

Norddeutsche Landesbank Luxembourg S.A.



Consolidated Financial Statements
in accordance with IFRS
per 31.12.2009

NORD/LB
Luxembourg

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Summary of Key Data

Performance	2009	2008	Increase/Decrease	
	EUR Million	EUR Million	EUR Million	Percentage
Loans and Advances to Banks	7,102.7	6,505.1	597.6	9
Loans and Advances to Customers	6,063.9	7,260.8	-1,196.9	-16
Risk Provisions	-220.6	-93.5	-127.1	> 100
Financial Assets	9,959.5	9,458.7	500.7	5
Other Assets	811.3	923.2	-111.8	-12
Balance Sheet Total Assets	23,716.8	24,054.3	-337.5	-1
Liabilities to Banks	12,853.9	14,433.3	-1,579.4	-11
Liabilities to Customers	4,362.9	1,888.4	2,474.5	> 100
Securitised Liabilities	4,880.4	5,535.3	-654.9	-12
Other Liabilities	911.5	1,505.1	-593.7	-39
Reported Equity	708.1	692.2	16.0	2
Balance Sheet Total Liabilities	23,716.8	24,054.3	-337.5	-1
Profit/Loss Performance	2009	2008	Increase/Decrease	
	KEUR	KEUR	KEUR	Percentage
Net Interest Income	177,384	145,442	31,942	22
Net Commission Income	-8,516	5,097	-13,613	> 100
Profit/Loss from Financial Assets	6,226	-10,081	16,307	> 100
Other Profit/Loss	-1,390	12,458	-13,847	> 100
Earnings before Costs	173.705	152.916	20.789	14
Administrative Expenses	-35,464	-28,395	-7,069	25
Cost/Income Ratio (Percent)*	20.4 %	18.6 %	1.8 %	10
RoRaC/RoE (Percent)	-3.1 %	9.7 %	-12.8 %	> 100
Profit/Loss from Valuation Changes and Risk Provisions	-143,716	-88,398	-55,318	63
Taxes	-1,990	-7,897	5,908	-75
Earnings after Taxes	-7,465	28,225	-35,690	> 100
Regulatory Key Data	2009	2008	Increase/Decrease	
	EUR Million	EUR Million	EUR Million	Percentage
Risk-Weighted Asset Values	5,309.2	6,735.3	-1,426.1	-21
Core Capital	746.3	739.8	6.5	1
Equity	833.0	981.9	-148.9	-15
Core Capital Ratio	14.1 %	11.0 %	3.1 %	28
Overall Coefficient	15.7 %	14.6 %	1.1 %	8
Number of Employees	2009	2008	Increase/Decrease	
			Total	Percentage
	159	132	27	20

* The Cost/Income Ratio (CIR) is the Quotient of administrative Expenses to Profit/Loss before Costs



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Members of the Supervisory Board

Dr. Gunter Dunkel

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

Martin Halblaub

Member of the Board of Directors
NORD/LB Norddeutsche Landesbank Girozentrale
(until 11 January 2010)

Dr. Stephan-Andreas Kaulvers

Chairman of the Board of Directors
Bremer Landesbank

Walter Kleine

Chairman of the Board of Directors
Sparkasse Hannover

Christoph Schulz

Member 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

Organisation

Treasury

Thorsten Schmidt

Credit Investments & Solutions

Olaf Alexander Priess

Private Banking

Markus Linnert

Corporate Banking

Franz-Josef Glauben

Accounting

Peter Heumüller

Controlling

Roman Lux

Credit Risk Management

Maik Mittelberg

IT

Romain Wantz

Operation Services

Rita Kranz

Organisation and Project Management

Frank Seeberger

Administration

David Gunson

Human Resources

Christian Ehrismann

Corporate Development

Melanie Maier

Internal Audit

Michael Erbeding

Legal/Compliance

Dr. Ursula Hohenadel



**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



Group Companies

Norddeutsche Landesbank Luxembourg S.A., Luxembourg (referred to hereinafter as “NORD/LB Luxembourg” or “the Bank” or “the Group”) is the parent company of a group that includes NORD/LB COVERED FINANCE BANK S.A., Luxembourg (hereinafter NORD/LB CFB) and SKANDIFINANZ BANK AG, Zurich/Switzerland (hereinafter Skandifinanz). NORD/LB Luxembourg holds 100 % of the shares of both banks.

There was another holding in LUX-Cofonds, an investment fund, in which NORD/LB Luxembourg also held 100 % of the shares. The outstanding accounts and liabilities of the fund were transferred to NORD/LB Luxembourg on 1 April 2009 and the fund dissolved.

NORD/LB Luxembourg itself is a full subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (hereinafter NORD/LB) and is included with its consolidated financial statements in the consolidated financial statements of NORD/LB.

NORD/LB Luxembourg is active in the business sectors of trading, corporate banking and private banking. The object of NORD/LB COVERED FINANCE BANK S.A. is to conduct the business of a covered bond bank (Pfandbriefbank) so far as permitted under the law of the Grand Duchy of Luxembourg. The main activities of SKANDIFINANZ BANK AG are forfaiting and other trade-related financial transactions, as well as international private banking.

This report relates to the consolidated annual financial statements of NORD/LB Luxembourg.

International Economic Development

Financial Markets

The crisis in the financial markets with its consequences in the real economy remained the determining issue in 2009. In response to the crisis the world's most important central banks cut their respective base rates to historic lows. The European Central Bank reduced its base rate to 1.0% in May 2009, while the US Fed, the Bank of Japan, the Bank of England and the Swiss National Bank even introduced a de facto zero interest rate policy. Unorthodox measures were also taken to achieve further monetary easing, though the individual central banks made very different use of them in terms of form and intensity. The additional steps ranged from the purchase of various bonds from private and public issuers and a loosening of quality requirements for securities within the scope of refinancing transactions through to refinancing transactions with extraordinarily long terms with full allotment. The ECB was significantly more restrained regarding the purchase of securities in comparison to the Fed and restricted itself to a purchase programme for covered bonds with a term of one year and a volume of up to EUR 60 billion.

The situation on the inter-bank market was able to calm down during the year as a result of the many stabilisation measures. The spread between unsecured (EURIBOR) and secured (EUREPO) money market lending with three month terms fell to around 30 basis points by the end of the year. Nevertheless, the situation in the financial sector remains precarious. The worldwide depreciation in the financial sector amounted to more than USD 1.7 billion at the end of 2009. The process of balance sheet adjustment is still unfinished in many banks.

Capital market yields remained at historically low levels in 2009 due to the recession, especially as the dangers of deflation were being discussed on the markets for a while rather than those of inflation. In addition, investors' constant high demands for secure investments had a particular impact on the yields of German government bonds. At the same time the markets differed more strongly according to quality, even within the Eurozone. In the middle of January 2009 the yields on 10-year federal bonds reached a historic low of 2.8%, and then rose towards the middle of the year to over 3.7% for a short time. At the end of the year the yields levelled out at around 3.3%. In parallel with this

the spreads of mainly Irish and Greek government bonds rose against federal bonds at the beginning of the year. The spread convergence that happened in the meantime towards the middle of the year was followed by a new differentiation at the end of the year with reports that the Greek budget deficit in 2009 and 2010 would have to be drastically revised upwards. The financial difficulties in the Emirate of Dubai came on top of this. The Dubai crisis did, however, indicate that the markets had regained a certain degree of robustness and can obviously no longer be thrown off course by every negative headline.

The degree of fluctuation in the USA was again significantly more pronounced than for federal bonds, with the yields on 10-year treasury bonds increasing from a low of 2.2% in January to a good 3.8% by the end of the year. During this process the yield spread conditions changed between ten-year German and American government bonds, so that treasury bonds were listed a good 40 basis points above federal bonds by the end of the year.

At the beginning of the year the US dollar was able to strengthen against the Euro up to 1.25 USD/EUR before coming under renewed pressure from March and gradually losing value to 1.51 USD/EUR by November. The reasons behind this were the lower yield levels in the USA compared to the Eurozone, both on the money market and at the short end of the interest structure curve. At the end of the year the Euro came under strong pressure again. Largely positive economic news from the USA provided support for the US dollar at the year-end, although some market participants were expressing concern about the stability of the Eurozone because of the Greek budget situation. Over the course of the year the Euro moved away from parity against the British pound and was quoted at close to 0.90 GBP/EUR at the year-end. The Japanese yen weakened slightly against the Euro, while the Swiss franc more or less regained its January level by the end of the year at 1.48 CHF/EUR. In the meantime the Swiss National Bank had tried successfully for several months to prevent the franc strengthening excessively against the Euro and to stabilise it above the level of 1.50 CHF/EUR.

After the sharp decline in the spring the most important international stock markets were able to regain the lost ground by the end of the year and achieve an overall positive performance for the year. The stock markets were supported greatly by the low yield level and a high surplus liquidity. The previously extremely high risk aversion also abated during the year on the markets. Germany's leading share index, the DAX, fell from around 5,000 points to the

lowest point of the year at close to 3,600 points in March and recovered significantly by the end of the year to the 6,000 point mark.

Economic Development in Germany

2009, the year of crisis, was a historic year from an economic perspective. With a drop of 5 % Germany's gross domestic product took its biggest hit since the Federal Republic came into existence. The recession of 1975, which was previously the deepest, turned out to be relatively "harmless" with a contraction rate of 0.9 % of real GDP. Other industrial nations, such as the USA, Japan and the Eurozone, also recorded very clear declines in economic performance, as did numerous emerging economies, particularly Russia and many central and eastern European states. World trade saw a double digit decline in 2009 compared to the previous year. In the middle of the year economic development was becoming easier, world trade was able to increase and orders and production were rising again, albeit from a significantly lower level.

A significant trigger of the previous year's global recession was the crisis in the financial markets, which necessitated multi-faceted countermeasures to be taken by politicians and central banks around the world after the Lehman collapse in the autumn of 2008. The causes of the financial crisis, especially the high global imbalances, large expansion of credit (real estate) and very high proportion of the financial sector in real net output in some states had also been, to some extent, an indication of the unsustainable development of the real economy. One consequence of the crisis was a partial correction of these undesirable developments.

In the first quarter of 2009 Germany's economic performance decreased dramatically by 3.5 % compared with the previous quarter. Exports fell in this quarter alone by more than 10 % in real terms, while investments in plant and equipment were in absolute free fall with a decline of just under 19 % in real terms. The global fall in orders that was particularly painful for the highly export dependent German economy was reflected in significantly lower industrial production, which was over 20 % below the previous year's level in the spring. During the rest of the year the economic situation settled down, thanks partly to the stabilisation and economic programmes worldwide and the very expansive monetary policy. As a result the business climate in companies recovered from the marked historic lows that had been reached in the meantime.



Over the year as a whole, exports were again lower than in the previous year for the first time since 1993. Net exports were correspondingly negative and at -3.4 percentage points contributed significantly to the 5 % reduction in GDP. Gross fixed capital formation was also a burden, shrinking by 8.6 % in total. Some support for the economy in Germany was provided by private and state consumer expenditure with a growth contribution of 0.7 percentage points. Private consumption was amazingly robust in the crisis and rose over the year by around 0.4 % in real terms.

However, this is more than partly attributable to some special factors. Firstly the government incentive to buy a new car ("scrappage") had the intended effect; the total amount of EUR 5 billion made available was already used up by the third quarter due to the jump in demand. Secondly the very low inflation rate had a temporary stimulating effect on consumption due to the base effects. After the previous year's high upward trend in prices the harmonised consumer price index only rose by 0.2 % in 2009 – the lowest rate of inflation since the index was created. In July the inflation rate even turned negative at -0.7 %.

However, the big increases in negotiated wages could not realise their full potential in the past year. Actual wages and salaries even decreased by 0.4 %, which was mainly the result of the massive implementation of the shorter working time scheme and the use of the "opening clauses" in collective agreements. On the other hand the shorter working time scheme has contributed substantially to the fact that so far the steep decline in the real economy has only had a relatively slight effect on the labour market. Despite the deep recession, the number of unemployed only rose slightly by just under 160,000 to 3.4 million and in the second half of the year the situation even improved a little. The unemployment rate only increased slightly from 7.8 % to 8.2 %.

... in North Eastern Europe

The Baltic States have been massively affected by the global economic crisis. GDP shrank in both Latvia and Lithuania by around 18% according to the EU Commission's initial estimates. As a result Latvia has been in recession for two years in a row. It is anticipated that growth in Estonia also fell by around 14%. This means that the former Baltic "tiger states" are bringing up the rear in the economic development of the European Union. The reason behind this steep decline in growth was not least the adherence to the respective fixed exchange rates with the Euro. This resulted in an "internal devaluation" of the Baltic currencies. Rather than implementing the economic adjustment measures required as a result of the crisis by means of a devaluation against the community currency and hence increased competitiveness, only internal economic measures were taken, particularly large reductions in wages and salaries in the public sector and cuts in transfer payments. Both measures had a negative effect in turn on private demand. On a positive note, there followed a reduction in the extremely high and unsustainable balance of payments deficits seen in recent years, particularly in Lithuania. In Latvia, meanwhile, the political pressure against the reform measures demanded by the IMF in return for the stand-by credit granted was so high that the government wanted to relax the agreed objectives unilaterally. As a result of this the IMF put a question mark over future payment tranches. The monetary aid only flowed again when the government gave in. Even Hungary had to resort to financial support from the IMF and the EU to protect their public finances and stabilise the banking sector, just as they had in 2008.

In contrast, countries like Poland and the Czech Republic showed relatively stable development in 2008. In fact, Poland will very probably be the only country of the EU 27 to record positive economic growth in 2009.

Even Scandinavia's economic development declined significantly in 2009, with Finland being hit the hardest in its macro-economic development. Denmark is already in its second year of recession, and Sweden has been massively affected by the steep decline in the Baltic region because of its banks' leading market position there.

... in the USA

According to a mechanistic definition the US economy is no longer in recession with the return to positive growth

rates. The outlook for the near future is not bad. We consider that the US economy will continue to develop positively even after the economic packages run out and we therefore assume that the upturn will sustain itself. Over the year 2010 as a whole we predict economic growth of at least 3.0%.

The poor employment situation will remain problematic for the time being; unemployment was recorded at 10.0% at the end of 2009. However, it could have been much worse – especially as the first signs of an improvement in the US employment market can now be observed. The first indications of imminent stabilisation with regard to the US property market are also becoming gradually apparent. Overall it must still be remembered that the simultaneous weakness of the employment and property markets has dented US consumption a lot less than many pessimists had temporarily feared. Therefore the consumer once again remains the reliable prop for the US economy.

During the crisis the US central bank reduced the Fed Funds Target Rate to between 0% and 0.25%. Since the year-on-year inflation rates have turned positive again since the end of 2009 and the US economy is also appearing more benign, we assume that 2010 will be the year of the slow return to normal in US monetary policy. Capital market yields at the long end of the interest structure curve have already broken away from their lows of March 2009. 10-year US treasury bonds are now at about 3.6% again.

... in Asia

Asia recorded a further weakening of economic growth in 2009. In some countries the financial and economic crisis only hit fully in the year just ended. Among these countries are Malaysia and Singapore. South Korea also had to accept a steep fall in growth, but was able to avoid negative growth, according to estimates. India and Indonesia showed themselves to be robust, thanks to strong internal consumption. In India slight growth is even expected again in 2009.

Japan above all was badly hit by the global economic downturn and its economy suffered the biggest decline in growth within Asia. The biggest contributing factors to this were a weakening of exports and investments. On top of this Japan's high national debt is being regarded increasingly critically by the financial markets.

Having had to say goodbye to its double-digit growth rates in the previous year, China was able to avoid a further steep decline in growth in 2009. While exports made a negative contribution to growth, the extensive economic stimulus package brought out by the government at least ensured a stabilisation of economic development. All in all, the Chinese economy remained one of the biggest drivers of Asian growth.

Forecast

The economic recovery, which started relatively simultaneously in the most important industrial countries in the middle of last year, will continue this year. We expect to see robust growth of 3.0% in the US economy. We also anticipate that the recovery in Germany and Europe will continue, though this will initially depend on state support measures and an expansive monetary policy. With growth of 1.6% the German economy will recover better than the Eurozone (around 1.0%). However, there are also risks for the further development of the world economy. For example, a renewed deepening of the financial market crisis could hinder the economic recovery process as well as lead to an abrupt departure from expansive monetary or fiscal policy. Moreover, admonishing voices have been increasingly heard recently, warning of a bubble in the emerging countries.

The German economy will be able to profit from the anticipated strong recovery in world trade through its export orientation. Investments will also recover slightly in 2010, though the low utilisation of capacity will stand in the way of an altogether dynamic performance. Building investments should profit from the economic programmes after a weak start to the new year caused by bad weather. The prospects for private consumption do not look so positive. Firstly the wages and salaries negotiated by unions will only rise slightly in 2010. Secondly we are expecting adverse changes in the labour market, albeit with a lower rise in unemployment than was feared in the middle of last year. The return of a positive inflation rate means the situation is back to normal; significant inflationary pressure is not anticipated within the foreseeable future. Therefore we are expecting cautious action from the European Central Bank, with an initial increase in interest rates not being likely until the second half of the year at the earliest.

Development of Business Sectors

Treasury NORD/LB Luxembourg

Liquidity and interest rate risk management fall within the responsibilities of the Treasury OU. At the centre of this is the Bank's liquidity supply for the refinancing of reported business and interest rate transformation. The Bank's Treasury Unit is an integral part of the Group's funding and makes use of its international connections for this purpose, especially the access to the primary liquidity of the Swiss National Bank and the active participation on the Swiss repo market. Within the scope of balance sheet transactions the Bank mainly invests in commercial papers, call money and term deposits as well as securities and open-market credits with first order issuers. In 2009 an active build-up of the repo business was driven forward in order to significantly increase the proportion of the secured lending business. In transactions with derivatives the Treasury Unit concentrates on interest rate swaps, forward exchange contracts including currency swaps and futures. The Bank does not enter into any appreciable risks pertaining to complex derivative products.

Refinancing in lending business is widely spread. Sources of refinancing include deposits from banks and institutional investors, issued commercial papers (ECP and USCP) and open market deals on the money market transacted with the European Central Bank and the Swiss National Bank. Foreign currencies in particular represent an important additional diversification. For long term refinancing the Bank uses its EMTN programme, under which benchmark bonds and private placements had been issued on the balance sheet date. The additional unsecured funding required with over 24 months maturity is guaranteed as a rule by NORD/LB.

The use of repurchase transactions in securities was actively expanded again in financial year 2009 in order to secure the development of new funding sources.

The market crisis that has been going on since mid-2007 has abated during the year 2009 thanks to the more than adequate liquidity supply to the market via the central banks. By consistently pursuing the expansion of liquidity risk monitoring instruments and extending secured business it was possible on the one hand to guarantee the Bank's liquidity supply at all times and on the other hand to

generate a considerably positive contribution to profit. An actively driven maturity transformation based on an integrated trading approach is the basis for the above-average high transformation results this year.

Credit Investments & Solutions

The Bank pursues a conservative, value-stabilising investment strategy in this business sector. Traditionally investments were previously made in the historically less volatile banking and financials/financial institutions sector. The Bank does not enter into any appreciable risks pertaining to complex derivative products. It concentrates mainly on the criteria of safety, liquidity and earnings and therefore only allows the purchase of securities from OECD countries with an investment grade rating. At the same time the regional focus is on Europe. The investment strategy is regularly reviewed and adapted to changing requirements, and this was also done in 2009.

As a result of the turbulence in the capital market the investment strategy has had a more passive orientation recently. The focus was on the reduction of volume, which was achieved through targeted sales from the portfolios and by foregoing reinvestment of payable securities. In the financial year just ended it was possible to make up most of the significant fall in the price of assets suffered in 2008.

The quality of the portfolio is still high; it was only necessary to depreciate two securities from an Icelandic issuer in the sum of EUR 2.8 million. There are no other investments with a sub-investment grade rating.

The business sector was supplemented in the financial year by the segment "Solutions". The aim is the active use of the specific advantages of the location in Luxembourg in terms of the Group. In 2009 the division was already able to cooperate on two structured transactions for the NORD/LB Group, through which it was possible to generate the first commission income. The expertise from the investment business supports this business sector greatly; in the future the Bank is expecting more business potential in this division.

Private Banking NORD/LB Luxembourg

Customer relationships are always based on close, fair cooperation and on a focus on the different needs of customers.

The Private Banking division offers customers with an interest in international investment a comprehensive consulting service. In addition to a traditional consulting service aimed at the needs of individual customers (with regard to investment style, risk preferences and time frame), they have the option of using various asset management concepts.

Within the scope of asset management, investors choose between "personal asset management", which is tailored to customers' preferences and can look back over a 10-year success story, and "fund asset management", whereby investors profit from the strategies of excellent fund managers worldwide.

In 2009 the range of services on offer was also extended to include the arrangement of insurance policies as an insurance broker licensed in Luxembourg.

Of particular note is the successful conception and launch of a mutual fund, for which the Bank acts as the fund manager. The marketing of this fund across the Group is to be emphasised in this context as is the involvement of representatives from NORD/LB and Bremer Landesbank via an investment committee which will make recommendations.

On the customer side 2009 was also characterised by a rather cautious approach to the capital and stock markets. Because of interest rate levels customers only started to shift from deposits into higher interest securities over the course of the year.

Corporate Banking NORD/LB Luxembourg

The Bank is available to borrowers operating on an international basis who have a first-class credit rating, both bilaterally and within the scope of syndicated loan agreements for all of the standard Euromarket lending business activities. This business is conducted in close cooperation with various parts of the Group. The assessment of credit risks in the Bank is carried out in coordination with NORD/LB and in accordance with their common principles.

The Bank's risk policy remains unchanged, with the focus being on a first-class credit rating for borrowers and trading partners. In the financial year relatively high value adjustments were made in some sectors due to the difficult underlying economic conditions. Therefore the Bank is systematically pursuing a careful credit risk assessment policy.

There is a strong regional bias towards Europe and other OECD countries.

The Bank's credit volume (comprising loan drawdowns, guarantees and open commitments) decreased during the year by around 25%. The main cause of the sharp fall was the strategic withdrawal of cooperative partners from the Financial Institutions business sector.

As well as the lending business conducted in cooperation with other parts of the Group the Bank cooperates with other parties. In particular the Bank offers foreign currency loans to customers of savings banks (Sparkassen) and third party banks outside the network with the guarantee of the respective financial institution.

Treasury NORD/LB CFB

Liquidity control and issuing activities

Liquidity management within the scope of the refinancing of reported business and issuing activities particularly in the form of Lettres de Gage Publiques fall within the responsibilities of the Treasury of NORD/LB CFB.

The refinancing for the lending business is represented in the short term maturity sector by securities repurchase agreements and money market transactions, while the long term refinancing is dominated by Lettres de Gage Publiques in various maturity bands (up to 30 years) and currencies (EUR, CHF, JPY, NOK, USD). In general, NORD/LB CFB always cooperates closely with other Group companies in its refinancing activities. While NORD/LB CFB, once again, did not engage in any market transactions involving unsecured senior debt during the financial year 2009, it continued to maintain its established investors in Lettres de Gage Publiques. The rating agency Standard & Poor's awarded its highest rating, AAA, for these issues. Investors interested in medium to long term investments are found in Asia, the USA and in Europe. In 2009 German investors showed interest in the Lettres de Gage from NORD/LB CFB in significant numbers for the first time.

The Bank communicates actively with investors by publishing information on its website www.nordlbcfb.lu about the performance of the cover pool and the Bank as well as being available to interested investors for one-on-one meetings. In the financial year 2009 such meetings were again held with a large number of investors together with important issuing houses in countries including Germany, Austria, France, Sweden, Switzerland and Luxembourg.

Against the backdrop of the turbulence of the financial market crisis, the Bank therefore considers the significant growth in volume in outstanding Lettres de Gage and the acquisition of numerous new investors as a particular endorsement of its refinancing strategy set up to achieve sustainability and proximity to investors.

Control of Interest Rate Risks

Taking interest rate risks is not a core business objective of NORD/LB CFB. Therefore it hedges interest rate risks on the basis of a micro-hedge approach using interest rate and interest rate/currency swaps. The purpose of this hedging strategy, which has been used since the Bank was formed, is to establish effective hedging relationships that also meet the strict criteria laid down by the International Financial Reporting Standards (IFRS).

Public Finance NORD/LB CFB

Financing of Municipal Undertakings in Germany

The Bank takes advantage of the Luxembourg covered bond law, which makes coverage of dues from municipal undertakings (public utility companies, water supply, air and sea ports, etc.) possible. This group has a particular relevance to the NORD/LB Group as it is particularly interested in securing the supply of credit for municipal undertakings as a house bank with a public service ownership structure. The NORD/LB Group has a unique selling point in this market segment in the form of NORD/LB CFB. As the first and only regional bank, it is in a position to offer the municipal undertakings customer group, which is eminently important for the provision of public services, a financing partner tuned into their needs. The Luxembourg covered bond privilege, coupled with the special expertise of a group at home in the public sector, opens up optimal financing conditions for municipal undertakings. On the basis of the strategic process carried out in 2009 the Public Finance department is increasing the direct lending business with municipal undertakings in Germany. For this purpose the department was strengthened by a corporate client advisor with experience in this business, who will nurture existing customers and acquire new ones directly or through the services of the corporate client sector of the NORD/LB group based in Germany. The proportion of directly acquired corporate business with municipal undertakings in Germany will continue to be expanded systematically in future using this same method.

Financing of savings banks and other public financial institutions

The possibility of covering loans and advances to public financial institutions and savings banks is another benefit of the Luxembourg covered bond law. This means that the NORD/LB Group has an additional source of refinancing available in its function as the central institution for 56 savings banks in the three federal states of Lower Saxony, Mecklenburg-Vorpommern and Saxony-Anhalt, which will be extremely valuable especially in times of increased liquidity risks.

International public financing and replacement cover business

With the aim of risk optimisation and diversification, the Bank also acquires international municipal lending business and other assets eligible for investment in the cover pool via banks and investment companies that operate internationally, as well as direct customer business.

Cover pool

NORD/LB CFB has a cover pool of consistently first class quality to secure the issued Lettres de Gage. The maxim for the management of this portfolio is to gain and retain investors' trust in Lettres de Gage Publiques. The performance of the portfolio is published by NORD/LB CFB through the monthly publication of the cover pool by credit rating class and geographical distribution on the website www.nordlbcfb.lu.

As a rule the Luxembourg covered bond legislation allows the coverage of dues from countries which belong to the OECD, the European Union or the EEA.

As a 100 % subsidiary of a German regional bank NORD/LB CFB places particular emphasis on Germany for the lending business with municipal undertakings and savings banks. The lending business that it originates autonomously at present and until further notice is transacted mainly with German parties.

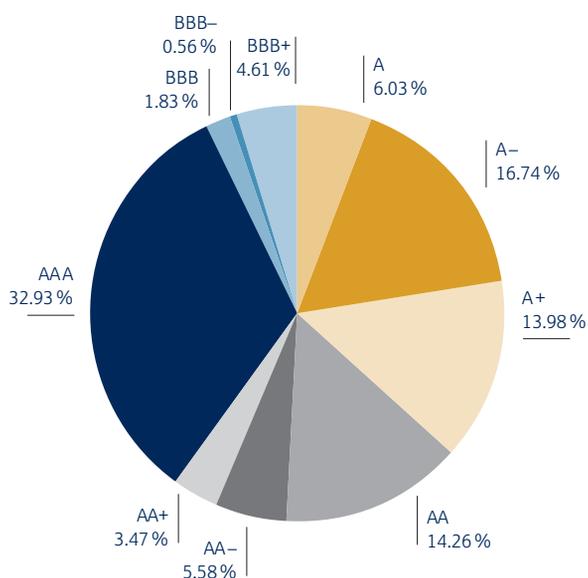
For the purposes of risk diversification transactions that have not been originated autonomously (capital market transactions) can also be and are made in the other twenty OECD countries outside Germany, as long as they fulfil the strict investment grade rating of the investment guidelines.

The Bank has no commitments in the EU Baltic states (Estonia, Latvia, Lithuania), Greece, Iceland, Mexico or Turkey. As a result of the economic situation, which is particularly difficult at this time, the Bank will not enter into any new commitments in these countries until further notice.

In addition, the Bank will not be entering into any more new commitments in Eastern Europe (with the exception of Slovenia), Ireland or the USA (except for transactions that are 100 % guaranteed by the US central government) until further notice. A resumption of investments in these countries will depend on the improvement of the economic situation in the individual economies.

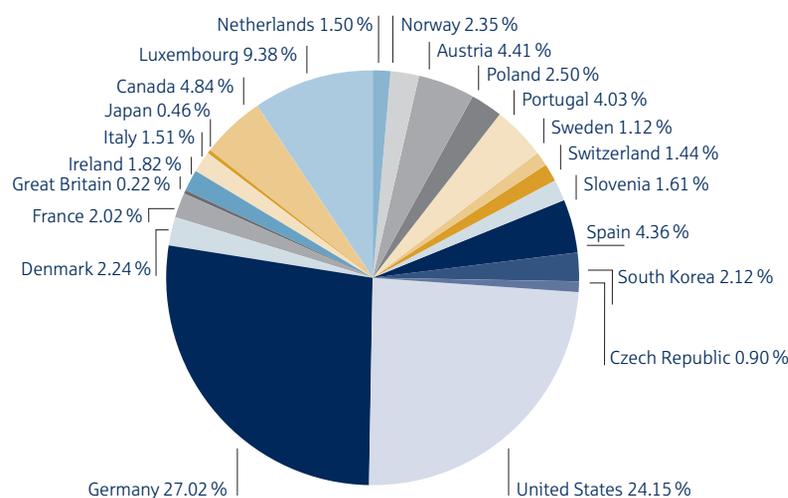
The following information relates to the cover pool before consolidation.

At the reporting date, 31.12.2009, the cover pool's credit rating structure was as follows:



Rating	in %	in %	in %
AAA	32.9		56.2
AA	23.3	93.0	
A	36.8		
BBB	7.0		

In geographical terms, NORD/LB CFB's cover pool, which has borrowers from 21 different OECD countries, is one of the best diversified portfolios in the European covered bond market.



Region	in %
Europe	68.4
North America	29.0
Asia	2.6
Other	0

In the cover calculation, the cover ratios are as follows:

Cover Calculation	Cover Pool (EUR Million)		Issues (EUR Million)		Under(-)/Over(+) Cover (EUR Million)	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Total	4,459.2	3,845.1	3,928.4	3,338.1	+ 530.8	+ 507.0

Rating

Based on this cover pool, the rating agency Standard & Poor's again awarded its highest rating, AAA, for the Lettres de Gage Publiques issued by NORD/LB CFB in 2009. The revision of the rating model for covered bonds by Standard & Poor's in December 2009 entailed a change in the CreditWatch for covered bonds in a volume of EUR 1.46 billion to "Negative" or "Developing". Thus "CreditWatch Negative" was also added to the AAA of NORD/LB CFB's Lettres de Gage. The agency's amended grading is based entirely on a modification of its rating model, and not on a change in the Bank's lending portfolio or assets/liabilities control. NORD/LB CFB will pursue the reinstatement of the best grade AAA for the Bank's Lettres de Gage in forthcoming analyses and discussions with the rating agency.

Skandifinanz

SKANDIFINANZ BANK AG's earnings in the financial year are overshadowed by a fraud case in the export financing busi-

ness. The maximum possible loss amounts to EUR 133.8 million (book value of the discounted dues as at 31.12.2009). When the suspicion of fraud arose comprehensive measures were taken directly to clarify and pursue recovery and compensation. The necessary financial preventative steps were taken by Skandifinanz itself (EUR 30.1 million) with support from the NORD/LB Group.

Outlook

In terms of its strategy for 2010, the Group will again take advantage of the opportunities offered by the financial centres in Luxembourg and Switzerland, use its reputation among international business and trading partners and continue to develop its business sectors gradually. In the future too, within the scope of the banking group, there must be a continued focus on taking every opportunity to promote the advantages of the locations of Luxembourg and Switzerland, responding flexibly and swiftly to new customer requirements and limiting risk as far as possible.

The Group assumes that credit margins will tend to remain at a high level as a result of the financial market crisis and will be able to compensate higher expenses of a provident nature in the lending sector even in the event of a further downturn in the volume of lending. In the Private Banking sector the Bank is anticipating additional income stimuli from borrowing in the real estate financing business and from activities in the fund business. On the basis of the interest rate forecast, however, the Bank is anticipating noticeable falls in income from this segment. The Group is expecting a consolidation of the financial market to start in 2010. It is anticipated that the change in interest rates will have a negative impact on the results from the Treasury's maturity transformation. Further optimised income from the expansion of the repo business that is being actively driven forward may be able to compensate this effect to some extent. On the basis of the strategy adjustment in 2009 the Group expects that income from the business activities in the "Solutions" sector within the Credit Investments & Solutions segment will continue to increase.

Within the scope of the covered bond activities of NORD/LB CFB the Group will continue to concentrate on the issue of Lettres de Gage Publiques (Luxembourg public sector covered bonds). The feedback from discussions with borrowers, investors and capital market partners, as well as the positive result from an unusually difficult financial year for the financial markets, demonstrate how advantageous it is to have a Luxembourg covered bond bank in the Group.

Because of the fraud case described above concerning SKANDIFINANZ BANK AG the business model will be subject to a fundamental examination.

Overall the Group is expecting a satisfactory result for financial year 2010, despite the continuing difficult economic situation.

Earnings

The Group's financial statements to 31.12.2009 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as implemented by the EU.

Despite the ongoing financial crisis the Group was able to achieve a satisfactory operating result in 2009. Earnings

before taxes and loan loss provisions rose in comparison to the previous year by EUR 31.6 million to EUR 146.9 million. Due to high expenditure for loan loss provisions the Group's net result for the year was EUR –7.5 million (previous year EUR 28.2 million).

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

Items on the Income Statement changed as follows for the financial years 2009 and 2008:

	2009 (KEUR)	2008 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Net Interest Income	177,384	145,442	31,942
Loan Loss Provisions	– 152,396	– 79,201	– 73,195
Net Commission Income	– 8,516	5,097	– 13,613
Profit/Loss from Financial Instruments stated through Profit or Loss, including Hedge Accounting	8,680	– 9,197	17,877
Other operating Profit/Loss	– 1,390	12,458	– 13,847
Administrative Expenses	– 35,464	– 28,395	– 7,069
Profit/Loss from Financial Assets	6,226	– 10,081	16,307
Group Earnings before Income Taxes	– 5,475	36,123	– 41,598
Income Taxes	– 1,990	– 7,897	5,908
Group net Result for the Year	– 7,465	28,225	– 35,690

^{*)} The prefix in the Increase/Decrease column indicates effects on the results.

Net interest income is 22.0 % or EUR 31.9 million above the previous year's level.

Loan loss provisions had to be increased in the financial year 2009 due to the tense economic situation and a fraud case concerning Skandifinanz. In comparison to the previous year the expenses for loan loss provisions increased by EUR 73.2 million to EUR 152.4 million.

At EUR –8.5 million, net commission income is far below that of the previous year due to higher expenses for guaranteed securities.

Profit/loss from financial instruments stated at Fair Value 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. This item recorded an improvement in comparison to the previous year in the sum of EUR 17.9 million.

Other operating profit/loss is far below the result achieved in 2008 through the sale of NORD/LB Luxembourg's office building. Administrative expenses rose compared to the previous year. The positive result from financial assets is due to the sale of securities.

In 2009 the Bank recorded a result of EUR –5.5 million before taxes and EUR –7.5 million after taxes.

The individual items making up the result are as follows:

Net Interest Income

	2009 (KEUR)	2008 (KEUR)	Increase/Decrease*) (KEUR)
Interest Income	1,055,378	1,847,553	– 792,174
Interest Expense	– 877,994	– 1,702,111	824,117
Net Interest Income	177,384	145,442	31,942

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

Interest income and interest expense both recorded clear falls in this financial year in comparison to the previous year. This is due partly to changes in the way the balance sheet is structured between balance sheet dates and partly to market interest rate cuts.

Net interest income increased significantly. This mainly results from the active use of market interest rate deviations in the case of different maturities.

Loan Loss Provisions

The tense economic situation led to an increased need for loan loss provisions for individual borrowers. Please refer to Note (18) for more details.

Net Commission Income

	2009 (KEUR)	2008 (KEUR)	Increase/Decrease*) (KEUR)
Commission Income	34,590	30,876	3,714
Commission Expense	– 43,106	– 25,779	– 17,327
Net Commission Income	– 8,516	5,097	– 13,613

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

Net commission income only includes income and expense from banking.

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

	2009 (KEUR)	2008 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Trading profit/loss	1,546	- 7,188	8,734
Profit/loss from financial Instruments designated at Fair Value at initial recognition	2,391	670	1,721
Profit/Loss from Hedge Accounting	4,743	- 2,678	7,421
Profit/loss from financial Instruments stated at Fair Value through Profit or Loss, including Hedge Accounting	8,680	- 9,197	17,877

^{*)} The prefix in the Increase/Decrease column indicates effects on the results.

Trading profit/loss mainly comprises the profit/loss from derivative transactions which do not meet the restrictive criteria for Hedge Accounting. The opposing valuation changes relating to underlying transactions cannot therefore be offset.

Other Operating Profit/Loss

	2009 (KEUR)	2008 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Other operating Income	1,733	20,399	- 18,667
Other operating Expenses	- 3,122	- 7,942	4,820
Other operating Profit/Loss	- 1,390	12,458	- 13,847

^{*)} The prefix in the Increase/Decrease column indicates effects on the results.

Other income in the previous year is mainly from the sale proceeds of NORD/LB Luxembourg's office building (EUR 18.3 million). Other operating expenses in 2008 take into account expenditure on renovation works and the acquisition of the site for the agreed new development (EUR 3.1 million).

Administrative Expenses

	2009 (KEUR)	2008 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Wages and Salaries	12,826	12,804	-23
Social Security Contributions and Expenses for Pension Provision	2,426	1,738	-688
Staff Expenses	15,253	14,541	-711
Other administrative Expenses	14,397	12,255	-2,142
Depreciation and Value Adjustments	5,814	1,599	-4,216
Administrative Expenses	35,464	28,395	-7,069

^{*)} The prefix in the Increase/Decrease column indicates effects on the results.

Administrative expenses including depreciation increased by a total of EUR 7.1 million to EUR 35.5 million. Of this EUR 4.2 million relates to depreciation and value adjustments. This increase is due in particular to a shorter depreciation period for activated software. Staff expenses are EUR 0.7 million higher in comparison to the previous year due to increasing employee numbers. The rise in other administrative expenses is a result, in particular, of the special items relating to the agreed consolidation and realignment of the software products used by the Group.

Profit/Loss from Financial Assets

The profit/loss from financial assets in both financial years results mainly from the disposal of financial assets in the AfS category.

Income Taxes

	2009 (KEUR)	2008 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Current Taxes	4,315	9,000	4,685
Deferred Taxes	-2,325	-1,102	1,223
Income Taxes	1,990	7,897	5,908

^{*)} The prefix in the Increase/Decrease column indicates effects on the results.

Schedule of Assets and Financial Data

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/Decrease (EUR Million)
Loans and Advances to Banks	7,103	6,505	598
Loans and Advances to Customers	6,064	7,261	- 1,197
Risk Provisions	- 221	- 93	- 127
Financial Assets at Fair Value through Profit or Loss	316	498	- 182
Financial Assets	9,959	9,459	501
Other Assets	495	426	70
Total Assets	23,717	24,054	- 338
Liabilities to Banks	12,854	14,433	- 1,579
Liabilities to Customers	4,363	1,888	2,474
Securitised Liabilities	4,880	5,535	- 655
Financial Liabilities at Fair Value through Profit or Loss	224	397	- 173
Provisions	12	8	4
Other Liabilities	675	1,100	- 424
Reported Equity	708	692	16
Total Equity and Liabilities	23,717	24,054	- 338

The balance sheet total decreased in relation to the previous year by EUR 0.3 billion to EUR 23.7 billion. There were significant year on year changes in the various items reported. On the assets side inter-bank business showed an increase of EUR 0.6 billion at the reporting date. Loans and advances to customers, on the other hand, fell by EUR 1.2 billion and amounted to EUR 6.1 billion at the reporting date. The decrease in financial assets was caused among other things by maturities.

On the reporting date of 31 December 2009 the financial assets at Fair Value through Profit or Loss include EUR 0.2 billion of trading assets (previous year EUR 0.4 billion) and EUR 0.1 billion of financial assets designated at Fair Value (previous year EUR 0.1 billion).

Other assets also include the cash reserve at EUR 0.2 billion, which is above the previous year's amount (EUR 0.1 billion).

On the liabilities side, liabilities to banks are recorded at EUR 12.9 billion and are therefore about EUR 1.6 billion below the level of the previous year. Liabilities to customers rose in 2009 by EUR 2.5 billion while securitised liabilities fell by EUR 0.6 billion to EUR 4.9 billion.

At the reporting date of 31 December 2009 financial liabilities at Fair Value through Profit or Loss, at EUR 0.2 billion (previous year EUR 0.4 billion), only include trading liabilities.

The banking group's equity, at EUR 708.1 million on 31 December 2009, was slightly above the level of the previous year of EUR 692.2 million.

The Bank 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 at 31 December 2009 was prepared in accordance with IFRS 7. The Bank does not enter into any appreciable risks pertaining to complex structured derivatives.

Scope

The risk reporting comprises the companies of the consolidated group.

Where special risks exist these are explained additionally within the scope of a qualitative report independently of the results of the materiality check for the quantitative risk reporting.

Overall Bank Management

Fundamentals of Capital Control and Risk Control

Banking is inevitably associated with taking risks. From a business point of view, the Group defines risk as being potential direct or indirect financial losses due to unexpected negative differences between actual and projected results of business activity. Identifying, analysing, measuring, controlling, and monitoring these risks are basic requirements for the success of the enterprise.

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 the economic necessities. 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 Bank these statutory requirements are firmly established in Luxembourg law as well as German law.

Risk Strategies

The Group's risk policy is characterised by a responsible approach to risks. Accordingly a risk strategy was adopted for the Group, which is to be checked and discussed annually with the supervisory bodies. The core element of these strategies is the risk-bearing capacity model, on the basis of which the willingness to accept risk is determined and the risk capital is allocated. The risk-bearing capacity model therefore defines the barriers within which risks may be taken.

The risk strategies constantly aim for optimal control and monitoring of all relevant types of risk and their transparent presentation to the directors, supervisory bodies and other third parties with a qualified interest. The risk strategies integrated into the overall risk control contain measures and instruments which are described in more detail in the risk manual.

On the basis of a risk-bearing capacity model that complies with the methods used by the Group, the risk strategies – based on the actual situation and taking into account planned business activity – focus on securing the future risk-bearing capacity of individual companies and of the Group.

Using this as a starting point the Group, at the operational level, has the necessary instruments to control, monitor and communicate risks. These fundamentally standard instruments are described in detail in the Group's working guidelines and the parent group's risk manual.

Risk-bearing Capacity

The risk-bearing capacity model (RBC model) forms the methodical basis for monitoring adherence to the risk strategies within the NORD/LB Group. This monitoring is undertaken at Group level and individual institution level for NORD/LB Luxembourg and NORD/LB CFB by the Controlling division of NORD/LB Luxembourg. In the case of Skandifinanz the preparation and monitoring are initially being done on a decentralised basis. The RBC will subsequently be left to the Controlling division of NORD/LB Luxembourg to check and made available to the management of NORD/LB Luxembourg within the scope of the Group reporting.

The objective of this model is the aggregated presentation of risk-bearing capacity (RBC) at both individual institution and Group level. Undertaking the monitoring and reporting process on a regular basis ensures that the bodies of the companies within the Group are informed promptly about the risk-bearing capacity situation. 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 Internal Capital Adequacy Assessment Process (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 compares, in an aggregated form and on a quarterly basis, the risks (potential for risk) with the defined risk capital for the individual institutions and/or the Group. In the model, risk capital and risk potential are determined for four different risk scenarios with varying degrees of probability of occurrence. In compliance with the requirement of a going concern, the first three internally defined stages are based on the consideration that risk capital and risk potential always grow from one step to the next. Regulatory requirements in accordance with ICAAP are implemented in the fourth step.

When calculating risk potential, risks are divided into credit, investment, market price, liquidity and operational risks, with credit risk being by far the most significant.

The RBC model was devised by the Group's parent company, NORD/LB GZ, in close cooperation with Bremer Landesbank and NORD/LB Luxembourg. The identity of the basic methods and presentation used by all the Group companies enables an aggregation into Group values, with conservative additions being made to risk potentials in the case of market price, liquidity and operational risks, while there is consolidation with regard to risk capital and credit and investment risk.

Quotients arising from risk capital and risk potential, the levels of risk cover, serve as a benchmark for determining the risk-bearing capacity. In order to ensure an adequate supply of capital at Group level, the ICAAP was first used to specify that the level of risk cover at the individual institution level was not to fall below the 125 percent mark. This figure ensures that the regulatory requirement of an adequate supply of equity capital is met and that capital distribution is optimised with regard to generating the target yields.

Within this framework, each main Group company sets out its capital allocation for the five fundamental risk types on an individual basis and informs its supervisory body accordingly and/or discusses the respective risk strategy with that supervisory body.

The quarterly reports prepared by Controlling on the risk-bearing capacity (RBC reports) constitute the main instrument for risk reporting to the Board and the supervisory bodies at overall Bank level. The RBC calculation is also a fixed component of the meetings held regularly by the supervisory boards and boards of directors of the individual institutions.

The following table shows the Group's utilisation of the available risk capital with risk potential with reference to the ICAAP:

In EUR Million	Risk-bearing Capacity 31.12.2009		Risk-bearing Capacity 31.12.2008	
Risk Capital	811.0	100.0 %	982.1	100.0 %
Credit Risks	520.0	64.1 %	613.7	62.5 %
Investment Risks	0.0	0.0 %	0.0	0.0 %
Market Price Risks	19.3	2.4 %	25.0	2.5 %
Liquidity Risks	20.2	2.5 %	30.2	3.1 %
Operational Risks	10.4	1.3 %	10.4	1.1 %
Overall Risk Potential	569.9	70.3 %	679.3	69.2 %
Over Cover	241.1	29.7 %	302.8	30.8 %
Level of Risk Cover		142.3 %		144.6 %

The level of risk cover at 31 December 2009 was 142.3% (previous year 144.6%).

The reasons for the reduction in credit risk potential in the ICAAP are mainly the offsetting of the NORD/LB guarantees and the consolidation of the Group's internal transactions.

The risk potential for market price risks has fallen in comparison to the end of the previous year due to the restrictive treatment of open positions in the trading book. Within the scope of the continuing financial market crisis material trading book positions were deliberately not taken.

The risk potential for liquidity risks has fallen considerably. This is due to the very deliberate liquidity risk control which is characterised by a defensive strategy in entering liquidity gaps.

In addition to the report on risk-bearing capacity the board of NORD/LB Luxembourg is informed of the risks associated with the covered bond business in a separate report, also on a quarterly basis.

Structure and Organisation of Risk Control

Responsibility for risk control lies with the Board of Directors of NORD/LB Luxembourg, which also specifies the risk strategy for the Group.

The Bank's risk control policy is subject to continuous review and improvement. This involves the use of methods that are standardised across the Group at both individual and group levels. Adjustments which may become necessary include organisational measures, adjustments to procedures for quantifying risk, and the continuous updating of relevant parameters. A risk-related examination of the effectiveness and adequacy of the risk management system is carried out independently of the processes by internal auditors. The aims of internal auditing also include contributing towards securing the effectiveness, economic viability and orderliness of business activities. It also facilitates the optimisation of business processes as well as the controlling and monitoring of procedures.

As part of the ongoing development of monitoring instruments for the whole Group, the internal auditors at NORD/LB and the NORD/LB Luxembourg Group work together closely on the basis of 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.

All significant procedures and responsibilities that are relevant to the Group's risk control process are documented in NORD/LB's risk manual and in NORD/LB Luxembourg's

working guidelines. The risk manual acts as guidance for the entire NORD/LB Group.

Credit Risk

Credit risk is an element of borrower's default risk. It defines the risk of loss involved when a borrower defaults or when the credit rating of such a borrower deteriorates.

In addition to borrower-related credit risks, a national risk occurs in the case of cross-border capital transfer services, involving the risk that, despite the ability and willingness of individual borrowers to make payment, a loss will occur as a result of overriding government hindrances (transfer risk).

Counterparty risk is included under the heading of credit risks and constitutes the risk which results when the default of a party to a contract means that an unrealised profit from a pending trade transaction can no longer be earned (replacement risk) or if the default of a counterparty within the framework of a step-by-step transaction means that the return service for an advance payment already made will not be received (fulfilment risk).

Credit Risk – Control

Early identification and recognition of critical situations forms the basis for the effective management of credit risks. For this reason, a number of processes, systems and instructions are in place, for portfolios and for individual borrowers, and these correlate to form a system for the early recognition and effective management of risks or the initiation of measures to limit those risks. The organisational units Corporate Banking (lending front office), Credit Risk Management (lending back office), Controlling, Treasury and Credit Investments & Solutions (CIS) are particularly involved in this system. New products, markets or distribution channels in the Bank's lending business are introduced within the scope of a new product process (NPP). A risk-related organisational structure, as well as the functions, responsibilities and authorisation of the divisions that deal with risk processes, are clearly defined at employee level. In accordance with the requirements of the Luxembourg bank supervisory authority and the German MaRisk, lending business processes are characterised by a clear organisational separation of the front and back office, right up to Board level.

The Group's risk management is based on the principles used by NORD/LB and is continuously improved in accordance with commercial and regulatory criteria and, where necessary, adapted to the specific characteristics of the banks. The independent monitoring of the portfolio is performed by NORD/LB Luxembourg's Controlling division.

For this purpose, the Bank's Controlling division compiles a quarterly borrower's default risk report for the Board of Directors and the heads of the Corporate Banking, Credit Risk Management and Credit Investments & Solutions divisions as part of the management information system in order to make existing risks or risk concentrations transparent at an early stage and to introduce any measures that may be necessary. This includes an aggregated presentation of the borrower's default risks of the subsidiaries.

The borrower's default risk report contains a detailed and comprehensive presentation and analysis of the Group's borrower's default risk at overall portfolio level according to various aspects. The borrower's default risk report also features a stress test. The exposure observed comprises all assets, including contingent liabilities and commitments, derivatives and repos. The borrower's default risk report is based on the data from the regulatory reporting process. The determination of borrower's default risks is carried out on the basis of Basel II: 1. At the same time the Bank uses the IRB base rate. The data required in association with the compilation of the report for the subsidiaries included in the consolidation are summarised on the basis of the data prepared by NORD/LB CFB and Skandifinanz and monitored within the scope of the borrower's default risk analysis.

As well as the Credit Risk Watchlist (monitoring of borrowers with bad credit ratings), Controlling also compiles a so-called borrower's default risk notification on a monthly basis as another instrument for the control and monitoring of NORD/LB Luxembourg's credit risks, in order to make existing risks and risk concentrations transparent in good time.

Credit Risk – Measurement

The borrower's default risk (credit risk and investment risk) is quantified using the key risk indicators of expected loss and unexpected loss. The expected loss is calculated on the basis of one-year default probabilities and anticipated recovery rates.

Unexpected loss is quantified on a Group-wide basis using a credit risk model for four different confidence levels and

a timeframe of one year. In collaboration with the responsible organisational units in NORD/LB, a modified system for the measurement, monitoring and control of credit and borrower's default risks was introduced for NORD/LB Luxembourg in the year under report in the form of a credit risk model (Credit Risk+). The Credit Risk+ model takes into account strong correlations between sectors, countries and borrowers and therefore represents a significant methodical advance.

The calculation for Skandifinanz and NORD/LB CFB is still based for the time being on the Gordy model, which is used by the Basel Committee on Banking Supervision for modelling capital adequacy within the scope of Basel II. The Gordy model determines the contributions of the individual borrowers and investments towards unexpected loss at portfolio level, which together add up to unexpected loss for the overall portfolio. The probabilities of default (PDs) resulting from the internal rating procedure and the loss given default (LGD) relating to specific transactions are applied here.

The methods and procedures for risk quantification are agreed within the Group companies in order to ensure a standardised approach across the Group. The ongoing risk management and control for NORD/LB Luxembourg and NORD/LB CFB are performed by the Controlling division of NORD/LB Luxembourg. The risk management and control of Skandifinanz is done on a decentralised basis by Skandifinanz employees. Skandifinanz's reports are made available to Controlling at NORD/LB Luxembourg for monitoring and inclusion in the Group reports.

Credit Risk – Development in 2009

The Group uses a management approach for reporting its risks, which means that its internal and external risk reports are always based on the same terms, methods and data. The classes that must be set up under IFRS 7.6 for the presentation of credit risk are defined in line with those in the risk-bearing capacity report that is submitted on a quarterly basis to the NORD/LB GZ Board of Directors and supervisory bodies.

The credit exposure dimension plays a significant role in the context of credit risk control. This figure quantifies all of the transactions bearing credit risks that are concluded with counterparties. Credit exposure is calculated on the basis of credit utilisation (in the case of guarantees the nominal value, and in the case of securities the carrying

amount) and the credit equivalent resulting from derivatives (including add-ons and on consideration of netting). Irrevocable lending commitments are included in the credit exposure at 72 % or 75 % per individual bank, while revocable loan commitments and securities are not taken into account.

Analysis of Credit Exposure

The Group's credit exposure at 31 December 2009 amounts to EUR 24.9 billion (previous year EUR 26.2 billion). Classification is equivalent to the standard IFD rating scale agreed

upon by the banks, savings banks, and associations included in the Initiative Finanzstandort Deutschland (IFD, initiative to promote Germany as a financial and business centre). This has been designed to improve the comparability of the various rating levels of the individual financial institutions. The rating categories of the 18-step DSGV rating master scale used by NORD/LB GZ on a standardised Group basis can be transposed directly to the IFD categories.

The following table shows the rating structure of the overall credit exposure in the Group (existing and new business) – split into product type and compared with the structure of the previous year:

Rating Structure ¹⁾²⁾ EUR Million	Loans ³⁾	Securities ⁴⁾ 31.12.2009	Derivatives ⁵⁾	Other ⁶⁾	31.12.2009	Total 31.12.2008
Very good to good	10,388	10,005	263	121	20,776	22,693
Good/Satisfactory	1,401	448	0	0	1,849	2,153
Still good/Adequate	557	10	1	1	568	646
Bad Risk	786	0	0	0	786	332
High Risk	294	0	0	0	294	125
Very high Risk	201	0	3	0	204	94
Default (= NPL)	375	21	0	3	399	167
Total	14,002	10,484	267	124	24,877	26,210

1) Classification in accordance with IFD rating categories

2) Differences in amount are rounding differences

3) Includes loans taken up or loan commitments, securities, guarantees and other non-derivative off-balance-sheet assets, whereby in compliance with the RBC report, the irrevocable loan commitments are included at 72 % and revocable ones at 0 %

4) Includes the Bank's own stock 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 administration loans

The majority of total exposure (83.5 %, previous year 94.8 %) is in the "very good to good" rating category. The proportion of the total exposure in this best rating cat-

egory 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 ^{1) 2)} EUR Million	Loans ³⁾	Securities ⁴⁾ 31.12.2009	Derivatives ⁵⁾	Other ⁶⁾	31.12.2009	Total 31.12.2008
Finance Institutions/ Insurance Companies	8,270	7,350	255	120	15,995	16,869
Service Industries/Others	1,760	2,950	0	1	4,712	4,950
Of which: Property and Housing	557	0	0	0	557	938
Of which: Public Administration	5	545	0	0	550	2,268
Transport/Communication	449	87	0	1	536	543
Of which: Shipping	8	0	0	0	8	8
Of which: Aviation	2	0	0	0	2	3
Manufacturing Industry	1,860	0	3	0	1,864	2,150
Energy- and Water Supplies and Mining	662	82	0	0	744	849
Trade, Maintenance and Repairs	361	0	0	0	361	739
Agriculture, Forestry and Fishing	33	0	0	0	33	42
Construction Industry	184	0	0	3	186	43
Other	423	15	8	0	446	26
Total	14,002	10,484	267	124	24,877	26,210

1) Allocation in alignment with that of the RBC report in accordance with economic criteria

2) to 6) see previous table on the rating structure

The table shows that business with financing institutions/ insurance companies, which to date has always been relatively low risk, accounts for a total of 64.3% and thus still constitutes a considerable proportion of the total expo-

sure. When the service sector is included the proportion of the total exposure is approximately 83.2%. The credit risk results in the main from the commercial lending business, consisting of special financing and other corporate clients.

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

Regions ¹⁾²⁾ EUR Million	Loans ³⁾	Securities ⁴⁾	Derivatives ⁵⁾	Other ⁶⁾	Total	
					31.12.2009	31.12.2008
Euro Countries	9,805	6,921	161	47	16,934	16,827
Remaining Western Europe	1,225	944	104	41	2,314	2,744
Eastern Europe	372	496	0	0	868	1,480
North America	1,811	1,721	1	37	3,570	4,505
Latin America	53	94	0	0	147	163
Middle East/Africa	21	0	0	0	21	30
Asia	664	299	0	0	963	369
Other	52	9	0	0	61	93
Total	14,002	10,484	267	124	24,877	26,210

1) Allocation in alignment with that of the RBC report in accordance with economic criteria
2) to 6) see previous table on the rating structure

Therefore the country risk also tends to be of low importance for the Group. Western Europe with a high share of 77.4 % of the exposure continues to be the Group's most important business territory by far.

Non-Performing Loans (NPL)

In accordance with the impairment policy, specific value adjustments are established in the 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 no specific value adjustments are established is accounted for in the Group by means of portfolio-based provisions for impairments which have already occurred but were not known at the reporting date.

The Group's risk provisions amount to EUR 226.2 million on the reporting date and, as well as portfolio-based provisions in the sum of EUR 25.5 million, contain specific value adjustments in the sum of EUR 195.0 million. Of this EUR 82.4 million is apportioned to Icelandic commitments and EUR 15.5 million to two borrowers in the energy sector. A further EUR 30.1 million results from a loss event at Skandi-finanz. The remaining EUR 67.0 million of specific value ad-

justments are for accounts receivable from four borrowers from the USA and two from Germany. As well as this there are provisions in the total sum of EUR 5.6 million for three borrowers from the USA to cover expected costs.

Credit Risk – Outlook

The Group principally applies the IRB Foundation Approach (IRBA) when calculating the equity requirements for borrower's default risks.

The NORD/LB Group implemented a newly drafted credit risk model for the quantification and control of credit and investment risks in 2009. In 2010 the model will be expanded to cover other relevant stress tests.

Various projects have also been launched to refine the methods of credit risk management (e.g. to implement the newly developed borrower-related limit system and improve strategic limitation).

Investment Risk

The investment risk is another component of the borrower's default risk. It defines the risk of incurring losses when making equity available to third parties.

Investment Risk – Control

Strategy

Securing and improving its own market position is the most important motive behind the Group's investment policy. The acquisition of participating interests is therefore a component of the business policy. They usually serve to consolidate the Bank's universal activities in a targeted manner.

The need for separate control of the risks from investments at the various levels of the Group's parent company was dealt with through the formation in 2008 of an investment committee. Investment control is accommodated organisationally within the Controlling division which, in cooperation with other divisions, particularly Business Development, is to monitor the investment risk and supply the controlling units with the necessary information.

NORD/LB Luxembourg's participating interests are monitored constantly by evaluating reports that are prepared over the course of the year, interim and annual financial statements and audit reports prepared by the auditors. Control is exercised by representatives of NORD/LB Luxembourg holding operational mandates in the companies or carrying out supervisory board functions.

Investment Risk – Measurement

The risks from investments are integrated into the risk control of NORD/LB Luxembourg with reference to the quantified risk potential for each risk type. The risk potential is quantified on the basis of the respective carrying amount of the investment and the allocated probability of default.

Investment Risk – Development in 2009

There were no notable changes to the Bank's investment portfolio or risk charges in financial year 2009, with the exception of the loss event described below.

SKANDIFINANZ BANK AG, Zurich, reported an offence in February 2010 to the competent Swiss authorities against a long-term business partner in the export financing business. There is an acute suspicion that trading transactions for which forward financing has been provided are sham transactions.

The maximum possible loss amounts to EUR 133.8 million (book value of the discounted dues as at 31.12.2009). When

the suspicion of fraud arose comprehensive measures were taken directly to clarify and pursue recovery and compensation. The necessary financial preventative steps were taken by Skandifinanz itself with support from the NORD/LB Group and business operations continued without any restrictions for customers.

Market Price Risk

Market price risks are potential losses which may be incurred as a result of changes in market parameters. The Group breaks down the market price risk into interest rate risk, credit spread risk, currency risk and volatility risk.

The interest rate risk is always present if the value of a position or portfolio reacts sensitively to changes in one or more interest rates or to changes in complete interest rate curves and these changes can lead to an impairment of the position. Credit spread risk constitutes part of interest rate risk, and arises from changes to the interest charge for the relevant issuers (for securities) or reference entities (for credit derivatives), which is added to the risk-free interest rate within the scope of the market evaluation of a position.

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

Volatility risks result from option positions and refer to potential changes in the value of the derivative portfolios in question as a result of market fluctuations in the volatilities applied when valuing the option.

Market Price Risk – Control

Strategy

Within the scope of the control of market price risks the Group's activities are concentrated on selected markets, customers and product segments. Their position on the money, currency and capital markets should comply with the significance and size of the Bank.

With regard to the interest rate risk the objective is to operate maturity transformation and to participate in general market developments – within the scope of the risk limits. Significant credit spread risks also arise out of the strategic investment in refinanced securities and credit derivatives with matched maturity. A buy & hold strategy is essentially

pursued for these positions. Therefore these transactions are always shown in the investment book.

Organisational Units

The control process for market price risks involves all divisions that handle positions bearing market price risks and which account for profits and losses resulting from shifts in the markets. Risk monitoring is carried out by the Controlling division.

In accordance with national requirements and the German MaRisk, the Controlling division is functionally and organisationally independent of the divisions responsible for market price risk management and performs various monitoring, limiting and reporting tasks for the Group.

Market Price Risk – Management and Monitoring

Value-at-risk (VaR) methods are employed for managing and monitoring the interest rate risks of NORD/LB Luxembourg and NORD/LB CFB (except credit spread). Skandifinanz calculates the interest rate change risk on the basis of a strictly limited set of scenarios, which are adapted to the size of the institution.

The historical simulation method is used to determine VaR indicators. A unilateral confidence level of 95 % and a holding period of one trading day are applied throughout the Group. The analysis is based on historical changes to risk factors over the last twelve months. The models take into account direct or indirect correlation effects between the risk factors, risk types, currencies and sub-portfolios.

A limit is set for the value-at-risk value. Any losses incurred in the trading book and bank book are immediately added to the loss limits, resulting in a reduction in value-at-risk limits in accordance with the principle of self-absorption.

Investment book credit spread risks are not currently regulated with a value-at-risk method; instead they are ascertained in a scenario analysis and limited separately.

The prediction quality of the value-at-risk model 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 so-called backtesting outlier occurs if the negative change in value observed exceeds the value-at-risk. The number of outliers in the trading and investment books was within the

green range of the Basel traffic light approach for the Bank as a whole but, due to the financial market crisis, was in the amber to red range with respect to sub-portfolios.

Daily stress test analyses are used in addition to value-at-risk analyses in order to examine the effects of extreme market changes on the Group's risk position. Various stress scenarios were defined for each of the interest, currency and volatility risk types, as well as for the credit spread risk, which approximately reflect the most significant changes in the respective risk factors that have been observed in the last five to ten years over a period of ten trading days.

The value-at-risk for NORD/LB Luxembourg and NORD/LB CFB is also calculated on the basis of the respective regulatory parameters (confidence level of 99 percent and a holding period of 10 days).

Market Price Risks – Reporting

In compliance with MaRisk requirements, the Controlling division, which is independent of the divisions responsible for the positions, reports the market price risks to the Board of Directors on a daily basis.

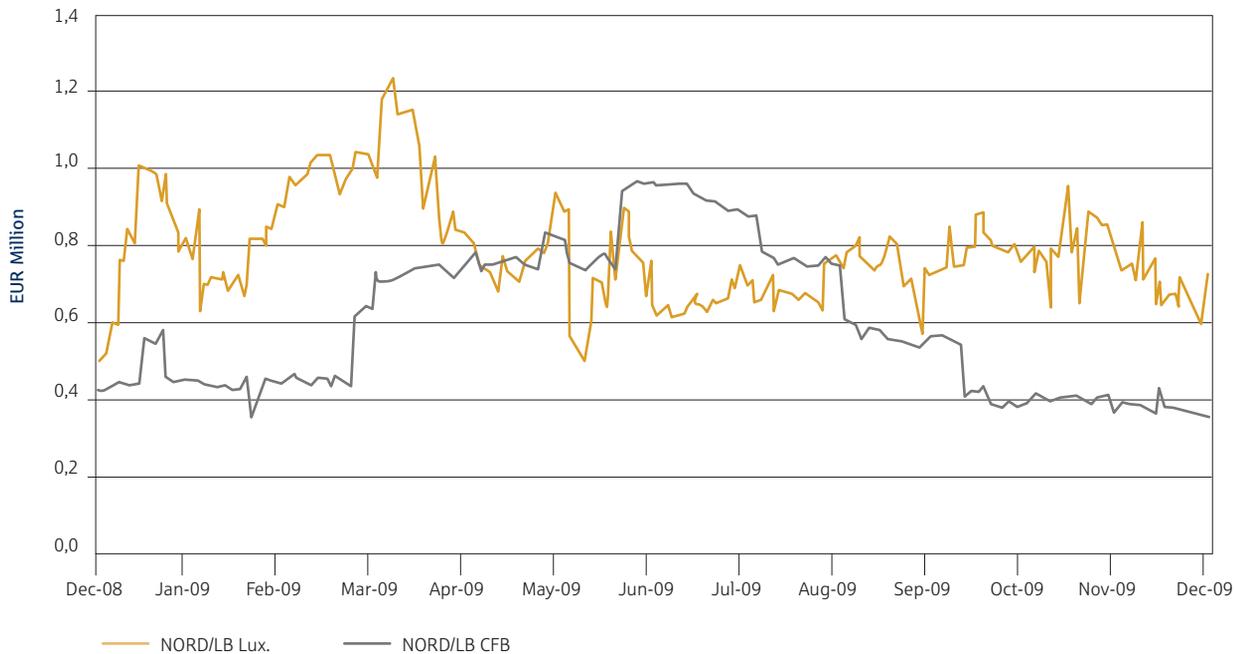
Market Price Risks – Development in 2009

The Group's market price risks illustrated in the following table continued to be at a low level overall in the year under report:

The utilisation of the market price risk limits (value-at-risk limits) in NORD/LB Luxembourg ran at an average of 15.7 % (previous year 8.9 %), the maximum utilisation was 24.6 % (18.0 %) and the minimum was 9.9 % (4.3 %). The average utilisation in NORD/LB Luxembourg is still at a low level and is a consequence of a deliberate reduction in the interest rate risk in terms of the general crisis in the financial markets. The value-at-risk that is calculated on a daily basis (confidence level 95 % and holding period 1 day) was EUR 0.725 million in NORD/LB Luxembourg on 31 December 2009.

The average for NORD/LB CFB ran at 59.9 % (previous year 55.6 %). In the second half of the year there is a declining utilisation of the risk limit. This is to be seen as a consequence of a deliberate reduction of the interest rate risk. The value-at-risk that is calculated on a daily basis (confidence level 95 % and holding period 1 day) was EUR 0.353 million in NORD/LB CFB on 31 December 2009.

Value-at-Risk (95 %, one day)



Investment book credit spread risks are not included as described above.

With regard to interest rate risks in the investment book, the effects of a standardised interest rate shock of +130/190 basis points (Skandifinanz regulatory +100, internally +200 basis points) are also analysed in accordance with the requirements of the German Solvency Regulations (SolvV). The result is significantly lower than the regulatory threshold, which provides for a maximum proportion of 20 % of authorised equity capital.

Market Price Risks – Outlook

A credit spread value-at-risk model is being developed for the credit spread risks in collaboration with the parent company on the basis of historical simulation, which is to be implemented in financial year 2010. This will achieve an improvement in control that is appropriate for the risks, with the results also being taken into account in the RBC model.

Liquidity Risk

Liquidity risks are risks which may result from malfunctions in the liquidity of individual market segments, unexpected

events in lending or investment business, or deteriorations in the Bank's own refinancing conditions.

Liquidity Risk – Control

Strategy

The Group's liquidity risk strategy was reviewed over the course of the year and adapted to the recommendations published by the CEBS (Committee of European Banking Supervisors) on efficient liquidity risk control and the derived requirements on the part of the Luxembourg supervisory authorities and the Central Bank as well as the requirements in accordance with MaRisk. The focus is essentially on the control of the classical liquidity risk and the control of the refinancing risk.

Organisational Units

The liquidity risk management process is the responsibility of the Treasury organisational unit.

NORD/LB Luxembourg's Controlling division plays a key role in the implementation and development of internal procedures for the measurement, limitation and monitoring of liquidity risks and assumes a control function for the calculation of the refinancing risk and the determination and monitoring of the classical liquidity risk.

Liquidity Risk – Management and Measurement

The Group makes a distinction within the scope of liquidity control between the classical liquidity risk and the refinancing risk.

Classical Liquidity Risk:

The classical liquidity risk is defined as the danger that the Bank can no longer fulfil its short term payment obligations due to market disturbances induced by external parties or because of unexpected events in the lending or investment business. The aim is to limit the classical liquidity risk by holding sufficient liquid assets in reserve. The observation is focused on the next twelve months.

The classical liquidity risk is measured with reference to liquidity stress tests (LST), which are created on a daily basis at a sub-Group level. This process involves a distinction being drawn between one dynamic scenario and three static ones.

The dynamic stress test reflects the current or nearest crisis situation.

The static scenarios are differentiated into:

a) Market wide Liquidity Disruption

On the financial markets there is a strong financial market induced liquidity bottleneck which stops inter-bank and customer business. This is significant for the Bank in the main trading currencies, which are listed by the competency delegation Financial Markets. This scenario is based on the assumption that the central banks are ready to act and intervene helpfully in the financial market.

b) NORD/LB Credit Event

(Downgrading of NORD/LB's Creditworthiness)

NORD/LB's creditworthiness is downgraded or NORD/LB is the subject of negative headlines or rumours. This has a considerable impact on the Bank's liquidity situation. The basis for this scenario is currently the loss of the short term ratings A1/P1.

c) Market wide Credit Event (Liquidity Crisis)

This event is defined as an international financial crisis, triggered by individual banks or branches and causing a liquidity crisis in the banking world.

Within the scope of the classical liquidity risk the daily business is managed with reference to the dynamic scenario. For this purpose "Distance-to-Illiquidity" is determined as

a factor which shall not be fallen short of. The adherence to this key figure is to be reported on a daily basis to the Bank's Board of Directors and NORD/LB's Risk Controlling/Liquidity Risk department.

In order to monitor the liquidity risk appetite and tolerance using the "Distance-to-Illiquidity", which is calculated at sub-Group level, the Bank has defined the following limits:

- risk appetite: 180 days
- risk tolerance: 60 days

These limits are integrated into the traffic light control system of the dynamic scenario, which is defined across the Group.

There is an escalation procedure, which ranges from preventative measures in the event of falling below the risk appetite to activating the emergency plan in the event of falling below the risk tolerance.

Refinancing Risk

The refinancing risk is defined as the potential falls in profit which would arise for the Bank as a result of the worsening of its own refinancing conditions. This refers to positions on both the money and capital markets. A period of between intraday and indefinite maturity is taken into account.

The refinancing risk is calculated on a daily basis in NORD/LB Luxembourg and on a weekly basis at NORD/LB CFB and Skandifinanz.

Volume structure limits are set for the individual maturity bands within the scope of the management of the refinancing risk, which limit the refinancing risk accordingly. The volume structure limits are defined at individual institution level. The Bank uses these limits to record a risk appetite in relation to discrepancies.

Liquidity Risk – Reporting

The appropriate Board of Directors is informed on a daily basis of the liquidity risk situation of the individual institutions. Furthermore, a comprehensive daily report on the classical liquidity risk is compiled at Group level.

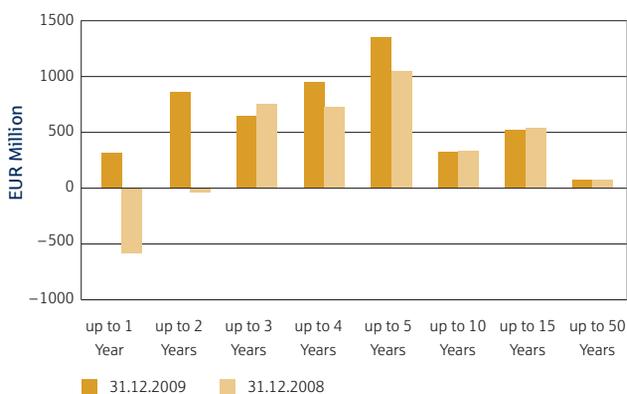
Liquidity Risk – Development in 2009

The financial market was still in a very tense mood over the course of 2009. The Group's availability of liquid funds was

guaranteed at all times and improved in comparison to the previous year.

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

Cumulative Liquidity Progress (NORD/LB Luxembourg Group)



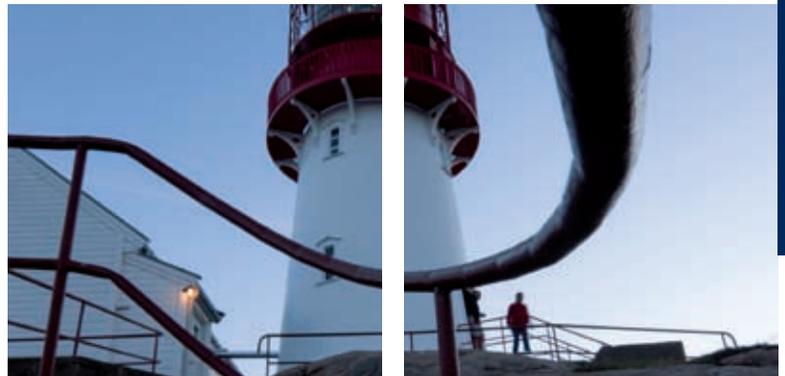
There was compliance with the methods prescribed for the internal control of liquidity during the year under report; likewise the regulatory requirements were always met throughout the financial year.

NORD/LB Luxembourg is responsible for the control of liquidity processes for the Group. In order to fund the new lending business the stockpiling of liquidity was partially reduced in the maturity bands of four and five years. At the same time the Group achieved an overall structural improvement in the liquidity progress review by taking up liquidity in the short and long term.

Liquidity Risk – Outlook

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

The Group is primarily active on liquid markets and maintains a portfolio of high quality securities. There are no concentrations of liquidity risk.



Close observation of the markets and active liquidity management ensured that the Bank had a sufficient supply of liquidity in the financial year 2009. We do not expect any further substantial increases in liquidity risk in 2010.

In 2010 the methods and risk measurement processes will be optimised further.

Operational Risk

Operational risks are defined as the risk of incurring losses as a result of the inadequacy or the failure of internal procedures, employees and technology, or losses which occur as a result of external influences. Besides covering legal risks, this definition implicitly includes reputation risks as consequential or secondary risks. Strategic risks and business risks have not been included.

Operational Risk – Control

Strategy

The main objective is to avoid operational risks to the extent that it is economically viable. The Group understands this to mean that it should protect itself against operational risks, so long as the cost of the protection does not exceed the cost of the risk that might arise.

Organisational Units

The respective members of the Board, Controlling, internal auditors and all other divisions are involved in the process of controlling operational risks. The Board stipulates the basic method of 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. Controlling is responsible for the central monitoring and independent reporting of the operational risks. This division is also responsible, in cooperation with the Group's parent company, for specifying the methods to be applied, for properly implementing centralised methods, and for coordinating the implementation of decentralised methods.

Operational Risk – Management

Safety concepts and contingency concepts have been put in place 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. Therefore the safety officer, for example, is responsible for the promotion of health and safety at work.

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.

Process-related and structural organisational risks are countered with well-organised structures and procedures. Regular interaction between all of the divisions involved in the process of controlling operational risks is continuously guaranteed.

The Group is sufficiently insured.. The legal department is to be consulted with regard to securing legal risks, for example when 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 concepts and a disaster recovery centre.

Operational Risk – Measurement

Since early 2005 the Group has been collecting data on loss events arising from operational risks and categorising them according to cause and effect. There is no "insignificant" level, although a simplified reporting process is applied for gross losses of less than EUR 1000. Data in the loss databank provides the basis for analyses in support of risk

management and in the future will be an important foundation for creating a statistical-mathematical risk model.

The collected loss events are entered into the data consortium DakOR initiated by the German Federal Association of Public Sector Banks (Bundesverband Öffentlicher Banken Deutschlands e.V. or VÖB). NORD/LB uses the loss events reported by the consortium to improve the database of the advanced measurement model for operational risks, which is still in the development stage (advanced measurement approach – AMA).

The collection of historical loss events is supplemented by future components with the aid of the self-assessment methods carried out annually in the Group. Expert appraisals provide detailed insight into the risk situation of the Bank's individual divisions, so that relevant measures can be derived if necessary. The self-assessment is conducted using a list of generic questions concerning both qualitative and quantitative issues and individual scenarios.

Operational Risk – Reporting

Within the scope of a continuous risk management process, the results from the collection of loss events and self-assessment are analysed and communicated to the Board and the relevant divisions.

Operational Risk – Development in 2009

Amounts qualifying for recognition in terms of operational risk were determined using the standard SolvV approach. The CSSF and BaFin were notified accordingly.

The value-at-risk calculation that was shown for the first time in 2007 as a control dimension for operational risks in the internal risk-bearing capacity concept was significantly improved in 2008. This means that external data from the DakOR consortium is now included in the internal model alongside internal data and scenario analyses, and correlation effects were also considered for the first time. A loss distribution approach is implemented here, in which elements of extreme value theory are used; a Gauss Copula function is used to model dependencies at the frequency level. It was also possible to increase the granularity of the model. By making improvements that are very much in line with the requirements of SolvV, the fundamental conditions for introducing an advanced measurement approach (AMA) are fulfilled.

The following table shows the distribution of loss events among the risk categories in relation to the total loss amount:

Loss Event Databank Net Loss as a Percentage of the total Amount of Loss		
Category	2009	2008
External Influences	4.1	3.3
Internal Procedures	4.6	77.5
Staff	91.3	20.2
Technology	0.0	0.0

Operational Risk – Outlook for 2010

NORD/LB Luxembourg, in close cooperation with NORD/LB, continues to endeavour to apply an advanced measurement approach (AMA) for operational risk. In addition, the internal model is to be made more complete in order to meet AMA requirements in accordance with SolvV. Steps being taken include the fine-tuning of the management of operational risk on the basis of the internal model and the further expansion of the control of measures in op-risk management. To improve the internal control system the operational risk control methods are to be made increasingly process-oriented. Extensive improvements to the methods and processes that have already been implemented are planned for 2010. Furthermore, the development and implementation of an early warning indicator is being worked on as well as a restructuring of the self-assessment process.

Other Risks

Apart from the credit, investment, market price, liquidity and operational risks that have already been described there are no other risks relevant to the Group.

Summary and Outlook

The Group has accounted for all known risks by employing preventative measures. The appropriate tools have been implemented in order to identify risks promptly.

The core element of the risk strategy is the risk-bearing capacity model (RBC model). The willingness to take risk is determined on the basis of the risk strategy and risk-bearing capacity; developments are regularly monitored using the RBC model.

In the RBC model, credit risks, investment risks, market price risks, liquidity risks and operational risks are combined on a quarterly basis and compared with the available risk potential. The volume of risk capital involved is defined in three stages, to be utilised successively to cover unforeseen losses which may arise in the event of an (unforeseen) occurrence of risk.

The quotients calculated in the RBC model show that the risks were covered at all times in the period under report. The Group does not consider that there is any risk to its continued existence as a going concern.

In 2009 NORD/LB Luxembourg and its subsidiaries that are subject to their own duty to report complied at all times with the applicable regulatory provisions on equity and liquidity. The Group also accommodated the regulations on large lending limits in accordance with the laws of Luxembourg and Germany in the past financial year.

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 2010 have been covered in the relevant sections.

Personnel Report

Number of Employees

The three banks in the Group increased their personnel levels due to the expansion of business. On the reporting date of 31 December 2009 the personnel numbers were distributed as follows:

Reporting Date	31.12.2009	31.12.2008	Absolute change	Percentage change
NORD/LB Luxembourg	139	118	21	17.8
Skandifinanz	13	9	4	44.4
NORD/LB CFB	7	5	2	40.0
Total Employees	159	132	27	20.5

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

The Group takes the further development 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 Group aims to create opportunities for the personal development of its staff and a motivating and constructive working environment.

Personnel Changes

The general meeting of shareholders appointed the following persons to the Bank's Supervisory Board with effect from 1 January 2009:

Dr. Gunter Dunkel

Chairman of the Supervisory Board of Norddeutsche Landesbank Luxembourg S.A.
Chairman of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

Martin Halblaub

Member of the Supervisory Board of Norddeutsche Landesbank Luxembourg S.A.
Member of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

Dr. Stephan-Andreas Kaulvers

Member of the Supervisory Board of Norddeutsche Landesbank Luxembourg S.A.
Chairman of the Board of Directors of Bremer Landesbank, Bremen

Walter Kleine

Member of the Supervisory Board of Norddeutsche Landesbank Luxembourg S.A.
Chairman of the Board of Directors of Sparkasse Hannover, Hanover

Christoph Schulz

Member of the Supervisory Board of Norddeutsche Landesbank Luxembourg S.A.
Deputy Chairman of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

The Supervisory Board elected Mr Harry Rosenbaum (Chairman of the Board of Directors) and Mr Christian Veit (Deputy Chairman of the Board of Directors) to the Board of Directors of NORD/LB Luxembourg with effect from 1 January 2009.

Supplementary Report

Mr Martin Halblaub, Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, left the Supervisory Board of NORD/LB Luxembourg on 11 January 2010.

NORD/LB Luxembourg made a dividend payment in the sum of EUR 100.0 million from the revenue reserves to NORD/LB on 19 February 2010.

Consolidated Financial Statements 2009



NORD/LB Luxembourg

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

Consolidated Income Statement

For the year under report from 1 January to 31 December 2009:

	Notes	2009 (KEUR)	2008 (KEUR)
Net Interest Income and current Income	17	177,384	145,442
Net Interest Income and current Income		1,055,378	1,847,553
Interest Expense		877,994	1,702,111
Loan Loss Provisions	18	-152,396	-79,201
Net Commission Income	19	-8,516	5,097
Commission Income		34,590	30,876
Commission Expense		43,106	25,779
Profit/Loss from Financial Instruments at Fair Value through Profit or Loss	20	3,937	-6,518
Trading Profit/Loss		1,546	-7,188
Profit/Loss from the Fair Value Option		2,391	670
Profit/Loss from Hedge Accounting	21	4,743	-2,678
Profit/Loss from Financial Assets	22	6,226	-10,081
Administrative Expenses	23	35,464	28,395
Staff Expenses		15,253	14,541
Other Administrative Expenses		14,397	12,255
Depreciation of Property, Plant and Equipment		1,298	700
Depreciation on intangible Assets		4,517	899
Other operating Profit/Loss	24	-1,390	12,458
Earnings before Taxes (EBT)		-5,475	36,123
Income Taxes	25	1,990	7,897
Consolidated Profit for the Period		-7,465	28,225
Of which: attributable to Shareholders		-7,465	28,255
Of which: apportioned to Minority Interests		-	-

Consolidated Statement of Recognised Income and Expense

The banking group's total income for 2009 (2008) comprises the income and expenses recognised in the income statement and directly in equity.

	2009 (KEUR)	2008 (KEUR)
Consolidated Profit for the Period	-7,465	28,225
Increase/Decrease from Available for Sale (AFS) Financial Instruments	62,252	- 42,233
Of which: unrealised Profit/Losses	61,199	- 52,216
Of which: Reclassifications on the Grounds of Profit/Loss Realisation	1,053	9,983
Actuarial Gains and Losses for defined Benefit Provisions for Pensions	- 351	150
Deferred Taxes	- 18,625	12,248
Translation Differences foreign Business Units	- 597	- 436
Profit/Loss recognised directly in Equity	42,679	-29,399
Total Income for the Period	35,214	- 1,173
Of which: attributable to Shareholders	35,241	- 1,173
Of which: apportioned to Minority Interests	-	-

Consolidated Balance Sheet

Assets	Notes	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Cash Reserve	26	207.4	96.2
Loans and Advances to Banks	27	7,102.7	6,505.1
Loans and Advances to Customers	28	6,063.9	7,260.8
Risk Provisions	29	- 220.6	- 93.5
Financial Assets at Fair Value through Profit or Loss	30	316.0	497.7
Fair Values from Hedge Accounting	31	217.1	259.8
Financial Assets	32	9,959.5	9,458.7
Property, Plant and Equipment	33	33.7	1.0
Intangible Assets	34	0.3	4.2
Income Tax Assets	35	31.9	45.0
Other Assets	36	4.9	19.3
Total Assets		23,716.8	24,054.3
Equity and Liabilities	Notes	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Liabilities to Banks	37	12,853.9	14,433.3
Liabilities to Customers	38	4,362.9	1,888.4
Securitised Liabilities	39	4,880.4	5,535.3
Financial Liabilities at Fair Value through Profit or Loss	40	224.1	397.2
Fair Values from Hedge Accounting	41	536.1	812.4
Provisions	42	12.1	8.3
Income Tax Liabilities	43	9.3	21.2
Other Liabilities	44	43.1	21.4
Subordinated Capital	45	86.8	244.7
Equity	46	708.1	692.2
Issued Capital		205.0	205.0
Capital Reserves		0.0	0.0
Revenue Reserves		540.0	567.0
Revaluation Reserve		- 37.4	- 81.0
Currency Translation Reserve		0.6	1.2
Total Equity and Liabilities		23,716.8	24,054.3

Consolidated Cash Flow Statement

	2009 (EUR Million)	2008 (EUR Million)
Consolidated profit for the Period	- 7.5	28.2
Adjustment for Non-Cash Items		
Depreciation, Value Adjustments and Write-Ups of Property, Plant and Equipment, Write-Downs, Value Adjustments and Write-Ups of Financial Assets	152.4	80.8
Increase/Decrease in Provisions	4.2	2.0
Gains/Losses from the Disposal of Property, Plant and Equipment and Financial Assets	- 6.2	- 8.2
Increase/Decrease in other Non-Cash Items	- 4.6	- 195.3
Other Adjustments (balance)	59.6	13.4
Sub-total	197.9	- 79.1
Increase/Decrease in Assets and Liabilities from operating Activities after Adjustment for Non-Cash Items		
Loans and Advances to Banks and Customers	636.4	135.2
Other Assets from operating Activities	0.0	180.5
Liabilities to Banks and Customers	871.9	28.6
Securitized Liabilities	- 589.5	- 601.9
Other Liabilities from operating Activities	- 9.3	- 3.6
Interest and Dividends received	1,422.6	2,265.80
Interest paid	- 1,202.6	- 2,108.70
Income Taxes paid	- 12.1	- 9.0
Cash Flow from operating Activities	1,315.3	- 192.2
Cash Receipts from the Disposal of		
Financial Assets	6,208.6	2,624.90
Property, Plant and Equipment and intangible Assets	0.0	26.0
Cash Payments for the Acquisition of		
Financial Assets	- 7,194.1	- 2,788.50
Property, Plant and Equipment and intangible Assets	- 34.5	- 5.4
Cash Receipts from the Disposal of consolidated Companies and other Business Units	0.0	0.0
Cash Payments for the Acquisition of consolidated Companies and other Business Units	0.0	0.0
Increases/Decreases in Funds from other Investment Activities (Balance)	0.0	- 0.1
Cash flow from Investment Activities	- 1,020.1	- 143.1

	2009 (EUR Million)	2008 (EUR Million)
Cash Receipts from Equity Contributions	0.0	0.0
Increase/Decrease in Funds from other Capital	-155.3	1.7
Interest Expense on subordinated Capital	-10.0	-3.1
Dividends paid	-18.8	0.0
Cash Flow from financing Activities	-184.1	-1.4
Cash and Cash Equivalents at End of the previous Period	96.2	432.8
Cash Flow from operating Activities	1,315.3	-192.2
Cash Flow from investment Activities	-1,020.1	-143.1
Cash Flow from financing Activities	-184.1	-1.4
Effects of Exchange rate Differences and Valuation Changes and Changes in the Basis of Consolidation	0.0	0.0
Cash and Cash Equivalents at the End of the Year	207.4	96.2

Consolidated Statement of Changes in Equity

EUR Million	Issued Capital	Capital Reserves	Revenue Reserves	Revaluation Reserve	Currency Translation Reserve	Equity
Equity at 01.01.2008	205.0	0.0	539.6	- 51.0	- 2.3	691.3
Distribution	-	-	-	-	-	0.0
Profit for the Year	-	-	28.2	-	-	28.2
Profit/Loss recognised directly in Equity	-	-	-	-30.0	-	-30.0
Increase/Decrease from Capital Receipts and Payments	-	-	-	-	-	0.0
Currency Translation	-	-	-	-	1.9	1.9
Consolidation Effects and other Capital Increases/Decreases	-	-	-0.9	-	1.6	0.7
Equity at 31.12.2008	205.0	0.0	567.0	- 81.0	1.2	692.2
Distribution	-	-	-18.8	-	-	-18.8
Profit for the Year	-	-	-7.5	-	-	-7.5
Profit/Loss recognised directly in Equity	-	-	-	43.5	-	43.5
Increase/Decrease from Capital Receipts and Payments	-	-	-	-	-	0.0
Currency Translation	-	-	-	-	-0.6	-0.6
Consolidation Effects and other Capital Increases/Decreases	-	-	-0.9	-	-	-0.9
Equity at 31.12.2009	205.0	0.0	540.0	- 37.4	0.6	708.1

On 19 February 2010 EUR 100.0 million was paid out to the shareholder from NORD/LB Luxembourg's revenue reserves.

Consolidated Financial Statements 2009



NORD/LB Luxembourg

Accounting Policies

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

The consolidated financial statements of Norddeutsche Landesbank Luxembourg S.A. (Nord/LB Luxembourg) at 31 December 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as were the financial statements of 31 December 2008. 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 (2) "Adopted and new IFRS").

The consolidated financial statements of NORD/LB Luxembourg at 31 December 2008 were approved by the General Meeting held on 6 July 2009.

The financial statements at 31 December 2009 take into account the national requirements of the law of 17 June 1992 on the annual accounts of credit institutions established under Luxembourg law (as at March 2006). The financial statements at 31 December 2009 comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the consolidated 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 Board's estimates and judgements which are required for accounting under IFRS are made in accordance with the relevant standard, are regularly reviewed and are based on experience and other factors, including expectations concerning future events that seem reasonable under the given circumstances. If broad estimates were required,

the relevant significant assumptions shall be stated. The estimates and judgements themselves, and the factors underlying the judgements and estimating processes, are checked and adjusted to the actual events as they occur. In our opinion, the parameters used are appropriate and justifiable. 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. The basic methods are set out in Notes 6, 7, 11 and 13.

The reporting 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.

(2) Adopted and new IFRS

The Group only applies those IFRS that have been endorsed by the EU.

The consolidated financial statements of NORD/LB Luxembourg at 31 December 2009 are based on the conceptual framework of the IASB and the following IFRS:

IFRS 1	First-time adoption of International Financial Reporting Standards
IFRS 7	Financial Instruments: disclosures
IFRS 8	Operating segments
IAS 1	Presentation of financial statements
IAS 7	Cash flow statements
IAS 8	Accounting policies, changes in accounting estimates and errors
IAS 10	Events after the balance sheet date
IAS 12	Income taxes
IAS 16	Property, plant and equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee benefits
IAS 21	The effects of changes in foreign exchange rates

IAS 24	Related party disclosures
IAS 26	Accounting and reporting by retirement benefit plans
IAS 27	Consolidated and separate financial statements
IAS 32	Financial Instruments: presentation
IAS 36	Impairment of Assets
IAS 37	Provisions, contingent liabilities and contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: recognition and measurement (including provisions on the use of the Fair Value option)
IFRIC 4	Determining whether an arrangement contains a lease
SIC 12	Consolidation – special purpose vehicles
SIC 15	Operating leases – incentives
SIC 27	Evaluating the substance of transactions involving the legal form of a lease

No account was taken of IFRS 2, 3, 4, 5 and 6, IAS 2, 11, 20, 23, 28, 29, 31, 33, 34, 40 and 41, IFRIC 1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 18 or SIC 7, 10, 13, 21, 25, 29, 31 and 32, because they are not relevant to NORD/LB Luxembourg or it was not obligatory to apply them to the financial statements as of 31 December 2009.

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 2009.

- **IFRS 9 Financial Instruments**

IFRS 9 was published in November 2009 and is obligatory for financial years starting on or after 1 January 2013. The standard has yet to be recognised by the EU and is to gradually replace the current IAS 39 in three phases. The first phase that has currently been published contains the regulations for the classification and measurement of financial assets. There are now only two options for the classification of financial assets according to IFRS 9: those measured at amortised cost and those measured at Fair Value. The classification will be orientated towards the business model of balance sheet preparation and the contractual cash flows for the asset. The requirements for embedded derivatives and reclassification have also been amended.

- **IAS 24 (rev. 2009) Related Party Disclosures**

IAS 24 was published in November 2009 and comes into effect for reporting periods starting on or after 1 January 2011. Through this revision entities in which the state has a holding (so-called state-controlled entities) are granted a partial exemption with regard to information that must be disclosed. Certain disclosures do not have to be made if their preparation would be associated with large costs or they would have little informative value for recipients.

In addition the definition of a related party has been thoroughly revised.

Furthermore, it was decided not to opt for early adoption of the following amended standards, which must be applied for the financial year from 1 January 2010.

- Improvements to IFRSs

It is not anticipated that there will be any significant impact on accounting when these requirements are adopted for the first time in 2010.

(3) Consolidation Principles

The consolidated financial statements of NORD/LB Luxembourg, which were prepared in accordance with accounting principles used throughout the Group, contain the financial statements of the parent company (NORD/LB Luxembourg) and of the companies it controls, including the special purpose vehicles (subsidiaries). Control exists as soon as a parent company has the option of determining the financial and business policies of a company in order to benefit from its activities.

Capital consolidation is carried out according to the acquisition method. This means that all assets and liabilities of the subsidiaries at the time of acquiring the controlling influence are recognised at their fair value taking into account deferred taxes. The differences on the assets side arising within the scope of the initial consolidation are shown under intangible assets. Goodwill is checked at least once a year for its intrinsic value and non-scheduled depreciation carried out if necessary. The differences on the liabilities side arising within the scope of the initial consolidation (badwill) are offset against the reserves. The shares in equity of subsidiaries that are not due to the parent company are shown within the group equity as minority interests. There are neither positive goodwill nor minority interests in subsidiaries in the Group.

Receivables and liabilities within the Group and expenses and earnings within the Group are eliminated within the scope of the consolidation of debts, expenses and income. Interim results within the Group are taken out of the calculations within the scope of interim results elimination.

The profit/loss of subsidiaries acquired or disposed of over the course of the year are included in the consolidated income statement according to the actual time of acquisition or disposal.

Deconsolidation will be performed at the point in time when a controlling or significant influence no longer exists or joint management ceases.

(4) Basis of Consolidation

As well as NORD/LB Luxembourg as parent company, two (previous year three) subsidiaries (previous year incl. special purpose vehicles in accordance with SIC 12), in which NORD/LB Luxembourg held more than 50 percent of voting rights directly or indirectly or can otherwise exercise a controlling influence, were included in the consolidated financial statements.

Subsidiaries Included:

- SKANDIFINANZ BANK AG, Zurich, 100 % of the voting rights
- NORD/LB COVERED FINANCE BANK S.A., Luxembourg, 100 % of the voting rights

The financial statements included in the consolidated financial statements were prepared on the reporting date of 31 December. The financial statements of all the companies were firstly prepared in accordance with the provisions of national law and then reconciled to IFRS according to the accounting principles used across the Group.

The subsidiaries included in the consolidated financial statements represent the shareholding of NORD/LB Luxembourg.

(5) Currency Translation

Each Group company draws up its financial statements in its functional currency (balance sheet currency). The consolidation of the financial statements is done in the reporting currency (EURO). The methods applied to 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 on 31 December 2008. Non-monetary items that are valued at cost are translated at the historical rates. Expense and income in foreign currencies are translated at market rates. Exchange rate differences on monetary items are reflected in principle in the income statement; non-monetary items are shown in accordance with the recording of the profits or losses of such items as through profit or loss or not affecting profit or loss.

Translation into the reporting Currency

When foreign subsidiaries and foreign branches whose functional currency is not the Euro must be consolidated, assets and liabilities are translated at the ECB reference rate on 31 December 2009; the translation of equity is done on the basis of historical exchange rates with the exception of the revaluation reserve (at the reporting date rate) and the profit for the year. Income and expenses are translated into the Group currency at average rates for the period. Resultant translation differences are shown as a separate item within the Group equity. In the event of a disposal the translation differences accrued up to that point are included in the disposal profit/loss.

(6) 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 equity instrument of another entity. The Group'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 Group becomes a party to the contractual provisions of the financial instrument. The trade date and settlement date generally diverge with regard to the regular way purchase or sale 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 it 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 specified 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 consideration paid 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 categories Loans and Receivables (LaR), Held-to-Maturity (HtM), Available-for-Sale (AFS) and Other Liabilities (OL), 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 category financial assets or financial liabilities at Fair Value through Profit or Loss (aFV), 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 in so far as 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 (7) "Risk Provisions"). Reversal of impairment losses is 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 in so far as 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 Group's financial statements.

- **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 in so far as 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. Premiums and discounts are not amortised using the effective interest rate.

- 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). Further explanations on the type and scope of use of the fair value option are given in Note (30) "Financial Assets at Fair Value through Profit or Loss" and Note (40) "Financial Liabilities at Fair Value through Profit or Loss". When the fair value option is applied to financial instruments they are included in the relevant item on the balance sheet and their subsequent measurement is at Fair Value through Profit or Loss. Premiums and discounts are not amortised using the effective interest rate.

- **Available for Sale (AFS)**

This category includes all non-derivative financial assets that are not allocated to any of the above categories. This includes, in particular, bonds and debt securities as well as shares and participating interests. Subsequent measurement is at Fair Value; if the fair value cannot be determined reliably, measurement is at cost. 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 income statement. When impairments are due to credit rating, the revaluation reserve is adjusted by the amount of the impairment and the amount is accounted for in the income statement provided that it is an impairment within the meaning of IAS 39. Reversals of impairment losses relating to the equity instruments of another entity are recognised through profit or loss while reversals of impairment losses relating to own 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)**

This category comprises, in particular, liabilities to banks and customers, securitised liabilities and subordinated capital. Subsequent measurement is at amortised cost using the effective interest method.

c) Determination of Fair Value

In March 2009 the IASB published an amendment to IFRS 7, which mainly relates to disclosure requirements in connection with the measurement of financial instruments at Fair



Value. Under the new provisions the three level hierarchy is put into practice for the first time this year with the terminology provided in IFRS 7: Level 1 (Mark-to-Market), Level 2 (Mark-to-Matrix) and Level 3 (Mark-to-Model).

The respective level is determined according to the input data used for the measurement and reflects the proximity to the market of the variables entered in the calculation of the fair value.

The Group initially uses prices provided by market makers to determine the fair value (Mark-to-Market or Level 1).

In the event that no meaningful price calculation is possible using this method, prices are determined using Mark-to-Matrix models or via external pricing services, so long as that measurement is done wholly or in part using spread curves (Level 2). In the field of financial instrument valuation, under normal market conditions measurement models established on the market are used (e.g. discounted cash flow methods), where the calculations are fundamentally 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 parameters are included in the models, such as market prices and other market information, for example volatility and market liquidity.

These Mark-to-Matrix calculations (Level 2 valuations) make use of market data that has already been used as a basis for risk control. In discounted cash flow methods all payments are discounted along the risk-free interest rate curve ad-

justed for the counterparty's credit spread. Spreads are determined on the basis of comparable financial instruments (for example, taking into account the respective market segment and the creditworthiness of the issuer).

During the course of 2008 parts of the money and capital markets lost their ability to function, which then led to uncertainty amongst market participants, illiquidity in certain markets and decreasing investment in secondary market products. As a consequence of this, useful sales pricing ceased in the market for certain financial instruments, the conditions of some quotations are often counterproductive to effecting sales and some sales are taking place under fire sale conditions. Abnormal market conditions can be assumed for these cases.

In the case of financial instruments for which there is no active market on 31 December 2009 and which can no longer be measured on the basis of market prices, the 2008 and subsequent financial statements will use a fair value determined for measurement purposes using a Mark-to-Matrix process (Level 2) based on discounted cash flows that was established within the NORD/LB group in 2008.

The determination of which financial instrument is to be valued in this manner is done 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 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.

In the case of financial instruments for which there is no longer an active market and which can no longer be measured on the basis of market prices or solely on the basis of observable market parameters, a fair value is determined for measurement purposes using a Mark-to-Model process (Level 3).

In contrast to the Mark-to-Matrix valuation (Level 2), in these methods institution-specific models are used and data included which cannot be observed on the market. The proportion of these parameters is kept to a minimum and the inclusion of market-specific data is preferred, i.e. basic market signals which can be observed on the balance sheet date are included in the methodology.

All the measurement models used are audited periodically.

Further information on the fair value hierarchy and the fair values of financial instruments can be found in Notes (49) to (51).

d) Structured Products

Structured products are made up of two components – one or more 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.

e) 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 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 transac-

tions. Interest rate swaps are predominantly used to hedge these risks.

The two other basic forms, cash flow Hedge Accounting and hedge 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. Critical term matching and the market data shift method are used where effectiveness tests must prospectively be carried out. The modified dollar offset method is applied for retrospective effectiveness tests.

In accordance with the rules of Fair Value Hedge Accounting, derivatives at Fair Value used in hedging are reported as positive or negative fair values from Hedge Accounting (Note (31) or Note (41) "Fair Values from Hedge Accounting"). The valuation changes are recognised through profit or loss (Note (21) "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 recognition of profit or loss under the item profit/loss from Hedge Accounting.

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.

A hedging relationship ends when the hedging transaction or underlying transaction expires or is sold or exercised or when the requirements of Hedge Accounting are no longer met.

f) 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 to banks or liabilities to customers, depending on the counterparty). The agreed 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 out of this transaction is recognised as interest income in accordance with the term.

There were no non-genuine securities repurchase agreements outstanding at 31 December 2009.

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.

We refer to the scope and volume of securities repurchase agreements under Note (53) "Securities Repurchase Agreements".

(7) Risk Provisions

Loan loss provisions cover all discernible credit rating risks by creating specific value adjustments. A value adjustment is required when it is probable, based on observable crite-

ria, that not all interest and repayment obligations or other obligations can be met in good 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 banks, value adjustments 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 loss given defaults. In addition, the portfolio-specific LIP factor (loss identification period) is applied in order to ensure that only incurred losses are taken into consideration. The parameters used are derived from the Basel II system.

Risk provisions for off balance sheet transactions (guarantees, endorsement liabilities, loan commitments) are accounted for by creating a provision.

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

(8) 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 (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.

(9) Leasing

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 Lease

There are no finance leases at the reporting date.

Operating Lease

With an operating lease, the lessee recognises the lease payments made as an expense under other administrative expenses. The payments made directly at inception (e.g. survey costs) are recognised immediately in recognition of profit or loss.

Operating leases are of minor significance within the Group at present.

(10) Intangible Assets

Intangible assets purchased by the Group are recognised at cost, and self-produced intangible assets at cost of production, so long as they fulfil the recognition criteria of IAS 38.

Intangible assets with a finite useful life are amortised by the straight-line method on the basis of the economic useful life. For intangible assets with a finite 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. If the reasons for impairments no longer apply, impairment losses are reversed but may not exceed the depreciated cost. Scheduled depreciation and impairments are recognised in administrative expenses.

Intangible assets with a finite useful life are amortised over three to five years.

There are no intangible assets with an indefinite useful life in the Group.

(11) Provisions for Pensions and similar Obligations

The occupational pension scheme is based on various pension systems. On the one hand employees build up entitlement to pension rights through a fixed contribution by the respective bank 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 Group's occupational pension scheme is based on a pension scheme in which employees build up entitlement to pension rights and benefits are determined in line with factors such as anticipated wage and salary increases, age, length of service and pension 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 that are 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, 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 Group 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 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 an insurance company.

(12) 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 determined. The amount recognised as a provision should be the best estimate. This estimate is based on the management's assessment, based on experience and, where necessary, on expert 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.

(13) 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 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 as through profit or loss or not affecting profit or loss.

The income tax expense or benefit is shown under income tax in the income statement. The split between 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.

NORD/LB Luxembourg and NORD/LB CFB are affected by a Grand Ducal regulation on the taxation of IFRS financial statements that was published as a draft bill. This provides

for the measurement differences arising from financial instruments shown in the income statement 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 first time adoption and will apply the tax measures described above. The income from first-time adoption was taken into account for tax purposes in financial year 2008 rather than being apportioned over time.

NORD/LB Luxembourg S.A. and NORD/LB Covered Finance Bank S.A. form a tax group in accordance with Article 164bis of the Luxembourg income tax law. NORD/LB Luxembourg S.A. acts as the controlling company.

(14) Subordinated Capital

The item subordinated capital 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 subordinated capital.

Segment Reporting

Classification by Business Segment

Segment reporting is done in accordance with IFRS 8. It serves to provide information about the Bank's business segments and is carried out in line with the Bank's business model on the basis of internal reporting. The segments are defined as customer or product groups that are in line 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. Classification of the use of interest from equity investments underwent a systematic change. Due to a lack of controllability by the market divisions, both performance indicators are now assigned to the Bank Controlling/Other segment rather than to the Bank's operative profit centres.

Savings Bank Network

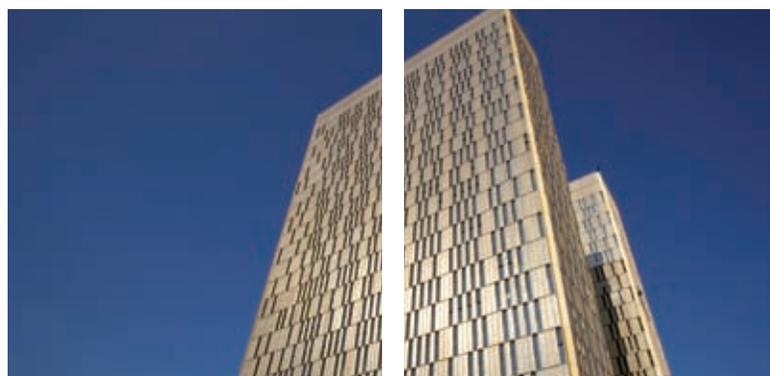
This includes institutional business with affiliated savings banks and syndicated business conducted with savings banks in the network.

Private Banking

Business with wealthy private customers is shown under this item.

Financial Markets

This includes, in particular, all the Group's divisions which are active in investment banking, including NORD/LB Luxembourg's Treasury and Strategic Investments and NORD/LB CFB's Public Finance and Treasury.



Structured Finance

The business of SKANDIFINANZ BANK AG, Zurich is recorded here. The main activities of Skandifinanz are forfaiting, other trade-related financial transactions and international private banking. In coordination with NORD/LB all of Skandifinanz's business activities in the Structured Finance business sector are reported.

Group Cooperation

This segment shows the lending business transferred by the Group.

Bank Controlling/Other

This segment includes other items and reconciliatory items.

Classification by Region

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

(15) The NORD/LB Luxembourg Group's Classification by Business Segment

Segments							
EUR Million	Savings bank network	Private banking	Financial markets	Structured finance	Group cooperation	Investments/ other	Total
Net Interest Income	1.8	2.1	75.5	5.1	72.1	20.9	177.4
do. previous Year	1.2	1.6	65.5	3.9	44.0	29.2	145.4
Loan Loss Provisions	0.0	0.0	-2.8	-29.0	-120.8	0.2	-152.4
do. previous Year	0.0	0.0	-28.1	0.2	-51.0	-0.3	-79.2
Net Interest Income after Loan Loss Provisions	1.8	2.1	72.7	-23.9	-48.7	21.1	25.0
do. previous Year	1.2	1.6	37.4	4.1	-7.0	28.9	66.3
Net Commission Income	-2.3	7.1	-2.0	1.0	-12.7	0.3	-8.5
do. previous Year	-0.9	7.7	-2.3	1.3	-2.4	1.7	5.1
Profit/Loss from Financial Instruments at Fair Value through Profit or Loss	0.0	0.0	-4.8	0.2	0.0	8.6	3.9
do. previous Year	0.0	0.0	-6.6	0.1	0.0	0.0	-6.5
Profit/Loss from Hedge Accounting	0.0	0.0	-0.6	0.0	0.0	5.4	4.7
do. previous Year	0.0	0.0	-2.7	0.0	0.0	0.0	-2.7
Profit/Loss from Financial Assets	0.0	0.0	6.2	0.0	0.0	0.0	6.2
do. previous Year	0.0	0.0	-10.1	0.0	0.0	0.0	-10.1
Profit/Loss from equity-accounted Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
do. previous Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative Expenses	0.1	8.0	11.5	2.2	3.4	10.3	35.5
do. previous Year	0.1	6.3	8.1	3.3	2.8	7.8	28.4
Other Income/Expenses	0.0	0.0	-1.1	0.0	0.0	-0.3	-1.4
do. previous Year	0.0	0.0	-0.6	0.0	0.0	13.1	12.5
Operating Profit/Loss before Taxes	-0.6	1.2	58.9	-24.9	-64.9	24.8	-5.5
do. previous Year	0.2	3.0	7.1	2.2	-12.2	35.9	36.2
Taxes	0.0	0.0	-1.5	1.3	0.0	-1.8	-2.0
do. previous Year	0.0	0.0	-1.3	-0.6	0.0	-6.1	-8.0
Operating Profit/Loss after Taxes	-0.6	1.2	57.4	-23.6	-64.9	23.0	-7.5
do. previous Year	0.2	3.0	5.8	1.6	-12.2	29.8	28.2
Segment Assets	342.0	56.0	16,494.3	318.8	5,559.0	946.7	23,716.8
do. previous Year	237.7	49.2	14,251.9	258.7	8,340.3	916.5	24,054.3
Segment Liabilities (incl. Equity)	0.0	238.0	22,723.3	280.2	0.0	475.3	23,716.8
do. previous Year	3.1	313.9	21,773.3	254.8	585.6	1,123.7	24,054.3

Segments							
EUR Million	Savings bank network	Private banking	Financial markets	Structured finance	Group cooperation	Investments/ other	Total
Risk Assets (yearly Averages)	159.0	54.0	2,175.0	112.8	2,366.0	268.6	5,135.4
do. previous Year (yearly Averages)	60.0	26.0	2,458.4	132.6	5,304.0	209.2	8,190.2
Equity lockup (on the basis of yearly averages)	8.0	3.0	109.0	5.6	158.0	14.2	297.8
do. previous Year (on the Basis of yearly Averages)	3.0	1.0	123.3	6.6	265.0	10.1	409.0
CIR	44.3 %	86.8 %	13.3 %	33.0 %	5.8 %	23.4 %	20.4 %
do. previous Year	3.2 %	66.3 %	40.9 %	33.0 %	6.7 %	51.3 %	18.6 %
RoRaC/RoE*	1.7 %	45.3 %	43.7 %	-325.9 %	-24.4 %	1.2 %	-3.1 %
do. previous Year	24.0 %	146.3 %	42.6 %	25.7 %	4.5 %	-146.7 %	9.7 %

* RoRaC = Earnings before Taxes/Max (Limit for locked-up capital or locked-up capital)

Further Segment Information:							
EUR Million	Savings bank network	Private banking	Financial markets	Structured finance	Group cooperation	Investments/ other	Total
Property, Plant and Equipment, net	0.1	3.0	13.5	0.0	2.9	14.3	33.7
do. previous Year	0.0	0.2	0.2	0.0	0.6	0.0	1.0
Depreciation of Property, Plant and Equipment, current Year	0.0	0.1	0.5	0.0	0.1	0.6	1.3
do. previous Year	0.0	0.1	0.1	0.0	0.5	0.0	0.7
Intangible Assets, net	0.0	0.0	0.1	0.0	0.2	0.0	0.3
do. previous Year	0.0	0.6	0.9	0.0	2.7	0.0	4.2
Depreciation of intangible Assets, current Year	0.0	0.6	0.9	0.0	2.9	0.0	4.5
do. previous Year	0.0	0.1	0.3	0.0	0.5	0.0	0.9
Value Adjustments of Financial Assets, current Year	0.0	0.0	-2.8	0.0	0.0	0.0	-2.8
do. previous Year	0.0	0.0	28.1	0.0	0.0	0.0	28.1

(16) The NORD/LB LUXEMBOURG Group's Classification by Geographical Segment

EUR Million	Segments							Total
	Germany	Luxem- bourg	Switzer- land	Rest of Europe	USA	Rest of America	Other Countries	
Operating Profit/Loss before Taxes	10.9	-2.0	-28.1	9.0	2.9	0.6	1.1	-5.5
do. previous Year	12.1	3.3	1.2	13.3	4.4	0.9	0.9	36.1
Segment Assets	8,960.0	960.0	189.2	9,132.7	2,896.4	455.2	1,123.4	23,716.8
do. previous Year	8,127.7	300.1	850.9	10,033.6	3,761.2	626.6	354.2	24,054.3
Segment liabilities (incl. Equity)	8,189.9	6,443.3	3,260.1	5,281.6	155.4	26.9	359.6	23,716.8
do. previous Year	9,424.4	9,636.4	1,736.0	2,382.3	436.8	92.9	345.5	24,054.3
Further Segment Information:								
Property, Plant and Equipment, net	0.0	33.7	0.0	0.0	0.0	0.0	0.0	33.7
do. previous Year	0.0	1.0	0.0	0.0	0.0	0.0	0.0	1.0
Intangible Assets, net	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.3
do. previous Year	0.0	4.2	0.0	0.0	0.0	0.0	0.0	4.2

Notes to the consolidated Income Statement

(17) Net Interest Income and Current Income

As well as interest income and interest expense, the interest income and interest expense items include pro rata reductions in premiums and discounts resulting from financial instruments, and dividend income.

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

Due to the fact that under certain circumstances silent participations are to be classified as liabilities under IAS 32, payments to silent partners are reported as interest expenses.

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
Interest Income	1,055,378	1,847,553	-43
Interest Income from Lending and Money Market Transactions	402,471	722,179	-44
Interest Income from fixed Income and Book Entry Securities	316,094	492,851	-36
Current Income	0	1,374	90
From Shares and other variable Yield Securities	0	0	0
From participating Interests	0	1,374	90
Interest Income from Hedge Derivatives	336,711	631,133	-47
Expected Return on Plan Assets	103	1	> 100
Other Interest Income and similar Income	0	14	-100
Interest Expense	-877,994	-1,702,111	-48
Interest Expense from Lending and Money Market Transactions	-290,223	-698,860	-58
Interest Expense from securitised Liabilities	-128,262	-243,814	-47
Interest Expense from subordinated Capital	-5,001	-13,676	-63
Interest Expense from Hedge Derivatives	-453,747	-745,346	-39
Interest Expense from silent Participations	0	0	0
Interest Expense for Provisions and Liabilities	-176	-195	-10
Other Interest Expense and similar Expense	-585	-220	> 100
Total	177,384	145,442	22

Interest income and interest expense both fell sharply in 2009 compared to the previous year. This was predominantly caused by the market interest rate trend.

The active use of these effects led to a general rise in net interest income with a correspondingly higher contribution to profit from maturity transformation.

Interest in the sum of KEUR 843 (previous year KEUR 485) was not received for value-adjusted securities and KEUR 4,259 (previous year KEUR 220) for value adjusted loans.

(18) Loan Loss Provisions

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
Income from Loan Loss Provisions	1,577	260	> 100
Reduction in Provisions for Claims	1,577	0	>100
Reductions in portfolio-based Provisions for Receivables	0	260	-100
Reversal of Provisions in Lending Business	0	0	0
Additions to Receivables written off	0	0	0
Loan Loss Provision Expense	153,973	79,461	94
Allocations to Provisions for Claims	138,716	70,529	97
Allocation to portfolio-based Provisions for Claims	9,557	8,933	7
Allocation to Provisions for Lending Business	5,700	0	>100
Direct write-offs of Claims	0	0	0
Total	-152,396	-79,201	92

The allocation to the provisions for claims relates to:

- the new creation of provisions for loans and non-received interest from three US real estate financing arrangements in the sum of KEUR 22,391
- the new creation of provisions for loans and non-received interest from four commitments in the automotive sector in the sum of KEUR 64,409
- the new creation of provisions for loan claims from the forfeiting business in the sum of KEUR 30,095 due to the suspicion of fraud
- the building up of provisions for impaired loans and non-received interest from Icelandic parties in the LAR

- category (KEUR 13,955, previous year KEUR 37,666) and positions in securities designated as AfS (KEUR 2,814, previous year KEUR 28,114) from Icelandic issuers due to the developments observed in financial year 2009
- the building up of provisions for impaired loans concerning two commitments from the energy sector (KEUR 5,052, previous year KEUR 4,700) due to the developments observed in financial year 2009.

The allocation to provisions in lending business relates to the abovementioned US real estate financing arrangements.

(19) Net Commission Income

The Group shows commission expense and commission income in its profit/loss.

The Group makes a distinction in commission income between transaction-dependent commission, which is due and entered when the transaction is concluded, and term-related commission, which is 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 result mainly from brokerage transactions with NORD/LB. The transaction-related commission results mainly from payments and securities transactions carried out by the Group.

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
Commission Income	34,590	30,876	12
From Security and Custody Transactions	3,205	6,311	-49
From Brokerage Transactions	2,131	2,288	-7
From Lending and Guarantee Transactions	27,557	21,401	29
Other Commission Income	1,696	876	94
Commission Expense	43,106	25,779	67
From Brokerage Transactions	24,540	21,346	15
From Lending and Guarantee Transactions	15,696	1,397	> 100
Other Commission Expense	2,870	3,036	-5
Total	-8,516	5,097	> 100

Commission income relates in particular to brokerage transactions (EUR 2.1 million; previous year EUR 2.3 million), security and custody transactions (EUR 3.2 million; previous year EUR 6.3 million) and lending and guarantee transactions (EUR 27.6 million; previous year EUR 21.4 million).

Commission expense relates in particular to brokerage transactions (EUR 24.5 million; previous year EUR 21.3 million) and lending and guarantee transactions (EUR 15.7 million; previous year EUR 1.4 million). The steep rise in com-

mission for guarantee transactions arose from the security policy pursued by the Bank in the financial year in relation to counterparty risks.

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 business is shown under commission income.

As a broker the Bank is not subject to the provisions of IFRS 4.

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

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
Trading Profit/Loss	1,546	-7,188	> 100
Realised Profit/Loss	-200	-873	-77
From debt Securities and other fixed Interest Securities	0	0	0
From Shares and other variable Yield Securities	0	0	0
From Derivatives	-200	-873	-77
From other trading Transactions	0	0	0
Measurement Gains/Losses	4,410	-10,146	> 100
From debt Securities and other fixed Interest Securities	0	0	0
From Shares and other variable Yield Securities	0	0	0
From Derivatives	4,410	-10,146	> 100
From other trading Transactions	0	0	0
Foreign Exchange Profit/Loss	606	1,166	-48
Other Profit/Loss	-3,270	2,664	> 100
Profit/Loss from the Fair Value Option	2,391	670	> 100
Realised Profit/Loss	0	0	0
From debt Securities and other fixed Interest Securities	0	0	0
From Shares and other variable Yield Securities	0	0	0
Other Transactions	0	0	0
Measurement Gains/Losses	2,391	670	> 100
From debt Securities and other fixed Interest Securities	2,391	670	> 100
From Shares and other variable Yield Securities	0	0	0
Other Transactions	1	0	>100
Other Profit/Loss	0	0	0
Total	3,937	-6,518	> 100

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). The interest income from trading activities is shown under other profit/loss.

The trading profit/loss that has risen sharply in comparison to the previous year was significantly influenced this year by the reduction in Group hedges and the associated changes.

The profit/loss from the fair value option essentially includes the profit/loss from the debt securities designated at Fair Value.

(21) 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.

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
Profit/Loss from Micro Fair Value Hedge Transactions	4,743	-2,678	> 100
From hedged underlying Transactions	-238,513	364,864	> 100
From Derivatives used as hedging Instruments	243,255	-367,542	> 100
Profit/Loss from Portfolio Fair Value Hedge Transactions	0	0	0
From hedged underlying Transactions	0	0	0
From Derivatives used as hedging Instruments	0	0	0
Total	4,743	-2,678	> 100

The Bank uses Micro Fair Value Hedge Accounting to hedge the interest rate risk. Hedged underlying transactions are loans and advances and liabilities to banks and customers, financial assets and own issues.

(22) 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.

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
Profit/Loss from financial Assets classified as LaR	1,925	-98	> 100
Profit/Loss from financial Assets classified as AfS (no Joint Ownership)	4,301	-9,983	> 100
Profit/Loss from Disposal	4,301	-9,906	> 100
Of debt Securities and other fixed Interest Securities	4,301	-9,906	> 100
Of Shares and other variable Yield Securities	0	0	0
Of other financial Assets	0	0	0
Profit/Loss from Value Adjustments for	0	-77	-100
Debt Securities and other fixed Interest Securities	0	-77	-100
Variable Yield Securities	0	0	0
Profit/Loss from affiliated Companies	0	0	0
Profit/Loss from Joint Ventures and associated Companies	0	0	0
Profit/Loss from other participating Interests	0	0	0
Total	6,226	-10,081	> 100

The profit/loss from financial assets mainly results from the Group's own issues repurchased for price management.

(23) Administrative Expenses

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

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
Staff Expenses	15,253	14,541	5
Wages and Salaries	12,826	12,804	0
Social Security Contributions	1,217	1,027	18
Expenses for Pension Provision	1,046	710	47
Other Staff Expenses	164	0	>100
Other administrative Expenses	14,397	12,255	17
Expense for Operating and Office Equipment and IT	5,107	4,759	7
Legal, Audit, Survey and Professional Fees	2,920	3,180	-8
Other administrative Expenses	6,370	4,316	48
Depreciation and Impairments	5,814	1,599	>100
Depreciation	5,814	1,599	>100
Property, Plant and Equipment	1,298	700	85
Intangible Assets	4,517	899	>100
Impairments	0	0	0
Total	35,464	28,395	25

The increase in the number of employees has led to higher staff expenses. The rental costs for the bank building sold in the last year are reflected accordingly under other administrative costs.

In the financial year the site was acquired for the agreed new development and the building project started. Completion is expected in mid-2011.

In 2009 it was decided to consolidate and realign the software products used by the Bank within the sub-group. This measure is scheduled to be completed in the second half of 2011.

The decision for both investments will have the effect of shortening the useful life of various items of property, plant and equipment and intangible assets (software). The depreciation period for these capital goods was adjusted accordingly, which increased the scheduled depreciation amount by a total of KEUR 4,513 (property, plant and equipment KEUR 926, intangible assets KEUR 3,587).

(24) Other operating Profit/Loss

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
Other operating Income	1,733	20,399	-92
From the Reversal of Provisions	0	0	0
Other Income	1,733	20,399	-92
Other operating Expenses	3,122	7,942	-61
From the Allocation of Provisions	0	0	0
Other Expenses	3,122	7,942	-61
Total	-1,390	12,458	> 100

The Bank sold its office building in the previous year and decided to erect a new building in a central location near Luxembourg airport.

Other income in 2008 is mainly from the sale proceeds of the office building (EUR 18.3 million). Other expenses include expenditure on the acquisition of the site and the renovation work (EUR 3.1 million).

(25) Income Taxes

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
Current Income Taxes	4,315	9,000	-52
Deferred Taxes	-2,325	-1,102	> 100
Total	1,990	7,897	-75

The following tax reconciliation provides an analysis of the difference between the current income tax expense that would have arisen by applying the Luxembourg approach to income tax to the IFRS earnings before taxes and the actual income tax expense shown.

	2009 (KEUR)	2008 (KEUR)
IFRS Earnings before Taxes (EBT)	-5,475	36,123
Expected Income Tax	1,565	-10,703
Effects of Reconciliation:		
Effects of different Tax Rates	0	0
Taxes from previous Years recognised in the Year under Report	-6	2,373
Effects of Tax Rate Changes	0	0
Non-allowable Income Taxes	0	0
Non-deductible operating Expenses	-39	-40
Effects of tax-free Income	1,934	0
Effects of permanent effects affecting the Balance Sheet	0	0
Other Effects	-7,769	-630
Income Tax Expense shown	-4,315	-9,000

The expected income tax in the tax reconciliation is essentially calculated on the basis of the corporate and trading tax applicable in Luxembourg in 2009 in the sum of 28.59 % (previous year 29.63 %).

The deferred taxes in 2008 (EUR 1.1 million) essentially result from the release of deferred taxes through profit or loss to the first-time adoption reserve (EUR 7.1 million) and the deferred tax liabilities resulting from the sale of the Bank's office building (EUR 5.4 million). In financial year 2009 the reduction of the tax ratio is reflected in the deferred tax liabilities.

Notes to the consolidated Balance Sheet

(26) Cash Reserve

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Cash	1.0	0.7	34
Balances with Central Banks	206.4	95.5	> 100
Total	207.4	96.2	> 100

In order to adhere to the minimum reserve regulations EUR 205.2 million (previous year EUR 93.1 million) was deposited at the Luxembourg Central Bank.

(27) Loans and Advances to Banks

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Receivables from Money Market Transactions	4,765.2	2,905.1	64
Luxembourg Banks	591.6	268.1	> 100
Foreign Banks	4,173.6	2,637.1	58
Other Receivables	2,337.5	3,599.9	-35
Luxembourg Banks	8.5	12.2	-30
Due on Demand	4.5	3.8	21
Deferred	4.0	8.4	-53
Foreign Banks	2,329.0	3,587.7	-35
Due on Demand	104.3	18.9	>100
Deferred	2,224.7	3,568.8	-38
Total	7,102.7	6,505.1	9

Of the total amount EUR 6,502.6 million (previous year EUR 6,224.8 million) relates to loans and advances to foreign banks. EUR 1,440.5 million (previous year EUR 2,465.8 million) of the loans and advances to banks is not due for over twelve months.

(28) Loans and Advances to Customers

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Receivables from Money Market Transactions	0.0	0.0	0
Luxembourg Customers	0.0	0.0	0
Foreign Customers	0.0	0.0	0
Other Receivables	6,063.9	7,260.8	-16
Luxembourg Customers	458.5	40.4	> 100
Due on Demand	0.8	0.1	> 100
Deferred	73.0	40.3	> 100
Foreign Customers	5,605.4	7,220.4	-22
Due on Demand	233.2	21.0	> 100
Deferred	5,372.2	7,199.4	-25
Total	6,063.9	7,260.8	-16

The total amount mainly relates to loans and advances to foreign customers. EUR 4,139.1 million (previous year EUR 4,933.4 million) of the loans and advances to customers is not due for over twelve months.

(29) Risk Provisions

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Individual value Adjustments for Receivables	-195.0	-77.5	> 100
Foreign Banks	-72.4	-59.6	21
Luxembourg Customers	0.0	0.0	0
Foreign Customers	-122.7	-17.9	> 100
Portfolio-based Provisions for Receivables	-25.5	-16.0	60
Total	-220.6	-93.5	> 100

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

	Specific value adjustments (EUR Million)	Portfolio-based provisions (EUR Million)	Provisions in lending business (EUR Million)	Total (EUR Million)
01.01.2008	6.8	7.3	0.0	14.1
Allocations	70.5	8.9	0.0	79.5
Reductions	0.0	0.3	0.0	0.3
Utilisation	0.0	0.0	0.0	0.0
Effects from Currency Translations, Unwinding and other Changes	0.1	0.0	0.0	0.1
31.12.2008	77.5	16.0	0.0	93.5
Allocations	138.7	9.6	5.6	153.9
Reductions	1.6	0.0	0.0	1.6
Utilisation	19.5	0.0	0.0	19.5
Effects from Currency Translations, Unwinding and other Changes	0.1	0.0	0.0	0.0
31.12.2009	195.0	25.6	5.6	226.2

Specific value adjustments in the sum of EUR 19.5 million were drawn on through the sale of a value-adjusted loan claim in the automotive sector.

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

This item includes 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, and derivatives that are not used in Hedge Accounting.

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Trading Assets	240.2	423.7	-43
Debt Securities and other fixed Interest Securities	0.0	0.0	0
Money Market Papers	0.0	0.0	0
From Public Issuers	0.0	0.0	0
From other Issuers	0.0	0.0	0
Bonds and Debt Securities	0.0	0.0	0
From Public Issuers	0.0	0.0	0
From other Issuers	0.0	0.0	0

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Shares and other variable Yield Securities	0.0	0.0	0
Shares	0.0	0.0	0
Investment Certificates	0.0	0.0	0
Positive Fair Values from Derivatives in Connection with:	240.2	423.7	-43
Interest Rate Risks	69.0	141.2	-51
Currency Risks	171.2	282.5	-39
Share and other Price Risks	0.0	0.0	0
Trading Portfolio Claims	0.0	0.0	0
Financial Assets designated at Fair Value	75.8	74.0	2
Loans and Advances to Banks and Customers	0.0	0.0	0
Debt Securities and other fixed Interest Securities	75.8	74.0	2
Shares and other variable Yield Securities	0.0	0.0	0
Total	316.0	497.7	-37

The designated assets exclusively comprise debt securities that are economically hedged with derivatives against interest rate risks. The aim of the designation is to reduce an accounting mismatch. EUR 149.4 million (previous year: EUR 161.3 million) of the trading assets are not due for over 12 months.

(31) Fair Values from Hedge Accounting

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

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Positive Fair Values from allocated Micro Fair Value Hedge Derivatives	217.1	259.8	-16
Fair Values from Derivatives in Portfolio Fair Value Hedge Accounting	0.0	0.0	0
Total	217.1	259.8	-16

(32) Financial Assets

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

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Financial Assets classified as LaR	3,381.0	3,472.5	-3
Financial Assets classified as AfS	6,578.4	5,986.2	10
Debt Securities and other fixed Interest Securities	6,558.4	5,986.2	10
Money Market Papers	57.6	627.1	-91
From Public Issuers	0.0	0.0	0
From other Issuers	57.6	627.1	-91
Bonds and debt securities	6,500.7	5,359.1	21
From Public Issuers	650.3	156.0	> 100
From other Issuers	5,850.4	5,203.1	12
Shares and other variable Yield Securities	20.1	0.0	> 100
Shares	0.0	0.0	0
Investment Certificates	20.1	0.0	> 100
Profit Participation Certificates	0.0	0.0	0
Shares in Companies	0.0	0.0	0
Shares in affiliated Companies	0.0	0.0	0
Joint Ventures	0.0	0.0	0
Associated Companies	0.0	0.0	0
Other participating Interests	0.0	0.0	0
Other AfS Financial Assets	0.0	0.0	0
Total	9,959.5	9,458.7	5

The Group made use of the options under IAS 39.50E and reclassified 18 securities designated as AfS (bonds and debt securities) as LaR in 2008. The reclassification was done at Fair Value in the sum of EUR 620.3 million. The results from the reclassified securities, which were recognised in equity as not affecting profit or loss, amounted at the time of the reclassification to EUR -13.2 million. The pro rata reduction of this item is in accordance with IAS 39.54 in relation to net interest income. The effective interest rate for each security was determined for this purpose. Those interest rates were in a band between 2.53 % and 6.46 %. In the financial year 2009 the pro rata reduction was KEUR 676 (previous year KEUR 316) at the expense of net interest income.

Without reclassification the results from these securities, shown in equity as not affecting profit or loss, would have fallen to EUR -18.6 million on 31.12.2009 (previous year EUR -39.9 million).

EUR 8,295.3 million (previous year EUR 9,270.5 million) of financial assets is not due for over twelve months.

(33) Property, Plant and Equipment

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Land and Buildings	23.0	0.0	> 100
Operating and Office Equipment	0.4	1.0	-62
Property under Construction	10.3	0.0	> 100
Other Property, Plant and Equipment	0.0	0.0	0
Total	33.7	1.0	> 100

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	Property under Con- struction	Other prop- erty, Plant and Equipment	Total
Acquisition and manufacturing Costs at 01.01.2008	14.2	11.2	0.0	0.0	25.4
Accruals	0.0	0.3	0.0	0.0	0.3
Disposals	14.2	0.0	0.0	0.0	14.3
Transfers	0.0	0.0	0.0	0.0	0.0
Increases/Decreases from Currency Translations	0.0	0.0	0.0	0.0	0.0
Total 31.12.2008	0.0	11.5	0.0	0.0	11.5
Cumulative Depreciation at 01.01.2008	6.2	10.1	0.0	0.0	16.3
Scheduled Depreciation	0.3	0.4	0.0	0.0	0.7
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	6.5	0.0	0.0	0.0	6.5
Total 31.12.2008	0.0	10.5	0.0	0.0	10.5
Closing Balance at 31.12.2008	0.0	1.0	0.0	0.0	1.0
Acquisition and manufacturing Costs at 01.01.2009	0.0	11.5	0.0	0.0	11.5
Accruals	23.4	0.3	10.3	0.0	34.0
Disposals	0.0	0.0	0.0	0.0	0.0

EUR Million	Land and Buildings	Operating and Office Equipment	Property under Construction	Other property, Plant and Equipment	Total
Transfers	0.0	0.0	0.0	0.0	0.0
Increases/Decreases from Currency Translations	0.0	0.0	0.0	0.0	0.0
Total 31.12.2009	23.4	11.8	10.3	0.0	45.5
Cumulative Depreciation at 01.01.2009	0.0	10.5	0.0	0.0	10.5
Scheduled Depreciation	0.4	0.9	0.0	0.0	1.3
Impairments (Write-Downs)	0.0	0.0	0.0	0.0	0.0
Write-Ups	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Increases/Decreases from Currency Translations	0.0	0.0	0.0	0.0	0.0
Total 31.12.2009	0.4	11.4	0.0	0.0	11.8
Closing Balance at 31.12.2009	23.0	0.4	10.3	0.0	33.7

For further information see Note (23).

(34) Intangible Assets

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Software	0.3	4.2	-92
Acquired for Consideration	0.3	4.2	-92
Self-produced	0.0	0.0	0
Intangible Assets under Development	0.0	0.0	0
Other	0.0	0.0	0
Total	0.3	4.2	-92

Fully depreciated software continues to be used in the Group.

Intangible Assets changed as follows:

EUR Million	Software		Other		Total
	Acquired for consideration	Self-produced	Acquired for consideration	Self-produced	
Acquisition and manufacturing Costs at 01.01.2008	12.7	0.0	0.0	0.0	12.7
Accruals	3.6	0.0	0.0	0.0	3.6
Disposals	0.5	0.0	0.0	0.0	0.5
Transfers	0.0	0.0	0.0	0.0	0.0
Total 31.12.2008	15.8	0.0	0.0	0.0	15.8
Cumulative Depreciation at 01.01.2008	10.7	0.0	0.0	0.0	10.7
Scheduled Depreciation	0.9	0.0	0.0	0.0	0.9
Disposals	0.0	0.0	0.0	0.0	0.0
Total 31.12.2008	11.6	0.0	0.0	0.0	11.6
Closing balance at 31.12.2008	4.2	0.0	0.0	0.0	4.2
Acquisition and manufacturing Costs at 01.01.2009	15.8	0.0	0.0	0.0	15.8
Accruals	0.7	0.0	0.0	0.0	0.7
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Total 31.12.2009	16.4	0.0	0.0	0.0	16.4
Cumulative Depreciation at 01.01.2009	11.6	0.0	0.0	0.0	11.6
Scheduled Depreciation	4.5	0.0	0.0	0.0	4.5
Disposals	0.0	0.0	0.0	0.0	0.0
Total 31.12.2009	16.1	0.0	0.0	0.0	16.1
Closing balance at 31.12.2009	0.3	0.0	0.0	0.0	0.3

(35) Income Tax Assets

Income tax assets are broken down as follows:

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Current Income Tax Assets	16.5	11.2	47
Active deferred Taxes	15.5	33.7	-54
Total	32.0	45.0	-29

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 tax provisions of the IFRS agreement have been applied since the financial year 2008. This means that many of the temporary differences no longer apply. The active deferred taxes relate almost exclusively to financial assets classified as AfS.

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

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Assets			
Risk Provisions	0.0	0.0	0
Financial Assets	15.4	33.7	-54
Property, Plant and Equipment	0.0	0.0	0
Other Assets	0.0	0.0	0
Equity and Liabilities			
Financial Liabilities at Fair Value through Profit or Loss	0.0	0.0	0
Fair Values from Hedge Accounting	0.0	0.0	0
Provisions	0.0	0.0	0
Other Liabilities	0.1	0.0	> 100
Tax Losses carried forward	0.0	0.0	0
Total	15.5	33.7	-54

(36) Other Assets

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Tax Reimbursement Rights from other Taxes	0.1	1.1	-94
Other Assets Including Accruals and deferred Income	4.8	18.2	-73
Total	4.9	19.3	-74

(37) Liabilities to Banks

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Deposits from other Banks	3,444.1	3,654.1	-6
Luxembourg Banks	503.8	1.1	> 100
Foreign Banks	2,940.3	3,653.0	-20
Liabilities arising from Money Market Transactions	9,409.6	10,777.3	-13
Luxembourg Banks	348.4	4,317.6	-92
Foreign Banks	9,061.2	6,459.7	40
Other Liabilities	0.2	1.9	-89
Luxembourg Banks	0.1	1.8	-94
Due on Demand	0.1	1.1	-90
Deferred	0.0	0.7	-100
Foreign Banks	0.1	0.1	-8
Due on Demand	0.1	0.1	-8
Deferred	0.0	0.0	0
Total	12,853.9	14,433.3	-11

EUR 2,664.9 million (previous year EUR 2,784.2 million) of the total amount relates to liabilities that are not due for over twelve months.

(38) Liabilities to Customers

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Savings Deposits	0.0	0.0	0
Liabilities arising from Money Market Transactions	3,877.8	1,607.3	> 100
Luxembourg Customers	25.4	13.4	90
Foreign Customers	3,852.4	1,593.9	> 100
Other Liabilities	485.1	281.1	73
Luxembourg Customers	56.9	14.4	> 100
Due on Demand	54.3	14.4	> 100
Deferred	2.6	0.0	> 100
Foreign Customers	428.2	266.7	61
Due on Demand	60.8	47.1	29
Deferred	367.3	219.6	67
Total	4,362.9	1,888.4	> 100

Of the total amount of liabilities to customers EUR 367.9 million is not due until after the coming 12 months (previous year EUR 220.3 million).

(39) Securitised Liabilities

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Issued Debt Securities	4,377.0	4,249.0	3
Money Market Papers	503.4	1,286.4	-61
Other Securitised Liabilities	0.0	0.0	0
Total	4,880.4	5,535.3	-12

EUR 3,562.9 million (previous year EUR 4,131.8 million) of the total amount relates to liabilities that are not due for over twelve months. The issued debt securities are listed on the Luxembourg stock exchange.

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

This item includes trading liabilities (HfT) and financial liabilities designated at Fair Value (dFV).

Trading liabilities comprise negative fair values from derivative financial instruments that are not used within the scope of Hedge Accounting and short sale delivery obligations.

The category comprising financial liabilities designated at Fair Value is not currently used.

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Trading Liabilities	224.1	397.2	-44
Negative Fair Values from Derivatives in Connection with:	224.1	397.2	-44
Interest Rate Risks	89.3	129.7	-31
Currency Risks	134.8	267.4	-50
Share and other Price Risks	0.0	0.0	0
Credit Derivatives	0.0	0.0	0
Short Sale Delivery Obligations	0.0	0.0	0
Financial Liabilities designated at Fair Value	0.0	0.0	0
Liabilities to Banks and Customers	0.0	0.0	0
Securitised Liabilities	0.0	0.0	0
Total	224.1	397.2	-44

EUR 84.2 million of the total amount of financial liabilities at Fair Value through Profit or Loss is not due for a year.

(41) Fair Values from Hedge Accounting

This item comprises negative fair values from hedging instruments from effective micro fair value hedging relationships.

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Negative Fair Values from allocated Micro Fair Value Hedge Derivatives	536.1	812.4	-34
Fair Values in Portfolio Fair Value Hedge Accounting	0.0	0.0	0
Fair Values in Cash Flow Hedge Accounting	0.0	0.0	0
Total	536.1	812.4	-34

(42) Provisions

Provisions are broken down as follows:

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Provisions for Pensions and similar Obligations	1.3	0.9	51
Other Provisions	10.8	7.4	45
Provisions in Lending Business	5.6	0.0	> 100
Restructuring Provisions	0.5	0.5	0
Provisions for threatened Losses	0.0	0.0	0
Provisions for uncertain Liabilities	4.8	7.0	-31
Insurance Business Provisions	0.0	0.0	0
Total	12.1	8.3	46

Of the other provisions EUR 1.4 million relates to the coming financial year (previous year EUR 1.6 million). These are essentially personnel provisions. Provisions in the sum of EUR 9.4 million (previous year EUR 5.8 million) were put aside for contingent liabilities which will be due within the next three years. These include provisions for the renovation of the Luxembourg site, risks of recourse and risks from the lending business.

Provisions for Pensions and similar Obligations

Calculations are based on the following actuarial assumptions:

Actuarial Assumptions	31.12.2009 (%)	31.12.2008 (%)	Increase/ Decrease (%)
Annual Salary Growth	2.50 or 1.50	2.50 or 1.50	0
Annual Inflation Rate	2.5	2.5	0
Annual BBG Contribution Ceiling (including Cost of Living Index)	3.7	3.9	-5
Discount Rate	5.5	6.0	-8
Mortality Table	Statistical Values in the Grand Ducal Regulation of 15 January 2001 governing the minimum Funding of occupational Pensions were published		
Expected Return on Plan Assets	3.3	3.3	0
Turnover Rate	3.0	3.0	0

Provisions for pensions and similar obligations are as follows:

	31.12.2009 (KEUR)	31.12.2008 (KEUR)	Increase/ Decrease (%)
Cash Value of the defined Benefit Obligation	3,594.6	3,451.0	4
Deduction for the Fair Value of Plan Assets	2,520.5	2,591.4	-3
Surplus Plan Assets not shown as an Asset	0.0	0.0	0
Deduction for the past Service Cost	0.0	0.0	0
Other Assets to be shown in the Balance Sheet	224.5	0.0	> 100
Total	1,298.6	859.6	51

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 mentioned items:

	31.12.2009 (KEUR)	31.12.2008 (KEUR)	Increase/ Decrease (%)
Opening Balance	3,451.0	3,490.7	-1
Current Service Cost	332.2	268.7	24
Interest Expense	175.7	194.7	-10
Contributions by Plan Participants	0.0	0.0	0
Actuarial Gains/Losses from the Liability	147.3	-15.3	> 100
Increases/Decreases from Currency Translations	0.0	0.0	0
Benefits Paid	-511.6	-487.8	5
Past Service Cost	0.0	0.0	0
Effects of Curtailments	0.0	0.0	0
Effects of Settlements	0.0	0.0	0
Closing Balance	3,594.6	3,451.0	4

In addition, the defined benefit obligation at the balance sheet date shall be split into amounts arising from defined benefit plans that are wholly unfunded and amounts arising from defined benefit plans that are wholly or partially funded. The latter applies to the NORD/LB Luxembourg and NORD/LB CFB defined benefit obligation.

According to the insurance firm, experience adjustments on plan liabilities and plan assets amount to KEUR 361.8 and KEUR 7.0 respectively.

The Fair Value of the plan assets can be shown to have changed as follows:

	31.12.2009 (KEUR)	31.12.2008 (KEUR)	Increase/ Decrease (%)
Opening Balance	2,591.4	2,546.0	2
Expected Return on Plan Assets	103.0	102.2	1
Actuarial Gains/Losses on Plan Assets	16.6	75.5	-78
Increases/Decreases from Currency Translations	0.0	0.0	0
Employer Contributions	321.1	355.5	-10
Contributions by Plan Participants	0.0	0.0	0
Benefits paid	-511.6	-487.8	5
Effects of Settlements	0.0	0.0	0
Closing Balance	2,520.5	2,591.4	-3

The Fair Value of the plan assets is composed as follows:

	31.12.2009 (%)	31.12.2008 i(%)	Increase/ Decrease (%)
Equity Instruments	4	4	0
Equity Instruments of another Entity	87	89	-2
Real Estate	4	5	-20
Other Assets	5	2	> 100

The Fair Value of the plan assets includes equity instruments in the sum of KEUR 105, equity instruments of another entity in the sum of KEUR 2,191, real estate in the sum of KEUR 108 and other assets in the sum of KEUR 116.

It is expected that a total of KEUR 346 will be paid into the plan assets of the defined benefit obligations during the next reporting period.

Pension costs are made up as follows:

	31.12.2009 (KEUR)	31.12.2008 (KEUR)	Increase/ Decrease (%)
Current Service Cost	332.2	268.7	24
Interest Expense	175.7	194.7	-10
Expected Return on Plan Assets	-103.0	-102.2	1
Past Service Cost	0.0	0.0	0
Effects of Plan Changes	0.0	0.0	0
Expected Return on Reimbursement Rights	130.7	-89.7	> 100
Total	535.6	271.5	97

The other provisions changed in 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	Summe
				Provisions for personnel obligations	Other provisions for uncertain liabilities		
Opening Balance	0.0	0.5	0.0	1.0	6.0	0.0	7.4
Increases/Decreases from Currency Translations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Utilisation	0	0.0	0.0	0.3	2.5	0.0	2.8
Reductions	0.4	0.0	0.0	0.0	0.0	0.0	0.4
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Allocations	6.0	0.0	0.0	0.3	0.3	0.0	6.6
Closing Balance	5.6	0.5	0.0	0.9	3.8	0.0	10.8

(43) Income Tax Liabilities

Income tax liabilities are broken down as follows:

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Current Income Tax Liabilities	3.3	13.1	-75
Passive deferred Taxes	6.0	8.1	-26
Total	9.3	21.2	-56

Deferred taxes on the liabilities side are potential income tax burdens from temporary differences between the values of assets and liabilities in the IFRS balance sheet and the tax values in accordance with the tax provisions.

The tax provisions of the IFRS agreement have been applied since financial year 2008. This means that many of the temporary differences no longer apply (see table below). The deferred taxes on the liabilities side in 2008 mainly result from the sale of the Bank's office building.

The deferred tax obligations are in connection with the following balance sheet items:

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Assets			
Financial Assets at Fair Value through Profit or Loss	0.0	0.0	0
Fair Values from Hedge Accounting	0.0	0.0	0
Financial Assets	0.0	0.0	0
Intangible Assets	0.0	0.0	0
Other Assets	0.0	0.0	0
Equity and Liabilities			
Securitised Liabilities	0.0	0.0	0
Financial Liabilities at Fair Value through Profit or Loss	0.0	0.0	0
Provisions	0.0	0.0	0
Other Liabilities	6.0	8.1	-26
Total	6.0	8.1	-26

(44) Other Liabilities

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Liabilities from outstanding Invoices	6.4	4.4	44
Liabilities from Contributions	0.0	0.0	0
Liabilities from short term Remuneration of Workers	2.3	2.0	15
Accruals and deferred Income	13.1	2.4	> 100
Liabilities from payable Taxes and social Security Contributions	2.0	2.5	-20
Liabilities on interim Accounts	0.0	0.0	0
Insurance-related Liabilities	0.0	0.0	0
Other Liabilities	19.4	10.0	94
Total	43.2	21.4	> 100

Liabilities from short term remuneration of workers is made up of outstanding leave entitlement and staff and management bonuses. The other liabilities mainly relate to commission payments that are still outstanding.

(45) Subordinated Capital

Subordinated liabilities are only repaid after the claims of all senior lenders have been settled. They fully meet the conditions set out in CSSF circular 06/273, as amended, in relation to consideration as regulatory supplementary capital.

Because of their contractual nature and economic character, contributions by silent partners constitute liabilities in accordance with IAS 32, but also fully meet the conditions set out in circular 06/273, as amended, in relation to consideration as regulatory supplementary capital. In financial year 2009 the contributions of silent partners were paid back in full with the approval of the regulatory authorities.

The interest expense for the contributions of silent partners is directly linked to the profit/loss achieved by the Bank. The reduction in profit for the year and the repayment of the silent participations leads to lower interest expenses for subordinated liabilities in the sum of EUR 5.0 million in 2009 (previous year EUR 13.7 million).

The changes illustrated in the table result from accrued interest and exchange rate fluctuations.

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Subordinated Liabilities	86.8	90.0	-4
Profit Participation Capital	0.0	0.0	0
Contributions from silent Partners	0.0	154.7	-100
Total	86.8	244.7	-65

Type of Transaction	Nominal Amount (Millions)	Accrued Interest (Millions)	Exchange rate on 31.12.2009	Balance Sheet Value (EUR Million)	Term in Years	Interest Rates (%)	Maturity
Subordinated Loans	USD 60.0	USD 0.0	1.4406	41.7	15	0.44531	08.06.16
Subordinated Loans	USD 65.0	USD 0.0	1.4406	45.1	15	0.69063	31.12.17
Total				86.8			

(46) Notes to the Statement of Changes in Equity

The subscribed capital of NORD/LB Luxembourg amounted to EUR 205 million as at 31 December 2009 and comprises 820,000 registered no-par value shares. The subscribed capital is fully paid up. There were no changes in the financial year.

The individual components of equity and changes to those components in 2008 and 2009 arise from the statement of changes in equity.

The revenue reserves comprise the amounts provided in previous reporting years and the allocations to the re-

serves and profit/loss brought forward from the income for the year. The negative differences (badwill) calculated within the scope of the initial consolidation are also deducted from the revenue reserves.

At the extraordinary general meeting held on 18 December 2009 it was resolved to pay out KEUR 18,750 from the profit carried forward as a dividend to NORD/LB.

On 19 February 2010 EUR 100.0 million was paid out to the shareholder from the revenue reserves.

The effects of measuring Available-for-Sale (AfS) financial instruments are shown under the revaluation reserve item.

Other Disclosures

(47) 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 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 shows 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 includes payment flows from capital adjustments, interest payments on subordinated capital and dividend payments to the shareholders of NORD/LB Luxembourg.

Please refer to the effects in the risk report section of the management report with regard to the Group's control of the liquidity risk.

Notes to Financial Instruments

(48) Term to Maturity of financial Liabilities and contingent Liabilities

At 31 December 2009:

EUR Million	Up to 1 Month	Over 1 Month and up to 3 Months	Over 3 Months and up to 1 Year	Over 1 Year and up to 5 Years	Over 5 Years	Total
Liabilities to Banks	5,641.4	2,829.0	1,718.6	1,067.4	1,597.5	12,853.9
Liabilities to Customers	1,906.2	1,543.0	546.6	0.0	367.1	4,362.9
Securitised Liabilities	204.8	228.1	884.5	1,233.5	2,329.4	4,880.4
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	0.0	86.8	86.8
Irrevocable Credit Commitments	19.9	40.2	320.8	1,086.9	314.6	1,782.3
Financial Guarantees	33.0	41.7	54.4	256.8	327.1	713.0
Total	7,805.2	4,682.0	3,524.9	3,644.6	5,022.4	24,679.3

At 31 December 2008

EUR Million	Up to 1 Month	Over 1 Month and up to 3 Months	Over 3 Months and up to 1 Year	Over 1 Year and up to 5 Years	Over 5 Years	Total
Liabilities to Banks	8,468.5	1,213.6	1,966.9	965.7	1,818.5	14,433.3
Liabilities to Customers	1,095.1	179.7	393.2	0.0	220.3	1,888.4
Securitised Liabilities	436.6	870.8	99.0	1,776.5	2,352.4	5,535.3
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	104.7	0.0	50.0	90.0	244.7
Irrevocable Credit Commitments	6.1	66.5	399.7	1,167.8	469.4	2,109.6
Financial Guarantees	133.5	94.0	73.9	311.5	291.8	904.7
Total	10,139.9	2,529.3	2,932.7	4,271.6	5,242.4	24,116.0

Term to maturity is defined as the time remaining from the reporting date to the contractual maturity date.

(49) 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:

31.12.2009 EUR Million	Level 1 (Mark-to- Market)	Level 2 (Mark-to- Matrix)	Level 3 (Mark-to- Model)	Total
Trading Assets	0	240	0	240
Financial Assets designated at Fair Value	76	0	0	76
Positive Fair Values from Hedge Accounting Derivatives	0	217	0	217
Financial Assets (measured at Fair Value)	5,247	410	921	6,578
Assets	5,323	867	921	7,111
Trading Liabilities	0	224	0	224
Financial Liabilities designated at Fair Value	0	0	0	0
Negative Fair Values from Hedge Accounting Derivatives	0	536	0	536
Equity and Liabilities	0	760	0	760

In the case of the Mark-to-Model valuation (Level 3) the amount of the fair value depends on the relevant assumptions, so that changes in assumptions can result in fluctuations in the fair value. Significant effects of these value fluctuations that can be traced back to changes in the assumptions are checked for the fair values recorded in the financial statements using a sensitivity analysis.

The transfers within the fair value hierarchy are as follows:

01.01. – 31.12.2009 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
Financial Assets designated at Fair Value	0	0	38	0	0	0
Positive Fair Values from Hedge Accounting Derivatives	0	0	0	0	0	0
Financial Assets (measured at Fair Value)	16	64	62	28	1,877	23
Assets	16	64	100	28	1,877	23

01.01. – 31.12.2009 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 Liabilities	0	0	0	0	0	0
Financial Liabilities designated at Fair Value	0	0	0	0	0	0
Negative Fair Values from Hedge Accounting Derivatives	0	0	0	0	0	0
Equity and Liabilities	0	0	0	0	0	0

Transfers were mainly from level 3 to level 1 due to the developments on the capital market.

The changes in financial assets and liabilities in level 3 of the fair value hierarchy were as follows:

EUR Million	Trading Assets	Financial Assets designated at Fair Value	Positive Fair Values from Hedge Account- ing Derivatives	Financial Assets (measured at Fair Value)	Total Assets
Opening Balance as of 01.01.2009	0	0	0	2,891	2,891
Profit/Loss Effect	0	0	0	-7	-7
Equity Effect	0	0	0	34	34
Purchases	0	0	0	10	10
Sales	0	0	0	0	0
Amortisations	0	0	0	-241	-241
Moved from Level 1 and 2	0	0	0	92	92
Moved to Level 1 and 2	0	0	0	-1,900	-1,900
Closing Balance at 31.12.2009	0	0	0	880	880

(50) Fair Value of Financial Instruments

The fair values of financial instruments that are recognised in the balance sheet at amortised cost or with the hedge fair value are contrasted with the carrying amounts in the following table:

EUR Million	Fair Value	Carrying amount	Difference	Fair Value	Carrying amount	Difference
	31.12.2009	31.12.2009	31.12.2009	31.12.2008	31.12.2008	31.12.2008
Assets	16,777.2	16,534.4	242.8	23,866.5	23,227.4	639.2
Cash Reserve	207.3	207.4	-0.1	96.0	96.2	-0.2
Loans and Advances to Banks	7,120.8	7,102.7	18.1	6,542.6	6,505.1	37.6
Loans and Advances to Customers	6,188.2	6,063.9	124.3	7,869.7	7,260.8	608.9
Financial Assets	3,260.9	3,381.0	-120.1	9,358.1	9,458.7	-100.6
Risk Provisions	0.0	-220.6	220.6	0.0	-93.5	93.5
Loans and Advances after Risk Provisions	16,569.9	16,327.0	242.8	23,770.5	23,131.1	639.4
Equity and Liabilities	22,366.0	22,183.9	182.0	22,734.1	22,101.7	632.4
Liabilities to Banks	12,984.1	12,853.9	130.3	15,015.9	14,433.3	582.7
Liabilities to Customers	4,380.8	4,362.9	17.9	1,896.0	1,888.4	7.6
Securitised Liabilities	4,900.3	4,880.4	19.9	5,554.7	5,535.3	19.3
Subordinated Capital	100.7	86.8	13.9	267.5	244.7	22.8

Fair Values are determined in accordance with the discounted cash flow method on the basis of the interest structure curve effective on the balance sheet date

(51) Derivative Financial Instruments

The Group uses derivative financial instruments for hedging purposes as part of asset/liability management. Trade in derivative financial transactions is also undertaken.

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 adjustment payments, but does not include receivables or liabilities that are eligible for recognition.

The composition of the derivative portfolio is as follows:

EUR Million	Nominal Values		Market Values Positive		Market Values Negative	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Interest rate risks	16,474.9	19,086.3	230.6	343.8	564.5	869.5
Interest Rate Swaps	16,474.9	19,086.3	230.6	343.8	564.5	869.5
FRA's	0.0	0.0	0.0	0.0	0.0	0.0
Interest Rate Options	0.0	0.0	0.0	0.0	0.0	0.0
Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Sales	0.0	0.0	0.0	0.0	0.0	0.0
Caps, Floors	0.0	0.0	0.0	0.0	0.0	0.0
Stock Exchange Contracts	0.0	0.0	0.0	0.0	0.0	0.0
Other forward Interest Rate Transactions	0.0	0.0	0.0	0.0	0.0	0.0
Currency Risks	14,247.8	10,492.4	226.7	340.3	195.8	393.0
Forward Exchange Contracts	1,223.6	-63.3	1.4	3.8	2.9	5.8
Currency Swaps/Interest Rate-Currency Swaps	13,024.2	10,555.7	225.3	336.5	192.9	387.2
Currency Options	0.0	0.0	0.0	0.0	0.0	0.0
Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Sales	0.0	0.0	0.0	0.0	0.0	0.0
Stock Exchange Contracts	0.0	0.0	0.0	0.0	0.0	0.0
Other Currency Transactions	0.0	0.0	0.0	0.0	0.0	0.0
Share and other Price Risks	0.0	0.0	0.0	0.0	0.0	0.0
Forward Share Transactions	0.0	0.0	0.0	0.0	0.0	0.0
Share Swaps	0.0	0.0	0.0	0.0	0.0	0.0
Share Options	0.0	0.0	0.0	0.0	0.0	0.0
Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Sales	0.0	0.0	0.0	0.0	0.0	0.0
Stock Exchange Contracts	0.0	0.0	0.0	0.0	0.0	0.0
Other forward Transactions	0.0	0.0	0.0	0.0	0.0	0.0
Credit Derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Secured Party	0.0	0.0	0.0	0.0	0.0	0.0
Guarantor	0.0	0.0	0.0	0.0	0.0	0.0
Total	30,722.8	29,578.7	457.3	684.1	760.3	1,262.5

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. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008
Term to Maturity								
Up to 3 Months	4,549.8	8,634.6	8,345.7	7,278.2	0.0	0.0	0.0	0.0
Over 3 Months and up to 1 Year	3,736.7	2,599.5	4,023.9	1,401.0	0.0	0.0	0.0	0.0
Over 1 Year and up to 5 Years	3,206.1	3,407.2	388.5	909.8	0.0	0.0	0.0	0.0
Over 5 Years	4,982.2	4,445.0	1,489.8	903.4	0.0	0.0	0.0	0.0
Total	16,474.9	19,086.3	14,247.9	10,492.4	0.0	0.0	0.0	0.0

The term to maturity is the period of time between the balance sheet date and the contractual maturity.

The table below breaks down the positive and negative market values for derivative transactions according to the relevant counterparty.

EUR Million	Nominal Values	Nominal Values	Market Values	Market Values	Market Values	Market Values
	31.12.2009	31.12.2008	Positive 31.12.2009	Positive 31.12.2008	Negative 31.12.2009	Negative 31.12.2008
Banks in OECD Countries	30,370.7	29,540.8	451.6	681.6	759.8	1,261.9
Banks outside OECD Countries	307.8	0.0	2.8	0.0	0.1	0.0
Public Sector Entities in OECD Countries	0.0	0.0	0.0	0.0	0.0	0.0
Other Counterparties (including Stock Exchange Contracts)	44.3	37.9	2.9	2.5	0.4	0.6
Total	30,722.8	29,578.7	457.3	684.1	759.8	1,262.5

(52) The NORD/LB Luxembourg Group as Assignor

The following assets were assigned by the Bank as security for liabilities:

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Loans and Advances to Banks	0.0	0.0
Loans and Advances to Customers	0.0	0.0
Financial Instruments at Fair Value through Profit or Loss	0.0	0.0
Financial Assets	6,875.3	5,603.1
Total	6,875.3	5,603.1

The furnishing of security in order to borrow funds took the form of genuine repurchase agreements (repos).

(53) Securities Repurchase Agreements and Securities Lending

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Genuine Repurchase Agreements as a Repurchase Buyer (reverse Repos)	3,093.0	520.7
Loans and Advances to Banks	3,093.0	520.7
Loans and Advances to Customers	0.0	0.0
Genuine Repurchase Agreements as a Repurchase Seller (repos)	6,845.2	5,580.2
Liabilities to Banks	6,777.8	5,580.2
Liabilities to Customers	67.4	0.0

	31.12.2009 (EUR Million)	31.12.2008 (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	70.0

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Securities sold under Repurchase Agreements	6,799.2	5,577.4
Securities sold under Repurchase Agreements at Fair Value through Profit or Loss	0.0	0.0
Securities sold under Repurchase Agreements from financial Assets	6,799.2	5,577.4
Securities bought under Repurchase Agreements	3,053.2	519.2

Other Notes

(54) Basic regulatory Data

The risk-weighted asset values and the regulatory equity have been based on the rules of the Solvency Regulation and on the basis of the IFRS since the financial year 2008.

Risk-weighted Asset Values

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Risk Assets	5,132.5	6,546.8
Market Risk Positions and weighted operational Risks	176.7	188.5
Total	5,309.2	6,735.3

The IRB approach used by the Group led to a lower equity cost compared with the earlier regulation.

Regulatory Equity

	31.12.2009 (EUR Million) IFRS	31.12.2008 (EUR Million) Lux GAAP
Contributed Capital	205.0	205.0
Other Reserves	541.6	539.0
Special Items for general Banking Risks pursuant to § 340g HGB	0.0	0.0
Remaining Components	-0.3	-4.2
Core Capital	746.3	739.8
Capital Contribution by silent Partnersr	0.0	152.3
Subordinated debt Securities (recognisable Part)	86.8	89.8
Supplementary Capital	86.8	242.1
Deduction Items from Core and Supplementary Capital	0.0	0.0
Liable Equity	833.0	981.9
Tier three Funds	0.0	0.0
Equity Capital	833.0	981.9

The special item for general banking risks was removed in the first-time adoption of the IFRS and put into the reserves.

Revaluation reserves are not taken into account in the regulatory equity. The Bank exercised its right to choose accordingly.

Minimum Capital Ratios

The Bank maintained the regulatory minimum capital ratios at all times in 2008 and 2009 at Group level. At the respective year-ends the Bank had the following ratios:

	31.12.2009	31.12.2008
Overall Coefficient	15.7 %	14.6 %
Core Capital Ratio	14.1 %	11.0 %

(55) Contingent Liabilities and other Obligations

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Contingent Liabilities	713.0	904.7
Contingent Liabilities under rediscounted Bills of Exchange	0.0	0.0
Liabilities from Guarantees and other Indemnity Agreements	713.0	904.7
Irrevocable Credit Commitments	1,782.3	2,109.6
Total	2,495.3	3,014.3

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 and the uncertainty with regard to the amount or timing of asset outflows and on the possibility of adjustment payments are not made for reasons of practicality.

The approach to liabilities from guarantees and other indemnity agreements (financial guarantees) is in accordance with IAS 39.

(56) Subordinated Assets

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Loans and Advances to Banks	24.5	24.5
Loans and Advances to Customers	0	0
Financial Instruments at Fair Value	0	0
Financial Assets	0	0
Total	24.5	24.5

Assets are regarded as subordinated if the claims they represent in the event of the liquidation or insolvency of a debtor are only settled after the claims of other creditors.

The subordinated loans and advances to banks relate to a NORD/LB investment.

(57) Trust Activities

Trust activities are broken down as follows:

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Trust Assets	112.0	111.2
Loans and Advances to Banks	50.3	76.2
Loans and Advances to Customers	43.1	35.0
Financial Instruments at Fair Value	0.0	0.0
Financial Assets	18.6	0.0
Other Trust Assets	0.0	0.0
Trust Liabilities	112.0	111.2
Liabilities to Banks	11.9	11.3
Liabilities to Customers	100.1	99.9
Other Trust Liabilities	0.0	0.0

(58) Events after the Balance Sheet Date

With effect from 11 January 2010 Mr Martin Halblaub, Member of the Board of Norddeutsche Landesbank Girozentrale, left the Supervisory Board of NORD/LB Luxembourg.

SKANDIFINANZ BANK AG, Zürich, reported an offence in February 2010 to the competent Swiss authorities against a long-term business partner in the export financing business. There is an acute suspicion that trading transactions for which forward financing has been provided are sham transactions.

The maximum possible loss amounts to EUR 133.8 million (book value of the discounted dues as at 31.12.2009). When the suspicion of fraud arose comprehensive measures were taken directly to clarify and pursue recovery and compensation. The necessary financial preventative steps were taken by Skandifinanz itself with support from the Group and business operations were continued without any restrictions for customers.

NORD/LB Luxembourg made a dividend payment in the sum of EUR 100.0 million from the revenue reserves to NORD/LB on 19 February 2010.

Related Parties

(59) Number of Employees

The average number of employees in the Group during the reporting period can be broken down as follows:

	Male 2009	Male 2008	Female 2009	Female 2008	Total 2009	Total 2008
NORD/LB Luxembourg	94.8	81.3	37.5	33.8	132.3	115.0
NORD/LB CFB	4.9	4.2	1.8	0.3	6.8	4.5
Skandifinanz	7.3	6.0	4.2	2.6	11.5	8.6
Group	107.1	91.4	43.5	36.6	150.5	128.1

(60) Related Party Disclosures

All consolidated subsidiaries qualify as related parties. NORD/LB (parent company of NORD/LB Luxembourg) and companies covered by IAS 24.9(f) are also regarded as 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 as parent company and their close family members.

Within the scope of ordinary business activities, transactions with related parties are concluded under normal market terms and conditions.

The extent of transactions (without the business to be eliminated within the scope of the consolidation) with related parties in 2009 and 2008 can be seen from the following schedule:

At 31 December 2009:

KEUR	Shareholders	Persons in key roles	Other related parties
Outstanding Loans and Advances			
To Banks	1,055,957	0	0
To Customers	0	420	0
Other Assets	997	0	1,686
Total Assets	1,056,955	420	1,686
Outstanding Liabilities			
To Banks	4,530,853	0	0
To Customers	0	0	0
Subordinated Capital	86,798	0	0
Other Liabilities	58,416	173	0
Total Equity and Liabilities	4,676,067	173	0
Guarantees / Sureties granted	0	0	0
Interest Expense	171,427	0	1,547
Interest Income	30,428	18	82
Commission Expense	38,504	0	0
Commission Income	523	0	0
Other Income and Expense	5,255	-2,647	1,689
Total Contributions to Income	-173,725	-2,629	224

At 31 December 2008:

KEUR	Shareholders	Persons in key roles	Other related parties
Outstanding Loans and Advances			
To Banks	2,142,013	0	0
To Customers	0	440	0
Other Assets	112,811	0	0
Total Assets	2,254,824	440	0
Outstanding Liabilities			
To Banks	5,698,842	0	207,767
To Customers	0	0	0
Subordinated Capital	244,679	0	0
Other Liabilities	66,502	195	0
Total Equity and Liabilities	6,010,023	195	207,767
Guarantees / Sureties granted	0	0	0
Interest Expense	254,855	0	10,655
Interest Income	84,062	117	7,162
Commission Expense	21,300	0	0
Commission Income	0	0	0
Other Income and Expense	-19,568	-2,512	0
Total Contributions to Income	-211,661	-2,395	-3,493

All payments and loans to executive bodies in accordance with the provisions relating to trade are set out in Note (62) "Remuneration of and Loans to Executive Bodies".

(61) Members of Executive Bodies and their Positions

Supervisory Board

The Supervisory Board of NORD/LB Luxembourg was composed of the following people in the year under report:

- Dr. Gunter Dunkel, Chairman of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (Chairman)
- Martin Halblaub, Member of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (until 11 January 2010)
- Dr. Stephan-Andreas Kaulvers, Chairman of the Board of Directors of Bremer Landesbank, Bremen
- Walter Kleine, Chairman of the Board of Directors of Sparkasse Hannover, Hanover
- Christoph Schulz, Deputy Chairman of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

Members of the Board of Directors

The following persons sat on the Bank's Board of Directors in the year under report:

- Harry Rosenbaum, Luxembourg (Chairman)
- Christian Veit, Luxembourg (Deputy Chairman)

Positions

As at 31 December 2009 the members of the Board of Directors of Norddeutsche Landesbank Luxembourg S.A. held the following positions:

Harry Rosenbaum

- SKANDIFINANZ BANK AG, Zurich, Member of the Supervisory Board
- NORD/LB COVERED FINANCE BANK S.A., Luxembourg, Deputy Chairman of the Supervisory Board
- NORD/LB G-MTN S.A., Luxembourg, Chairman of the Supervisory Board
- NORD/LB Asset Management Holding GmbH, Hanover Member of the Supervisory Board

Christian Veit

- NORD/LB COVERED FINANCE BANK S.A., Luxembourg, Deputy Chairman of the Board of Directors
- NORD/LB G-MTN S.A., Luxembourg, Deputy Chairman of the Supervisory Board

(62) Remuneration of and Loans to Executive Bodies

	2009 (KEUR)	2008 (KEUR)
Payments to active Executive Body Members	2,647	2,512
Extended Management *	2,572	2,437
Supervisory Board	75	75
Pension Obligations	173	195
Extended Management *	173	195
Supervisory Board	0	0
Advances, Loans and Liabilities	420	440
Extended Management *	420	440
Supervisory Board	0	0

* Board of Directors and senior staff

(63) Fees for the Auditor of the consolidated Financial Statements

	2009 (KEUR)	2008 (KEUR)
Fees for the Auditor of the consolidated Financial Statements for:		
Auditing	545	435
Other Services	416	98
Other Services	53	0

(64) Approval of the consolidated Financial Statements by the Board of Directors

The consolidated financial statements were approved by the Board of Directors of NORD/LB Luxembourg on 15 April 2010.

Consolidated Financial Statements 2009



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 Bank, and that the management report includes a fair review of the development and performance of the business and the position together with a description of the main opportunities and risks associated with the expected development of the Bank.

Luxembourg, 15 April 2010
Norddeutsche Landesbank Luxembourg S.A.

Harry Rosenbaum

Christian Veit

Consolidated Financial Statements 2009



NORD/LB Luxembourg

Auditor's Report

To the Board of Directors of
Norddeutsche Landesbank Luxembourg S.A.
26, Route d'Arlon
L-1140 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 30 November 2009 we have audited the attached consolidated financial statements of Norddeutsche Landesbank Luxembourg S.A., which comprise the consolidated balance sheet at 31 December 2009, the consolidated income statement, the consolidated statement of income and expense, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements for the financial year ended on this date.

Responsibility of the Board of Directors for the consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union. This responsibility includes developing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 as adopted by the Institut des Réviseurs d'Entreprises. These standards require that we comply with ethical requirements 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 disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

We believe that 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 and fair view of the assets and financial situation of the Norddeutsche Landesbank Luxembourg S.A. Group as at 31 December 2009, and of the earnings and cash flows for the financial year ending on this date.

Report on other legal and regulatory Requirements

The management report, which is the responsibility of the Board of Directors, is in accordance with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Auditors

Christoph HAAS

Luxembourg, 15 April 2010

Consolidated Financial Statements 2009



NORD/LB Luxembourg

Report of the Supervisory Board

The Bank's Board of Directors regularly informed the Supervisory Board and the committees appointed by it during the year under report of the business development and situation of the Bank. The Supervisory Board met on a total of four occasions during the financial year 2009.

The Supervisory Board and its committees 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.

At its meeting on 15 March 2010 the Supervisory Board also dealt with the events after the balance sheet date. The fraud case in the export financing business of SKANDIFINANZ BANK AG, including the steps taken by the Bank in close coordination with the Group with regard to the claim for compensation and the internal review, were discussed in detail at this meeting.

The financial statements and consolidated financial statements of NORD/LB Luxembourg for the financial year 2009 were audited by Ernst & Young S.A., Luxembourg and were 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 15 March 2010 and reported on the results of the audit.

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.

The Supervisory Board thanks the Bank's Board of Directors for their faithful cooperation and expresses its appreciation to the Board and to all the Bank's employees for the work performed by them in 2009.

Luxembourg
April 2010

Dr. Gunter Dunkel
Chairman of the Board of Directors
NORD/LB Norddeutsche Landesbank Girozentrale

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S.W.I.F.T.

NOLALULL

Supervision

Commission de Surveillance du Secteur Financier

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Trade and Companies Register

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