>	<b>222.5</b>	<b>-53</b>
Interest rate risks	53.0	79.4	-33
Currency risks	52.3	143.1	-63
Share and other price risks	0.0	0.0	-
Trading portfolio claims	0.0	0.0	-
<b>Financial assets designated at fair value</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
Loans and advances to banks and customers	0.0	0.0	-
Debt securities and other fixed interest securities	0.0	0.0	-
Shares and other variable yield securities	0.0	0.0	-
<b>Total</b>	<b>244.4</b>	<b>264.0</b>	<b>-7</b>

Of the total amount, EUR 213.1 million (previous year EUR 202.0 million) is only due in more than twelve months.

### (32) Fair Values from Hedge Accounting

This item comprises positive fair values from hedging instruments in effective micro and portfolio fair value hedging relationships.

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
Positive fair values from allocated micro fair value hedge derivatives	269.8	433.4	-38
Fair values from derivatives in portfolio fair value hedge accounting	0.0	0.0	-
<b>Total</b>	<b>269.8</b>	<b>433.4</b>	<b>-38</b>

The NORDB/LB Luxembourg Group utilises micro fair value hedge accounting for interest rate and currency hedging. Hedge derivatives with a fair value of EUR 268.0 million will become due at the earliest after twelve months (previous year EUR 432.5 million).

### (33) Financial Assets

The "financial assets" balance sheet item essentially includes all debt securities and other fixed-interest securities and shares and other variable-yield securities that are classified as Available for Sale (AfS) and are not held for trading.

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Financial assets in the LaR category</b>	<b>2,765.3</b>	<b>3,274.0</b>	<b>-16</b>
<b>Bonds and debt securities</b>	<b>2,791.6</b>	<b>3,301.4</b>	<b>-15</b>
from public issuers	1,615.4	1,941.9	-17
from other issuers	1,176.3	1,359.5	-13
Value adjustments on LaR financial assets	-26.3	-27.4	-4
<b>Financial assets classified as AfS</b>	<b>6,101.1</b>	<b>6,058.1</b>	<b>1</b>
<b>Debt securities and other fixed interest securities</b>	<b>6,065.2</b>	<b>6,048.2</b>	<b>0</b>
Money market securities	50.0	150.1	-67
from public issuers	0.0	100.0	-100
from other issuers	50.0	50.1	0
Bonds and debt securities	6,015.2	5,898.1	2
from public issuers	1,990.1	1,540.4	29
from other issuers	4,025.0	4,357.7	-8
<b>Shares and other variable yield securities</b>	<b>36.0</b>	<b>9.8</b>	<b>&gt; 100</b>
Shares	35.9	0.0	> 100
Investment shares	0.1	9.8	-99
Profit participation certificates	0.0	0.1	-100
Shares in companies	0.0	0.0	0
<b>Total</b>	<b>8,866.5</b>	<b>9,332.0</b>	<b>-5</b>

The volume of financial assets issued by the central governments of certain euro states (Portugal, Italy, Ireland, Greece and Spain) amounts to a nominal EUR 110.5 million (previous year EUR 111.0 Mio.). This concerns three debt securities from the Republic of Italy with terms until 2018 and 2033 respectively and a debtor warrant from the Republic of Greece with a term until 2043. The book value of this financial asset on the reporting date is KEUR 94 (previous year KEUR 55).

Of the financial assets, EUR 7,465.8 million (previous year EUR 8,372.0 million) will only become due after more than twelve months.

The NORD/LB Luxembourg Group utilised the options under IAS 39.50E and reclassified 19 securities designated as AfS (bonds and debt securities) as LaR in 2008. This involved the re-categorisation of bonds and debt securities that were clearly not intended to be sold or traded in the short-term on the reallocation date, but rather intended to be kept in the portfolio for the foreseeable future. In accordance with the amended IAS 39, the re-categorisation took place with effect from 1 July 2008 or the purchase date in the third quarter of 2008 at the fair value determined on the respective effective date. The book value on the reclassification day was reduced pro rata by relevant maturities. The book value also fluctuated due to changes in the hedge fair values. Between 2009 to 2013, no further re-categorisations were undertaken.

In conjunction with the re-categorisation, the balance sheet presentation was also changed (reclassification). The table below shows the book values and fair value of the re-categorised assets.

EUR million	31.12.2013			31.12.2012			31.12.2011		
	Book Value on Transfer	Book Value	Fair Value	Book Value on Transfer	Book Value	Fair Value	Book Value on Transfer	Book Value	Fair Value
Reclassified financial assets	645.6	580.6	508.9	645.6	644.5	510.3	645.6	698.4	569.7

EUR million	31.12.2010			31.12.2009			31.12.2008		
	Book Value on Transfer	Book Value	Fair Value	Book Value on Transfer	Book Value	Fair Value	Book Value on Transfer	Book Value	Fair Value
Reclassified financial assets	645.6	660.3	627.9	645.6	731.4	712.1	645.6	746.7	719.5

EUR million	01.07.2008		
	Book Value on Transfer	Book Value	Fair Value
Reclassified financial assets	544.4	544.4	544.4

The reclassification was based on the book value with anticipated achievable future cash flows of EUR 1,038.5 million. The results not affecting profit/loss recorded in the equity from the reclassified securities amounted to EUR –13.2 million at the time of the reclassification. The pro rata reduction of this item is in accordance with IAS 39.54 in relation to net interest income. The effective interest rates for each security was determined for this purpose; these are in a range of 2.53 % –6.46 %.

KEUR	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008	01.07.2008
Unrealised profit/loss before taxes at time of conversion							–13,194
Pro rata reductions in accordance with IAS 39.54	388	433	610	703	676	316	

In the 2013 reporting year, the pro rata reduction amounted to KEUR 388 (previous year KEUR 433) charged to the tax profit/loss. Without reclassification, the following additional effects in equity would have occurred (cumulative as at the reporting date in each case):

EUR million	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008	01.07.2008
Unrealised profit/loss before taxes	–71.9	–135.2	–128.7	–32.4	–19.3	–27.1	–13.2
Deferred taxes	21.0	39.5	37.1	9.3	5.5	8.0	3.9
<b>Net effect in equity from reclassified financial assets available for sale</b>	<b>–50.9</b>	<b>–95.7</b>	<b>–91.6</b>	<b>–23.1</b>	<b>–13.8</b>	<b>–19.1</b>	<b>–9.3</b>

### (34) Property, Plant and Equipment

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
Land and buildings	64.5	65.0	–1
Operating and office equipment	6.0	7.1	–16
Investments under construction	0.0	0.0	–
Other property, plant and equipment	0.0	0.0	–
<b>Total</b>	<b>70.5</b>	<b>72.2</b>	<b>–2</b>

The acquisition and manufacturing costs and the cumulative depreciation for property, plant and equipment and investment properties changed as follows:

EUR million	Land and Buildings	Operating and Office Equipment	Investments under Construction	Other Property, Plant and Equipment	Total
<b>Acquisition and manufacturing costs at 01.01.2012</b>	<b>69.7</b>	<b>19.4</b>	<b>0.0</b>	<b>0.0</b>	<b>89.1</b>
Accruals	0.2	0.2	0.0	0.0	0.4
Disposals	-3.4	-6.3	0.0	0.0	-9.7
Transfers	0.0	0.1	0.0	0.0	0.1
Changes from currency translations	0.0	0.0	0.0	0.0	0.0
<b>Total 31.12.2012</b>	<b>66.5</b>	<b>13.4</b>	<b>0.0</b>	<b>0.0</b>	<b>79.9</b>
<b>Cumulative depreciation at 01.01.2012</b>	<b>-0.9</b>	<b>-11.2</b>	<b>0.0</b>	<b>0.0</b>	<b>-12.1</b>
Scheduled depreciation	-0.6	-1.3	0.0	0.0	-1.9
Impairments (write-downs)	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	6.3	0.0	0.0	6.3
Changes from currency translations	0.0	0.0	0.0	0.0	0.0
<b>Total 31.12.2012</b>	<b>-1.5</b>	<b>-6.3</b>	<b>0.0</b>	<b>0.0</b>	<b>-7.8</b>
<b>Closing balance at 31.12.2012</b>	<b>65.0</b>	<b>7.1</b>	<b>0.0</b>	<b>0.0</b>	<b>72.2</b>

EUR million	Land and Buildings	Operating and Office Equipment	Investments under Construction	Other Property, Plant and Equipment	Total
Acquisition and manufacturing costs at 01.01.2013	66.5	13.4	0.0	0.0	79.9
Accruals	0.1	0.3	0.0	0.0	0.4
Disposals	0.0	-3.5	0.0	0.0	-3.5
Transfers	0.0	0.0	0.0	0.0	0.0
Changes from currency translations	0.0	0.0	0.0	0.0	0.0
<b>Total 31.12.2013</b>	<b>66.6</b>	<b>10.2</b>	<b>0.0</b>	<b>0.0</b>	<b>76.7</b>
Cumulative depreciation at 01.01.2013	-1.5	-6.3	0.0	0.0	-7.8
Scheduled depreciation	-0.6	-1.4	0.0	0.0	-2.0
Impairments (write-downs)	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	3.5	0.0	0.0	3.5
Changes from currency translations	0.0	0.0	0.0	0.0	0.0
<b>Total 31.12.2013</b>	<b>-2.1</b>	<b>-4.2</b>	<b>0.0</b>	<b>0.0</b>	<b>-6.2</b>
<b>Closing balance at 31.12.2013</b>	<b>64.5</b>	<b>6.0</b>	<b>0.0</b>	<b>0.0</b>	<b>70.5</b>

### (35) Intangible Assets

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
Software	10.0	9.7	3
Acquired for consideration	10.0	9.7	3
Proprietary	0.0	0.0	-
Intangible assets under development	1.4	1.9	-26
Other	0.0	0.0	-
<b>Total</b>	<b>11.4</b>	<b>11.6</b>	<b>-1</b>

Fully depreciated software is still being used in the NORD/LB Luxembourg Group.

Intangible assets developed as follows:

EUR million	Software		Intangible Assets under Development	Other	Total
	Acquired for Consideration	Proprietary			
Acquisition and manufacturing costs at 01.01.2012	17.4	0.0	16.1	0.0	33.4
Accruals	1.2	0.0	6.9	0.0	8.1
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	11.0	0.0	-11.0	0.0	0.0
<b>Total 31.12.2012</b>	<b>29.6</b>	<b>0.0</b>	<b>12.0</b>	<b>0.0</b>	<b>41.6</b>
Cumulative depreciation at 01.01.2012	-16.8	0.0	-10.0	0.0	-26.8
Scheduled depreciation	-0.6	0.0	0.0	0.0	-0.6
Impairments (write-downs)	-2.5	0.0	0.0	0.0	-2.5
Disposals	0.0	0.0	0.0	0.0	0.0
<b>Total 31.12.2012</b>	<b>-19.9</b>	<b>0.0</b>	<b>-10.0</b>	<b>0.0</b>	<b>-30.0</b>
Closing balance at 31.12.2012	9.7	0.0	1.9	0.0	11.6
Acquisition and manufacturing costs at 01.01.2013	29.6	0.0	12.0	0.0	41.6
Accruals	0.1	0.0	1.0	0.0	1.2
Disposals	-5.9	0.0	-10.0	0.0	-15.9
Transfers	1.5	0.0	-1.5	0.0	0.0
<b>Total 31.12.2013</b>	<b>25.4</b>	<b>0.0</b>	<b>1.4</b>	<b>0.0</b>	<b>26.8</b>
Cumulative depreciation at 01.01.2013	-19.9	0.0	-10.0	0.0	-30.0
Scheduled depreciation	-1.3	0.0	0.0	0.0	-1.3
Impairments (write-downs)	0.0	0.0	0.0	0.0	0.0
Disposals	5.9	0.0	10.0	0.0	15.9
<b>Total 31.12.2013</b>	<b>-15.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-15.4</b>
Closing balance at 31.12.2013	10.0	0.0	1.4	0.0	11.4

### (36) Income Tax Assets

Income tax assets are broken down as follows:

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
Current income tax assets	0.3	5.1	-94
Active deferred taxes	9.3	23.0	-60
<b>Total</b>	<b>9.6</b>	<b>28.0</b>	<b>-66</b>

Active deferred taxes form the potential income tax relief resulting from temporary differences between assets and liabilities in the IFRS balance sheet and the balance sheet according to the tax provisions.

The fiscal requirements have been applied to the IFRS financial statements for NORD/LB Luxembourg and NORD/LB CFB since reporting year 2008. This means that many of the temporary differences no longer apply. Active deferred taxes relate to financial assets categorised as AfS and result from taking into account tax losses carried forward that affected profit/loss. For further information, see Note (26) Income taxes.

Deferred income tax assets were shown in connection with the following balance sheet items:

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Assets</b>			
Risk provisions	0.0	0.0	-
Financial assets	8.7	22.6	-61
Property, plant and equipment	0.0	0.0	-
Other assets	0.0	0.0	-
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	0.0	0.0	-
Fair values from hedge accounting	0.0	0.0	-
Provisions	0.6	0.4	44
Other liabilities	0.0	0.0	-
Tax losses carried forward	0.0	0.0	-
<b>Total</b>	<b>9.3</b>	<b>23.0</b>	<b>-60</b>

**(37) Other Assets**

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
Tax reimbursement rights from other taxes	3.2	2.7	18
Other assets	0.5	0.4	34
Other assets including accruals and deferred income	5.5	2.2	> 100
<b>Total</b>	<b>9.2</b>	<b>5.3</b>	<b>73</b>

**(38) Liabilities to Banks**

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Deposits from other banks</b>	<b>2,564.8</b>	<b>2,472.8</b>	<b>4</b>
Luxembourg banks	3.4	401.7	-99
Foreign banks	2,561.4	2,071.1	24
<b>Liabilities arising from money market transactions</b>	<b>7,492.0</b>	<b>7,259.5</b>	<b>3</b>
Luxembourg banks	2,809.6	871.6	> 100
Foreign banks	4,682.4	6,387.9	-27
<b>Other liabilities</b>	<b>18.4</b>	<b>17.2</b>	<b>7</b>
Luxembourg banks	0.0	5.9	-100
due on demand	0.0	5.9	-100
deferred	0.0	0.0	-
Foreign banks	18.4	11.3	62
due on demand	18.4	11.3	62
deferred	0.0	0.0	-
<b>Total</b>	<b>10,075.2</b>	<b>9,749.6</b>	<b>3</b>

Of the total amount, EUR 2,534.7 million (previous year EUR 2,452.5 million) is attributable to liabilities which will only become due after more than twelve months.

**(39) Liabilities to Customers**

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Savings deposits</b>	0.0	0.0	–
<b>Liabilities arising from money market transactions</b>	1,946.4	1,322.4	47
Luxembourg customers	721.6	145.4	> 100
Foreign customers	1,224.8	1,177.0	4
<b>Other liabilities</b>	842.4	961.0	–12
Luxembourg customers	27.9	37.8	–26
due on demand	27.9	37.8	–26
deferred	0.0	0.0	–
Foreign customers	814.5	923.2	–12
due on demand	124.6	166.4	–25
deferred	689.9	756.9	–9
<b>Total</b>	2,788.8	2,283.3	22

Of the total liabilities to customers, EUR 666.9 million is only due after the coming twelve months (previous year EUR 761.0 million).

**(40) Securitised Liabilities**

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
Issued debt securities	2,271.8	2,810.8	–19
Money market securities	0.0	0.0	–
Other securitised liabilities	0.0	0.0	–
<b>Total</b>	2,271.8	2,810.8	–19

Of the total amount, EUR 2,145.9 million (previous year EUR 2,472.6 million) is attributable to liabilities which will only become due after more than twelve months. The issued debt securities are listed on the Luxembourg and Swiss stock exchanges respectively.

## (41) Financial Liabilities at Fair Value through Profit or Loss

This item contains trading liabilities (HfT) and financial liabilities designated at fair value (dFV).

The trading liabilities item comprises negative fair values from derivative financial instruments that are not used within the scope of hedge accounting and delivery obligations from the short selling of securities.

The category comprising financial liabilities designated at fair value is not currently used.

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Trading liabilities</b>	<b>106.5</b>	<b>116.7</b>	<b>-9</b>
Negative fair values from derivatives in connection with:	106.5	116.7	-9
Interest rate risks	75.5	98.4	-23
Currency risks	31.1	18.3	70
Share and other price risks	0.0	0.0	-
Credit derivatives	0.0	0.0	-
Short sale delivery obligations	0.0	0.0	-
<b>Financial liabilities designated at fair value</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
Liabilities to banks and customers	0.0	0.0	-
Securitised liabilities	0.0	0.0	-
<b>Total</b>	<b>106.5</b>	<b>116.7</b>	<b>-9</b>

EUR 72.3 million of the total amount of financial liabilities at fair value through profit or loss will only become due after a year (previous year EUR 100.7 million).

## (42) Fair Values from Hedge Accounting

This item comprises negative fair values from hedging instruments from effective micro fair value hedging relationships.

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
Fair values from allocated micro fair value hedge derivatives	741.5	1,206.7	-39
Fair values in the scope of the fair value hedge accounting portfolio	0.0	0.0	-
<b>Total</b>	<b>741.5</b>	<b>1,206.7</b>	<b>-39</b>

The NORD/LB Luxembourg Group utilises micro fair value hedge accounting for interest rate and currency hedging. Hedge derivatives with a negative fair value of EUR 715.9 million will become due at the earliest after twelve months (previous year EUR 1,182.5 million).

## (43) Provisions

Provisions are broken down as follows:

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Provisions for pensions and similar obligations</b>	<b>2.7</b>	<b>2.0</b>	<b>38</b>
Other provisions	14.9	8.6	74
Provisions in lending business	9.7	3.8	> 100
Provisions for uncertain liabilities	5.3	4.8	11
<b>Total</b>	<b>17.7</b>	<b>10.6</b>	<b>67</b>

The other provisions include amounts in the sum of EUR 2.0 million, which are expected to become due in the coming reporting year (previous year EUR 1.7 million). These are primarily provisions for staff costs in both years under report. The remaining provisions in the amount of EUR 12.2 million (previous year EUR 6.9 million) mainly relate to provisions for recourse risks and provisions in the lending business (loan loss provisions).

### Provisions for Pensions and Similar Obligations

The calculation is based on the following actuarial assumptions:

Actuarial Assumptions	31.12.2013 (%)	31.12.2012 (%)	Increase/ Decrease (%)
Annual salary growth	1.00	1.00	0
Annual inflation rate	2.50	2.50	–
Annual BBG contribution ceiling (including cost of living index)	3.79	3.45	10
Discount Rate	3.70	3.60	3
Mortality table:	Statistical values published in the Grand Ducal regulation of 15 January 2001, which governs the minimum funding of occupational pensions.		
Expected return on plan assets	3.70	3.25	14
Turnover rate	2.00	2.00	0

Provisions for pensions and similar obligations are as follows:

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
Cash value of the performance-related obligation (defined benefit obligation)	6.1	5.4	14
Deduction for the fair value of plan assets	-3.9	-3.8	3
Surplus plan assets not shown as an asset	0.0	0.0	-
Other assets to be shown in the balance sheet (flat rate tax)	0.5	0.3	38
<b>Total</b>	<b>2.7</b>	<b>2.0</b>	<b>38</b>

The cash value of the defined benefit obligation can be carried over from the opening to the closing balance for the period by taking into account the effects of the listed items:

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Opening balance</b>	<b>5.4</b>	<b>3.3</b>	<b>62</b>
Current service cost	0.4	0.3	15
Interest expense	0.2	0.1	60
Contributions by plan participants	0.0	0.0	-
Actuarial gains/losses from the obligation	0.4	1.7	-74
Changes from currency translations	0.0	0.0	-
Benefits paid	-0.3	-0.1	> 100
Past service cost	0.0	0.0	-
Effects of curtailments	0.0	0.0	-
Effects of settlements	0.0	0.0	-
<b>Closing balance</b>	<b>6.1</b>	<b>5.4</b>	<b>14</b>

In addition, the defined benefit obligation as at the reporting date is to be separated into amounts from defined benefit plans, which are not financed via a fund, and amounts from defined benefit plans that are wholly or partly financed by a fund. The latter applies to NORD/LB Luxembourg's defined benefit obligation. Adjustments to the development of the plan debts based on experience and the plan assets amount to KEUR -596 (previous year KEUR 1,132) and KEUR -113 (previous year KEUR -192) respectively, according to the insurance company. The defined benefit plans include actuarial risks such as the longevity risk, currency risk and market risk.

Based on actuarial assumptions, the defined benefit obligation is subject to change. The following sensitivity analysis shows the effects of the listed changes to the respective assumptions on the amount of the defined benefit obligation under the premise that there are no correlations and each of the other assumptions remains unchanged. There is an underlying sensitivity of +/- 1.0% for each parameter.

EUR million	Increase	Decrease
Interest	-1.0	+0.9
Wages	+1.5	-1.3

The fair value of the plan assets have changed as follows:

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Opening balance</b>	<b>3.8</b>	<b>2.6</b>	<b>43</b>
Expected return on plan assets	0.2	0.1	33
Actuarial gains/losses on plan assets	0.0	0.2	< -100
Changes from currency translations	0.0	0.0	-
Employer contributions	0.3	0.9	-70
Contributions by plan participants	0.0	0.0	-
Benefits paid	-0.3	-0.1	> 100
Effects of settlements	0.0	0.0	-
<b>Closing balance</b>	<b>3.9</b>	<b>3.8</b>	<b>3</b>

The fair value of the plan assets is composed as follows:

	31.12.2013 (%)	31.12.2012 (%)	Increase/ Decrease (%)
Equity instruments	9	4	> 100
Debt instruments	84	85	-1
Real estate	3	3	15
Other assets	4	9	-54

The fair value of the plan assets includes equity instruments in the sum of KEUR 349 (previous year KEUR 154), debt instruments in the amount of KEUR 3,253 (previous year KEUR 3,177) as well as real estate and other assets in the sum of KEUR 271 (previous year KEUR 426). The overall expected yield of 3.70% results from the weighted average of the expected income from the investment categories held through the plan assets. It is expected that a total of KEUR 410 will be paid into the plan assets of the defined benefit obligations during the next reporting period (previous year KEUR 357).

Pension costs are broken down as follows:

	31.12.2013 (KEUR)	31.12.2012 (KEUR)	Increase/ Decrease (%)
Current service cost	396	343	15
Interest expense	189	118	60
Expected return on plan assets	-154	-115	33
Past service cost	0	0	-
Effects of plan changes	0	0	-
Expected return on reimbursement rights	459	1,481	-69
<b>Total</b>	<b>890</b>	<b>1,827</b>	<b>-51</b>

Summary of the amounts in the current reporting period and the previous reporting periods:

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	31.12.2011 (EUR million)	31.12.2010 (EUR million)	31.12.2009 (EUR million)	31.12.2008 (EUR million)
Pension obligation (DBO)	6.1	5.4	3.3	3.8	3.5	3.4
Plan assets	-3.9	-3.8	-2.6	-2.6	-2.5	-2.6
Deficit	2.2	1.6	0.7	1.2	1.1	0.8
Actuarial profit/losses	0.5	1.5	0.4	0.1	-0.1	0.1
Experience adjustments to:						
Pension obligation (DBO)	-0.6	1.1	0.1	0.3	0.4	0.2
Plan assets	-0.1	-0.2	0.0	0.0	0.0	-0.1

Other provisions changed during the year under report as follows:

EUR million	Provisions in Lending Business	Restructuring Provisions	Provisions for Impending Losses	Provisions for Uncertain Liabilities		Provisions for Insurance Business	Total
				from personnel area	other		
<b>Opening balance</b>	<b>3.8</b>	<b>0.0</b>	<b>0.0</b>	<b>1.7</b>	<b>3.1</b>	<b>0.0</b>	<b>8.6</b>
Changes from currency translations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Utilisation	0.0	0.0	0.0	-0.1	-1.7	0.0	-1.7
Reductions	-0.9	0.0	0.0	0.0	0.0	0.0	-0.9
Transfers	0.0	0.0	0.0	-0.2	0.0	0.0	-0.2
Allocations	6.7	0.0	0.0	0.5	1.9	0.0	9.2
<b>Closing balance</b>	<b>9.7</b>	<b>0.0</b>	<b>0.0</b>	<b>2.0</b>	<b>3.3</b>	<b>0.0</b>	<b>14.9</b>

#### (44) Income Tax Liabilities

Income tax liabilities are broken down as follows:

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
Current income tax liabilities	4.0	5.2	-24
Passive deferred taxes	6.9	9.9	-30
<b>Total</b>	<b>10.9</b>	<b>15.2</b>	<b>-28</b>

Passive deferred taxes on the liabilities side refer to the potential income tax burdens from temporary differences between the values of the assets and liabilities in the IFRS balance sheet and the tax values according to the tax regulations.

The fiscal provisions have been applied to the IFRS financial statements since reporting year 2008. This means that many of the temporary differences no longer apply (see table below). The passive deferred taxes on the liabilities side mainly result from the sale of the building owned by the Bank in 2008.

The deferred tax obligations are in connection with the following balance sheet items:

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Assets</b>			
Financial assets	1.6	0.0	> 100
<b>Liabilities</b>			
Equity	5.3	9.9	-46
<b>Total</b>	<b>6.9</b>	<b>9.9</b>	<b>-30</b>

#### (45) Other Liabilities

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
Liabilities from outstanding invoices	14.3	10.4	38
Liabilities from short term remuneration of workers	5.1	4.9	4
Accruals and deferred income	2.7	3.4	-19
Liabilities from taxes and social security contributions not yet deducted	3.7	9.0	-59
Other liabilities	1.8	2.0	-13
<b>Total</b>	<b>27.6</b>	<b>29.6</b>	<b>-7</b>

Liabilities from short-term remuneration of employees comprise outstanding leave entitlement and staff and management bonuses.

## (46) Subordinated Capital

Subordinated liabilities are only repaid after the claims of all senior lenders have been settled. They fully meet the conditions of Circular 06/273 in its amended version in relation to the offsetting as regulatory supplementary capital. Offsetting takes place depending on the remaining term.

The expenses for subordinate liabilities amounted to KEUR 557 (previous year KEUR 752) in the year under report.

The changes illustrated in the table result from accrued interest and exchange rate fluctuations.

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
Subordinated liabilities	90.7	94.8	-4
Profit participation capital	0.0	0.0	-
Contributions from silent partners	0.0	0.0	-
<b>Total</b>	<b>90.7</b>	<b>94.8</b>	<b>-4</b>

Type of Transaction	Nominal Amount (USD million)	Interest Accrual (USD million)	Rate at 31.12.2013	Balance Sheet Value (EUR million)	Term in Years	Interest Rates (%)	Maturity
Subordinated loans	60.0	0.0	1.3791	43.5	15	0.4077	08.06.16
Subordinated loans	65.0	0.0	1.3791	47.1	15	0.6866	31.12.17
<b>Total</b>	<b>125.0</b>	<b>0.0</b>		<b>90.7</b>			

## Other Disclosures

### (47) Notes to the Overall Profit and Loss Account

The income tax effects are allotted to the individual components of the components of the profit/loss recorded directly in the equity as follows:

KEUR	Amount before Taxes 2013	Income Tax Effect 2013	Amount after Taxes 2013	Amount before Taxes 2012	Income Tax Effect 2012	Amount after Taxes 2012
Increase/decrease from available for sale (AfS) financial instruments	53,059	-15,504	37,555	109,910	-31,329	78,581
Actuarial gains/losses for defined benefit provisions for pensions	-590	170	-420	-1,638	477	-1,161
Translation differences of foreign business units	-504	0	-504	187	0	187
<b>Profit/loss recognised directly in equity</b>	<b>51,966</b>	<b>-15,334</b>	<b>36,632</b>	<b>108,459</b>	<b>-30,852</b>	<b>77,607</b>
Of which due to the shareholders	51,966	-15,334	36,632	108,459	-30,852	77,607
Of which not attributable to controlling shares	0	0	0	0	0	0

### (48) Notes to the Statement of Changes in Equity

The subscribed capital of NORD/LB Luxembourg as at 31 December 2013 amounts to EUR 205 million (previous year EUR 205 million). It is divided into 820,000 registered shares without nominal value (previous year 820,000 registered shares). The subscribed capital is fully paid up. There were no changes to date in the year under report.

The individual components of the equity and its development in 2012 and 2013 can be seen in the statement of changes in equity.

The revenue reserves comprise the amounts accumulated in previous reporting years as well as allocations to reserves and profit/loss carried forward from the profit for the year. The negative differences (badwill) determined as part of the first-time consolidation are deducted from the revenue reserves.

The effects of measuring available for sale (AfS) financial instruments are shown under the "Revaluation reserve" item.

In previous years, the Bank utilised the fiscal option of offsetting wealth tax for the year and appropriated an amount equivalent to five times the offset wealth tax for the tax group to the free reserves, in consideration of the five year commitment ("lock-in") period.

The following summary shows how wealth tax affects the appropriation to the reserves:

Year	Wealth Tax NORD/LB Luxembourg	Wealth Tax NORD/LB CFB	Total	Appropriation to the Reserves (= Five Times the Offset Wealth Tax)	Locked in Until
2009	3.6	0.2	3.8	18.7*	31.12.2014
2010	–	–	–	–	31.12.2015
2011	3.4	0.3	3.7	18.2*	31.12.2016
2012	2.3	0.3	2.6	13.0*	31.12.2017
2013	2.8	0.1	2.8	14.2*	31.12.2018
<b>Total</b>	<b>12.1</b>	<b>0.9</b>	<b>12.8</b>	<b>56.7</b>	

\*) Wealth tax rebate limited by amount of corporate tax pursuant to Section 8a VStG.

## (49) Notes to the Cash Flow Statement

The cash flow statement shows changes in cash and cash equivalents for the year under report due to payment flows from operating activities, investment activities and financing activities.

Cash and cash equivalents are defined as a cash reserve (cash and balances with central banks as well as treasury bills and other bills eligible for refinancing with the central bank).

The cash flow statement is prepared using indirect methods. This involves determining the cash flow from operating activities based on the profit for the year before taxes, having first added the non-cash expenses and deducted the non-cash income for the year under report. In addition, all cash expenses and income are eliminated if they are not included under operating business. These payments are taken into account under cash flows from investment activities or financing activities.

As recommended by the IASB, cash flow from operating activities includes payment transactions from loans and advances to banks and customers, trading portfolio securities, liabilities to banks and customers and securitised liabilities.

Cash flow from investment activities comprises payment transactions for the investments and securities portfolio under financial assets and cash receipts and payments for property, plant and equipment.

Cash flow from financing activities comprises payment flows from capital adjustments, interest payments on subordinated capital and dividend payments to the shareholders of the Bank.

Please refer to the notes in the risk report section of the management report with regard to the NORD/LB Luxembourg Group's control of the liquidity risk.

## Notes to Financial Instruments

## (50) Term to Maturity of Financial Liabilities and Contingent Liabilities

At 31 December 2013:

EUR million	< 1 Month	1 Month < 3 Months	3 Months < 1 Year	1 Year < 5 Years	> 5 Years	Total
Liabilities to banks	3,906.6	2,834.8	799.1	1,558.4	976.3	10,075.2
Liabilities to customers	1,676.8	276.7	168.4	71.4	595.5	2,788.8
Securitised liabilities	0.0	81.5	44.3	1,866.3	279.6	2,271.8
Financial liabilities at fair value through profit or loss (without derivatives)	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated capital	0.0	0.0	0.0	90.7	0.0	90.7
Irrevocable credit commitments	0.0	38.9	48.9	774.0	234.5	1,096.3
Financial guarantees	0.0	29.0	0.0	57.7	77.9	164.6
<b>Total</b>	<b>5,583.3</b>	<b>3,261.0</b>	<b>1,060.8</b>	<b>4,418.4</b>	<b>2,163.8</b>	<b>16,487.3</b>

At 31 December 2012:

EUR million	< 1 Month	1 Month < 3 Months	3 Months < 1 Year	1 Year < 5 Years	> 5 Years	Total
Liabilities to banks	2,437.1	4,689.2	170.8	1,481.1	971.4	9,749.6
Liabilities to customers	1,222.1	183.3	117.1	52.1	708.8	2,283.3
Securitised liabilities	0.0	0.0	338.2	2,056.2	416.4	2,810.8
Financial liabilities at fair value through profit or loss (without derivatives)	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated capital	0.0	0.0	0.0	94.8	0.0	94.8
Irrevocable credit commitments	14.1	48.7	253.3	644.4	121.9	1,082.4
Financial guarantees	0.0	30.3	26.5	25.1	219.3	301.3
<b>Total</b>	<b>3,673.2</b>	<b>4,951.4</b>	<b>905.9</b>	<b>4,353.8</b>	<b>2,437.8</b>	<b>16,322.2</b>

Term to maturity is defined as the time remaining from the reporting date to the contractual maturity date.

More information about the liquidity risk can be found in the “Liquidity Risk” section in the risk report above. This contains more detailed information about liquidity management, the control and measurement of the liquidity risks, reporting as well as the development in 2013 and the outlook.

## (51) Book Values According to Valuation Categories

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Assets</b>			
Financial assets designated at fair value through profit or loss	514.3	697.4	-26
Financial assets held for trading	514.3	697.4	-26
Financial assets designated at fair value through profit or loss	0.0	0.0	-
Available for sale assets	6,101.1	6,058.1	1
Loans and receivables	10,111.2	10,120.3	0
<b>Total</b>	<b>16,726.6</b>	<b>16,875.8</b>	<b>-1</b>
<b>Liabilities</b>			
Financial liabilities designated at fair value through profit or loss	848.1	1,323.3	-36
Financial liabilities held for trading	848.1	1,323.3	-36
Financial liabilities designated at fair value through profit or loss	0.0	0.0	-
Other liabilities	15,226.4	14,938.5	2
<b>Total</b>	<b>16,074.5</b>	<b>16,261.8</b>	<b>-1</b>

The fair values of underlying transactions from hedge accounting as defined by IAS 39 are allocated to the respective category, the fair values of securities transactions can be found again in the items HfT. Only financial instruments were considered here.

**(52) Net Results According to Valuation Categories**

	2013 (KEUR)	2012 (KEUR)	Increase/ Decrease (%)
Financial Instruments at Fair Value through Profit or Loss	-123,911.6	-86,478.9	43
Financial Instruments Held for Trading	-123,911.6	-86,793.6	43
Financial Instruments designated at Fair Value through Profit or Loss	0.0	314.7	-100
Available for Sale Assets	117,231.7	124,461.3	-6
Loans and Receivables	259,619.7	289,109.9	-10
Other Liabilities	-167,518.3	-222,276.2	-25
<b>Gesamt</b>	<b>85,421.6</b>	<b>104,816.2</b>	<b>-19</b>

The result from hedge accounting is not included in the net results because it is not allocated to any of the categories. The risk provision in the lending business, which is also not included here, is explained in the following notes.

**(53) Impairment/Reversal of Impairment According to Valuation Categories**

	2013 (KEUR)	2012 (KEUR)	Increase/ Decrease (%)
Available for Sale Assets			
Result from valuation adjustments of AfS financial assets	-634.2	0.0	> 100
Result from direct write-down of uncollectible receivables/ Receipts on written down receivables	0.0	0.0	-
<b>Total</b>	<b>-634.2</b>	<b>0.0</b>	<b>&gt; 100</b>
Loans and Receivables			
Result from valuation adjustments of LaR financial assets	-10,823.1	-15,972.4	-32
Result from portfolio based valuation adjustments of LaR financial assets	640.8	-8,090.5	< -100
Result from the formation/reversal of provisions in the lending business (loan loss provisions)	916.7	3,825.8	-76
Result from direct write-down of uncollectible receivables/ Receipts on written down receivables	0.0	0.0	-
<b>Total</b>	<b>-9,265.7</b>	<b>-20,237.2</b>	<b>-54</b>

## (54) Fair Value Hierarchy

The following table shows the application of the fair value hierarchy for financial assets and liabilities stated at fair value through profit or loss or not affecting profit or loss:

31.12.2013 EUR million	Level 1 (Mark-to- Market)	Level 2 (Mark-to- Matrix)	Level 3 (Mark-to- Model)	Total
<b>Trading assets</b>	82.6	161.8	0.0	244.4
Debt securities and other fixed interest securities	82.6	56.6	0.0	139.2
Positive fair values from derivatives	0.0	105.2	0.0	105.2
Interest rate risks	0.0	53.0	0.0	53.0
Currency risks	0.0	52.3	0.0	52.3
<b>Financial assets designated at fair value</b>	0.0	0.0	0.0	0.0
<b>Positive fair values hedge accounting derivatives</b>	0.0	269.8	0.0	269.8
Interest rate risks	0.0	200.8	0.0	200.8
Currency risks	0.0	69.0	0.0	69.0
<b>Financial assets (measured at fair value)</b>	3,664.7	2,436.4	0.0	6,101.1
Debt securities and other fixed interest securities	3,628.9	2,436.3	0.0	6,065.2
Shares and other variable yield securities	35.9	0.1	0.0	36.0
<b>Assets</b>	<b>3,747.3</b>	<b>2,868.0</b>	<b>0.0</b>	<b>6,615.4</b>
<b>Trading liabilities</b>	0.0	106.5	0.0	106.5
Negative fair values from derivatives	0.0	106.5	0.0	106.5
Interest rate risks	0.0	75.5	0.0	75.5
Currency risks	0.0	31.0	0.0	31.0
<b>Financial liabilities designated at fair value</b>	0.0	0.0	0.0	0.0
<b>Negative fair values from hedge accounting derivatives</b>	0.0	741.5	0.0	741.5
Interest rate risks	0.0	683.0	0.0	683.0
Currency risks	0.0	58.5	0.0	58.5
<b>Liabilities</b>	<b>0.0</b>	<b>848.1</b>	<b>0.0</b>	<b>848.1</b>

31.12.2012 EUR million	Level 1 (Mark-to- Market)	Level 2 (Mark-to- Matrix)	Level 3 (Mark-to- Model)	Total
<b>Trading assets</b>	41.5	222.5	0.0	264.0
Debt securities and other fixed interest securities	41.5	0.0	0.0	41.5
Positive fair values from derivatives	0.0	222.5	0.0	222.5
Interest rate risks	0.0	79.4	0.0	79.4
Currency risks	0.0	143.1	0.0	143.1
<b>Financial assets designated at fair value</b>	0.0	0.0	0.0	0.0
<b>Positive fair values hedge accounting derivatives</b>	0.0	433.4	0.0	433.4
Interest rate risks	0.0	286.8	0.0	286.8
Currency risks	0.0	146.6	0.0	146.6
<b>Financial assets (measured at fair value)</b>	5,658.1	400.0	0.0	6,058.1
Debt securities and other fixed interest securities	5,648.3	400.0	0.0	6,048.3
Shares and other variable yield securities	9.8	0.0	0.0	9.8
<b>Assets</b>	<b>5,699.6</b>	<b>1,055.9</b>	<b>0.0</b>	<b>6,755.5</b>
<b>Trading liabilities</b>	0.0	116.7	0.0	116.7
Negative fair values from derivatives	0.0	116.7	0.0	116.7
Interest rate risks	0.0	98.4	0.0	98.4
Currency risks	0.0	18.3	0.0	18.3
<b>Financial liabilities designated at fair value</b>	0.0	0.0	0.0	0.0
<b>Negative fair values from hedge accounting derivatives</b>	0.0	1,206.7	0.0	1,206.7
Interest rate risks	0.0	1,060.2	0.0	1,060.2
Currency risks	0.0	146.5	0.0	146.5
<b>Liabilities</b>	<b>0.0</b>	<b>1,323.4</b>	<b>0.0</b>	<b>1,323.4</b>

In the case of the mark-to-model valuation (Level 3), the amount of the fair value depends on the relevant assumptions, and thus changes in assumptions can result in fluctuations in the fair value. Significant effects of these value fluctuations that can be attributed to changes in the assumptions are checked for the fair values recorded in the financial statements using a sensitivity analysis. To calculate the sensitivity, each rating category is shifted one step up or down. The calculated values represent the sum of the absolute difference to the original model value and are divided by two.

The transfers within the fair value hierarchy are as follows:

01.01. – 31.12.2013 EUR 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
Trading assets	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets (measured at fair value)	1,678.7	0.0	53.4	0.0	0.0	0.0
<b>Assets</b>	<b>1,678.7</b>	<b>0.0</b>	<b>53.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

A total of 69 securities moved out of the market valuation (Level 1) into the matrix valuation (Level 2), since the Group standard provides for a more restrictive definition of the criteria for level assignment in this financial year. With respect to the total portfolio of securities, the level transfers in the NORD/LB Luxembourg Group were approx. 28%. The level transfer from Level 2 into Level 1 concerned a security for which there was no market price on the reporting date.

In the previous year there were the following level transfers:

01.01. – 31.12.2012 EUR 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
Trading assets	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets (measured at fair value)	23.3	0.0	51.8	0.0	334.5	80.9
<b>Assets</b>	<b>23.3</b>	<b>0.0</b>	<b>51.8</b>	<b>0.0</b>	<b>334.5</b>	<b>80.9</b>
<b>Liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

The level transfer from Level 2 into Level 1 concerned a security for which there was no market price on the reporting date. One security changed from a market valuation (Level 1) to a matrix valuation (Level 2). In total 21 securities changed from the model valuation (Level 3) to the market valuation (Level 1), since an active market was available again. For four securities, the matrix valuation (Level 2) was reapplied on the reporting date in contrast to the model valuation (Level 3) in the previous year. With respect to the total portfolio of securities, the level transfers never rose above 6%.

There were no financial liabilities in Level 3 of the fair value hierarchy either in the year under report or in the previous year.

The Bank does not have any Level 3 assets in the HfT or dFV categories. The changes in financial assets in Level 3 of the fair value hierarchy were as follows:

EUR million	Financial Assets (Measured at Fair Value)	Total Assets
<b>Opening balance at 01.01.2012</b>	<b>531.6</b>	<b>531.6</b>
Profit/loss effect	-0.1	-0.1
Equity effect	-19.7	-19.7
Purchases/acquisitions	0.0	0.0
Sales	0.0	0.0
Amortisations/redemptions	-96.5	-96.5
Moved from Level 1 and 2	0.0	0.0
Moved to Level 1 and 2	-415.3	-415.3
Currency translation	0.0	0.0
<b>Closing balance at 31.12.2012</b>	<b>0.0</b>	<b>0.0</b>
<b>Opening balance at 01.01.2013</b>	<b>0.0</b>	<b>0.0</b>
Profit/loss effect	0.0	0.0
Equity effect	0.0	0.0
Purchases/acquisitions	0.0	0.0
Sales	0.0	0.0
Amortisations/redemptions	0.0	0.0
Moved from Level 1 and 2	0.0	0.0
Moved to Level 1 and 2	0.0	0.0
Currency translation	0.0	0.0
<b>Closing balance at 31.12.2013</b>	<b>0.0</b>	<b>0.0</b>

The acquisition of financial assets and liabilities is shown at market prices at the time of acquisition. There was no initial valuation at Level 3 in either reporting period; a day-one profit or loss consequently did not occur.

The following table shows the breakdown of the fair value of the assets and liabilities which are not stated at fair value on the balance sheet, but for which the fair value was stated in the Notes, according to the fair value hierarchy:

31.12.2013 EUR million	Level 1 (Mark-to- Market)	Level 2 (Mark-to- Matrix)	Level 3 (Mark-to- Model)	Total
Cash reserve	53.8	0.0	0.0	53.8
Loans and advances to banks	678.8	316.9	1,170.1	2,165.9
Loans and advances to customers	117.8	166.1	5,048.7	5,332.6
Financial assets not posted at fair value	0.0	2,439.5	0.0	2,439.5
<b>Assets</b>	<b>850.5</b>	<b>2,922.5</b>	<b>6,218.8</b>	<b>9,991.8</b>
Liabilities to banks	614.0	0.0	9,637.0	10,251.0
Liabilities to customers	163.1	0.0	2,628.3	2,791.4
Securitised liabilities	0.0	0.0	2,285.9	2,285.9
Subordinated capital	0.0	0.0	90.7	90.7
<b>Liabilities</b>	<b>777.2</b>	<b>0.0</b>	<b>14,641.8</b>	<b>15,419.0</b>

## (55) Fair Value of Financial Instruments

The fair values of financial instruments, which are shown on the balance sheet at amortised cost (LaR) or with the hedge (LaR) or full fair value (AfS) are compared to the book values in the following table.

EUR million	Fair Value 31.12.2013	Book Value 31.12.2013	Difference 31.12.2013	Fair Value 31.12.2012	Book Value 31.12.2012	Difference 31.12.2012
<b>Assets</b>	<b>9,946.2</b>	<b>10,113.1</b>	<b>-166.9</b>	<b>9,905.5</b>	<b>10,121.4</b>	<b>-215.9</b>
Cash reserve	53.8	55.7	-1.9	75.1	75.1	0.0
Loans and advances to banks	2,165.9	2,163.1	2.7	1,698.4	1,693.9	4.5
Loans and advances to customers	5,332.6	5,174.5	158.1	5,365.9	5,115.0	250.9
Financial assets	2,439.5	2,765.3	-325.9	2,802.6	3,274.0	-471.3
Risk provisions	-45.6	-45.6	0.0	-36.5	-36.5	0.0
<b>Loans and advances after risk provisions</b>	<b>9,892.3</b>	<b>10,057.4</b>	<b>-165.0</b>	<b>9,830.3</b>	<b>10,046.3</b>	<b>-215.9</b>
<b>Liabilities</b>	<b>15,419.0</b>	<b>15,226.4</b>	<b>192.5</b>	<b>15,247.8</b>	<b>14,938.5</b>	<b>309.3</b>
Liabilities to banks	10,251.0	10,075.2	175.8	10,032.9	9,749.6	283.3
Liabilities to customers	2,791.4	2,788.8	2.6	2,285.9	2,283.3	2.5
Securitised liabilities	2,285.9	2,271.8	14.1	2,834.3	2,810.8	23.5
Subordinated capital	90.7	90.7	0.0	94.8	94.8	0.0

Fair values were determined in accordance with the discounted cash flow method on the basis of the interest structure curve effective on the balance sheet date.

The amounts listed in the "Book value" column include the assets and liabilities reported on the balance sheet at amortised cost or with the hedge or full fair value. If a hedge or full fair value is shown as a book value, the value is also shown in the "Fair Value" column.

The decline in hidden liabilities (after risk provisions) in the financial assets, totalling EUR 301.4 million (previous year EUR 443.9 million), is mainly due to recovery effects. The proportion of Level 3 assets in the overall portfolio was 2.00 % on 31 December 2012; there were no Level 3 assets in the portfolio as at 31 December 2013.

## (56) Derivative Financial Instruments

The Bank uses derivative financial instruments for hedging purposes as part of asset/liability management.

Derivative financial instruments denominated in foreign currencies are mainly negotiated in the form of forward exchange transactions, currency swaps, and interest rate/currency swaps. Interest rate derivatives are primarily interest rate swaps. The nominal values are the gross volume of all purchases and sales. This value is a reference amount used to determine mutually agreed-on adjustment payments, but does not include receivables or liabilities that are eligible for recognition on the balance sheet.

The composition of the derivative portfolio is as follows:

EUR million	Nominal Values 31.12.2013	Nominal Values 31.12.2012	Market Values Positive 31.12.2013	Market Values Positive 31.12.2012	Market Values Negative 31.12.2013	Market Values Negative 31.12.2012
<b>Interest rate risks</b>	<b>10,338.3</b>	<b>10,002.1</b>	<b>253.8</b>	<b>366.1</b>	<b>758.6</b>	<b>1,158.5</b>
Interest rate swaps	9,852.2	9,889.6	253.2	366.1	758.4	1,158.5
Caps, floors	40.0	20.0	0.2	0.0	0.2	0.0
Stock exchange contracts	430.6	92.5	0.0	0.0	0.0	0.0
Other forward rate agreements	15.4	0.0	0.4	0.0	0.0	0.0
<b>Currency risks</b>	<b>6,518.5</b>	<b>4,248.1</b>	<b>121.3</b>	<b>289.8</b>	<b>89.5</b>	<b>164.8</b>
Forward exchange contracts	3,180.0	1,877.2	10.4	5.7	30.5	15.0
Currency swaps/Interest rate-currency swaps	3,338.5	2,370.9	110.8	284.1	59.0	149.8
<b>Share and other price risks</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Credit derivatives</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total</b>	<b>16,856.8</b>	<b>14,250.2</b>	<b>375.0</b>	<b>655.9</b>	<b>848.1</b>	<b>1,323.3</b>

The following table shows the term to maturity of derivative financial instruments:

Nominal Value (EUR million)	Interest Rate Risks		Currency Risks		Share and Other Price Risks		Credit Derivatives	
	31.12. 2013	31.12. 2012	31.12. 2013	31.12. 2012	31.12. 2013	31.12. 2012	31.12. 2013	31.12. 2012
<b>Term to maturity</b>								
Up to 3 months	1,021.7	276.7	3,265.1	1,818.6	0.0	0.0	0.0	0.0
Over 3 months and up to 1 year	551.4	384.5	114.4	413.5	0.0	0.0	0.0	0.0
Over 1 year and up to 5 years	5,424.0	5,368.3	1,325.1	989.1	0.0	0.0	0.0	0.0
Over 5 years	3,341.1	3,972.6	1,813.9	1,026.9	0.0	0.0	0.0	0.0
<b>Total</b>	<b>10,338.3</b>	<b>10,002.1</b>	<b>6,518.5</b>	<b>4,248.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

The term to maturity is the period of time between the balance sheet date and the contractual maturity.

The following table below breaks down the positive and negative market values for derivative transactions according to the relevant counterparty:

EUR million	Nominal Values		Positive Market Values		Negative Market Values	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Banks in OECD countries	15,825.2	13,872.3	367.1	643.0	840.0	1,321.8
Banks outside OECD countries	271.7	100.2	0.0	0.0	2.3	1.3
Public sector entities in OECD countries	0.0	0.0	0.0	0.0	0.0	0.0
Other counterparties (including stock exchange contracts)	760.0	277.7	7.9	12.9	5.7	0.2
<b>Total</b>	<b>16,856.8</b>	<b>14,250.2</b>	<b>375.0</b>	<b>655.9</b>	<b>848.1</b>	<b>1,323.3</b>

## (57) Information Relating to Selected Countries

The following table shows the reported values of the transactions in relation to selected countries. The information regarding the country also includes regional governments, local municipal governments and firms with government links. The Bank does not have any business with the selected countries shown in the HfT or dFV categories.

At 31 December 2013:

31.12.2013 EUR million	Available for Sale Assets	Loans and Receivables
<b>Portugal</b>		
Sovereign Exposure	0.0	0.0
Financial Institutions/Insurance Companies	70.0	0.0
Corporates/Other	0.0	34.8
<b>Total</b>	<b>70.0</b>	<b>34.8</b>
<b>Ireland</b>		
Sovereign Exposure	0.0	0.0
Financial Institutions/Insurance Companies	0.0	81.8
Corporates/Other	0.0	10.1
<b>Total</b>	<b>0.0</b>	<b>91.9</b>
<b>Italy</b>		
Sovereign Exposure	80.8	61.4
Financial Institutions/Insurance Companies	253.6	54.4
Corporates/Other	0.0	1.7
<b>Total</b>	<b>334.4</b>	<b>117.5</b>
<b>Greece</b>		
Sovereign Exposure	0.1	0.0
Financial Institutions/Insurance Companies	0.0	0.0
Corporates/Other	0.0	0.0
<b>Total</b>	<b>0.1</b>	<b>0.0</b>
<b>Hungary</b>		
Sovereign Exposure	0.0	119.6
Financial Institutions/Insurance Companies	0.0	0.0
Corporates/Other	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>119.6</b>
<b>Spain</b>		
Sovereign Exposure	0.0	0.0
Financial Institutions/Insurance Companies	281.6	275.4
Corporates/Other	0.0	8.6
<b>Total</b>	<b>281.6</b>	<b>284.0</b>

31.12.2012 EUR million	Available for Sale Assets	Loans and Receivables
<b>Portugal</b>		
Sovereign Exposure	0.0	0.0
Financial Institutions/Insurance Companies	67.9	0.0
Corporates/Other	0.0	39.0
<b>Total</b>	<b>67.9</b>	<b>39.0</b>
<b>Ireland</b>		
Sovereign Exposure	0.0	0.0
Financial Institutions/Insurance Companies	0.0	99.0
Corporates/Other	0.0	10.1
<b>Total</b>	<b>0.0</b>	<b>109.1</b>
<b>Italy</b>		
Sovereign Exposure	77.8	86.7
Financial Institutions/Insurance Companies	333.5	60.6
Corporates/Other	0.0	2.7
<b>Total</b>	<b>411.3</b>	<b>150.0</b>
<b>Greece</b>		
Sovereign Exposure	0.1	0.0
Financial Institutions/Insurance Companies	0.0	0.0
Corporates/Other	0.0	0.0
<b>Total</b>	<b>0.1</b>	<b>0.0</b>
<b>Hungary</b>		
Sovereign Exposure	0.0	124.4
Financial Institutions/Insurance Companies	0.0	25.8
Corporates/Other	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>150.3</b>
<b>Spain</b>		
Sovereign Exposure	0.0	0.0
Financial Institutions/Insurance Companies	325.1	280.9
Corporates/Other	0.0	21.0
<b>Total</b>	<b>325.1</b>	<b>301.9</b>

There are no exposures in Egypt, Slovenia or Cyprus.

Credit derivatives are not included in the above figures.

For the financial instruments in the Available for Sale category with costs of acquisition in the total sum of EUR 689.5 million (EUR 842.2 million), the cumulative valuation result in the equity totals EUR –32.9 million (EUR –71.2 million) in relation to the abovementioned selected countries. No depreciation was recorded in the profit and loss account for the periods (previous year EUR 0.0 million).

For the receivables in the Loans and Receivables category relating to the selected countries listed above, there are portfolio loan loss provisions in the sum of EUR 4.3 million (EUR 6.9 million). The fair value of these receivables in the Loans and Receivables category totals EUR 564.1 million (EUR 611.6 million).

The interest rates for the abovementioned transactions are between 0.53 % and 6.59 %. The individual terms to maturity of the transactions range from 2014 – 2036, with 27 % of the receivables becoming due in the next 12 months and 52 % in the next 36 months.

The following tables show the application of the fair value hierarchy of the financial assets and liabilities shown at fair value affecting profit/loss and not affecting profit/loss for selected countries in 2012 and 2013:

At 31 December 2013:

31.12.2013 EUR million	Level 1	Level 2	Level 3	Total
<b>Portugal</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial Institutions/Insurance Companies	0.0	70.0	0.0	70.0
Corporates/Other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>70.0</b>	<b>0.0</b>	<b>70.0</b>
<b>Ireland</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial Institutions/Insurance Companies	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Italy</b>				
Sovereign Exposure	0.0	80.8	0.0	80.8
Financial Institutions/Insurance Companies	54.9	198.7	0.0	253.6
Corporates/Other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>54.9</b>	<b>279.5</b>	<b>0.0</b>	<b>334.4</b>
<b>Greece</b>				
Sovereign Exposure	0.0	0.1	0.0	0.1
Financial Institutions/Insurance Companies	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>

31.12.2013 EUR million	Level 1	Level 2	Level 3	Total
<b>Hungary</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial Institutions/Insurance Companies	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Spain</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial Institutions/Insurance Companies	51.9	229.7	0.0	281.6
Corporates/Other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>51.9</b>	<b>229.7</b>	<b>0.0</b>	<b>281.6</b>

At 31 December 2012:

31.12.2012 EUR million	Level 1	Level 2 after Adjustment	Level 2 before Adjustment	Level 3	Total after Adjustment	Total before Adjustment
<b>Portugal</b>						
Sovereign Exposure	0.0	0.0	15.2	0.0	0.0	15.2
Financial Institutions/ Insurance Companies	52.7	15.2	0.0	0.0	67.9	52.7
Corporates/Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>52.7</b>	<b>15.2</b>	<b>15.2</b>	<b>0.0</b>	<b>67.9</b>	<b>67.9</b>
<b>Ireland</b>						
Sovereign Exposure	0.0	0.0	0.0	0.0	0.0	0.0
Financial Institutions/ Insurance Companies	0.0	0.0	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Italy</b>						
Sovereign Exposure	0.0	77.8	0.0	0.0	77.8	0.0
Financial Institutions/ Insurance Companies	322.1	11.4	89.2	0.0	333.5	411.3
Corporates/Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>322.1</b>	<b>89.2</b>	<b>89.2</b>	<b>0.0</b>	<b>411.3</b>	<b>411.3</b>
<b>Greece</b>						
Sovereign Exposure	0.1	0.0	0.0	0.0	0.1	0.1
Financial Institutions/ Insurance Companies	0.0	0.0	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>

31.12.2012 EUR million	Level 1	Level 2 after Adjust- ment	Level 2 before Adjustment	Level 3	Total after Adjustment	Total before Adjustment
<b>Hungary</b>						
Sovereign Exposure	0.0	0.0	0.0	0.0	0.0	0.0
Financial Institutions/ Insurance Companies	0.0	0.0	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Spain</b>						
Sovereign Exposure	0.0	0.0	0.0	0.0	0.0	0.0
Financial Institutions/ Insurance Companies	325.1	0.0	0.0	0.0	325.1	325.1
Corporates/Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>325.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>325.1</b>	<b>325.1</b>

In terms of the selected countries there were only financial assets reported at fair value both in the year under report and the previous year.

The previous year's comparative figures were adjusted on the basis of IAS 8.42 in this financial statement. In the case of Portugal and Italy some of the wrong receivables categories were allocated to Level 2 Assets in financial year 2012. The previous year's figures have therefore been adjusted accordingly in the financial statements for this financial year.

## (58) Forbearance Exposure

Forborne exposures refer to all receivables where the Bank has attempted to maintain the business operations and debt service of the customer in the past by means of deferment of payment, restructuring or waiver of margins in order to avoid default or impairment. The following valuations relate to balance sheet items on the reporting date:

31.12.2013 EUR million	Balance Sheet Item before Value Adjustment	Specific Value Adjustments	Balance Sheet Item after Value Adjustment
Construction industry	0.4	-0.4	0.0
Services and other	165.3	-22.9	142.4
Financial institutions and insurance	5.8	0.0	5.8
Trade	1.9	0.0	1.9
Processing industry	100.0	0.0	100.0
<b>Total</b>	<b>273.4</b>	<b>-23.3</b>	<b>250.1</b>

Beyond this, no loan provisions exist for the commitments concerned here.

## (59) Underlying Transactions in Effective Hedging Relationships

Financial assets and liabilities, which are underlying transactions are part of a hedging relationship according to IAS 39, continue to be shown together with unhedged transactions in the respective balance sheet items, since the hedging does not alter the nature and function of the underlying transaction.

The balance sheet value of the financial instruments otherwise shown on the balance sheet at amortised cost (LaR and OL categories) is, however, adjusted by the fair value change resulting from the hedged risk.

The balance sheet reporting of financial instruments of the AfS category continues to be done at full fair value. The financial assets and liabilities, which are part of an effective micro fair value hedge relationship as hedged underlying transactions, are shown below for informational purposes:

	31.12.2013 (EUR million)	31.12.2012 (EUR million)	Increase/ Decrease (%)
<b>Assets</b>			
Loans and advances to banks	234.2	249.7	-6
Loans and advances to customers	559.7	536.4	4
Financial assets	6,280.5	6,940.4	-10
<b>Total</b>	<b>7,074.4</b>	<b>7,726.5</b>	<b>-8</b>
<b>Liabilities</b>			
Liabilities to banks	73.8	89.7	-18
Liabilities to customers	669.8	746.5	-10
Securitised liabilities	1,529.0	1,697.9	-10
Subordinated capital	0.0	0.0	-
<b>Total</b>	<b>2,272.7</b>	<b>2,534.1</b>	<b>-10</b>

## (60) The NORD/LB Luxembourg Group as Assignor and Assignee

The following assets were assigned by the Bank as security for liabilities:

	31.12.2013 (EUR million)	31.12.2012 (EUR million)
Loans and advances to banks	611.5	913.1
Loans and advances to customers	5.8	0.0
Financial instruments measured at fair value through profit or loss	0.0	0.0
Financial assets	4,333.3	4,107.0
<b>Total</b>	<b>4,950.6</b>	<b>5,020.1</b>

The furnishing of financial assets as security for borrowing funds took the form of genuine repurchase agreements (repos) with a maximum remaining term of six months. Expense and income from the pledged securities continues to be due to the NORD/LB Luxembourg Group.

The furnishing of security in the form of deposits at banks took place at standard market interest rates and predominantly covers value changes in derivative transactions. The relevant remaining terms are shown in Note (56) Derivative financial instruments.

The following securities were assigned for liabilities in the amounts stated:

	31.12.2013 (EUR million)	31.12.2012 (EUR million)
Financial assets assigned to the Bank as security	989.1	204.3
Liabilities to banks	371.0	545.8
<b>Total</b>	<b>1,360.1</b>	<b>750.1</b>

## (61) Offsetting Financial Assets and Liabilities

The effects or potential effects of set-off rights in connection with financial assets and liabilities can be seen in the following table.

31.12.2013 EUR million	Gross Amount before Offsetting	Amount Offset	Net Amount after Offsetting	Master Netting Arrangements and Similar without Balancing (Offsetting)			Net Amount
				of which: Financial Instruments	Securities		
					Securities	Cash collateral	
<b>Assets</b>							
Derivatives	359.2	0.0	359.2	230.5	0.0	126.2	2.4
Lending transactions and repurchase agreements	996.3	0.0	996.3	635.7	329.9	0.0	30.6
<b>Liabilities</b>							
Derivatives	837.0	0.0	837.0	230.5	0.0	599.3	7.1
Lending transactions and repurchase agreements	4,246.4	0.0	4,246.4	635.7	3,605.7	0.0	5.0

31.12.2012 EUR million	Gross Amount before Offsetting	Amount Offset	Net Amount after Offsetting	Master Netting Arrangements and Similar without Balancing (Offsetting)			Net Amount
				of which: Financial Instruments	Securities		
					Securities	Cash collateral	
<b>Assets</b>							
Derivatives	600.1	0.0	600.1	346.0	0.0	163.6	90.4
Lending transac- tions and repur- chase agreements	204.3	0.0	204.3	0.0	199.3	0.0	5.0
<b>Liabilities</b>							
Derivatives	1,261.7	0.0	1,261.7	346.0	0.0	622.6	293.0
Lending transac- tions and repur- chase agreements	4,069.1	0.0	4,069.1	0.0	4,021.8	0.0	47.3

The business with derivative financial instruments and the lending transactions and repurchase agreement business is normally carried out on the basis of bilateral framework agreements concluded with the counterparty. These simply provide for contingent rights to offset the receivables, liabilities and the provided and received collateral such as in the event of a breach of contract or insolvency. As a consequence, there is no current right to offset in accordance with IAS 32.42.

	31.12.2013 (EUR million)	31.12.2012 (EUR million)
Genuine repurchase agreements as a repurchase buyer (reverse repos)	996.3	204.3
Loans and advances to banks	996.3	204.3
Loans and advances to customers	0.0	0.0
Genuine repurchase agreements as a repurchase seller (repos)	4,246.4	4,107.0
Liabilities to banks	4,246.4	4,107.0
Liabilities to customers	0.0	0.0

	31.12.2013 (EUR million)	31.12.2012 (EUR million)
Loaned securities	0.0	0.0
Loaned securities at fair value through profit or loss	0.0	0.0
Loaned securities from financial assets	0.0	0.0
Borrowed securities	0.0	0.0
Securities sold under repurchase agreements	4,333.3	4,100.3
Securities sold under repurchase agreements at fair value through profit or loss	0.0	0.0
Securities sold under repurchase agreements from financial assets	4,333.3	4,100.3
Securities bought under repurchase agreements	989.1	204.2

## (62) Transfer and Derecognition of Financial Assets

The risks and opportunities arising from transferred financial assets or associated liabilities and remaining at NORD/LB Luxembourg are shown below. There are no transferred financial assets which are only partially shown on the Bank's balance sheet. Likewise, there are no transferred assets with right of recourse.

EUR million	31.12.2013		31.12.2012	
	Book Value of the Assets	Book Value of the Associated Liabilities	Book Value of the Assets	Book Value of the Associated Liabilities
Loans and advances to banks	0.0	0.0	0.0	0.0
Loans and advances to customers	0.0	0.0	0.0	0.0
Assets at fair value through profit or loss	0.0	0.0	0.0	0.0
Financial assets not posted at fair value	0.0	0.0	113.3	114.5
Financial assets posted at fair value	4,333.3	4,246.4	3,083.2	2,823.5
Assets for sale not posted at fair value	0.0	0.0	0.0	0.0
Assets for sale posted at fair value	0.0	0.0	0.0	0.0
Other assets not posted at fair value	0.0	0.0	0.0	0.0
Other assets posted at fair value	0.0	0.0	0.0	0.0
<b>Total</b>	<b>4,333.3</b>	<b>4,246.4</b>	<b>3,196.5</b>	<b>2,938.1</b>

The transferred financial assets are genuine repurchase agreements.

## Other Notes

### (63) Regulatory Information

The risk-weighted asset values and the regulatory equity have been based on the regulations of the Solvency Regulation and on the basis of the IFRS since the 2008 reporting year.

#### Risk-weighted Asset Values

The NORD/LB Luxembourg Group uses internal approaches for risk determination and evaluation.

	31.12.2013 (EUR million)	31.12.2012 (EUR million)
Risk assets	4,109.1	4,159.6
Weighted operational risks	242.0	293.0
Market risk positions	59.1	67.6
<b>Total</b>	<b>4,410.2</b>	<b>4,520.2</b>

The NORD/LB Luxembourg Group uses standard methods to determine the equity requirements for operational risks. As at 31 December 2013, an equity requirement in the amount of EUR 19.4 million (previous year EUR 23.4 million) was determined.

#### Regulatory Equity

	31.12.2013 (EUR million)	31.12.2012 (EUR million)
Contributed capital	205.0	205.0
Other reserves	495.7	480.3
Remaining components	-11.4	-11.6
Deductions from core capital	-0.5	0.0
<b>Core capital</b>	<b>688.8</b>	<b>673.7</b>
Asset deposits of silent shareholders	0.0	0.0
Subordinated debt securities (part that can be offset)	45.7	66.7
Deductions from supplementary capital	-0.5	0.0
<b>Supplementary capital</b>	<b>45.2</b>	<b>66.7</b>
<b>Liable equity</b>	<b>734.0</b>	<b>740.4</b>
Tier three funds	0.0	0.0
<b>Equity capital</b>	<b>734.0</b>	<b>740.4</b>

Revaluation reserves are not taken into account in the regulatory equity. The NORD/LB Luxembourg Group exercised a corresponding option.

The objectives of equity management are to ensure an adequate equity base from a quantitative and qualitative standpoint, generate a reasonable return on equity and ensure permanent compliance with the regulatory minimum capital ratio. The authoritative equity factors for equity management constitute

- the reported equity,
- regulatory core capital and
- regulatory equity capital.

Target capital ratios are defined for the regulatory capital factors, in which the numerator constitutes the respective capital factor and the denominator the risk weighted asset values in accordance with the rules of the solvency regulations. As well as this, there are regulatory minimum capital ratios, which are to be complied with permanently. It is anticipated that these minimum capital ratios will rise in stages between 2013 and 2019 due to changing regulatory provisions ("Basel III"). Special requirements will result for equity management from complying with these rising minimum capital ratios in the next few years.

The actual development of the capital factors listed and the associated capital ratios are calculated regularly and reported to the management and the supervisory bodies of the Bank. Likewise, if required, estimates and forecasts are prepared in relation to these capital factors and capital ratios. If these indicate a risk to the defined target capital ratios, alternative or cumulative adjustment measures are implemented in relation to the risk-weighted assets or, in agreement with the parent bank, procurement measures aimed at individual capital factors.

#### Minimum Capital Ratios

The Bank complied with the regulatory minimum capital ratios at the NORD/LB Luxembourg Group level at all times in 2012 and 2013. At the respective year-ends, the NORD/LB Luxembourg Group reported the following ratios:

	31.12.2013	31.12.2012
Overall coefficient	16.6 %	16.4 %
Core capital ratio	15.6 %	14.9 %

#### Large Borrowers Requirements

In 2013, the Bank constantly fulfilled the applicable regulatory provisions on equity and liquidity. Likewise, the Bank accommodated the regulations on large borrowing limits in the year under report.

Upon the application of the Bank, the regulatory body CSSF released the Bank from compliance with the large risk limit for companies in the NORD/LB Group in accordance with Section XVI, point 24 of Circular 06/273. On the reporting date, accounts and guarantees receivable from group companies exist in the sum of EUR 2,233.7 million (previous year EUR 3,580.8 million).

## (64) Foreign Currency Volumes

On 31 December 2013, there were the following assets and liabilities in foreign currencies:

EUR million	USD	JPY	CHF	Other	Total
<b>Assets</b>					
Cash reserve	0.0	0.0	0.1	0.0	0.1
Loans and advances to banks	374.8	11.1	0.2	6.9	392.9
Loans and advances to customers	892.5	16.7	255.4	91.8	1,256.5
Risk provisions	0.0	0.0	-10.0	0.0	-10.0
Financial assets at fair value through profit or loss	-162.8	31.1	36.7	3.5	-91.6
Positive fair values from hedge accounting	-445.4	65.3	67.2	223.6	-89.3
Financial assets	1,558.4	160.1	121.9	240.5	2,080.8
Other assets	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>2,217.4</b>	<b>284.3</b>	<b>471.4</b>	<b>566.2</b>	<b>3,539.4</b>
<b>Liabilities</b>					
Liabilities to banks	2,431.1	0.0	0.0	228.5	2,659.6
Liabilities to customers	403.2	0.0	1.3	378.6	783.1
Securitised liabilities	682.8	272.7	302.9	290.8	1,549.3
Financial liabilities at fair value through profit or loss	12.4	5.0	3.9	2.8	24.1
Negative fair values from hedge accounting	364.9	128.8	-73.0	184.1	604.8
Other liabilities	0.0	0.0	-1.2	0.1	-1.1
Subordinated capital	90.7	0.0	0.0	0.0	90.7
<b>Total</b>	<b>3,985.0</b>	<b>406.6</b>	<b>233.8</b>	<b>1,084.9</b>	<b>5,710.3</b>

## (65) Contingent Liabilities and other Obligations

	31.12.2013 (EUR million)	31.12.2012 (EUR million)
Contingent liabilities	164.6	301.3
Contingent liabilities under rediscounted bills of exchange	0.0	0.0
Liabilities from guarantees and other indemnity agreements	164.6	301.3
Irrevocable credit commitments	1,096.3	1,082.4
<b>Total</b>	<b>1,260.9</b>	<b>1,383.7</b>

Liabilities from guarantees and other indemnity agreements include credit guarantees, trade-related guarantees and contingent liabilities from other guarantees and other indemnity agreements.

Disclosures on the estimation of financial effects, the uncertainty with regard to the amount or timing of asset outflows and the possibility of adjustment payments are not made for reasons of practicality.

Liabilities from guarantees and other indemnity agreements (financial guarantees) are reported in compliance with IAS 39. The liabilities from existing rent, lease, guarantee or similar contracts are within the normal scope of business.

### Letter of Comfort:

Norddeutsche Landesbank Luxembourg S.A. has issued a letter of comfort for NORD/LB Covered Finance Bank S.A. in its financial statements since 31 December 2010.

## (66) Subordinated Assets

	31.12.2013 (EUR million)	31.12.2012 (EUR million)
Loans and advances to banks	0.0	0.0
Loans and advances to customers	0.0	0.0
Financial instruments measured at fair value through profit or loss	0.0	0.0
Financial assets	45.0	45.0
<b>Total</b>	<b>45.0</b>	<b>45.0</b>

Assets are regarded as subordinated if the claims they represent are only settled after the claims of other creditors in the event of the liquidation or insolvency of a debtor.

The Bank holds two subordinate issues from Austrian banks in its own portfolio, which have a guarantor liability from Austrian federal states according to former legislation.

## (67) Trust Transactions/Activities

There were no trust transactions/activities in the financial year or the previous year.

## (68) Events after the Balance Sheet Date

There were no significant events between the balance sheet reporting date on 31 December 2013 and the preparation of this statement on 25 March 2014 by the Board of Directors.

## (69) Group Auditor's Fees

	2013 (KEUR)	2012 (KEUR)
Group auditor's fees:		
Auditing	411	421
Other confirmation services	218	249
Tax consultancy	175	145
Other services	5	10

No fees were paid to the auditors other than those shown in the table. The amounts are shown excluding statutory value added tax.

## Related Parties

### (70) Number of Employees

The average number of employees in the NORD/LB Luxembourg Group during the reporting period can be broken down as follows:

	Male 2013	Male 2012	Female 2013	Female 2012	Total 2013	Total 2012
NORD/LB Luxembourg	132.0	128.1	61.8	59.2	193.8	187.3
NORD/LB CFB	0.0	1.3	0.0	0.5	0.0	1.8
Skandifinanz AG	0.8	1.0	0.0	0.0	0.8	1.0
<b>NORD/LB Luxembourg Group</b>	<b>132.8</b>	<b>130.4</b>	<b>61.8</b>	<b>59.7</b>	<b>194.6</b>	<b>190.1</b>

## (71) Related Party Disclosures

All consolidated subsidiaries of NORD/LB Luxembourg qualified as related legal entities. In addition, NORD/LB (parent company of NORD/LB Luxembourg) and entities pursuant to IAS 24.9 (b) are deemed to be related parties.

Natural persons who are regarded as related parties in accordance with IAS 24 are members of the Board of Directors and the Supervisory Board of NORD/LB Luxembourg, the members of the Board of Directors of NORD/LB as the Group's parent company and their close family members.

Within the scope of ordinary business activities, transactions and security agreements with related parties are concluded under normal market terms and conditions. These transactions are subject to the market conformity monitoring used in the Bank.

The full extent of the transactions with related parties and entities in 2013 and 2012 is detailed below. Changes in the group of related companies and persons necessitate adjustments of the previous year's figures where necessary:

At 31 December 2013:

KEUR	Shareholders	Persons in Key Functions	Other Related Parties
Outstanding loans and advances			
to banks	180,070	0	0
to customers	0	20	0
Trading derivatives on assets side	146,442	0	0
Other assets	16,679	0	46,021
<b>Total assets</b>	<b>343,191</b>	<b>20</b>	<b>46,021</b>
Outstanding liabilities			
to banks	3,755,789	0	3
to customers	0	0	0
Securitised liabilities	394,859	0	0
Trading derivatives on liabilities side	160,257	0	4,885
Subordinated capital	90,665	0	0
Other liabilities	10,589	2,964	0
<b>Total equity and liabilities</b>	<b>4,412,160</b>	<b>2,964</b>	<b>4,888</b>
<b>Guarantees / sureties granted</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest expense	-144,590	0	-2,420
Interest income	54,710	0	981
Commission expense	-28,262	0	0
Commission income	0	0	257
Other income and expense	30,946	3,819	1,898
<b>Total contributions to income</b>	<b>-87,196</b>	<b>3,819</b>	<b>716</b>

At 31 December 2012:

KEUR	Shareholders	Persons in Key Functions	Other Related Parties
Outstanding loans and advances	94,285	0	204,283
to banks	94,285	0	204,283
to customers	0	8	0
Trading derivatives on assets side	213,911	0	0
Other assets	13,363	0	0
<b>Total assets</b>	<b>321,559</b>	<b>8</b>	<b>204,283</b>
Outstanding liabilities	4,400,098	0	40,546
to banks	4,400,098	0	40,546
to customers	0	0	0
Securitised liabilities	57,164	0	0
Trading derivatives on liabilities side	231,279	0	11,571
Subordinated capital	94,773	0	0
Other liabilities	1,206	2,501	0
<b>Total equity and liabilities</b>	<b>4,784,520</b>	<b>2,501</b>	<b>52,117</b>
<b>Guarantees/sureties granted</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest expense	-153,244	0	-2,617
Interest income	68,516	0	1,611
Commission expense	-23,412	0	0
Commission income	4	0	352
Other income and expense	46,755	-4,405	-2,117
<b>Total contributions to income</b>	<b>-61,381</b>	<b>-4,405</b>	<b>-2,772</b>

## (72) Members of Executive Bodies and their Positions

### Members of the Board of Directors

- Harry Rosenbaum, Luxembourg (Chairman)
- Christian Veit, Luxembourg (Deputy Chairman)
- Thorsten Schmidt, Gilzem

### Supervisory Board

- Dr. Gunter Dunkel, Chairman of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover (Chairman)
- Christoph Schulz, Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover (Deputy Chairman)
- Ulrike Brouzi, Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover
- Thomas Bürkle, Member of the Board of Norddeutsche Landesbank Girozentrale, Hanover (as of 1 March 2014)
- Walter Kleine, Chairman of the Board of Directors of Sparkasse Hannover, Hanover
- Dr. Johannes-Jörg Riegler, Deputy Chairman of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover (until 28 February 2014)

### Positions

As of 31 December 2013, the following positions were held by the members of the Board of Directors of Norddeutsche Landesbank Luxembourg S.A.:

#### Harry Rosenbaum

- Merido Immobilien AG, Zurich, President of the Administrative Board
- Jutzi AG, Oberburg, Member of the Administrative Board

#### Christian Veit

- NORD/LB Covered Finance Bank S.A., Luxembourg, Chairman of the Board of Directors
- L'Institut de Formation Bancaire (IFBL), Luxembourg, Member of the Administrative Board
- Skandifinanz AG, Zurich, Member of the Administrative Board

#### Thorsten Schmidt

- NORD/LB G-MTN S.A., Luxembourg, Chairman of the Administrative Board
- NORD/LB Covered Finance Bank S.A., Luxembourg, Deputy Chairman of the Board of Directors

## (73) Remuneration of and Loans to Executive Bodies

	2013 (KEUR)	2012 (KEUR)
Payments to active executive body members	-3,819	-4,405
Extended management *	-3,716	-4,317
Supervisory Board	-103	-88
Payments to active executive body members	0	0
Extended management *	0	0
Supervisory Board	0	0
Pension obligations	2,964	2,501
Extended management *	2,964	2,501
Supervisory Board	0	0
Advances, loans and liabilities	20	8
Extended management *	20	8
Supervisory Board	0	0

\* Board of Directors and senior staff

# Consolidated Financial Statements 2013



NORD/LB Luxembourg

## Responsibility Statement

We confirm to the best of our knowledge that the annual financial statements, in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the NORD/LB Luxembourg Group, and that the management report includes a fair review of the development and performance of the business and the position of the NORD/LB Luxembourg Group together with a description of the main opportunities and risks associated with the expected development of the NORD/LB Luxembourg Group.

Luxembourg, 25 March 2014  
Norddeutsche Landesbank Luxembourg S.A.

Harry Rosenbaum  
Chairman of the Board of Directors  
Norddeutsche Landesbank  
Luxembourg S.A.

Christian Veit  
Deputy Chairman of the Board of Directors  
Norddeutsche Landesbank  
Luxembourg S.A.

Thorsten Schmidt  
Member of the Board of Directors  
Norddeutsche Landesbank  
Luxembourg S.A.

# Consolidated Financial Statements 2013



NORD/LB Luxembourg

## Report of the Auditors

To the shareholders of  
Norddeutsche Landesbank Luxembourg S.A.  
7, rue Lou Hemmer  
1748 Luxembourg-Findel, Luxembourg

### Report on the Consolidated Financial Statements

In accordance with the instructions received from the Board of Directors of Norddeutsche Landesbank Luxembourg S.A. on 24 September 2013, we have audited the attached consolidated financial statements of Norddeutsche Landesbank Luxembourg S.A., which comprise the consolidated balance sheet at 31 December 2013, the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the period from 1 January 2013 to 31 December 2013 as well as a summary of important accounting methods and other explanatory information.

#### **Responsibility of the Board of Directors for the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation and proper representation of the consolidated financial statements in accordance with the International Financial Reporting Standards as they are to be applied in the European Union, and for the internal controls, which it considers necessary to enable the preparation of the financial statements, which are free from incorrect information, irrespective of whether due to fraud or error.

#### **Responsibility of the Auditor**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. These standards require that we comply with professional rules of conduct and that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and information in the consolidated financial statements. Selection of the audit procedures is the responsibility of the auditor, as is the assessment of the risk that the financial statements contain material misstatements due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the preparation and proper representation of the consolidated financial statements in order to define audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control system.

An audit also comprises evaluating the appropriateness of the accounting policies and methods used and the justifiability of the estimated values calculated by the Board of Directors in the accounts, as well as the overall presentation of the consolidated financial statements.

We are of the opinion that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements, in accordance with the International Financial Reporting Standards as they are to be applied in the European Union, give a true picture of the consolidated assets and financial situation of Norddeutsche Landesbank Luxembourg S.A. as at 31 December 2013 and of the consolidated earnings and consolidated cash flows for the period from 01 January 2013 to 31 December 2013.

**Report on other Legal and Regulatory Requirements**

The consolidated management report, which is the responsibility of the Board of Directors, is in accordance with the consolidated annual financial statements.

KPMG Luxembourg S.à r.l.  
Cabinet de révision agréé

T. Feld

Luxembourg, 25 March 2014

# Consolidated Financial Statements 2013



NORD/LB Luxembourg

## Report of the Supervisory Board

### **Proposal to be Put to Vote**

In the year under report, the Board of Directors of the Bank briefed the Supervisory Board on a regular basis about the development of the business and the position of the Bank. The Supervisory Board met a total of four times in the 2013 reporting year.

The financial statements and the consolidated financial statements of NORD/LB Luxembourg for the year under report 2013 were audited by KPMG Luxembourg S.à r.l., Luxembourg, and provided with an unqualified auditor's certificate. In addition, the auditor attended the meeting to discuss the financial statements held by the Supervisory Board on 14 March 2014 and reported on the results of the audit of the financial statements of NORD/LB Luxembourg and NORD/LB CFB.

The Supervisory Board and the presiding committee passed resolutions on the business matters presented to them and on other matters requiring the decision of these bodies in accordance with the Articles of Association and regulations pertaining to these Articles of Association. Fundamental issues relating to business strategy and operations were discussed in detail at several meetings.

The Supervisory Board approved the results of the audit conducted by the auditors and, after consolidating the results of its own assessment, did not raise any objections.

At its meeting held on 14 March 2014, the Supervisory Board approved the management report and the financial statements of NORD/LB Luxembourg and NORD/LB CFB for the year ended 31 December 2013, which are thereby approved. In April 2014, these consolidated financial statements and the consolidated management report for the year ended 31 December 2013 were approved.

The Supervisory Board thanks the Bank's Board of Directors for its faithful cooperation and expresses its appreciation to the Board and to all the Bank's employees for the work they performed in 2013.

Luxembourg  
April 2014

Dr. Gunter Dunkel  
Chairman of the Board of Directors  
NORD/LB Norddeutsche Landesbank Girozentrale

**Address**

Norddeutsche Landesbank Luxembourg S.A.  
7, rue Lou Hemmer

**Mailing Address**

Postfach 121/ P.O. Box 121, L-2011 Luxembourg

**Telephone**

General +352 452211-1  
Treasury +352 454443 / 454321

**Telefax**

General +352 452211-319  
Board of Directors +352 452211-213  
Treasury/Proprietary/ +352 452211-323  
Credit Investments & Solutions

Private Banking +352 452211-307  
Loans +352 452211-251  
Settlements-Money Market, +352 452211-321  
Foreign Exchange  
and Derivatives

Settlements-Securities +352 452211-363

**S.W.I.F.T.**

NOLALULL

**Supervision**

Commission de Surveillance du Secteur Financier

**Internet**

[www.nordlb.lu](http://www.nordlb.lu)

**Trade and Companies Register**

B 10405

**NORD/LB**  
Luxembourg

Norddeutsche Landesbank Luxembourg S.A.  
7, rue Lou Hemmer  
L-1748 Luxembourg-Findel  
R.C.S. Luxembourg B 10405  
Telefon: +352 452211-1  
Telefax: +352 452211-307  
[www.nordlb.lu](http://www.nordlb.lu)