

Norddeutsche Landesbank Luxembourg S.A.



## Annual Report per 31.12.2009

# Content

## Organisational Structure

## Management Report

- 11 Subsidiaries and Position within the Group
- 12 International Economic Development
- 16 Development of Business Sectors
- 18 Earnings
- 23 Schedule of Assets and Financial Data
- 24 Risk Report
- 38 Personnel Report
- 39 Supplementary Report

## Financial Statements

- 43 Income Statement
- 44 Statement of Income and Expense
- 45 Balance Sheet
- 46 Cash Flow Statement
- 48 Statement of Changes in Equity

## Notes

- 53 Accounting Policies
- 62 Segment Reporting
- 66 Notes to the Income Statement
- 74 Notes to the Balance Sheet
- 94 Other Disclosures

## Statements to the Annual Report

- 115 Responsibility Statement
- 117 Auditor's Report
- 121 Report of the Supervisory Board

## Summary of Key Data

Performance	2009 EUR Million	2008 EUR Million	Increase/Decrease	
			EUR Million	Percentage
Loans and Advances to Banks	8,282.3	6,721.4	1,560.9	23
Loans and Advances to Customers	4,655.6	6,074.7	-1,419.1	-23
Risk Provisions	-189.2	-91.4	-97.8	> 100
Financial Assets	7,375.1	7,137.3	237.8	3
Other Assets	613.8	648.9	-35.1	-5
<b>Balance Sheet Total Assets</b>	<b>20,737.5</b>	<b>20,490.9</b>	<b>246.6</b>	<b>1</b>
Liabilities to Banks	12,676.5	13,554.8	-878.2	-6
Liabilities to Customers	3,941.1	1,681.5	2,259.6	> 100
Securitised Liabilities	2,921.6	3,713.8	-792.2	-21
Other Liabilities	497.3	866.5	-369.1	-43
Reported Equity	701.0	674.4	26.5	4
<b>Balance Sheet Total Liabilities</b>	<b>20,737.5</b>	<b>20,490.9</b>	<b>246.6</b>	<b>1</b>
Profit/Loss Performance	2009 KEUR	2008 KEUR	Increase/Decrease	
			KEUR	Percentage
Net Interest Income	163,192	130,076	33,117	25
Net Commission Income	-8,501	5,034	-13,535	> 100
Profit/Loss from Financial Assets	-1,639	-10,070	8,430	-84
Other Profit/Loss	1,102	13,329	-12,227	-92
<b>Earnings before Costs</b>	<b>154,145</b>	<b>138,369</b>	<b>15,785</b>	<b>11</b>
Administrative Expenses	-30,241	-22,263	-7,978	36
Cost/Income Ratio (Percent)*	19.6 %	16.1 %	3.5 %	22
RoRaC/RoE (Percent)	3.6 %	5.3 %	-1.7 %	-32
Profit/Loss from Valuation Changes and Risk Provisions	-110,543	-91,881	-18,662	20
Taxes	-2,489	-5,455	2,966	-54
<b>Earnings after Taxes</b>	<b>10,881</b>	<b>18,770</b>	<b>-7,889</b>	<b>-42</b>
Regulatory Key Data	2009 EUR Million	2008 EUR Million	Increase/Decrease	
			EUR Million	Percentage
Risk-Weighted Asset Values	4,945	7,641	-2,697	-35
Core Capital	719	716	4	1
Equity	806	958	-152	-16
Core Capital Ratio	14.5 %	9.4 %	5.2 %	55
Overall Coefficient	16.3 %	12.5 %	3.8 %	30
Number of Employees	2009	2008	Increase/Decrease	
			Total	Percentage
	139	118	21	18

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



Annual Report per 31.12.2009



## 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





## Subsidiaries and Position within the Group

Norddeutsche Landesbank Luxembourg S.A. (referred to hereinafter as “NORD/LB Luxembourg” or “the Bank”) is a full subsidiary of and is included in the consolidated accounts of NORD/LB Norddeutsche Landesbank Girozentrale with registered offices in Hanover, Braunschweig and Magdeburg (referred to hereinafter as “NORD/LB”) and, as such, is one of the banks and financial institutions for which the parent company submitted a letter of comfort in its Annual Report. The letter of comfort also covers political risk.

NORD/LB Luxembourg, Luxembourg is the parent company of a sub-group that includes NORD/LB COVERED FINANCE BANK S.A., Luxembourg and SKANDIFINANZ BANK AG, Zürich. NORD/LB Luxembourg currently holds 100 % of the shares in 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 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 forfeiting and other trade-related financial transactions, as well as international private banking.

This report relates to the unconsolidated annual financial statements for 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 under way 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 percent in January to a good 3.8 percent 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 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%). 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

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 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

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

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.

## Outlook

The Bank’s fundamental strategy will be maintained in 2010. This strategy involves taking every opportunity in the Group to promote Luxembourg’s advantages as a location, responding to new customer requirements quickly and flexibly, and limiting risk as far as possible. In the Credit division the Bank assumes that the credit margin will tend to remain high as a result of the financial market crisis. On the other hand the Bank is expecting a new reduction 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 other hand the Bank is expecting noticeable falls in income from this segment as a result of the interest rate forecast. Overall the Bank is again expecting a satisfactory result in 2010 despite the continuing difficult economic situation.

## Earnings

The financial statements of NORD/LB Luxembourg 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 continuing financial crisis the Bank was able to achieve a satisfactory operating result in 2009. Earnings before taxes and loan loss provisions rose against the previous year by EUR 33.6 million to EUR 137.0 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	163,192	130,076	33,117
Loan Loss Provisions	-123,588	-79,133	-44,455
Commission Expense/Net Commission Income	-8,501	5,034	-13,535
Profit/Loss from Financial Instruments stated at Fair Value through Profit or Loss, including Hedge Accounting	13,045	-12,748	25,794
Other operating Profit/Loss	1,102	13,329	-12,227
Administrative Expenses	-30,241	-22,263	-7,978
Profit/Loss from Financial Assets	-1,639	-10,070	8,430
<b>Earnings before Income Taxes</b>	<b>13,370</b>	<b>24,225</b>	<b>-10,855</b>
Income Taxes	-2,489	-5,455	2,966
<b>Profit for the Year</b>	<b>10,881</b>	<b>18,770</b>	<b>-7,889</b>

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

Net interest income rose sharply compared to the previous year by EUR 33.1 million to EUR 163.2 million.

Loan loss provisions had to be increased in financial year 2009 due to the tense economic situation. Loan loss provisions rose year on year because of the specific value adjustments increasing by EUR 44.5 million to EUR 123.6 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.

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

Before taxes the Bank recorded earnings for 2009 in the sum of EUR 13.4 million; after tax the profit for the year is EUR 10.9 million. This should be carried forward within the scope of the appropriation of earnings.

The individual items making up the result are as follows:

## Net Interest Income

	2009 (KEUR)	2008 (KEUR)	Increase/Decrease <sup>*)</sup> (KEUR)
Interest Income	769,315	1,508,815	-739,500
Interest Expense	-606,123	-1,378,740	772,617
<b>Net Interest Income</b>	<b>163,192</b>	<b>130,076</b>	<b>33,117</b>

<sup>\*)</sup> 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.

## Net Commission Income

	2009 (KEUR)	2008 (KEUR)	Increase/Decrease <sup>*)</sup> (KEUR)
Commission Income	34,121	30,507	3,615
Commission Expense	-42,622	-25,473	-17,149
<b>Net Commission Income</b>	<b>-8,501</b>	<b>5,034</b>	<b>-13,535</b>

<sup>\*)</sup> 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 <sup>*)</sup> (KEUR)
Trading Profit/Loss	6,093	-6,842	12,935
Profit/Loss from Financial Instruments designated at Fair Value at initial Recognition	2,391	670	1,721
Profit/Loss from Hedge Accounting	4,561	-6,576	11,137
<b>Profit/Loss from Financial Instruments stated at Fair Value through Profit or Loss, including Hedge Accounting</b>	<b>13,045</b>	<b>-12,748</b>	<b>25,794</b>

\*) 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 <sup>*)</sup> (KEUR)
Other operating Income	3,365	20,375	-17,010
Other operating Expenses	-2,263	-7,046	4,783
<b>Other operating Profit/Loss</b>	<b>1,102</b>	<b>13,329</b>	<b>-12,227</b>

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

Other income is mainly from the sale proceeds of the Bank'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 <sup>*)</sup> (KEUR)
Wages and Salaries	10,540	9,947	-593
Social Security Contributions and Expenses for Pension Provision	1,814	1,394	-420
<b>Staff Expenses</b>	<b>12,354</b>	<b>11,341</b>	<b>-1,013</b>
<b>Other Administrative Expenses</b>	<b>12,297</b>	<b>9,436</b>	<b>-2,861</b>
<b>Depreciation and Value Adjustments</b>	<b>5,590</b>	<b>1,486</b>	<b>-4,104</b>
<b>Administrative Expenses</b>	<b>30,241</b>	<b>22,263</b>	<b>-7,978</b>

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

Administrative expenses including depreciation increased by a total of EUR 8.0 million to EUR 30.2 million. Of this EUR 4.1 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 1.0 million higher in comparison to the previous year as a result of increasing employee numbers. The rise in other administrative expenses is particularly a result of the special items relating to the agreed consolidation and realignment of the software products used by the Bank within the sub-group.

## Profit/Loss from Financial Assets

	2009 (KEUR)	2008 (KEUR)	Increase/Decrease <sup>*)</sup> (KEUR)
Profit/Loss from Financial Assets classified as LaR	-586	-98	-488
Profit/Loss from Financial Assets classified as AfS (without participating Interests)	-1,053	-9,971	8,918
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
<b>Profit/Loss from Financial Assets</b>	<b>-1,639</b>	<b>-10,070</b>	<b>8,430</b>

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

In both financial years the profit/loss from financial assets is almost exclusively the result of the disposal of financial assets in the AfS category.

## Income Taxes

	2009 (KEUR)	2008 (KEUR)	Increase/Decrease*) (KEUR)
Current Taxes	2,680	7,149	4,469
Deferred Taxes	-191	-1,694	-1,504
<b>Income Taxes</b>	<b>2,489</b>	<b>5,455</b>	<b>2,966</b>

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

## Proposal for the Appropriation of Earnings

	2009 (KEUR)
Profit/Loss for the Financial Year	10,881
Profit carried forward from previous Year	20 <sup>*)</sup>
<b>Sub-Total</b>	<b>10,901</b>
Dividend Payment	0
Transfer to the legal Reserves	0
Transfer to the other Reserves	0
Profit carried forward for the Year	10,901

\*) In December 2009 KEUR 18,750 was paid out from the profit carried forward as a dividend to the shareholder.

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

## 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	8,282	6,721	1,561
Loans and Advances to Customers	4,656	6,075	-1,419
Risk Provisions	-189	-91	-98
Financial Assets at Fair Value through Profit or Loss	293	480	-187
Financial Assets	7,375	7,137	238
Equity-Accounted Investments	0	0	0
Other Assets	321	169	152
<b>Total Assets</b>	<b>20,738</b>	<b>20,491</b>	<b>247</b>
Liabilities to Banks	12,677	13,555	-878
Liabilities to Customers	3,941	1,681	2,260
Securitised Liabilities	2,922	3,714	-792
Financial Liabilities at Fair Value through Profit or Loss	216	448	-232
Provisions	11	8	4
Other Liabilities	270	411	-141
Reported Equity	701	674	27
<b>Total Equity and Liabilities</b>	<b>20,738</b>	<b>20,491</b>	<b>247</b>

The balance sheet total increased in relation to the previous year by EUR 0.2 billion to EUR 20.7 billion. There were significant year on year changes in the various items reported. On the assets side interbank business showed an increase of EUR 1.6 billion at the reporting date. Loans and advances to customers, on the other hand, fell by EUR 1.4 billion to EUR 4.7 billion. Under financial assets the figures for debt securities and other fixed interest securities, in particular, remained static at the level of the previous year due to the financial market crisis.

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 includes the cash reserve at EUR 0.2 billion, which is above the amount of the previous year (EUR 0.1 billion).

On the liabilities side, liabilities to banks are recorded at EUR 12.7 billion and are therefore about EUR 0.9 billion below the level of the previous year. Liabilities to customers rose in 2009 by EUR 2.3 billion while securitised liabilities fell by EUR 0.8 billion to EUR 2.9 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 0.5 billion), only include trading liabilities.

The Bank's equity amounted to EUR 701 million on 31 December 2009.

The Bank does not have any branches and does not hold any of its own shares.

## Risk Report

The risk report for NORD/LB Luxembourg at 31 December 2009 was drawn up in accordance with IFRS 7.

The Bank does not enter into any appreciable risks pertaining to complex structured derivatives.

### Overall Bank Management

#### Fundamentals of Capital Control and Risk Control

Banking is inevitably associated with taking risks. From a business point of view, the Bank 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 Bank's risk policy is characterised by a responsible handling of risks. A risk strategy is passed accordingly on the basis of the business strategy and inspected and discussed annually with the supervisory bodies. The core element of this risk strategy 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 Bank's Board of 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 account of planned business activity – focus on securing the future risk-bearing capacity of individual companies.

In this context the Bank, at the operational level, has the instruments that are necessary to control, monitor and communicate risks. These fundamentally standard instruments are described in detail in the Bank's working guidelines and in the Group's risk manual.

#### Risk-bearing Capacity

The risk-bearing capacity model (RBC model) constitutes the methodical basis for monitoring adherence to the NORD/LB Luxembourg risk strategy. Monitoring is carried out by the Bank's Controlling division.

The objective of this model is the aggregated presentation of risk-bearing capacity (RBC) at both individual bank and sub-group level. Undertaking the monitoring and reporting process on a regular basis ensures that the Bank's bodies are informed promptly of any risk-bearing capacity situations. 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) and 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, in close cooperation with Bremer Landesbank and NORD/LB Luxembourg. 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% 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. Furthermore, the Bank's risk-bearing capacity is always assessed during the Bank's regular supervisory board meetings.

The following table shows how the Bank's risk capital with risk potential has been utilised with reference to the ICAAP:

EUR Million	Risk-bearing Capacity 31.12.2009		Risk-bearing Capacity 31.12.2008	
Risk Capital	806.0	100.0 %	941.6	100.0 %
Credit Risks	574.0	71.2 %	555.6	59.0 %
Investment Risks	6.6	0.8 %	5.6	0.6 %
Market Price Risks	16.0	2.0 %	12.3	1.3 %
Liquidity Risks	5.7	0.7 %	7.8	0.8 %
Operational Risks	8.1	1.0 %	8.1	0.9 %
Overall Risk Potential	610.5	75.7 %	589.5	62.6 %
<b>Over Cover</b>	<b>195.5</b>	<b>24.3 %</b>	<b>352.1</b>	<b>37.4 %</b>
Level of Risk Cover		<b>132.0 %</b>		<b>159.7 %</b>

The level of risk cover amounted to 132.0% on 31 December 2009.

The consideration of the NORD/LB guarantees has a fundamental relieving effect on the credit risk potential in the ICAAP. However, for restructuring reasons (the calculation method in 2009 changed from Gordy to Credit Risk+); this relief is not reflected by the data for credit risks shown in the table. In case of an analogical calculation method for both reporting dates a reduction of the credit risk potentials would have been observed.

The risk potential for market price risks has risen slightly compared to the end of the previous year, but is still at a low level due to the restrictive treatment of open positions in the trading book. Within the scope of the continuing fi-

ancial 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.

#### Outlook:

In the year under report the NORD/LB group carried out a fundamental analysis of its RBC model. At the centre of the subsequent revision work, which is still ongoing, is the implementation of the requirements of the supervisory authorities with regard to a more extensive presentation of the comprehensive risk type stress tests and detailed Group-wide risk control as well as further improvements

to the overall bank control. The NORD/LB Group's future model will continue to comprise more than one scenario and serve to provide evidence of the capital adequacy and consistency of business activities with its risk strategy. In addition, however, adherence to the equity capital quota prescribed by the supervisory legislation will be integrated into the RBC model as a strict secondary condition for overall bank control and a detailed assessment of the risk situation undertaken that takes account of comprehensive risk type stress scenarios. The introduction of the improved RBC model is anticipated for the year 2010 at Group level as well as at the level of the individual banks.

### Structure and Organisation of Risk Control

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

The Bank's risk control policy is subject to continuous review and improvement. This involves the use of methods that are standardised for both the Group and sub-group. Adjustments which may become necessary include regulatory requirements, 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 also the duty of the 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 NORD/LB Luxembourg work together closely using a standardised Group audit policy and an evaluation matrix for the audit findings. Cross-institutional competence centres were also set up in this regard, in order to develop complex specialised subjects and conduct audits in the banks.

All of the procedures and responsibilities relevant to the risk control process are documented in the NORD/LB risk manual and 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). Risk-related organisational structures, 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 authorities, lending business processes are characterised by a clear organisational separation of the front and back office, right up to Board level.

The Bank'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 Bank. The independent monitoring of the portfolio in rela-

tion to strategic and operational standards will be done by NORD/LB Luxembourg's Controlling Department.

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

The borrower's default risk report contains a detailed and comprehensive presentation and analysis of the Bank'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.

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

### Borrower's Default Risks – 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 measuring, monitoring and controlling the credit and borrower's default risks in the form of a credit risk model (Credit Risk+) was introduced in the year under report. The Credit Risk+ model takes into account strong correlations between sectors, countries and borrowers and therefore represents a significant methodical advance.



The methods and procedures for quantifying risk are coordinated among the main companies in the Group in order to ensure a standardised approach within the Group. The current risk management and control procedures are carried out for the Bank by the Controlling division of NORD/LB Luxembourg taking into account any characteristics specific to the Bank.

### Credit Risk – Development in 2009

The Bank 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 therefore defined in line with those in the risk-bearing capacity report that is submitted to the NORD/LB Board and supervisory bodies on a quarterly basis.

The credit exposure dimension plays a significant role in the context of credit risk control. This figure shows all of the transactions bearing credit risks concluded with counterparties. Credit exposure is calculated on the basis of credit utilisation (in 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% (previous year 75%), while revocable credit commitments and securities are not taken into account.

### Analysis of Credit Exposure

The credit exposure as at 31 December 2009 amounts to EUR 22.5 billion (previous year EUR 23.1 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 pro-

mote 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 on a standardised Group basis can be transposed directly to the IFD categories.

The following table shows the rating structure of the Bank's overall credit exposure divided into product types and comparing the total to the structure for the previous year:

Rating Structure <sup>1)2)</sup> EUR Million	Loans <sup>3)</sup>	Securities <sup>4)</sup> 31.12.2009	Derivatives <sup>5)</sup>	Other <sup>6)</sup>	31.12.2009	Total 31.12.2008 <sup>7)</sup>
Very good to good	11,401	7,104	257	24	18,786	19,799
Good/Satisfactory	1,334	155	0	0	1,489	1,944
Still good/Adequate	539	10	1	1	550	634
Bad Risk	785	0	0	0	785	332
High Risk	290	0	0	0	290	121
Very high Risk	216	0	3	0	219	147
Default (=NPL)	360	21	0	3	384	114
<b>Total</b>	<b>14,924</b>	<b>7,290</b>	<b>261</b>	<b>28</b>	<b>22,503</b>	<b>23,092</b>

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

7) Adjustments of figures as at 31 December 2008 due to changes in method

The majority of total exposure (83.5 %) is in the "very good to good" rating category. The proportion of this rating, the best rating category, in the total exposure continues to be

very high due to the large volume of business conducted with financing institutions and public administrative offices.

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

Sectors <sup>1)2)</sup> EUR Million	Loans <sup>3)</sup>	Securities <sup>4)</sup> 31.12.2009	Derivatives <sup>5)</sup>	Other <sup>6)</sup>	31.12.2009	Total 31.12.2008 <sup>7)</sup>
Financing Institutions/ Insurance Companies	10,247	6,710	249	23	17,230	17,250
Service Industries/Others	1,464	539	0	1	2,004	2,318
Of which: Property and Housing	556	0	0	0	556	935
Of which: Public Administration	5	539	0	0	544	127
Transport/Communication	404	26	0	1	430	360
Of which: Shipping	0	0	0	0	0	0
Of which: Aviation	0	0	0	0	0	0
Manufacturing Industry	1,406	0	3	0	1,410	1,808
Energy- and Water Supplies and Mining	425	0	0	0	425	542
Trade, Maintenance and Repairs	342	0	0	0	342	703
Agriculture, Forestry and Fishing	33	0	0	0	33	42
Construction Industry	181	0	0	3	183	43
Other	423	15	8	0	446	26
<b>Total</b>	<b>14,924</b>	<b>7,290</b>	<b>261</b>	<b>28</b>	<b>22,503</b>	<b>23,092</b>

1) Allocation in alignment with that of the RBC report in accordance with economic criteria  
2) to 7) 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 76.6% and thus still

constitutes a considerable proportion of the total exposure. When the service sector is included the proportion of the total exposure is 85.5%.

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

Regions <sup>1)2)</sup> EUR Million	Loans <sup>3)</sup>	Securities <sup>4)</sup>	Derivatives <sup>5)</sup>	Other <sup>6)</sup>	Total	
					31.12.2009	31.12.2008 <sup>7)</sup>
Euro Countries	10,503	6,018	155	13	16,690	16,401
Remaining Western Europe	1,763	657	104	10	2,534	2,945
Eastern Europe	343	16	0	0	359	832
North America	1,610	287	1	4	1,902	2,524
Latin America	30	94	0	0	124	146
Middle East/Africa	18	0	0	0	18	18
Asia	637	218	0	0	855	188
Other	22	0	0	0	22	37
<b>Total</b>	<b>14,924</b>	<b>7,290</b>	<b>261</b>	<b>28</b>	<b>22,503</b>	<b>23,092</b>

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

2) to 7) see previous table on the rating structure

The Bank invests almost exclusively in economically strong regions. The country risk tends to be of low importance due to the good country ratings. The Eurozone, with a high proportion (74.2%) of loans, continues to be the most important business region by far.

### Non-performing Loans (NPL)

In accordance with the impairment policy, specific value adjustments are established at the Bank 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 by means of portfolio-based provisions for impairments which have already occurred, but were not known at the reporting date.

The Bank's loan loss provisions amount to EUR 194.9 million at the reporting date and as well as portfolio based provisions in the sum of EUR 24.4 million, contain specific value adjustments in the sum of EUR 82.4 million for Icelandic commitments and EUR 15.5 million for two borrowers in the energy sector and a further EUR 67.0 million for four

borrowers from the USA and two from Germany. There are also provisions in the total sum of EUR 5.6 million for three borrowers from the USA.

### Credit Risk – Outlook

The Bank principally applies the IRB foundation approach (IRBA) when calculating the equity requirements for borrowers' 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 main motive behind the Bank's investment policy. The acquisition of participating interests is therefore part of NORD/LB Luxembourg's business policy. They usually serve to consolidate the Bank's universal activities in a targeted manner.

The Bank has set up an investment committee to control and monitor the risks from acquiring participating interests. Investment control is accommodated organisationally within the Controlling division which, in cooperation with other divisions, particularly Business Development, is responsible for monitoring the investment risk and supplying the controlling units with the necessary information.

Participating interests are constantly monitored by analysing reports drawn up during the year, interim and annual financial statements and audit reports prepared by the external 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 investment are integrated into the Bank's and sub-group's risk control 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, 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 compen-

sation. The necessary financial preventative steps were taken by SKANDIFINANZ BANK AG, itself with support from the Group and business operations were 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 Bank has further divided market price risk into interest rate risk, currency risk and volatility risk.

Interest rate risks will always occur when 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 may result in 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

The Bank concentrates its activities concerning the control of market price risks 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. 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 Bank's 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 Bank.

### 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 (except credit spread).

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 account of direct and indirect correlation effects between risk factors, types of risk, 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 that extreme market changes are having on the Bank's risk position. Various stress scenarios were defined for each of the interest, currency and volatility risk types and for credit spread risks, which approximately reflect the most significant changes in the respective risk factors which have been observed in the last five to ten years over a period of ten trading days.

The Value-at-Risk of NORD/LB Luxembourg is also calculated on the basis of the respective regulatory parameters (confidence level of 99 % and a holding period of 10 days).

### Market Price Risks – Reporting

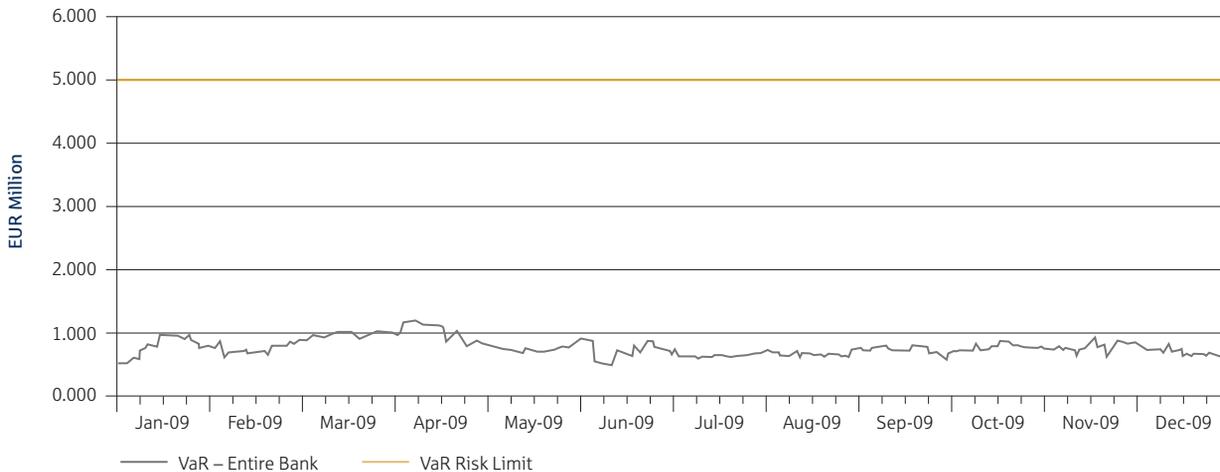
In compliance with MaRisk requirements, the Controlling division, which is independent of the divisions responsible for the positions, reports the market price risks to the Board of Directors on a daily basis.

### Market Price Risks – Development in 2009

In the year under report, the Bank's market price risks shown in the following table were significantly reduced both in general and for the individual sub-categories.

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, which is calculated on a daily basis (confidence level of 95 % and holding period of 1 day), in NORD/LB Luxembourg amounted to EUR 0.725 million on 31 December 2009 (previous year EUR 0.508 million).

## Average Utilisation of VaR – NORD/LB Luxembourg 2009



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 basis points are also analysed in accordance with the requirements of the German Solvency Regulations (SolvV). The result continues to be far below the regulatory threshold, which provides for a maximum proportion of 20% of authorised equity capital.

## 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 Bank's liquidity risk strategy was revised over the course of the year and adapted to the recommendations published by the CEBS 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.

The Controlling division plays a key role in the implementation and development of internal procedures for measuring, limiting, and monitoring liquidity risks, and assumes a control function in the calculation of the refinancing risk as well as in ascertaining and monitoring classical liquidity risk.

### Liquidity Risk – Management and Measurement

The Bank differentiates between the following types of liquidity risk within the scope of its liquidity control:

#### 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:

**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.

**NORD/LB credit event:**

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.

**Market wide Credit Event:**

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 meeting of this core figure is to be reported to the Bank's Board of Directors and NORD/LB's Risk Controlling/Liquidity Risk department on a daily basis.

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 process, which ranges from preventative measures when falling below the risk appetite through to triggering the emergency plan when 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 measured on a daily basis.

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.

A potential rise in the price of liquidity in the individual maturity bands is limited via a cash value limit.

**Liquidity Risk – Reporting**

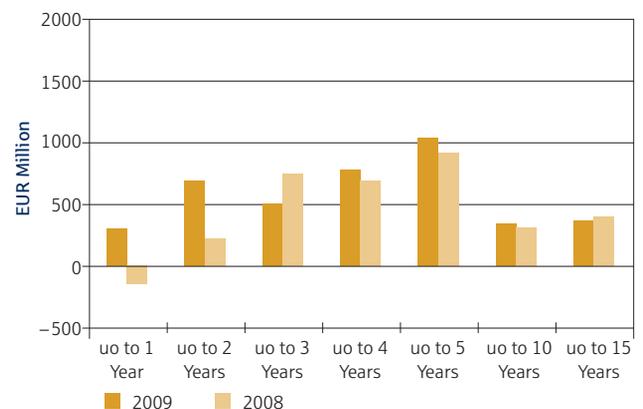
The appropriate Board of Directors is informed on a daily basis of the Bank's liquidity risk situation.

**Liquidity Risk – Development in 2009**

The financial market was still in a very tense mood during 2009. The availability of liquid funds in NORD/LB Luxembourg 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**



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 through-

out the financial year. At the same time NORD/LB Luxembourg achieved a structural improvement in the liquidity progress review by taking up liquidity in the short and long term. In particular liquidity surpluses were built up in the up to one year and up to two years categories.

## Liquidity Risk – Outlook

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

The Bank 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 Bank understands this to mean that it should protect itself against operational risks provided that the cost of the protection does not exceed the cost of the risks that may occur.

#### Organisational Units

The Board of Directors, the person in charge of Op risks, 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. The person in charge of Op risks is responsible for central monitoring and independent reporting on 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. The Internal Audit division is in charge of independently auditing the proper and correct implementation and execution of methods and procedures.

### 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 person in charge of safety, 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 Bank 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 the middle of 2005 the Bank has been collecting data on loss events arising from operational risks and has classified these events 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 collection of loss events is entered into the DakOR data consortium 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 at NORD/LB Luxembourg. 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 2009. This means that external data from the DakOR consortium is now included in the internal model alongside internal data and scenario analyses, and correla-

tion effects were also considered for the first time. A loss distribution approach is implemented here, in which elements of extreme value theory are used; the Gauss Copula 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	7.8
Internal Procedures	4.6	24.1
Staff	91.3	68.1
Technology	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, work is being undertaken on the development and implementation of early warning indicators 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 discussed, there are no other risks relevant to the Bank.

## Summary and Outlook

The Bank has accounted for all known risks by employing precautionary 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 Bank does not consider that there is any risk to its continued existence as a going concern.



In 2009 NORD/LB Luxembourg complied at all times with the applicable regulatory requirements regarding equity and liquidity. The Bank also accommodated the regulations on large lending limits in accordance with the laws of Luxembourg and Germany in the last 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 number of NORD/LB Luxembourg's employees increased as follows due to the expansion of business activities:

Reporting Date	31.12.2009	31.12.2008	Absolute Change	Percentage Change
NORD/LB Luxembourg	139	118	21	17.8

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 Bank'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 co-operation.

The Bank 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 Bank 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 NORD/LB Norddeutsche Landesbank Girozentrale, left the Supervisory Board of NORD/LB Luxembourg on 11 January 2010.

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





For computational reasons, the following tables may contain rounding differences.  
The Notes that follow are an integral part of the Financial Statements.

## Income Statement

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

	Notes	2009 (KEUR)	2008 (KEUR)
<b>Net Interest Income and Current Income</b>	<b>15</b>	<b>163,192</b>	<b>130,076</b>
Net Interest Income and Current Income		769,315	1,508,815
Interest Expense		606,123	1,378,740
<b>Loan Loss Provisions</b>	<b>16</b>	<b>-123,588</b>	<b>-79,133</b>
<b>Net Commission Income</b>	<b>17</b>	<b>-8,501</b>	<b>5,034</b>
Commission Income		34,121	30,507
Commission Expense		42,622	25,473
<b>Profit/Loss from Financial Instruments at Fair Value through Profit or Loss</b>	<b>18</b>	<b>8,485</b>	<b>-6,172</b>
Trading Profit/Loss		6,093	-6,842
Profit/Loss from the Fair Value Option		2,391	670
<b>Profit/Loss from Hedge Accounting</b>	<b>19</b>	<b>4,561</b>	<b>-6,576</b>
<b>Profit/Loss from Financial Assets</b>	<b>20</b>	<b>-1,639</b>	<b>-10,070</b>
<b>Administrative Expenses</b>	<b>21</b>	<b>30,241</b>	<b>22,263</b>
Staff Expenses		12,354	11,341
Other Administrative Expenses		12,297	9,436
Depreciation of Property, Plant and Equipment		1,255	674
Depreciation on Intangible Assets		4,335	811
<b>Other operating Profit/Loss</b>	<b>22</b>	<b>1,102</b>	<b>13,329</b>
<b>Earnings Before Taxes (EBT)</b>		<b>13,370</b>	<b>24,225</b>
<b>Income Taxes</b>	<b>23</b>	<b>2,489</b>	<b>5,455</b>
<b>Profit for the Year</b>		<b>10,881</b>	<b>18,770</b>

## Statement of Income and Expense

NORD/LB Luxembourg's total income for 2009 (2008) consists of the income and expenses recognised in the income statement and directly in equity.

	2009 (KEUR)	2008 (KEUR)
<b>Profit for the Year</b>	<b>10,881</b>	<b>18,770</b>
Increase/Decrease from Available for Sale (AFS) Financial Instruments	49,870	-28,171
Of which unrealised Profit/Losses	48,817	-36,143
Of which Reclassifications on the Grounds of Profit/Loss Realisation	1,053	9,971
Actuarial Gains and Losses for defined Benefit Provisions for Pensions	-347	145
Deferred Taxes	-15,114	7,724
<b>Profit/Loss recognised directly in Equity</b>	<b>34,409</b>	<b>-18,302</b>
<b>Total Income for the Year</b>	<b>45,290</b>	<b>469</b>

With regard to the appropriation of earnings, the intention is to carry forward the profit for the year.

## Balance Sheet

Assets	Notes	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Cash Reserve	24	206.9	95.6
Loans and Advances to Banks	25	8,282.3	6,721.4
Loans and Advances to Customers	26	4,655.6	6,074.7
Risk Provisions	27	-189.2	-91.4
Financial Assets at Fair Value through Profit or Loss	28	292.6	480.0
Derivatives – Fair Values from Hedge Accounting	29	44.0	9.7
Financial Assets	30	7,375.1	7,137.3
Property, Plant and Equipment	31	33.7	1.0
Intangible Assets	32	0.3	4.0
Income Tax Assets	33	27.8	40.0
Other Assets	34	8.4	18.8
<b>Total Assets</b>		<b>20,737.5</b>	<b>20,490.9</b>

Equity and Liabilities	Notes	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Liabilities to Banks	35	12,676.5	13,554.8
Liabilities to Customers	36	3,941.1	1,681.5
Securitised Liabilities	37	2,921.6	3,713.8
Financial Liabilities at Fair Value through Profit or Loss	38	215.8	447.6
Derivatives – Fair Values from Hedge Accounting	39	135.2	130.5
Provisions	40	11.4	7.8
Income Tax Liabilities	41	8.5	17.8
Other Liabilities	42	39.6	18.0
Subordinated Capital	43	86.8	244.7
Equity	44	<b>701.0</b>	<b>674.4</b>
Issued Capital		205.0	205.0
Capital Reserves		0.0	0.0
Revenue Reserves		525.2	533.3
Revaluation Reserve		-29.2	-63.9
<b>Total Equity and Liabilities</b>		<b>20,737.5</b>	<b>20,490.9</b>

## Cash Flow Statement

	2009 (EUR Million)	2008 (EUR Million)
<b>Profit for the Year</b>	<b>10.9</b>	<b>18.8</b>
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	103.4	80.6
Increase/Decrease in Provisions	3.6	1.5
Gains/Losses from the Disposal of Property, Plant and Equipment and Financial Assets	1.6	-10.1
Increase/Decrease in other non-cash Items	20.7	-29.0
Other Adjustments	-207.3	-180.8
<b>Sub-Total</b>	<b>-67.2</b>	<b>-118.2</b>
Increase/Decrease in Assets and Liabilities from Operating Activities after Adjustment for non-cash Items		
Loans and Advances to Banks and Customers	-142.1	1,501.0
Other Assets from operating Activities	0.0	29.5
Liabilities to Banks and Customers	1,414.9	-471.3
Securitised Liabilities	-809.5	-1,327.6
Other Liabilities from operating Activities	-9.3	-9.6
Interest and Dividends received	963.1	1,539.3
Interest paid	-742.2	-1,420.2
Income Taxes paid	-10.5	-7.1
<b>Cash Flow from operating Activities</b>	<b>597.2</b>	<b>-284.3</b>
Cash Receipts from the Disposal of		
Financial Assets	6,260.9	2,376.9
Property, Plant and Equipment and intangible Assets	0.0	7.7
Cash Payments for the Acquisition of		
Financial Assets	-6,528.1	-2,425.7
Property, Plant and Equipment and intangible Assets	-34.6	-3.8
Increase/Decrease in Funds from other Investment Activity	0.0	-0.1
<b>Cash Flow from Investment Activities</b>	<b>-301.9</b>	<b>-45.0</b>

	2009 (EUR Million)	2008 (EUR Million)
Cash receipts from Equity Contributions	0.0	–
Increase/Decrease in Funds from other Capital	–155.3	–0.9
Interest Expense on subordinated Capital	–10.0	–6.2
Dividends paid	–18.8	–
<b>Cash Flow from financing Activities</b>	<b>–184.1</b>	<b>–7.1</b>
<b>Cash and Cash Equivalents at End of the previous Year</b>	<b>95.6</b>	<b>432.0</b>
Cash Flow from operating Activities	597.2	–284.3
Cash Flow from investment Activities	–301.9	–45.0
Cash Flow from financing Activities	–184.1	–7.1
Effects of Exchange Rate Differences and Valuation Changes and Changes in the Basis of Consolidation	–	–
<b>Cash and Cash Equivalents at End of the financial Year</b>	<b>206.9</b>	<b>95.6</b>

## 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	515.4	-45.4	0.0	675.0
Distribution	-	-	-	-	-	0.0
Profit for the Year	-	-	18.8	-	-	18.8
Profit/Loss recognised directly in Equity	-	-	-	-18.5	-	-18.5
Other Capital Changes	-	-	-0.9	-	-	-0.9
Equity at 31.12.2008	205.0	0.0	533.3	-63.9	0.0	674.4
Distribution	-	-	-18.8	-	-	-18.8
Profit for the Year	-	-	10.9	-	-	10.9
Profit/Loss recognised directly in Equity	-	-	-	34.7	-	34.7
Other Capital Changes	-	-	-0.3	-	-	-0.3
Equity at 31.12.2009	205.0	0.0	525.2	-29.2	0.0	701.0







# Accounting Policies

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

The 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 financial statements of NORD/LB Luxembourg to 31 December 2008 were passed by the general meeting held on 31 March 2009 and form the basis for the determination and appropriation of profit for the financial year 2008.

The financial statements at 31 December 2009 take into consideration 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 comprise the income statement, the statement of recognised income and expense, the balance sheet, the cash flow statement, the statement of changes in equity and the notes. Risk reporting in accordance with IFRS 7 is essentially carried out in the separate report on the risks and rewards of future development (risk report) as part of the management report.

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

The 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 4, 5, 9 and 11.

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

NORD/LB Luxembourg adopts only those IFRS that have been endorsed by the EU.

The 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 of the Fair Value Option)
IFRIC 4	Determining whether an Arrangement contains a Lease
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 or IFRIC 1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 18 and SIC 7, 10, 12, 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) Currency Translation

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 2009. 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.

### (4) 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. NORD/LB Luxembourg's financial instruments are recognised in its accounts accordingly. They are classified in accordance with the requirements of IAS 39 and measured in line with that classification.

## a) Recognition and Derecognition of Financial Instruments

A financial asset or a financial liability shall be recognised on the balance sheet when the Bank becomes a party to the contractual provisions of the financial instrument. The trade date and settlement date generally diverge 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 (5) "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 financial statements of NORD/LB Luxembourg.

### • Financial assets or financial liabilities at Fair Value through Profit or Loss (aFV).

This category is divided into two sub-categories:

#### a) Held-for-Trading (HfT)

This sub-category comprises financial instruments (trading assets and trading liabilities) that were acquired with the intention of making profit from short term buying and selling. It includes all derivatives 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 (28) "Financial Assets at Fair Value through Profit or Loss" and Note (38) "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 Bank 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 adjusted 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.

NORD/LB Luxembourg applies this valuation model to the stocks of illiquid securities categorised as AfS.

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 (47) to (49).



#### 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 transactions. 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 (29) or Note (39) "Fair Values from Hedge Accounting"). The valuation changes are recognised through profit or loss (Note (19) "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 (51) "Securities Repurchase Agreements".

## (5) 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 criteria, 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 Bank, 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.

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

## (6) Property, Plant and Equipment

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

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

	Useful Life in Years
Buildings	50
Operating and Office Equipment	3–15
Other Property, Plant and Equipment	3–15

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



## (7) 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 Leases

There are no finance leases at the reporting date.

### Operating Leases

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.

Agreements as operating lessees are within normal business frameworks.

## (8) Intangible Assets

Intangible assets purchased by the Bank are recognised at cost, as are self-created intangible assets provided that they meet the recognition criteria set out under 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.

NORD/LB Luxembourg does not have any intangible assets with an indefinite useful life.

## (9) Provisions for Pensions and similar Obligations

The Bank's occupational pension scheme is based on various pension schemes. On the one hand employees build up entitlement to pension rights through a fixed contribution by the 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 NORD/LB Luxembourg'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 Bank recognises actuarial gains and losses in full as not affecting profit or loss in equity, so that there is no decrease or increase in pension expenses as a result of the amortisation of posted actuarial gains or losses that are not yet through profit or loss.

Pension obligations arising from defined benefit plans are calculated on the balance sheet date by independent actuaries using the projected unit credit method. The calculation also takes account of biometric assumptions relating

to the discount rate for high quality corporate bonds and anticipated future wage and pension growth rates.

The pension scheme is outsourced to a Luxembourg insurance company.

## (10) 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.

## (11) 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.

A Grand Ducal regulation on the taxation of IFRS financial statements 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 balance sheet preparation and 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.

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

## (12) Subordinated Capital

The item subordinated capital comprises unsecured subordinated liabilities.

In the financial year the contributions of silent partners were paid back in full with the approval of the regulatory authorities.

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.

Subordinated liabilities are set out in detail in Note (43).

## 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 NORD/LB Luxembourg's Treasury and Credit Investments & Solutions divisions which are active in investment banking.

#### **Group Cooperation**

This segment shows the lending business transferred by the Group.

#### **Bank Controlling/Other**

This segment covers 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.

## (13) Classification of NORD/LB Luxembourg by Business Segment

EUR Million	Segments					Total
	Savings Bank Network	Private Banking	Financial Markets	Group Cooperation	Bank Controlling/ Other	
<b>Net Interest Income</b>	1.8	2.1	70.7	72.1	16.6	163.2
do. previous Year	1.2	1.6	58.4	44.0	24.9	130.1
<b>Loan Loss Provisions</b>	0.0	0.0	-2.8	-120.8	0.0	-123.6
do. previous Year	0.0	0.0	-28.1	-51.0	0.0	-79.1
<b>Net Interest Income after Loan Loss Provisions</b>	1.8	2.1	67.9	-48.7	16.6	39.6
do. previous Year	1.2	1.6	30.3	-7.0	24.9	51.0
<b>Net Commission Income</b>	-1.5	7.1	-1.5	-12.7	0.0	-8.5
do. previous Year	0.8	7.9	-1.2	-2.4	0.0	5.1
<b>Profit/Loss from Financial Instruments at Fair Value through Profit or Loss</b>	0.0	0.0	8.5	0.0	0.0	8.5
do. previous Year	0.0	0.0	-6.2	0.0	0.0	-6.2
<b>Profit/Loss from Hedge Accounting</b>	0.0	0.0	0.0	0.0	4.6	4.6
do. previous Year	0.0	0.0	0.0	0.0	-6.6	-6.6
<b>Profit/Loss from Financial Assets</b>	0.0	0.0	-1.6	0.0	0.0	-1.6
dto. Vorjahr	0.0	0.0	-10.1	0.0	0.0	-10.1
<b>Profit/Loss from Equity-accounted Investments</b>	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
<b>Administrative Expenses</b>	0.1	8.0	9.3	3.4	9.4	30.2
do. previous Year	0.1	6.3	5.8	2.8	7.3	22.3
<b>Other Income/Expenses</b>	0.0	0.0	0.8	0.0	0.3	1.1
do. previous Year	0.0	0.0	1.3	0.0	12.0	13.3
<b>Operating Profit/Loss before Taxes</b>	0.2	1.2	64.9	-64.9	11.9	13.4
do. previous Year	1.9	3.2	1.7	-12.2	29.6	24.2
<b>Taxes</b>	0.0	0.0	0.0	0.0	-2.5	-2.5
do. previous Year	0.0	0.0	0.0	0.0	-5.5	-5.5
<b>Operating Profit/Loss after Taxes</b>	0.2	1.2	64.9	-64.9	9.4	10.9
do. previous Year	1.9	3.2	1.7	-12.2	24.1	18.8
<b>Segment Assets</b>	342.0	56.0	14,658.2	5,559.0	122.3	20,737.5
do. previous Year	237.7	49.2	11,292.5	8,340.3	571.2	20,490.9
<b>Segment Liabilities (incl. Equity)</b>	0.0	238.0	20,439.2	0.0	60.3	20,737.5
do. previous Year	3.1	313.9	18,868.7	585.6	719.6	20,490.9

Segments						
EUR Million	Savings Bank Network	Private Banking	Financial Markets	Group Cooperation	Bank Controlling/ Other	Total
Risk Assets (yearly Averages)	159.0	54.4	1,322.0	2,366.0	131.0	4,032.0
do. previous Year (yearly Averages)	60.0	26.0	1,773.0	5,304.0	87.0	7,250.0
Equity lockup (on the Basis of yearly Averages)	8.0	3.0	66.0	158.0	7.0	242.0
do. previous Year (on the Basis of yearly Averages)	3.0	1.0	89.0	264.0	4.0	362.0
CIR	44.3 %	86.8 %	13.5 %	5.8 %	55.8 %	19.6 %
do. previous Year	3.2 %	66.3 %	12.0 %	6.7 %	19.8 %	16.1 %
RoRaC/RoE*	1.7 %	45.3 %	74.1 %	-24.4 %	182.7 %	3.6 %
do. previous Year	24.0 %	146.3 %	289.1 %	4.5 %	-209.2 %	5.3 %

\* 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	Group Cooperation	Bank Controlling/ Other	Total
Property, Plant and Equipment, net	0.1	3.0	13.5	2.9	14.3	33.7
do. previous Year	0.0	0.2	0.2	0.6	0.0	1.0
Depreciation of Property, Plant and Equipment, current Year	0.0	-0.1	-0.5	-0.1	-0.6	-1.3
do. previous Year	0.0	0.1	0.1	0.5	0.0	0.7
Intangible Assets, net	0.0	0.0	0.1	0.2	0.0	0.3
do. previous Year	0.0	0.6	0.7	2.7	0.0	4.0
Depreciation of Intangible Assets, current Year	0.0	-0.6	-0.8	-2.9	0.0	-4.3
do. previous Year	0.0	0.1	0.1	0.5	0.0	0.7
Value Adjustments of Financial Assets, current Year	0.0	0.0	-2.8	0.0	0.0	-2.8
do. previous Year	0.0	0.0	28.1	0.0	0.0	28.1

## (14) Classification of NORD/LB Luxembourg by Geographical Segment

EUR Million	Segments							Total
	Germany	Luxem- bourg	Switzer- land	Remai- ning Europe	USA	Remai- ning America	Remai- ning Countries	
<b>Operating Profit/Loss before Taxes</b>	4.7	2.3	0.4	4.3	1.0	0.1	0.6	13.4
do. previous Year	7.7	3.6	0.8	9.2	2.5	0.2	0.2	24.2
<b>Segment Assets</b>	7,210.4	3,498.4	686.4	6,625.6	1,567.8	194.9	953.9	20,737.5
do. previous Year	6,553.3	3,033.6	690.7	7,704.8	2,133.6	203.9	171.0	20,490.9
<b>Segment Liabilities (incl. Equity)</b>	7,345.2	3,446.6	4,410.9	5,076.5	114.1	0.0	344.2	20,737.5
do. previous Year	8,483.8	7,157.4	2,158.2	1,894.4	406.7	45.6	344.8	20,490.9
<b>Further Segment Information:</b>								
<b>Property, Plant and Equipment, net</b>	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
<b>Intangible Assets, net</b>	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.3
do. previous Year	0.0	4.0	0.0	0.0	0.0	0.0	0.0	4.0

## Notes to the Income Statement

### (15) 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 (%)
<b>Interest Income</b>	<b>769,315</b>	<b>1,508,815</b>	<b>-49</b>
Interest Income from Lending and Money Market Transactions	366,400	706,834	-48
Interest Income from fixed Income and Book Entry Securities	206,262	348,741	-41
Current Income	9,370	11,110	-16
From Shares and other variable Yield Securities	0	0	-
From participating Interests	9,370	11,110	-16
Interest Income from Hedge Derivatives	187,182	442,116	-58
Other Interest Income and similar Income	101	14	> 100
<b>Interest Expense</b>	<b>-606,123</b>	<b>-1,378,740</b>	<b>-56</b>
Interest Expense from Lending and Money Market Transactions	-273,267	-663,259	-59
Interest Expense from securitised Liabilities	-67,891	-164,733	-59
Interest Expense from subordinated Capital	-5,001	-13,676	-63
Interest Expense from Hedge Derivatives	-259,206	-536,880	-52
Interest Expense for Provisions and Liabilities	-173	-192	-10
Other Interest Expense and similar Expense	-585	0	-
<b>Total</b>	<b>163,192</b>	<b>130,076</b>	<b>25</b>

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.

Current income from participating interests is made up of NORD/LB CFB dividends in the sum of EUR 4.0 million, SKANDIFINANZ BANK AG dividends in the sum of EUR 2.8 million (previous year EUR 1.3 million) and distributions from LUX-Cofonds in the sum of EUR 2.6 million (previous year EUR 9.8 million).

**(16) Loan Loss Provisions**

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
<b>Income from Loan Loss Provisions</b>	<b>0</b>	<b>0</b>	<b>–</b>
Reduction in Provisions for Claims	0	0	–
Reductions in Portfolio-based Provisions for Receivables	0	0	–
Reversal of Provisions in Lending Business	0	0	–
Additions to Receivables written off	0	0	–
<b>Loan Loss Provision Expense</b>	<b>123,588</b>	<b>79,133</b>	<b>56</b>
Allocations to Provisions for Claims	108,621	70,480	54
Allocation to portfolio-based Provisions for Claims	9,267	8,653	7
Allocation to Provisions for Lending Business	5,700	0	–
Direct Write-Offs of Claim	0	0	–
<b>Total</b>	<b>–123,588</b>	<b>–79,133</b>	<b>56</b>

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 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.

## (17) Net Commission Income

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

The Bank 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 scheduled 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 GZ Hanover. The transaction-related commission results mainly from payments and securities transactions carried out by the Bank.

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
<b>Commission Income</b>	<b>34,121</b>	<b>30,507</b>	<b>12</b>
From Security and Custody Transactions	4,413	5,698	-23
From Brokerage Transactions	2,131	2,306	-8
From Lending and Guarantee Transactions	26,095	21,860	19
Other Commission Income	1,483	642	> 100
<b>Commission Expense</b>	<b>42,622</b>	<b>25,473</b>	<b>67</b>
From Brokerage Transactions	24,540	21,347	15
From Lending and Guarantee Transactions	15,812	1,580	> 100
Other Commission Expense	2,271	2,546	-11
<b>Total</b>	<b>-8,501</b>	<b>5,034</b>	<b>&gt; 100</b>

Commission income relates in particular to brokerage transactions (EUR 2.1 million; previous year EUR 2.3 million), security and custody transactions (EUR 4.4 million; previous year EUR 5.7 million) and lending and guarantee transactions (EUR 26.1 million; previous year EUR 21.9 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 15.8 million; previous year EUR 1.6 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.

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

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
<b>Trading Profit/Loss</b>	<b>6,093</b>	<b>-6,842</b>	<b>&gt; 100</b>
Realised Profit/Loss	-200	-2,453	-92
From Debt Securities and other fixed Interest Securities	0	0	-
From Shares and other variable Yield Securities	0	0	-
From Derivatives	-200	-2,453	-92
From other Trading Transactions	0	0	-
Measurement Gains/Losses	5,562	-5,113	> 100
From Debt Securities and other fixed Interest Securities	0	0	-
From Shares and other variable Yield Securities	0	0	-
From Derivatives	5,562	-5,113	> 100
From other Trading Transactions	0	0	-
Foreign Exchange Profit/Loss	224	1,063	-79
Other Profit/Loss	507	-339	> 100
<b>Profit/Loss from the Fair Value Option</b>	<b>2,391</b>	<b>670</b>	<b>&gt; 100</b>
Realised Profit/Loss	0	0	-
From Debt Securities and other fixed Interest Securities	0	0	-
From Shares and other variable Yield Securities	0	0	-
Other Transactions	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	-
Other Transactions	1	0	-
Other Profit/Loss	0	0	-
<b>Total</b>	<b>8,485</b>	<b>-6,172</b>	<b>&gt; 100</b>

Trading profit/loss includes the measurement gains/losses from trading activities (defined as unrealised expense and income from fair value measurement) as well as the realised profit/loss (defined as the difference between disposal proceeds and carrying amount at the last reporting date). The interest income from trading activities in the sum of EUR 0.5 million (previous year EUR -0.3 million) is shown under other profit/loss.

The negative trading result in the previous year resulted mainly from the measurement gains/losses from derivative transactions (EUR -5.1 million). In the current financial year there was a trend in the other direction. The loss of 2008 was even slightly more than compensated for by EUR +5.6 million of measurement gains in 2009.

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

## (19) Profit/Loss from Hedge Accounting

Profit/loss from Hedge Accounting includes offset fair value adjustments related to the hedged risk of an un-

derlying transaction and offset fair value adjustments to hedging instruments in effective micro fair value hedging relationships.

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
<b>Profit/Loss from Micro Fair Value Hedge Transactions</b>	<b>4,561</b>	<b>-6,576</b>	<b>&gt; 100</b>
From hedged underlying Transactions	-26,923	20,614	> 100
From Derivatives used as hedging Instruments	31,484	-27,191	> 100
<b>Profit/Loss from Portfolio Fair Value Hedge Transactions</b>	<b>0</b>	<b>0</b>	<b>-</b>
From hedged underlying Transactions	0	0	-
From Derivatives used as hedging Instruments	0	0	-
<b>Total</b>	<b>4,561</b>	<b>-6,576</b>	<b>&gt; 100</b>

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.

caused the negative measurement result, which it was possible to equal out by the first fixing of 2009.

The main cause of the negative settlement amount for the derivatives used as hedging instruments in 2008 was the change in interest rates in the final quarter of 2008. Variable sides of high volume interest rate swaps hedging own issues that were fixed shortly before the interest rate shift

## (20) 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 (%)
<b>Profit/Loss from Financial Assets classified as LaR</b>	<b>-586</b>	<b>-98</b>	<b>&gt; 100</b>
<b>Profit/Loss from Financial Assets classified as AfS (no Joint Ownership)</b>	<b>-1,053</b>	<b>-9,971</b>	<b>-89</b>
Profit/Loss from Disposal	-1,053	-9,971	-89
Of Debt Securities and other fixed Interest Securities	-1,053	-9,971	-89
Of Shares and other variable Yield Securities	0	0	-
Of other Financial Assets	0	0	-
Profit/Loss from Value Adjustments for debt Securities and other fixed Interest Securities	0	0	-
<b>Profit/Loss from affiliated Companies</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>Profit/Loss from Joint Ventures and Associated Companies</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>Profit/Loss from other participating Interests</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>Total</b>	<b>-1,639</b>	<b>-10,070</b>	<b>-84</b>

## (21) 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 (%)
<b>Staff Expenses</b>	<b>12,354</b>	<b>11,341</b>	<b>9</b>
Wages and Salaries	10,540	9,947	6
Social Security Contributions	1,039	885	17
Expenses for Pension Provision	775	509	52
Other Staff Expenses	0	0	–
<b>Other administrative Expenses</b>	<b>12,297</b>	<b>9,436</b>	<b>30</b>
Expense for Operating and Office Equipment and IT	5,886	4,598	28
Occupancy Costs	2,318	525	> 100
Expenses for Marketing, Communication and Representation	459	216	> 100
Personnel-related operating Expenditure	1,244	1,451	–14
Legal, Audit, Survey and professional Fees	2,066	2,340	–12
Other administrative Expenses	323	305	6
<b>Depreciation and Impairments</b>	<b>5,590</b>	<b>1,486</b>	<b>&gt; 100</b>
Depreciation	5,590	1,486	> 100
Property, Plant and Equipment	1,255	674	86
Intangible Assets	4,335	811	> 100
Impairments	0	0	–
<b>Total</b>	<b>30,241</b>	<b>22,263</b>	<b>36</b>

Income from accounting for services with subsidiaries was reduced under administrative expenses.

The increase in the number of employees has led to higher staff expenses. The rental costs for the Bank's building that was sold in the last year are reflected accordingly under occupancy 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 4,398 (property, plant and equipment KEUR 926, intangible assets KEUR 3,472).

## (22) Other Operating Profit/Loss

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
<b>Other operating Income</b>	<b>3,365</b>	<b>20,375</b>	<b>-83</b>
From the Reversal of Provisions	0	0	0
Other Income	3,365	20,375	-83
<b>Other operating Expenses</b>	<b>2,263</b>	<b>7,046</b>	<b>-68</b>
From the Allocation of Provisions	0	0	-
Other Expenses	2,263	7,046	-68
<b>Total</b>	<b>1,102</b>	<b>13,329</b>	<b>-92</b>

The Bank sold its office building in the previous year and decided to erect a new building in a central position near the 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).

## (23) Income Taxes

	2009 (KEUR)	2008 (KEUR)	Increase/ Decrease (%)
Current Income Taxes	2,680	7,149	-63
Deferred Taxes	-191	-1,694	-89
<b>Total</b>	<b>2,489</b>	<b>5,455</b>	<b>-54</b>

The following tax reconciliation provides an analysis of the difference between the 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)
<b>IFRS Earnings Before Taxes (EBT)</b>	<b>13,370</b>	<b>24,225</b>
Expected Income Tax Expense	-3,823	-7,178
<b>Effects of Reconciliation:</b>		
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	-	-
Non-allowable Income Taxes	-	-
Non-deductible operating Expenses	-30	-31
Effects of tax-free Income	1,934	0
Effects of permanent Effects affecting the Balance Sheet	-	-
Other Effects	-755	-2,313
<b>Income Tax Expense shown</b>	<b>-2,680</b>	<b>-7,149</b>

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

Deferred taxes in 2008 (EUR 1.7 million) comprise 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 Balance Sheet

### (24) Cash Reserve

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Cash	1.0	0.7	43
Balances with Central Banks	205.9	94.8	> 100
<b>Total</b>	<b>206.9</b>	<b>95.6</b>	<b>&gt; 100</b>

EUR 205.2 million (previous year EUR 93.1 million) of the balances with central banks is at the Luxembourg Central Bank and concerns the planned minimum reserve.

### (25) Loans and Advances to Banks

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
<b>Receivables from Money Market Transactions</b>	<b>5,976.3</b>	<b>3,700.7</b>	<b>61</b>
Luxembourg Banks	1,682.8	1,341.1	25
Foreign Banks	4,293.5	2,359.6	82
<b>Other Receivables</b>	<b>2,306.0</b>	<b>3,020.7</b>	<b>-24</b>
Luxembourg Banks	404.6	112.5	> 100
Due on Demand	40.2	3.3	> 100
Deferred	364.4	109.1	> 100
Foreign Banks	1,901.4	2,908.3	-35
Due on Demand	104.0	21.2	> 100
Deferred	1,797.4	2,887.0	-38
<b>Total</b>	<b>8,282.3</b>	<b>6,721.4</b>	<b>23</b>

Of the total amount EUR 6,194.9 million (previous year EUR 5,267.8 million) relates to loans and advances to foreign banks. A partial amount of EUR 1,460.1 million (previous year EUR 1,960.2 million) of the loans and advances to banks is not due for over twelve months.

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

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
<b>Receivables from Money Market Transactions</b>	0.0	0.0	–
Luxembourg Customers	0.0	0.0	–
Foreign Customers	0.0	0.0	–
<b>Other Receivables</b>	4,655.6	6,074.7	–23
Luxembourg Customers	73.1	40.4	81
Due on Demand	0.1	0.1	–
Deferred	73.0	40.3	81
Foreign Customers	4,582.4	6,034.3	–24
Due on Demand	219.9	9.9	> 100
Deferred	4,362.5	6,024.4	–28
<b>Total</b>	4,665.6	6,074.7	–23

The total amount relates almost exclusively to loans and advances to foreign customers. EUR 3,259.3 million (previous year EUR 4,125.6 million) of the loans and advances to customers is not due for over twelve months.

**(27) Risk Provisions**

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
<b>Individual Value Adjustments for Receivables</b>	–164.7	–76.2	> 100
Foreign Banks	–72.4	–58.3	24
Luxembourg Customers	0.0	0.0	–
Foreign Customers	–92.4	–17.9	> 100
<b>Portfolio-based Provisions for Receivables</b>	–24.5	–15.2	61
<b>Total</b>	–189.2	–91.4	> 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)
<b>01.01.2008</b>	<b>5.7</b>	<b>6.6</b>	<b>0.0</b>	<b>12.3</b>
Allocations	70.5	8.7	0.0	79.1
Reductions	0.0	0.0	0.0	0.0
Utilisation	0.0	0.0	0.0	0.0
Effects from Currency Translations, Unwinding and other Changes	0.0	0.0	0.0	0.0
<b>31.12.2008</b>	<b>76.2</b>	<b>15.2</b>	<b>0.0</b>	<b>91.4</b>
Allocations	108.6	9.3	5.7	123.6
Reductions	0.0	0.0	0.0	0.0
Utilisation	19.5	0.0	0.0	19.5
Effects from Currency Translations, Unwinding and other Changes	-0.6	0.0	-0.1	-0.7
<b>31.12.2009</b>	<b>164.7</b>	<b>24.5</b>	<b>5.6</b>	<b>194.8</b>

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.

## (28) 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 (%)
<b>Trading Assets</b>	<b>216.9</b>	<b>406.0</b>	<b>-47</b>
<b>Debt Securities and other fixed Interest Securities</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
Money Market Papers	0.0	0.0	-
From public Issuers	0.0	0.0	-
From other Issuers	0.0	0.0	-
Bonds and Debt Securities	0.0	0.0	-
From public Issuers	0.0	0.0	-
From other Issuers	0.0	0.0	-
<b>Shares and other variable Yield Securities</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
Shares	0.0	0.0	-
Investment Certificates	0.0	0.0	-
<b>Positive Fair Values from Derivatives in Connection with:</b>	<b>216.9</b>	<b>406.0</b>	<b>-47</b>
Interest Rate Risks	51.5	146.1	-65
Currency Risks	165.4	260.0	-36
Share and other Price Risks	0.0	0.0	-
Trading Portfolio Claims	0.0	0.0	-
<b>Financial Assets designated at Fair Value</b>	<b>75.8</b>	<b>74.0</b>	<b>2</b>
<b>Loans and Advances to Banks and Customers</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
<b>Debt Securities and other fixed Interest Securities</b>	<b>75.8</b>	<b>74.0</b>	<b>2</b>
<b>Shares and other variable Yield Securities</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
<b>Total</b>	<b>292.6</b>	<b>480.0</b>	<b>-39</b>

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. Of the total amount EUR 143.3 million (previous year EUR 158.9 million) is not due for over 12 months.

## (29) 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	44.0	9.7	> 100
Fair Values from Derivatives in Portfolio Fair Value Hedge Accounting	0.0	0.0	-
<b>Total</b>	<b>44.0</b>	<b>9.7</b>	<b>&gt; 100</b>

The Bank uses Micro Fair Value Hedge Accounting to hedge the interest rate risk. Hedge derivatives with a fair value of EUR 28.1 million do not become due for at least 12 months (previous year EUR 9.5 million).

### (30) Financial Assets

The financial assets balance sheet item essentially 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 (%)
<b>Financial Assets classified as LaR</b>	<b>1,184.4</b>	<b>1,165.4</b>	<b>2</b>
<b>Financial Assets classified as AfS</b>	<b>6,190.6</b>	<b>5,971.9</b>	<b>4</b>
<b>Debt Securities and other fixed Interest Securities</b>	<b>6,085.4</b>	<b>5,703.5</b>	<b>7</b>
Money Market Papers	57.6	627.1	-91
From public Issuers	0.0	0.0	-
From other Issuers	57.6	627.1	-91
Bonds and Debt Securities	6,027.8	5,076.4	19
From public Issuers	530.2	66.6	> 100
From other Issuers	5,497.5	5,009.8	10
<b>Shares and other variable Yield Securities</b>	<b>20.1</b>	<b>0.0</b>	<b>&gt; 100</b>
Shares	0.0	0.0	-
Investment Certificates	20.1	0.0	> 100
Profit Participation Certificates	0.0	0.0	-
<b>Shares in Companies</b>	<b>85.2</b>	<b>268.4</b>	<b>-68</b>
Shares in affiliated Companies	85.2	268.4	-68
Banks	85.2	73.2	16
Other Companies	0.0	0.0	-
Special Purpose Vehicles (specific Funds)	0.0	195.2	-100
Joint Ventures	0.0	0.0	-
Associated Companies	0.0	0.0	-
Other participating Interests	0.0	0.0	-
Other AfS Financial Assets	0.0	0.0	-
<b>Total</b>	<b>7,375.1</b>	<b>7,137.3</b>	<b>3</b>

The Bank launched the NORD/LB Horizont Fund during the financial year. The Bank's own commitment in this fund is shown under investment certificates.

EUR 5,471.8 million (previous year EUR 5,814.8 million) of financial assets is not due for over twelve months.

The LUX-Cofonds, an investment fund in which NORD/LB Luxembourg held 100 % of the shares and which was shown on the previous year's balance sheet under special purpose vehicles, was dissolved on 1 April 2009 and the assets and liabilities of the fund were transferred to NORD/LB Luxembourg.

At the reporting date the shares in affiliated companies include the participating interests in NORD/LB COVERED FINANCE BANK S.A., Luxembourg and SKANDIFINANZ BANK AG, Zürich.

The following table shows the equity and the profit/loss for the financial year of both participations at amortised cost:

Name/registered Office	Capital Share	Book value of participation (EUR Million)	Equity (EUR Million)	Profit/Loss (EUR Million)
NORD/LB COVERED FINANCE BANK S.A., Luxembourg	100 %	63.7	64.4	6.4
SKANDIFINANZ BANK AG, Zürich	100 %	21.5	26.1	-0.1
<b>Total</b>		<b>85.2</b>	<b>90.5</b>	<b>6.3</b>

The figures from Skandifinanz have not been audited, but already include the share borne by Skandifinanz of the financial preventative measures required for the fraud case described under Note (56) in the sum of EUR 30.1 million.

The equity of the respective participation is above the book value of the participation.

### (31) 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	0.0	> 100
Property under Construction	10.3	0.0	> 100
Other Property, Plant and Equipment	0.0	1.0	-100
<b>Total</b>	<b>33.7</b>	<b>1.0</b>	<b>&gt; 100</b>

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

EUR Million	Land and Buildings	Operating and Office	Property under Construction	Other Property, Plant and Equipment	Total
<b>Acquisition and Manufacturing Costs at 01.01.2008</b>	14.2	11.0	0.0	0.0	25.2
Accruals	0.0	0.3	0.0	0.0	0.3
Disposals	14.2	0.0	0.0	0.0	14.3
Increases/Decreases from Currency Translations	0.0	0.0	0.0	0.0	0.0
<b>Total 31.12.2008</b>	<b>0.0</b>	<b>11.2</b>	<b>0.0</b>	<b>0.0</b>	<b>11.2</b>
<b>Cumulative Depreciation at 01.01.2008</b>	<b>6.2</b>	<b>9.9</b>	<b>0.0</b>	<b>0.0</b>	<b>16.1</b>
Scheduled Depreciation	0.3	0.3	0.0	0.0	0.7
Impairments (Write-Downs)	0.0	0.0	0.0	0.0	0.0
Disposals	6.5	0.0	0.0	0.0	6.5
Increases/Decreases from Currency Translations	0.0	0.0	0.0	0.0	0.0
<b>Total 31.12.2008</b>	<b>0.0</b>	<b>10.3</b>	<b>0.0</b>	<b>0.0</b>	<b>10.3</b>
<b>Closing Balance at 31.12.2008</b>	<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.0</b>
<b>Acquisition and Manufacturing Costs at 01.01.2009</b>	<b>0.0</b>	<b>11.2</b>	<b>0.0</b>	<b>0.0</b>	<b>11.2</b>
Accruals	23.4	0.2	10.3	0.0	34.0
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
<b>Total 31.12.2009</b>	<b>23.4</b>	<b>11.5</b>	<b>10.3</b>	<b>0.0</b>	<b>45.2</b>
<b>Cumulative Depreciation at 01.01.2009</b>	<b>0.0</b>	<b>10.3</b>	<b>0.0</b>	<b>0.0</b>	<b>10.3</b>
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
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
<b>Total 31.12.2009</b>	<b>0.4</b>	<b>11.1</b>	<b>0.0</b>	<b>0.0</b>	<b>11.5</b>
<b>Closing Balance at 31.12.2009</b>	<b>23.0</b>	<b>0.4</b>	<b>10.3</b>	<b>0.0</b>	<b>33.7</b>

For further information see Note (21).

**(32) Intangible Assets**

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Software	0.3	4.0	-92
Acquired for Consideration	0.3	4.0	-92
Self-Produced	0.0	0.0	-
Intangible Assets under Development	0.0	0.0	-
Other	0.0	0.0	-
<b>Total</b>	<b>0.3</b>	<b>4.0</b>	<b>-92</b>

NORD/LB Luxembourg continues to use fully depreciated software.

Intangible assets changed as follows:

EUR Million	Software		Other		Total
	Acquired for Consideration	Self- Produced	Acquired for Consideration	Self- Produced	
<b>Acquisition and Manufacturing Costs at 01.01.2008</b>	<b>12.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>12.4</b>
Accruals	3.5	0.0	0.0	0.0	3.5
Disposals	0.5	0.0	0.0	0.0	0.5
Transfers	0.0	0.0	0.0	0.0	0.0
<b>Total 31.12.2008</b>	<b>15.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>15.4</b>
Cumulative Depreciation at 01.01.2008	10.6	0.0	0.0	0.0	10.6
Scheduled Depreciation	0.8	0.0	0.0	0.0	0.8
Disposals	0.0	0.0	0.0	0.0	0.0
<b>Total 31.12.2008</b>	<b>11.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>11.4</b>
<b>Closing Balance at 31.12.2008</b>	<b>4.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4.0</b>
<b>Acquisition and Manufacturing Costs at 01.01.2009</b>	<b>15.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>15.4</b>
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
<b>Total 31.12.2009</b>	<b>16.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>16.1</b>

EUR Million	Software		Other		Total
	Acquired for Consideration	Self-Produced	Acquired for Consideration	Self-Produced	
Cumulative Depreciation at 01.01.2009	11.4	0.0	0.0	0.0	11.4
Scheduled Depreciation	4.3	0.0	0.0	0.0	4.3
Disposals	0.0	0.0	0.0	0.0	0.0
<b>Total 31.12.2009</b>	<b>15.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>15.8</b>
Closing Balance at 31.12.2009	0.3	0.0	0.0	0.0	0.3

For further information see Note (21).

### (33) 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	16.1	13.1	23
Active deferred Taxes	11.8	26.9	-56
<b>Total</b>	<b>27.8</b>	<b>40.0</b>	<b>-30</b>

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

The 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 (%)
<b>Assets</b>			
Risk Provisions	0.0	0.0	–
Financial Assets	11.7	26.9	–57
Property, Plant and Equipment	0.0	0.0	–
Other Assets	0.0	0.0	–
<b>Equity and Liabilities</b>			
Financial Liabilities at Fair Value through Profit or Loss	0.0	0.0	–
Fair Values from Hedge Accounting	0.0	0.0	–
Provisions	0.0	0.0	–
Other Liabilities	0.1	0.0	> 100
Tax Losses carried forward	0.0	0.0	–
<b>Total</b>	<b>11.8</b>	<b>26.9</b>	<b>–56</b>

### (34) Other Assets

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Tax Reimbursement Rights from other Taxes	1.7	1.1	54
Other Assets	1.6	0.3	> 100
Other Assets including Accruals and deferred Income	5.2	17.4	–70
<b>Total</b>	<b>8.4</b>	<b>18.8</b>	<b>–55</b>

**(35) Liabilities to Banks**

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
<b>Deposits from other Banks</b>	<b>3,725.9</b>	<b>3,936.9</b>	<b>-5</b>
Luxembourg Banks	785.7	281.7	> 100
Foreign Banks	2,940.3	3,655.2	-20
<b>Liabilities arising from Money Market Transactions</b>	<b>8,899.1</b>	<b>9,615.0</b>	<b>-7</b>
Luxembourg Banks	227.5	3,691.5	-94
Foreign Banks	8,671.6	5,923.6	46
<b>Other Liabilities</b>	<b>51.5</b>	<b>2.8</b>	<b>&gt; 100</b>
Luxembourg Banks	0.6	1.6	-61
Due on Demand	0.6	1.6	-61
Deferred	0.0	0.0	-
Foreign Banks	50.9	1.2	> 100
Due on Demand	50.9	1.2	> 100
Deferred	0.0	0.0	-
<b>Total</b>	<b>12,676.5</b>	<b>13,554.8</b>	<b>-6</b>

EUR 2,843.1 million (previous year EUR 3,046.1 million) of the total amount relates to liabilities that are not due for over twelve months.

**(36) Liabilities to Customers**

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
<b>Savings Deposits</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
<b>Liabilities arising from Money Market Transactions</b>	<b>3,877.8</b>	<b>1,632.5</b>	<b>&gt; 100</b>
Luxembourg Customers	25.4	13.4	90
Foreign Customers	3,852.4	1,619.1	> 100
<b>Other Liabilities</b>	<b>63.3</b>	<b>49.0</b>	<b>29</b>
Luxembourg Customers	17.7	5.2	> 100
Due on Demand	15.1	5.2	> 100
Deferred	2.6	0.0	> 100
Foreign Customers	45.6	43.8	4
Due on Demand	45.4	43.8	4
Deferred	0.2	0.0	-
<b>Total</b>	<b>3,941.1</b>	<b>1,681.5</b>	<b>&gt; 100</b>

A partial amount of KEUR 25 is not due for over 12 months (previous year EUR 0.0 million).

### (37) Securitised Liabilities

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Issued Debt Securities	2,418.2	2,427.4	7
Money Market Papers/Commercial Papers	503.4	1,286.4	-61
Other securitised Liabilities	0.0	0.0	-
<b>Total</b>	<b>2,921.6</b>	<b>3,713.8</b>	<b>-21</b>

Of the total amount EUR 1,750.1 million has a term to maturity of over 12 months (previous year EUR 2,427.4 million). The issued debt securities are listed on the Luxembourg stock exchange.

### (38) 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 (%)
<b>Trading Liabilities</b>	<b>215.8</b>	<b>447.6</b>	<b>-52</b>
Negative Fair Values from Derivatives in Connection with:	215.8	447.6	-52
Interest Rate Risks	66.7	138.4	-52
Currency Risks	149.1	309.1	-
Share and other Price Risks	0.0	0.0	-
Credit Derivatives	0.0	0.0	-
Short Sale Delivery Obligations	0.0	0.0	-
<b>Financial Liabilities designated at Fair Value</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
Liabilities to Banks and Customers	0.0	0.0	-
Securitised Liabilities	0.0	0.0	-
<b>Total</b>	<b>215.8</b>	<b>447.6</b>	<b>-52</b>

A partial amount of EUR 111.1 million of the trading liabilities is not due for over 12 months (previous year EUR 145.5 million).

### (39) 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	135.2	130.5	4
Fair Values in Portfolio Fair Value Hedge Accounting	0.0	0.0	–
Fair Values in Cash Flow Hedge Accounting	0.0	0.0	–
<b>Total</b>	<b>135.2</b>	<b>130.5</b>	<b>4</b>

The Bank uses Micro Fair Value Hedge Accounting to hedge the interest rate risk. Hedge derivatives with a negative fair value of EUR 108.5 million do not become due for at least 12 months (previous year EUR 115.8 million).

### (40) Provisions

Provisions are broken down as follows:

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
<b>Provisions for Pensions and similar Obligations</b>	<b>1.3</b>	<b>0.8</b>	<b>62</b>
Other Provisions	10.1	7.0	45
Provisions in Lending Business	5.5	0.0	> 100
Restructuring Provisions	0.5	0.5	0
Provisions for uncertain Liabilities	4.1	6.5	–37
<b>Total</b>	<b>11.4</b>	<b>7.8</b>	<b>46</b>

The other provisions include amounts in the sum of EUR 1.0 million which are due in the coming financial year (previous year EUR 1.2 million). These are mainly personnel provisions in both financial years. EUR 10.4 million represents amounts for contingent liabilities which are due within the next three years (previous year EUR 5.8 million). These relate mainly to provisions for risks of recourse and provisions in 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	2.5	2.5	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	-

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	3,519.1	3,397.5	4
Deduction for the Fair Value of Plan Assets	2,464.6	2,550.7	-3
Surplus Plan Assets not shown as an Asset	0.0	0.0	-
Other Amounts shown in the Balance Sheet (Lump Sum Tax)	220.4	0.0	> 100
<b>Total</b>	<b>1,274.8</b>	<b>846.8</b>	<b>51</b>

The cash value of the defined benefit obligation can be carried over from the opening to the closing balance for the period by taking into account the effects of the mentioned items:

	31.12.2009 (KEUR)	31.12.2008 (KEUR)	Increase/ Decrease (%)
<b>Opening Balance</b>	<b>3,397.5</b>	<b>3,443.1</b>	<b>-1</b>
Current Service Cost	316.9	255.6	24
Interest Expense	172.8	192.0	-10
Contributions by Plan Participants	0.0	0.0	-
Actuarial Gains/Losses from the Liability	143.5	-9.3	> 100
Increases/Decreases from Currency Translations	0.0	0.0	-
Benefits paid	-511.6	-483.9	6
Past Service Cost	0.0	0.0	-
Effects of Curtailments	0.0	0.0	-
Effects of Settlements	0.0	0.0	-
<b>Closing Balance</b>	<b>3,519.1</b>	<b>3,397.5</b>	<b>4</b>

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 NORD/LB Luxembourg's defined benefit obligation.

According to the insurance firm, experience adjustments on plan liabilities and plan assets amount to KEUR 379.1 and KEUR -17.3 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 (%)
<b>Opening Balance</b>	<b>2,550.7</b>	<b>2,515.1</b>	<b>1</b>
Expected Return on Plan Assets	316.9	100.7	0
Actuarial Gains/Losses on Plan Assets	101.2	76.1	-77
Increases/Decreases from Currency Translations	17.3	0.0	-
Employer Contributions	0.0	342.7	-10
Contributions by Plan Participants	307.1	0.0	-
Benefits paid	-511.6	-483.9	6
Effects of Settlements	0.0	0.0	-
<b>Closing Balance</b>	<b>2,464.6</b>	<b>2,550.7</b>	<b>-3</b>

The fair value of the plan assets is composed as follows:

	31.12.2009 (%)	31.12.2008 (%)	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 103 (previous year KEUR 96), equity instruments of another entity in the sum of KEUR 2,141 (previous year KEUR 2,269) and other assets in the sum of KEUR 221 (previous year KEUR 186).

It is expected that a total of KEUR 330 will be paid into the plan assets of the defined benefit obligations during the next reporting period (previous year KEUR 270).

Pension costs are made up as follows:

	31.12.2009 (KEUR)	31.12.2008 (KEUR)	Increase/ Decrease (%)
Current Service Cost	316.9	255.6	24
Interest Expense	172.8	192.0	-10
Expected Return on Plan Assets	-101.2	-100.7	0
Past Service Cost	0.0	0.0	-
Effects of Plan Changes	0.0	0.0	-
Expected Return on Reimbursement Rights	126.2	-85.3	> 100
<b>Total</b>	<b>514.7</b>	<b>261.6</b>	<b>97</b>

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	Total
				Provisions for Personnel Obligations	Other Provisions for uncertain Liabilities		
Opening Balance	0.0	0.5	0.0	0.5	6.0	0.0	7.0
Increases/Decreases from Currency Translations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Utilisation	0.5	0.0	0.0	0.3	2.5	0.0	3.2
Reductions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Allocations	6.0	0.0	0.0	0.3	0.1	0.0	6.4
Closing Balance	5.6	0.5	0.0	0.5	3.6	0.0	10.1

## (41) 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	12.4	-73
Passive deferred Taxes	5.2	5.5	-5
<b>Total</b>	<b>8.5</b>	<b>17.8</b>	<b>-52</b>

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 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 (%)
<b>Assets</b>			
Financial Assets at Fair Value through Profit or Loss	0.0	0.0	–
Financial Assets	0.0	0.0	–
Property, Plant and Equipment	0.0	0.0	–
Other Assets	0.0	0.0	–
<b>Equity and Liabilities</b>			
Financial Liabilities at Fair Value through Profit or Loss	0.0	0.0	–
Fair Values from Hedge Accounting	0.0	0.0	–
Provisions	0.0	0.0	–
Other Liabilities	5.2	5.5	–4
<b>Total</b>	<b>5.2</b>	<b>5.5</b>	<b>–4</b>

## (42) Other Liabilities

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)	Increase/ Decrease (%)
Liabilities from outstanding Invoices	4.8	2.7	77
Liabilities from Contributions	0.0	0.0	–
Liabilities from short-term Remuneration of Workers	2.3	2.0	15
Accruals and deferred Income	11.2	0.7	> 100
Liabilities from payable Taxes and Social Security Contributions	2.0	2.5	–21
Liabilities on interim Accounts	0.0	0.0	–
Insurance-related Liabilities	0.0	0.0	–
Other Liabilities	19.4	10.0	93
<b>Total</b>	<b>39.6</b>	<b>18.0</b>	<b>&gt; 100</b>

Liabilities from short term remuneration of workers are made up of outstanding leave entitlement and staff and management bonuses.

### (43) 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	-
Contributions by silent Partners	0.0	154.7	-100
<b>Total</b>	<b>86.8</b>	<b>244.7</b>	<b>-65</b>

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
<b>Total</b>				<b>86.8</b>			

#### (44) Notes to the Statement of Changes in Equity

The subscribed capital of the company amounted to EUR 205 million 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 shown for NORD/LB Luxembourg in previous reporting years and the allocations from the profit for the year.

The revenue reserves also include, in particular, the legal reserve in accordance with Article 72 of the Law of 10 August 1915, as amended. At least 5 % of the profit for the year must be allocated to the legal reserve until it is equivalent to 10 % of the subscribed capital. The Bank's legal reserve amounts to EUR 20.5 million or 10 % of subscribed capital and is therefore adequately funded.

Year	Wealth Tax NORD/LB Luxembourg	Wealth Tax NORD/LB CFB	Total	Appropriation to Reserves (= five Times Wealth Tax)	locked in until
2004	4.3	–	4.3	21.5	31.12.2009
2005	4.2	–	4.2	21.0	31.12.2010
2006	4.0	0.0	4.0	20.0	31.12.2011
2007	3.6	0.2	3.8	19.0	31.12.2012
2008	4.1	0.2	4.3	21.5	31.12.2013
2009	3.7	0.2	3.9	19.5	31.12.2014
<b>Total</b>	<b>23.9</b>	<b>0.6</b>	<b>24.5</b>	<b>122.2</b>	

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.

As in previous years, the Bank made use of the wealth tax imputation system for the year and appropriated an amount equivalent to five times the imputed wealth tax for the tax group to the other reserves in consideration of the five year lock-in period (EUR 19.5 million, previous year EUR 21.5 million).

The following summary shows how wealth tax affects the appropriation to the reserves:

## Other Disclosures

### (45) 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 notes in the risk report section of the management report with regard to NORD/LB Luxembourg's control of the liquidity risk.

## Notes to Financial Instruments

### (46) 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	5,571.3	2,773.9	1,488.2	1,027.6	1,815.5	12,676.5
Liabilities to Customers	1,851.5	1,543.0	546.6	0.0	0.0	3,941.1
Securitised Liabilities	204.8	153.0	813.7	841.8	908.3	2,921.6
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	18.4	29.2	250.8	1,086.9	314.6	1,699.8
Financial Guarantees	22.0	41.7	54.4	256.8	327.1	702.1
<b>Total</b>	<b>7,668.1</b>	<b>4,540.9</b>	<b>3,153.6</b>	<b>3,213.1</b>	<b>3,452.3</b>	<b>22,028.0</b>

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	7,603.6	1,021.1	1,884.0	945.2	2,100.9	13,554.8
Liabilities to Customers	1,118.0	179.7	383.7	0.0	0.0	1,681.5
Securitised Liabilities	436.6	750.7	99.0	1,522.8	904.6	3,713.8
Financial Liabilities at Fair Value through Profit or Loss (without Derivatives)	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated Capital	0.0	104.7	0.0	50.0	90.0	244.7
Irrevocable Credit Commitments	6.1	64.0	399.7	1,146.6	469.4	2,085.9
Financial Guarantees	113.7	94.0	73.9	311.5	291.8	885.0
<b>Total</b>	<b>9,278.0</b>	<b>2,214.2</b>	<b>2,840.3</b>	<b>3,976.1</b>	<b>3,856.7</b>	<b>22,165.7</b>

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

## (47) 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	217	0	217
Financial Assets designated at Fair Value	76	0	0	76
Positive Fair Values from Hedge Accounting Derivatives	0	44	0	44
Financial Assets (measured at Fair Value)	5,162	108	835	6,105
<b>Assets</b>	<b>5,238</b>	<b>369</b>	<b>835</b>	<b>6,442</b>
Trading Assets	0	215	0	215
Financial Assets designated at Fair Value	0	0	0	0
Positive Fair Values from Hedge Accounting Derivatives	0	135	0	135
<b>Equity and Liabilities</b>	<b>0</b>	<b>350</b>	<b>0</b>	<b>350</b>

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. An imputed change in the parameters affected by assumptions resulted accordingly in a change in fair value of EUR 4.3 million.

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
<b>Assets</b>	<b>16</b>	<b>64</b>	<b>100</b>	<b>28</b>	<b>1,877</b>	<b>23</b>

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
<b>Equity and Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

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
<b>Opening Balance as of 01.01.2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Profit/Loss Effect	0	0	0	0	0
Equity Effect	0	0	0	0	0
Purchases	0	0	0	0	0
Sales	0	0	0	0	0
Amortisations	0	0	0	0	0
Moved from Level 1 and 2	0	0	0	2,807	2,807
Moved to Level 1 and 2	0	0	0	0	0
<b>Closing Balance 31.12.2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,807</b>	<b>2,807</b>
<b>Opening balance as of 01.01.2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,807</b>	<b>2,807</b>
Profit/loss Effect	0	0	0	-2	-2
Equity Effect	0	0	0	28	28
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	-1,858	-1,858
<b>Closing Balance at 31.12.2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>835</b>	<b>835</b>

## (48) 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 31.12.2009	Carrying Amount 31.12.2009	Difference 31.12.2009	Fair Value 31.12.2008	Carrying Amount 31.12.2008	Difference 31.12.2008
<b>Assets</b>	<b>14,056.8</b>	<b>14,140.0</b>	<b>-83.2</b>	<b>14,697.9</b>	<b>13,965.6</b>	<b>732.3</b>
Cash Reserve	206.8	206.9	-0.1	95.4	95.6	-0.2
Loans and Advances to Banks	8,224.3	8,282.3	-58.0	6,742.8	6,721.4	21.4
Loans and Advances to Customers	4,417.5	4,655.6	-238.1	6,702.5	6,074.7	627.8
Financial Assets	1,208.2	1,184.4	23.8	1,157.2	1,165.4	-8.2
Risk Provisions	0.0	-189.2	189.2	0.0	-91.4	91.4
<b>Loans and Advances after Risk Provisions</b>	<b>13,850.1</b>	<b>13,933.1</b>	<b>-83.1</b>	<b>14,602.5</b>	<b>13,870.1</b>	<b>732.5</b>
<b>Equity and Liabilities</b>	<b>19,774.0</b>	<b>19,626.1</b>	<b>147.9</b>	<b>19,795.3</b>	<b>19,194.7</b>	<b>600.6</b>
Liabilities to Banks	12,809.8	12,676.5	133.3	14,133.7	13,554.8	578.9
Liabilities to Customers	3,941.9	3,941.1	0.8	1,684.7	1,681.5	3.2
Securitised Liabilities	2,924.0	2,921.6	2.3	3,716.9	3,713.8	3.1
Subordinated Capital	98.3	86.8	11.5	260.0	244.7	15.3

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.

The amounts shown in the "Carrying amount" column include the assets and liabilities shown in the balance sheet at amortised cost or with the hedge fair value. Where a hedge fair value is shown as a carrying amount this value is also shown in the "Fair Value" column.

## (49) Derivative Financial Instruments

NORD/LB Luxembourg 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 31.12.2009	Nominal Values 31.12.2008	Market Values positive 31.12.2009	Market Values positive 31.12.2008	Market Values negative 31.12.2009	Market Values negative 31.12.2008
<b>Interest Rate Risks</b>	<b>11,589.6</b>	<b>16,070.7</b>	<b>95.5</b>	<b>155.7</b>	<b>201.9</b>	<b>269.0</b>
Interest Rate Swaps	11,589.6	16,070.7	95.5	155.7	201.9	269.0
FRA's	0.0	0.0	0.0	0.0	0.0	0.0
Interest Rate Options						
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
<b>Currency Risks</b>	<b>12,561.2</b>	<b>9,448.7</b>	<b>165.4</b>	<b>259.9</b>	<b>149.0</b>	<b>309.1</b>
Forward Exchange Contracts	1,223.3	114.6	1.4	3.8	1.5	3.9
Currency Swaps/ Interest Rate-Currency Swaps	11,337.9	9,334.1	164.0	256.1	147.5	305.2
Currency Options						
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
<b>Share and other Price Risks</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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						
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
<b>Credit Derivatives</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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
<b>Total</b>	<b>24,150.8</b>	<b>25,519.4</b>	<b>260.9</b>	<b>415.6</b>	<b>350.9</b>	<b>578.1</b>

The following table shows the term to maturity of derivative financial instruments.

Nominal Value (EUR Million)	Interest Rate Risks		Currency Risks		Share and other Price Risks		Credit Derivatives	
	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008	31.12. 2009	31.12. 2008
<b>Term to Maturity</b>								
Up to 3 Months	4,527.1	9,143.9	7,808.6	7,161.1	0.0	0.0	0.0	0.0
Over 3 Months and up to 1 Year	3,440.6	2,714.5	4,009.2	1,282.0	0.0	0.0	0.0	0.0
Over 1 Year and up to 5 Years	2,224.2	2,697.8	403.5	655.2	0.0	0.0	0.0	0.0
Over 5 Years	1,397.7	1,514.5	339.9	350.4	0.0	0.0	0.0	0.0
<b>Total</b>	<b>11,589.6</b>	<b>16,070.7</b>	<b>12,561.2</b>	<b>9,448.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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

EUR Million	Nominal	Nominal	Market	Market	Market	Market
	Values 31.12.2009	Values 31.12.2008	Values positive 31.12.2009	Values positive 31.12.2008	Values negative 31.12.2009	Values negative 31.12.2008
Banks in OECD Countries	23,798.7	25,481.5	255.2	413.1	350.4	57.5
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
<b>Total</b>	<b>24,150.8</b>	<b>25,519.4</b>	<b>260.9</b>	<b>415.6</b>	<b>350.9</b>	<b>578.1</b>

## (50) NORD/LB Luxembourg 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	6,691	4,924
<b>Total</b>	<b>6,691</b>	<b>4,924</b>

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

## (51) 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)	3,602	521
Loans and Advances to Banks	3,602	521
Loans and Advances to Customers	0	0
Genuine Repurchase Agreements as a Repurchase Seller (Repos)	6,665	4,900
Liabilities to Banks	6,597	4,900
Liabilities to Customers	67	0

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
	0	0
Loaned Securities at Fair Value through Profit or Loss	0	0
Loaned Securities from Financial Assets	0	0
Borrowed Securities	0	70

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Securities sold under Repurchase Agreements	6,660	4,898
Securities sold under Repurchase Agreements at Fair Value through Profit or Loss	0	0
Securities sold under Repurchase Agreements from Financial Assets	6,660	4,898
Securities bought under Repurchase Agreements	3,600	519

## Other Notes

### (52) 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.

#### Weighted Risk Values

The Bank uses internal approaches within the scope of risk determination.

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Risk Assets	4,232.8	5,778.2
Weighted operational Risks	101.7	151.4
Market Risk Positions	27.9	162.7
Floor	582.2	1,548.9
<b>Total</b>	<b>4,944.6</b>	<b>7,641.1</b>

The IRB approach used by the Bank led to a lower equity cost in 2008 and 2009 compared with the earlier regulation. In this case, the Solvency Regulation provides for the equity cost to be gradually reduced to the lower value during a transitional period. A floor in the risk assets was taken into account in both years.

The Bank uses standard methods to determine the equity requirements for operational risks. As at 31 December 2009 this results in an equity requirement in the sum of EUR 8.1 million (previous year EUR 12.1 million)

**Regulatory Equity**

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Contributed Capital	205.0	205.0
Other Reserves	514.6	514.5
Remaining Components	-0.3	-4.0
<b>Core Capital</b>	<b>719.2</b>	<b>715.5</b>
Contributions by silent Partners	0.0	152.3
Subordinated Debt Securities (recognisable Part)	86.8	89.8
<b>Supplementary Capital</b>	<b>86.8</b>	<b>242.1</b>
<b>Liable Equity</b>	<b>806.0</b>	<b>957.6</b>
<b>Equity Capital</b>	<b>806.0</b>	<b>957.6</b>

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 the respective year-ends the Bank had the following ratios:

	31.12.2009	31.12.2008
Overall Coefficient	16.3 %	12.5 %
Core Capital Ratio	14.5 %	9.4 %

The overall coefficient is 16.3 % (previous year 12.5 %) when taking account of the floor. Without the floor the coefficient improves to 18.5 % (previous year 15.7 %).

### (53) Contingent Liabilities and other Obligations

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Contingent Liabilities	702	885
Contingent Liabilities under rediscounted Bills of Exchange	0	0
Liabilities from Guarantees and other Indemnity Agreements	702	885
Irrevocable Credit Commitments	1,700	2,086
<b>Total</b>	<b>2,402</b>	<b>2,971</b>

Liabilities from guarantees and other indemnity agreements include credit guarantees, trade-related guarantees and contingent liabilities from other guarantees and other indemnity agreements.

Disclosures on the estimation of financial effects 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.

### (54) Subordinated Assets

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
Loans and Advances to Banks	70.3	83.3
Loans and Advances to Customers	0	0
Financial Instruments at Fair Value	0	0
Financial Assets	0	0
<b>Total</b>	<b>70.3</b>	<b>83.3</b>

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.

EUR 45.8 million (previous year EUR 58.8 million) of the subordinated loans and advances to banks relate to a subsidiary and EUR 24.5 million (previous year EUR 24.5 million) to a NORD/LB investment.

## (55) Trust Activities

Trust activities are broken down as follows:

	31.12.2009 (EUR Million)	31.12.2008 (EUR Million)
<b>Trust Assets</b>	<b>11.9</b>	<b>11.3</b>
Loans and Advances to Banks	0.0	0.0
Loans and Advances to Customers	11.9	11.3
Financial Instruments at Fair Value	–	–
Financial Assets	–	–
Other trust Assets	–	–
<b>Trust Liabilities</b>	<b>11.9</b>	<b>11.3</b>
Liabilities to Banks	11.9	11.3
Liabilities to Customers	0.0	0.0
Other Trust Liabilities	–	–

## (56) Events after the Balance Sheet Date

With effect from 11 January 2010 Mr. Martin Halblaub, Member of the Board of NORD/LB 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 Bank AG 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

### (57) Number of employees

The average number of employees 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

The staff including the Board of Directors are distributed across the following functions:

Gruppe	2009	2008
Board	2.0	2.3
Senior Staff	14.0	13.5
Employees	116.3	99.2
<b>Total</b>	<b>132.3</b>	<b>115.0</b>

### (58) 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 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 with related parties in 2009 and 2008 can be seen from the following schedule:

At 31 December 2009:

KEUR	Shareholders	Subsidiaries	Persons in Key Roles	Other related Parties
<b>Outstanding Loans and Advances</b>				
To Banks	1,055,957	2,073,794	0	0
To Customers	0	0	420	0
Other Assets	997	1,072,288	0	1,686
<b>Total Assets</b>	<b>1,056,955</b>	<b>3,146,082</b>	<b>420</b>	<b>1,686</b>
<b>Outstanding Liabilities</b>				
To Banks	4,530,853	338,338	0	0
To Customers	0	0	0	0
Subordinated Capital	86,798	0	0	0
Other Liabilities	58,416	37,941	173	0
<b>Total Equity and Liabilities</b>	<b>4,676,067</b>	<b>376,279</b>	<b>173</b>	<b>0</b>
<b>Guarantees/Sureties granted</b>	<b>0</b>	<b>430,445</b>	<b>0</b>	<b>0</b>
Interest Expense	171,427	21,179	0	1,547
Interest Income	30,428	81,757	180	82
Commission Expense	38,504	36	0	0
Commission Income	523	1,597	0	0
Other Income and Expense	5,255	14,822	-2,647	1,689
<b>Total Contributions to Income</b>	<b>-173,725</b>	<b>76,961</b>	<b>-2,629</b>	<b>224</b>

The other income and expense includes dividend payments from subsidiaries in the sum of KEUR 6,764 (previous year KEUR 1,374).

The Bank invoiced SKANDIFINANZ BANK AG for a total of KEUR 168 (previous year KEUR 168) and NORD/LB COVERED FINANCE BANK for a total of KEUR 1,591 (previous year KEUR 1,480) for services performed within the scope of the service agreements with regard to personnel, use of buildings and other material costs.

At 31 December 2008:

Disclosures (KEUR)	Shareholders	Subsidiaries	Persons in Key Positions	Other related Parties
Outstanding Loans and Advances				
To Banks	2,142,013	1,673,603	0	0
To Customers	0	0	440	0
Other Assets	112,811	1,335,654	0	0
<b>Total Assets</b>	<b>2,254,824</b>	<b>3,009,257</b>	<b>440</b>	<b>0</b>
Outstanding Liabilities				
To Banks	5,698,842	283,956	0	207,767
To Customers	0	35,416	0	0
Subordinated Capital	244,679	0	0	0
Other Liabilities	66,502	52,507	195	0
<b>Total Equity and Liabilities</b>	<b>6,010,023</b>	<b>371,879</b>	<b>195</b>	<b>207,767</b>
<b>Guarantees/Sureties granted</b>	<b>0</b>	<b>373,184</b>	<b>0</b>	<b>0</b>
Interest Expense	254,855	14,902	0	10,655
Interest Income	84,062	74,502	117	7,162
Commission Expense	21,300	68	0	0
Commission Income	0	826	0	0
Other Income and Expense	-19,568	6,887	-2,512	0
<b>Total Contributions to Income</b>	<b>-211,661</b>	<b>67,245</b>	<b>-2,395</b>	<b>-3,493</b>

All payments and loans to executive bodies in accordance with the provisions relating to trade are set out in Note (60) "Remuneration of and Loans to Executive Bodies".

## (59) Members of Executive Bodies and their Positions

### Supervisory Board

The Bank's Supervisory Board 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 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 following positions were taken up by the members of the Board of Directors of Norddeutsche Landesbank Luxembourg S.A.:

#### Harry Rosenbaum

- SKANDIFINANZ BANK AG, Zürich, 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 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

## (60) Remuneration of and Loans to Executive Bodies

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

\* Board of Directors and senior staff

## 61) Auditor's Fees

	2009 (KEUR)	2008 (KEUR)
Auditor's Fees for:		
Auditing	413	298
Other Audit Services	312	75
Other Services	53	0

## (62) Deposit Guarantee

The Bank is a member of the Luxembourg deposit guarantee association (Association pour la Garantie des Dépôts, abbreviated as AGDL). The corporate object of the AGDL was originally to establish a system to mutually secure customers' deposits of the AGDL member institutes.

Since 2001 the AGDL has also been protecting customers' assets held in custody. Thus deposits and custody assets are guaranteed up to an amount of EUR 100,000 and EUR 20,000 respectively. In the event of default, the annual payment obligation for each member of the AGDL is limited to 5% of equity.

In connection with the deposit guarantee fund the Bank recorded an expense in the sum of KEUR 0 during the financial year (previous year KEUR 868).

## (63) Approval of the annual Financial Statements by the Board of Directors

The annual financial statements were approved by NORD/LB's Board of Directors on 5 March 2010.







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, 5 March 2010  
Norddeutsche Landesbank Luxembourg S.A.

Harry Rosenbaum

Christian Veit



# Auditor's Report

To the Board of Directors of  
Norddeutsche Landesbank Luxembourg S.A.  
26, Route d'Arlon  
L-1140 Luxembourg

## Report on the Financial Statements

In accordance with the instructions received from the Bank's Board of Directors on 12 March 2009 we have audited the attached annual financial statements of Norddeutsche Landesbank Luxembourg S.A., which comprise the balance sheet at 31 December 2009, the income statement, the statement of income and expense, the statement of changes in equity, the cash flow statement and the notes for the financial year ended on this date.

### **Responsibility of the Board of Directors for the annual Financial Statements**

The Board of Directors is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the 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 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 the Board of Directors, as well as the overall presentation of the 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 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 Norddeutsche Landesbank Luxembourg S.A. 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 annual financial statements.

ERNST & YOUNG  
Société Anonyme  
Auditors

Christoph HAAS

Luxembourg, 5 March 2010





## 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 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 dealt among other things with the events after the balance sheet date. In this process the fraud case in the export financing business of SKANDIFINANZ BANK AG was discussed in detail, including the steps taken by the Bank with regard to the claim for compensation and the internal review.

The 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.

At its meeting on 15 March 2010, the Supervisory Board approved the management report and the financial statements at 31 December 2009, which are therefore formally approved.

The Supervisory Board proposes that the general meeting discharge the Board of Directors and carry forward the profit of NORD/LB Luxembourg for the financial year 2009.

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  
March 2010

Dr. Gunter Dunkel  
Chairman of the Supervisory Board  
Norddeutsche Landesbank Luxembourg S.A.

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**S.W.I.F.T.**

NOLALULL

**Supervision**

Commission de Surveillance du Secteur Financier

**Internet**

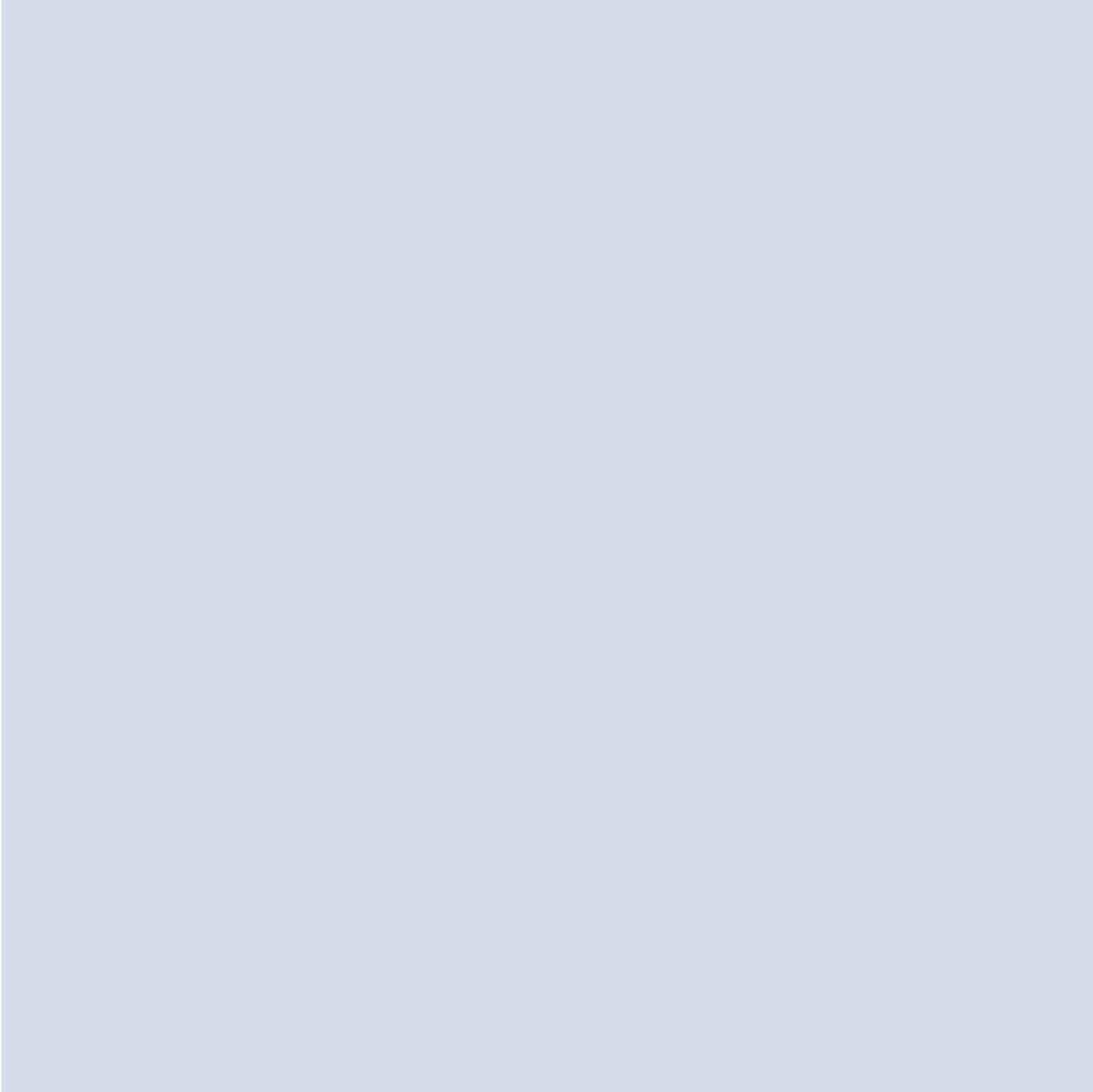
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**Trade and Companies Register**

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