

Norddeutsche Landesbank Luxembourg S.A.



Consolidated Financial Statements
in accordance with IFRS
per 31.12.2010

Summary of Key Data

Performance	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/Decrease (EUR Million) (%)	
Loans and Advances to Banks	4,094.5	7,102.7	-3,008.2	-42
Loans and Advances to Customers	5,065.9	6,063.9	-998.0	-16
Risk Provisions	-191.1	-220.6	29.4	-13
Financial Assets	10,251.9	9,959.5	292.5	3
Other Assets	972.7	811.3	161.4	20
Balance Sheet Total – Assets	20,193.9	23,716.8	-3,522.9	-15
Liabilities to Banks	10,204.1	12,853.9	-2,649.8	-21
Liabilities to Customers	3,750.6	4,362.9	-612.3	-14
Securitised Liabilities	4,477.3	4,880.4	-403.1	-8
Other Liabilities	1,096.1	911.5	184.6	20
Reported Equity	665.9	708.1	-42.2	-6
Balance Sheet Total – Liabilities	20,193.9	23,716.8	-3,522.9	-15
Profit/Loss Performance	2010 (KEUR)	2009 (KEUR)	Increase/Decrease (KEUR) (%)	
Net Interest Income	138,566	177,384	-38,818	-22
Net Commission Income	-22,674	-8,516	-14,158	> 100
Profit/Loss from Financial Assets	2,336	6,226	-3,890	-62
Other Profit/Loss	-5,512	-1,390	-4,122	> 100
Earnings before Costs	112,716	173,705	-60,989	-35
Administrative Expenses	-41,994	-35,464	-6,530	18
Profit/Loss from Changes in Valuation and Risk Provision	-33,785	-143,716	109,931	-76
Taxes	23,945	-1,990	25,935	> 100
Earnings after Taxes	60,883	-7,465	68,348	> 100
Key Economic Data	2010	2009	Increase/Decrease	
Cost-Income-Ratio in % *)	37.3 %	20.4 %	16.8 %	82 %
RoRaC in % **)	22.9 %	-3.1 %	26.0 %	> 100

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

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

Regulatory Law Key Figures	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/Decrease (EUR Million) (%)	
Risk-weighted Asset Values	4,655.7	5,309.2	-653.5	-12
Core Capital	675.9	746.3	-70.3	-9
Equity Capital	769.5	833.0	-63.6	-8
Core Capital Ratio	14.5 %	14.1 %	0.5 %	3
Overall Coefficient	16.5 %	15.7 %	0.8 %	5
Changes in Employee Numbers	2010	2009	Increase/Decrease Total (%)	
Number of Employees	173	159	14	9



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Norddeutsche Landesbank Luxembourg S.A.
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This Annual Report is a translation of the original German version. In all matters of interpretation the original German version shall prevail.

Consolidated Financial Statements 2010



NORD/LB Luxembourg

Members of the Supervisory Board

Dr. Gunter Dunkel

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

Christoph Schulz

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)

Ulrike Brouzi

General Manager
NORD/LB Norddeutsche Landesbank Girozentrale
(since 1 September 2010)

Dr. Stephan-Andreas Kaulvers

Chairman of the Board of Directors
Bremer Landesbank
(until 31 December 2010)

Dr. Johannes-Jörg Riegler

Member of the Board of Directors
NORD/LB Norddeutsche Landesbank Girozentrale
(since 1 January 2011)

Walter Kleine

Chairman of the Board of Directors
Sparkasse Hannover

Board of Directors

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

Harry Rosenbaum

Member of the Board of Directors

Thorsten Schmidt

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

Christian Veit

Organisation

Treasury

Thomas Keith

IT

Romain Wantz

Credit Investments & Solutions

Olaf-Alexander Priess

Operation Services

Rita Kranz

Private Banking

Markus Linnert

Organisation and Project Management

Frank Seeberger

Corporate Banking

Guido Leixner

Administration

David Gunson

Accounting

Peter Heumüller

Human Resources

Christian Ehrismann

Controlling

Roman Lux

Corporate Development

Melanie Maier

Credit Risk Management

Maik Mittelberg

Internal Audit

Jürgen Werner

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



Member of the Board of Directors
Thorsten Schmidt



The Group

Norddeutsche Landesbank Luxembourg S.A., Luxembourg, (hereinafter referred to as “NORD/LB Luxembourg” or, for short, “the Bank” or “the Group”) is the parent company of a group of companies that includes NORD/LB Covered Finance Bank S.A., Luxembourg (referred to hereafter as NORD/LB CFB) and Skandifinanz Bank AG, Zurich/Switzerland (hereinafter referred to as Skandifinanz). NORD/LB Luxembourg holds 100 % of the shares in both banks. NORD/LB Luxembourg has issued a letter of comfort for NORD/LB CFB (see Note 62).

NORD/LB Luxembourg itself is a wholly-owned subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (referred to hereafter as NORD/LB for short), and its consolidated financial statement is included in the consolidated financial statement of NORD/LB. The consolidated financial statements of NORD/LB can be viewed on the internet at www.nordlb.de.

The range of activities of NORD/LB Luxembourg lies in the business sectors of Financial Markets, Corporate Banking and Private Banking. The corporate purpose of NORD/LB Covered Finance Bank S.A. is to conduct any transactions, which are permissible for a covered finance bank according to the laws of the Grand Duchy of Luxembourg. The business activities of Skandifinanz Bank AG, which primarily comprise trading-related financial transactions (forfeiting) and the international private customer business, were partly reduced or transferred to the parent company in the year under report. For 2011 a further reduction is intended. Skandifinanz Bank AG was renamed Skandifinanz AG with effect from January 2011.

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

International Economic Development

Financial Markets

The fiscal policy measures taken in response to the recession, but also the typical losses of income and additional burdens for public finances caused by the recession, have led to almost all member states of the Eurozone having to accept new borrowing above the 3% mark allowed in accordance with the stability and growth pact in 2009 and 2010. Thus the deficit quota within the Eurozone in 2009 measured on the nominal gross domestic product was an average of 6.3%, and even the deficit quota for the year just ended might well turn out to be at a similar level. The debt/GDP ratio meanwhile increased to over 80% of GDP.

In particular Greece's deficit quota which, having been checked by the EU Commission, and at 15.4% of GDP, has turned out to be even higher than the 13.6% reported in April 2010, was given a very critical assessment on the Financial Markets. Growing concerns about the creditworthiness of Greece triggered severe turbulence on the markets in the spring of 2010. Thus Greek government bonds came under a lot of pressure and the Greek yield curve inverted. The spread of Greek government bonds with ten-year remaining maturity to Federal bonds climbed to almost 10 percentage points. This also affected some of the other countries in the Eurozone, which are likewise having to battle with a high debt level and a difficult budgetary position.

At the height of the distortions at the beginning of May, the Euro countries agreed a common rescue mechanism for ailing member states with the IMF and the EU Commission. The centrepiece is the European Financial Stability Facility (EFSF) with EUR 440 bn. On top of this comes EUR 60 bn. from EU Commission funds (European Stability Mechanism, ESM) and EUR 250 bn. support from the IMF. The first country that needed to be bailed out using this mechanism was Ireland. With the rescue of the Anglo Irish Bank, Ireland's state finances were also so heavily burdened that the Irish government had to apply for help in the sum of EUR 85 bn. from the common rescue package.

The latest distortions as a consequence of the crisis in the Irish state finances have again proven that the debt crisis will remain the determining subject in the European Union for the time being. As well as comprising the way back to sustainable growth, budget consolidation will be one of

the major big challenges faced by many countries over the coming years. Politicians continue to search feverishly for opportunities to sustainably curb the crisis on the markets for government bonds. At the two-day summit in the middle of December 2010, the heads of state and government created the legal basis for a permanent crisis mechanism with an agreement to change the EU treaty. It is however extremely dubious in our view whether the changes will be sufficient to calm the tense market situation. It is most likely that this will only be achievable with a credible and unanimous avowal of European unity, which would also have to include financial and risk transfer elements. Otherwise, politics threatens to continue to lag behind market developments.

The EFSF may well not be enough to overcome the acute crisis in the Eurozone. The structure of the EFSF is too susceptible, in that it acts as guarantor at the same time as providing rescue measures. As well as a permanent crisis mechanism, we also need new culture of stability in the common currency zone. We believe that the recommendations of the Van-Rompuy working party, which was set up solely to improve financial and economic policy monitoring, are only suitable for establishing a new culture of stability to a limited extent. One problem of the stability and growth package was the lack of credibility of sanctioning breaches. While there is supposed to be some tightening here, the basic problems (no automatism, discretionary decisions, voting in the council of ministers) still remain in existence. On the other hand, the approach of taking a comprehensive approach to fostering a culture of stability and paying attention to macroeconomic aberrations in the future as well, is to be welcomed. Ireland is the prime example of the fact that stability in a currency union cannot be achieved in the same ways as a savings club with simple cash rules. Moreover, in order to avoid disincentives, private investors should also be involved in the costs of restructuring in the future.

The ECB has reacted to the government bond crisis with a purchasing programme for European government bonds (Securities Markets Programme, SMP) and bought government bonds – presumably primarily from countries on the Euro periphery – in volumes of nearly EUR 74 bn. up to the end of the year. In the meantime, the ECB has made it clear to the governments through its increase of capital by EUR 5 bn. by the end of the year that any costs that might arise with a further purchase of government bonds by the Eurosystem will be passed on to the member states, at least indirectly. Consequently, this is primarily to be read as a political signal to the heads of state and government that

the crisis in trust and the debt crisis will have to be solved politically and they must not even secretly hope for a (partial) monetisation of government bonds.

Until recently, the debt crisis was the most important topic on the capital markets. Although Federal securities can continue to be regarded as a safe haven, the yield of ten-year federal bonds rose robustly until the end of 2010. Following the marked low point of nearly 2.1 % seen at the end of August, yield rose by nearly 100 base points above 3.0%. In our view, however, this is the manifestation of a normalisation of the unnaturally low yield level in the summer months of 2010. Moreover, against the background of the positive economic outlook for 2011, riskier assets have gained in attractiveness again.

The money market rates have normalised on the interbank market, after the interbank rates had been significantly below the base rate for a long time as a result of the flood of liquidity on the markets. The three-month rate (EURIBOR) has now risen to above 1%. The relatively silent reduction in the Eurosystem's net accounts receivable from the Banks through the expiry of several longer term refinancing transactions and the largely successful stress test run in July are the manifestations of a restabilising financial system. Meanwhile, the Banking system is no longer so heavily dependent on the liquidity injections of the issue Bank. Nevertheless some individual Banks – in particular from those states that have been particularly badly hit by the debt crisis – continue to have considerable problems to refinance via the markets and therefore away from the ECB. Many Banks have not yet completed the process of adjusting their balance sheets. Moreover, Banks are faced with considerable challenges following the proposal of the Basel Committee on Banking at the Bank for International Settlements to tighten the minimum equity capital regulations for Banks after the anticipated transposition into national law. In particular, the much higher qualitative and quantitative requirements for liable equity capital in future will require considerable changes.

The fluctuation band of the yields in the USA again turned out to be wider than the federal bonds. The yields of ten-year treasuries slid from their height of nearly 4.0% at the beginning of April prior to the announcement of the new purchasing programme of the Fed (Quantitative Easing 2, QE2) to below 2.4% in October. The yield spread between ten year US treasuries and federal bonds fluctuated accordingly between 90 and nearly five base points and rose by the end of the year slightly again to a good 30 base points.



At the height of the Euro debt crisis the US dollar was briefly valued at nearly USD/EUR 1.19 against the Euro, before the greenback came under renewed pressure and briefly devalued by November to USD/EUR 1.45. Primarily positive economic news from Germany and the effects of QE2 had a supportive effect for the Euro in the second half of the year. Previously, however, market players had focussed more on the budgetary position of several European countries and the worries about the stability of the Eurozone. Over the course of the year, the Euro moved against the British pound within a band of GBP/EUR 0.92 to 0.80 and was listed at the end of the year just below GBP/EUR 0.86. The Japanese yen on the other hand increased strongly in value against the Euro, similarly to the Swiss franc, which reached the temporary peak of the strong increase in value during 2010 at the end of the year at CHF/EUR 1.24.

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. After a short fall to the low point of 5,433 points in February, the German leading index DAX increased continuously in the past year and was up above the mark of 7000 points at its peak in mid-December. The stock markets were essentially supported by the sustained low yield level and the high liquidity on the markets. Moreover, lower-risk assets such as shares gained in attractiveness again because of the positive economic cycle and outlook; the previously high risk aversion diminished accordingly.

Economic Development in Germany

According to the first estimates of the Federal Statistical Office, the German economy recovered astonishingly strongly in the year just ended from the major recession of 2009. According to the office, the real GDP increased by 3.6% in

comparison to the previous year. At +1.7% the increase was twice as high as the overall increase in the Eurozone. With this impressive upturn, a large part of the previous fall in GDP of -4.7% could be recovered. Hardly anybody had expected this development a year ago – at least not to this extent. The German economy had started 2010 with a statistical surplus of just 0.7 percentage points, which once again spells out the high dynamics of the overall year in 2010. Even the current German national record value for growth in GDP from 2006 was slightly surpassed. After the worst recession of the post war years, the recovery process thus ended in the highest rise in GDP since reunification. Over the same period, the deficit quota increased to 3.5% of the nominal GDP, the rise does however turn out to be a lot smaller than forecast a year ago because of the good economic development.

Germany profited particularly from the dynamic world economy because of its traditional export strength. Other important industrial nations such as the USA and Japan, but above all numerous emerging economies, also recorded a high overall economic growth in 2010. Fuelled by this development, world trade increased in the year just ended with a two-figure rate in comparison to the previous year and was thus already able to achieve the pre-crisis level now. This gave rise to significant impulses for the manufacturing industries in Germany, which are reflected among other things in a clear rise in foreign orders for German companies and the increased industrial output. The international stabilisation and economic programmes and the very expansive monetary policy made their contribution to the global economic recovery. There were increasing signs of largely self-supported recovery in 2010. Against this background, it is not very surprising that the IFO business climate recovered greatly in the companies and it was possible to record a new record value in December.

In 2010, German exports grew by a good 14% in real terms, imports increased by 13%. While net exports therefore contributed 1.1 percentage points to the real GDP, the remaining 2.5% can be traced back to domestic consumption. In particular, investment in plant and equipment increased vigorously in 2010 by +9.4% in real terms, but could only partially compensate for the drop seen in 2009. This development, which was presumably very dynamic again in the final quarter, may well also be partially a result of the discontinuation of the option of the declining-balance method of depreciation, but the historically low long-term real interest rates and the till now strong increase in capacity utilisation have likewise contributed to this.

Building investments grew by +2.8%, partly due to measures in association with the economic programme and the historically low mortgage rates. Consumer behaviour was also positively influenced, so in comparison to the previous year, private consumption rose by 0.5% as well as public consumption (+2.2%).

This may well be not least as a result of the remarkably good development of the employment market. While in most western industrial nations unemployment rose sometimes drastically as a consequence of the financial crisis, underemployment in Germany only rose slightly in the short term. The trend of sinking unemployment figures recorded since the middle of 2009 was not influenced by this. One important contribution to this – in addition to the flexible reaction of the parties to wage agreements – was the instrument of the economic short working time which affected about 1.5 million people at its peak. In parallel to the fall in unemployment and in the course of the economic recovery, this figure fell significantly from the beginning of 2010. Moreover, the average annual unemployment rate sank to 7.7%; the absolute number of statistically registered persons without a job reached the lowest level for around 18 years in November at 2.93 million.

Moreover, as well as the very pleasing development of the employment market, the relatively low inflation had a positive effect on real purchasing power and therefore on private consumption in the last year once again. After the price levels had stayed almost constant in 2009, the national consumer price index rose moderately in 2010 by 1.1%. This led to a rise in real wages and salaries in negotiated agreements in the past year by 0.7%. The effective gross income rose per employee by 1.1% in real terms, which was primarily due to the fall in short working time and the resultant increased number of hours actually worked again.

... in the USA

In the last few weeks the signs are multiplying that after the remarkable recovery between the autumn 2009 to spring 2010, there did indeed follow an interim weakening, but this has apparently come to an end again. Thus, the mood indicators in the manufacturing sector rallied again and are being recorded in the expansive region. Receipt of orders and industrial production are also showing higher growth rates. The renewed recession feared by many – a double-dip recession – therefore did not occur. Quite to the contrary, growth rates seem to be normalising in a healthy way

and economic development seems to be stabilising. Robust consumption is contributing to this on the one side, and on the other side, so are the global growth dynamics, which continue to be high.

The real estate market crisis and the situation on the employment market were a burden in 2010. And yet, high growth contributions from consumption were recorded in the GDP. The unaltered growth in income was primarily responsible for this – the people who were not affected by short time working or laid off consumed almost as much as before. Moreover, the richer households, who traditionally make a disproportionately large contribution to consumption, may well have additionally profited from a wealth effect on the securities markets.

No counter movement can be expected on the real estate market, which essentially helped to cause the economic crisis, in view of it being totally a buyer's market. There do appear to be indications however of a stabilisation at a very low level. At least it was thus possible to stop the fall in starting building projects, planning approvals and sales of new builds. It must however still be assumed that there will be an excess supply of real estate in the coming years.

The Federal Reserve stuck to the zero interest rate in 2010 and in addition resolved to purchase further government bonds totalling USD 600 billion (Quantitative Easing 2). The capital market yields at the long end of the interest rate structure curve sank markedly in anticipation of this policy, but have since broken away from their low levels again markedly. Thus ten year US treasuries were listed just below 3.5 % again at the end of 2010.

Forecast

With a view to 2011, the global economy threatens to exhibit a somewhat slower dynamic as a result of the not quite so expansive monetary environment and the more restrictive fiscal policy. However, the global GDP (in purchasing power parities) should be able to grow by more than 4 % in real terms in 2011. There are currently some voices who are expecting a muted growth of the US economy because of the currently still tense situation on the US employment market and the possible associated negative repercussions for private consumption. Nevertheless there is no reason in our view for exaggerated pessimism. The growth trend in the United States is still intact and may well have even speeded up recently so that we are assuming a rise in real GDP in

2011 of 3.2 %. The US issue Bank has made it known on numerous occasions that it wants to hold fast to its course of very expansive monetary policy for longer. Above all, the still weak constitution of the employment market and the moderate movement of prices are still currently offering the Federal Reserve Bank (Fed) the arguments in favour of this. Against this background, we are anticipating that the US issue Bank will raise the base rate for the first time in the third quarter of 2011.

Germany will be again at the top in the economic development within the Eurozone with a growth of 2.6 %. Even if the dynamics in this country were to diminish, there is still a large divergence in the overall economic development within the Eurozone, especially so because several Euro member states face significantly greater needs for consolidating their public finances and because these countries are also often faced with having to make further structural adjustments.

In the Eurozone, the moderate economic recovery will continue despite the recent turbulence on the markets for government bonds and will allow a growth in GDP of 1.5 %. Above all, the precarious position of the public finances in a whole range of member states gives very little scope for government investments or other expansive measures. In this respect, it must be expected that the development in the southern member states will slow down the growth in the Eurozone. Moreover, in many states high unemployment remains a problem. In our view, it is not to be anticipated that there will be any significant improvements in 2011, and we are anticipating only a slight fall in the annual average unemployment rates from 10.0 % in 2010 to 9.8 % in the coming year. The situation on the employment market is particularly difficult in Spain.

While the rise in the debt levels in the Eurozone to just below 90 % of GDP expected up until 2012 is worrying and needs a change of course, in view of the severe crisis in 2009 and in comparison to other important industrial nations, there is no reason to expect doom and gloom in the Eurozone. Above all, there is no reason to spread propaganda about the breakdown of the Eurozone in any way. It is not only that the enormous advantages – especially from a German point of view – of the common economic and currency zone are being wantonly neglected in the public debate; there is also hardly a country in Eurozone that is entitled to play the judge. Thus all countries in the currency zone bear a common responsibility for the insufficient constitutional structure of the currency union when it was established and

for the at best lax supervision of the criteria of the stability and growth pact. On the other hand, the share of the five largest economies, Germany, France, Italy, Spain and the Netherlands of the total debt of the Eurozone as at 2009 was a total of 83.5%. These countries contributed almost the same amount (83.4%) to the GDP in the same year. Nevertheless the debt dynamics in some of the small countries has increased markedly during the crisis. Therefore European politics must reach greater unity in economic and fiscal policy and set credible regulations that are compatible with incentives for a budgetary policy in the member states that is orientated towards stability and to monitor compliance with them – without making the acute crisis management prohibitively difficult.

The ECB will retain the current low interest rate for about another year. The surprisingly large jump in inflation in December to 2.2% Y/Y should not change anything here. The leap in prices is largely a result of temporary increases in energy, crude oil and foodstuff prices. After an increased rise in prices in the first quarter, a slight fall in price pressure is anticipated over the course of the year, so that the inflation for Germany and the Eurozone inflation will not rise above 2% as an average for the year. Even the latest development in lending in the Eurozone and the monetary aggregates still do not hint at possible inflation dangers. In the face of the continuing tense situation on the Financial Markets against the background of the debt crisis, the ECB will only very carefully and gradually cut back on the unconventional measures in 2011 and after that introduce the interest rate rise cycle.

The potential of new tensions as a result of the debt crisis may well lead to the federal bonds profiting from the safe haven in 2011 as well – even if it is to a lesser extent. Moreover, a marked increase in inflation expectations is not to be anticipated over the course of 2011, which is why the upwards lift of the federal yields should be moderate. Nevertheless, a completely different picture would emerge if there were a Euro crisis management with high (risk) transfer, which cannot be ruled out, (e.g. through Euro-Bonds, guarantee expansion, etc.) or through a massive purchase of government bonds by the ECB. The latter does however remain a rather unlikely scenario in our view.

Development of Business Sectors

Treasury NORD/LB Luxembourg

Liquidity risk and interest rate risk management fall within the remit of the Treasury division. This primarily centres on the Bank's liquidity supply for refinancing the balance sheet 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 addition to this, Treasury operates an active repo business in order to further increase the share of covered active 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. On the balance sheet date, the Bank had issued benchmark bonds and private placements under its EMTN programme. 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 the year under report 2010 in order to secure the development of new funding sources and refinancing costs.

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 NORD/LB Luxembourg

The Bank pursues a conservative, value-stabilising investment strategy in this business sector. Traditionally, the Bank has been investing in banks and financials/financial institutions in the past. 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 Bank regularly reviews and adapts its investment strategy to changed requirements.

As a result of the turbulence in the capital market, the investment strategy has had a more passive orientation in the last two years. The focus was on the reduction of volume, which was achieved through targeted sales from the portfolios and by foregoing reinvestment of payable securities.

The quality of the portfolio is still high, despite the insidious rating migration, and there was no need for depreciation. Currently there are only a few investments with sub-investment grade in the inventory. For 2011 a further reduction in old stocks is intended, and on top of this an active regrouping of the portfolio into covered bonds is to take place.

The department was supplemented in 2009 by the "Solutions" segment. The aim is the active use of the specific advantages of the location in Luxembourg in terms of the Group. In the past, the division was able to be instrumental in structured transactions of the NORD/LB Group, but currently this sphere of the business is more orientated to the equity and liabilities side as a consequence of a reticent business development in the Group.

Private Banking NORD/LB Luxembourg

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

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

In terms of asset management, the investors choose between “individual asset management” tailored to customer preferences, which is based on a successful ten-year history and “fund asset management”, in which the investors profit from the strategies of superb fund managers globally.

In addition to the above, Bank is also active as an approved insurance broker in Luxembourg. In this context, NORD/LB Luxembourg arranges insurance contracts in which the investment and risk mentality of the customers are accommodated in regard to the cover values. The Bank also acts as asset manager for the insurance company.

Moreover, it should be highlighted in particular that, after the successful conception and launch of a public fund at the end of 2009, around EUR 100 million of customer money has flowed into the fund in 2010. The fund is managed by the Bank, which acts as its fund manager. The group-wide marketing of the fund was reflected by the fact that representatives of NORD/LB and Bremer Landesbank are involved in the asset allocation of the fund through an investment committee of an advisory nature.

The financing of income real estate in Germany and Luxembourg for customers with a private banking background was newly adopted among the services on offer.

On the customer side, 2010 was characterised by a slightly more offensive approach to the capital and share markets. Risk-buffered investments in certificates evolved as a focus for investments in the year just ended too. Moreover, it could be seen that customers took more notice of the creditworthiness of the issuers, especially in the case of pension securities, as well as yield and term to maturity.

Overall, Private Banking was able to significantly expand the Assets under Management.

Corporate Banking NORD/LB Luxembourg

The Corporate Banking sector of NORD/LB Luxembourg primarily operates the two business areas of cooperative lending and group business.

Within the segment of cooperative lending there exists a long-term successful and faithful cooperation in particular with the value drivers Corporate Clients, Structured Finance and Real Estate.

In terms of the cooperation model, the aforementioned market units are responsible for business acquisition. At the centre of the activities of the Bank are comprehensive services for the assets business.

On the products side the classical credit universe in all of the popular currencies is reflected. The range of services includes the whole spectrum surrounding the subject of loan servicing and management, including assumption of the facility agent function.

The Bank aspires to stringent specialisation in keeping with the Group strategy. Together with the customers (market sectors, incl. respective market service sectors within the NORD/LB Group), starting points for the expansion of the depth of services and the extension of the service/product range were identified. Noteworthy here are in particular the broadening of the Agency Competence and the expansion of the segment accounts receivable purchases (accounts receivable – trade debtors).

Competence in services that has been acquired over many years and a sustained high level of service quality in loans administration form the foundation of the business segment cooperative lending.

In addition to this core business, foreign currency loans are issued primarily to affiliated savings banks (customer loans under the guarantee of the respective agent savings bank) in the business segment Affiliated Businesses. Here the Bank creates added value through the promotion of the affiliation principle and by contributing its strengths in the foreign currency refinancing sector.

Core sources of income are predominantly the lending terms contribution and the earnings from commission from the cooperative loan business.

Treasury NORD/LB CFB

Lettres de Gage Publiques

In the year under report, NORD/LB CFB decided to subject itself to the critical assessment of FITCH Ratings as well as that of Standard & Poor's. Having come through the rating process for Covered Bonds and the award of a long-term Senior unsecured Rating of A (stable) the rating agency likewise awarded the best rating grade of AAA for the Lettres de Gage Publiques of NORD/LB CFB.

In the past year under report there was predominantly a demand for the Lettres de Gage Publiques of NORD/LB CFB for medium to long-term maturities. This was the first time that it was possible to issue a single callable in the registered covered bond format. The constant exchange of information with investors and the expansion of Investor Relations is a central point of the communications strategy of NORD/LB CFB. In addition, in order to expand market presence, pages were set up on the information systems at Reuters and Bloomberg ("NCFB") on which interested market players can call up the up-to-date issue prices and yields at any time.

Control of Interest Rate and Exchange Rate Risks

Entering into interest rate and exchange rate risks is not a central purpose of NORD/LB CFB's business.

Therefore, it essentially hedges interest rate risks on the basis of a micro-hedge approach using interest rate and interest rate/currency swaps.

Exchange rate risks arise in the Bank only to the extent of earnings or expenses that are accrued, which mainly comprise the interest accruals from the underlying transactions. The Bank also pursues a conservative risk policy here and strictly limits risks that arise, so that the currency balances that have accrued are regularly exchanged into the balance sheet currency.

Public Finance NORD/LB CFB

The Bank for municipal Undertakings in Germany

The Public Finance sector concentrated in particular on the expansion of the municipal corporate client business in Germany in 2010 too.

The Bank takes advantage of the Luxembourg covered bond law, which makes coverage of dues from municipal undertakings (public utility companies, water supply, air and sea ports, etc.) possible. This group has a particular relevance to the NORD/LB Group as it is particularly interested in securing the supply of credit for municipal undertakings as a house Bank with a public service ownership structure. The NORD/LB Group has a unique selling point in this market segment in the form of NORD/LB CFB. As the first and only regional Bank, it is in a position to offer the municipal undertakings customer group, which is eminently important for the provision of public services, a financing partner tuned into their needs. The Luxembourg covered

bond privilege, in conjunction with the special expertise of a group at home in the public sector, opens up optimal financing conditions for municipal undertakings. So as to round off its range of municipal corporate client lending services, the Bank became accredited at the KfW Förderbank. Bank concentrated here in the first step to winning new customers for the Group, who turned away from their previous house Bank to NORD/LB CFB within the scope of the so-called KfW house Bank switch.

Financing of savings Banks and other public financial Institutions

The possibility of covering loans and advances to public financial institutions and savings Banks is another benefit of the Luxembourg covered bond law. Thus the NORD/LB Group has at its disposal an additional source of refinancing in its function as the central Bank for savings Banks in the three federal states of Lower Saxony, Mecklenburg-Western Pomerania and Saxony Anhalt.

International public financing and replacement cover Business

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

In this portfolio the Public Finance sector undertook a large numbers of steps in the year under report just ended, this was done both for strategic reasons (primarily further underweighting of assets in USD in favour of the EUR share) and also in order to fulfil the requirements of the rating agency FITCH Ratings (awarding the AAA rating). As well as the rating process successfully carried out by FITCH Ratings and the award of the AAA rating, the consequence of these measures introduced in 2010 is above all a USA portfolio that was further reduced in 2010 and an increased share in EUR denominated assets. A major part in this was played by the sale of a sub-portfolio to an investor in the USA. In order to maintain the AAA rating of the agencies S&P and FITCH Ratings, it will also be necessary in future for reasons of diversification and granularity to pursue activities in this business sector. At the same time, assets are selected according to strict investment premises and only within the scope of existing country limits.

Control of the Cover Pool

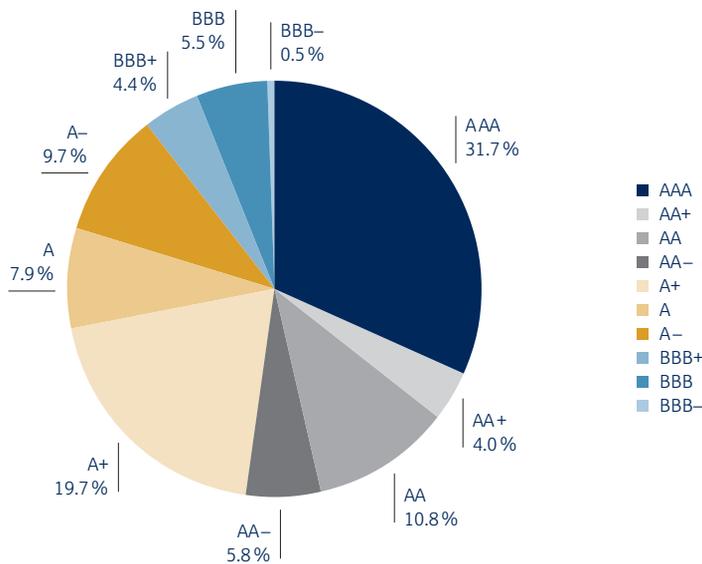
As was already the case in the previous two years, a strong concentration on European debtors was also in the fore-

ground in 2010. It is a stated aim to increase the Germany share of the cover pool sustainably and permanently; at the same time the USA share of the cover pool should continue to shrink during the course of time and in future play a less important role. On the reporting date, 31 December 2010, German assets – in particular municipal undertakings and public Banks such as savings Banks and regional investment Banks – are already making up the highest share of the Bank’s cover pool.

NORD/LB CFB has a cover pool of consistently high quality to secure the issued Lettres de Gage Publiques. The maxim for the management of this portfolio is to gain and retain investors’ trust in Lettres de Gage Publiques. The performance of this portfolio is made available by NORD/LB CFB by regularly publishing the cover pool by credit rating class and geographical distribution on the website www.nordlbcfb.lu.

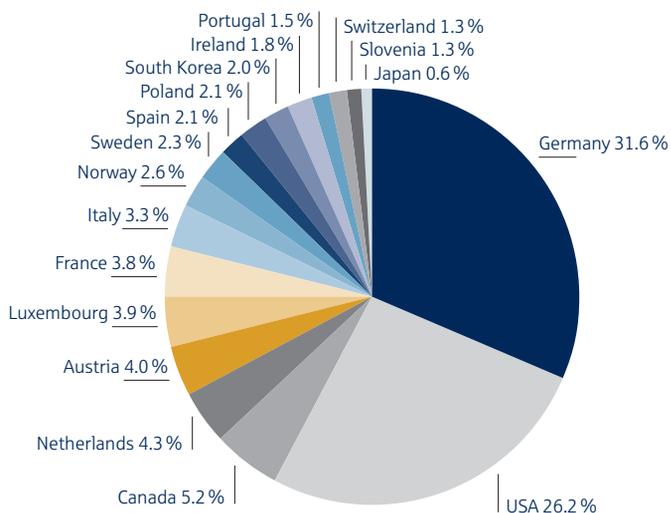
The following information relates to the cover pool before consolidation.

On the reporting date of 31 December 2010, the credit rating structure of the cover pool was as follows:



Rating	in %	in %	in %
AAA	31.7		
AA	20.6		52.3
A	37.3	89.6	
BBB	10.4		

Geographically, NORD/LB CFB’s cover pool is diversified over 21 different OECD states:



Region	in %
Europe	66.0
North America	31.4
Asia	2.6
Other	0

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

Cover Calculation	Cover Pool (EUR Million)		Issues ^{*)} (EUR Million)		Deficit (-)/Surplus (+) (EUR Million)	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Total	4,422.0	4,459.2	3,645.2	3,928.4	776.8	530.8

*) Nominal amount of the covered issues in circulation incl. own stocks.

Rating

This cover pool has provided the basis of the Bank's first-rate assessments from two rating agencies.

In 2010 the rating agency Standard & Poor's also confirmed the best rating grade AAA for the Lettres de Gage Publiques issued by NORD/LB CFB even after the reorganisation of their rating model. The change of the Credit Watch to "negative" undertaken in December 2009 was withdrawn. Because of the Outlook Negative in the rating of NORD/LB, the AAA rating of the Bank is likewise branded with this outlook. The rating remained in place even when the rating of NORD/LB by Standard & Poor's was changed to "unsolicited" in January 2011.

The quality of the cover pool has moreover been confirmed by a second AAA rating by the agency Fitch Ratings since the middle of the year. The goal of NORD/LB CFB will continue to be to receive the best grade of AAA for the Lettres de Gage of the Bank from both rating agencies. The Bank is therefore working on a cover pool policy in which it will combine its own strict quantitative and qualitative criteria and international standards of corresponding transparency specifications for cover management. With the publication of this cover pool policy during the course of 2011, the Bank will obligate itself to the benefit of its investors and thereby honour their trust in the Bank and the Lettres de Gage.

Skandifinanz

The scope of activities of Skandifinanz Bank AG lies mainly in trade-related financial transactions (forfeiting) and international private client business. The Bank's business activities were reduced in the year under report and partially transferred to the parent company because of investigations into the fraud case in the export financing business in 2009.

Outlook

The Group will retain its underlying strategy in 2011 as well. NORD/LB Luxembourg will continue to focus on the business

fields of Corporate Banking, Private Banking and Financial Markets. The adjustment of the business strategy carried out in 2010 is having an effect within the business sectors. At the centre are a stronger focus and consolidation of the product range and the expansion of strategic cooperation projects. Parallel to this the systems environment of the Bank will be consolidated and technically modernised in the years 2011 and 2012 within the scope of a major project. For the banking group it is regarded as necessary to assert the benefits of being located in Luxembourg as much as possible, to react flexibly and quickly to new customer needs and to limit risks as far as possible.

In the lending field, the Group is expecting a continued good level of margin, which will, however, increasingly come under pressure. In accordance with the initiatives already started in 2009 the lending portfolio will be diversified further.

Private Banking anticipates a further rise in earnings from services for 2011. The low interest rate phase that has now been prevalent for a long time is causing customers increasingly to be on the lookout for alternatives in the field of securities.

For the business sector Financial Markets, the preparation for impending changes in the regulatory environment are at the centre of project activities.

In terms of the NORD/LB CFB bond activities the Group will concentrate on the issue of Lettres de Gage Publiques (public covered Luxembourg bonds) in the future as well. The focus will continue to be on the refinancing of public lending complementary to the other companies in the NORD/LB Group.

For 2011, a further reduction in the business activities of Skandifinanz is planned.

In the middle of 2011 NORD/LB Luxembourg will complete a strategic project and relocate its headquarters to near the airport (7, Rue Lou Hemmer).

Overall the Group is expecting 2011 to yield satisfactory results again despite the continuing difficult economic situation.

Earnings

The financial statements of the Group to 31 December 2010 were prepared in compliance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

The Group was yet again able to achieve a satisfactory operational result in the year under report irrespective of the prevailing rather difficult market environment. The profit/loss before taxes rose against the previous year by EUR 42.4 million to EUR 36.9 million.

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

The components of the profit and loss account have changed as follows for the years under report of 2010 and 2009:

	2010 (KEUR)	2009 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Net Interest Income	138,566	177,384	- 38,818
Loan Loss Provisions	- 29,285	- 152,396	123,111
Commission Expenses/Net Income	- 22,674	- 8,516	- 14,158
Profit/Loss from Financial Instruments stated at Fair Value through Profit or Loss, including Hedge Accounting	- 4,500	8,680	- 13,179
Other operating Profit/Loss	- 5,512	- 1,390	- 4,122
Administrative Expenses	- 41,994	- 35,464	- 6,530
Profit/Loss from Financial Assets	2,336	6,226	- 3,890
Group Profit/Loss before Income Taxes	36,938	- 5,475	42,413
Income Taxes	23,945	- 1,990	25,935
Group Profit/Loss for the Year	60,883	- 7,465	68,348

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

Net interest income fell against the previous year by EUR 38.8 million to EUR 138.6 million.

It was possible to keep the risk provisions well below the level of the previous year despite the tense economic situation in the year under report 2010 due to security measures. In comparison to the previous year, expenses for the risk provision fell by EUR 123.1 million to EUR 29.3 million.

Earnings from commission fell against the comparative period by EUR 14.2 million to EUR -22.7 million. Decisive in this was in particular costs for the security measures mentioned above.

Profit/loss from financial instruments stated at Fair Value through Profit or Loss shows both trading profit/loss in the true sense and profit/loss from financial instruments that are voluntarily designated under the Fair Value Option. Profits/losses from Hedge Accounting are also shown here.

Other operating profit/loss is below the comparative value. Administrative expenses rose in comparison to the previous year. The positive result from financial investments results from the sale of securities.

Before taxes, the Group is reporting a result in the sum of EUR 36.9 million for 2010; after taxes there remains an annual result of EUR 60.9 million.

The individual items making up the result are as follows:

Net Interest Income

	2010 (KEUR)	2009 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Interest Income	810,980	1,055,378	- 244,398
Interest Expense	- 672,414	- 877,994	205,580
Net Interest Income	138,566	177,384	- 38,818

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

Both interest income and interest expense showed significant reductions in the year under report in comparison with the previous year. This is due on the one hand to balance sheet structural changes between the reporting dates and on the other caused by reductions in market prices.

Loan Loss Provisions

The tense economic situation led to an increased need for loan loss provisions for individual borrowers. More information on this can be found in Note (19).

Net Commission Income

	2010 (KEUR)	2009 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Commission Income	32,540	34,590	- 2,050
Commission Expense	- 55,214	- 43,106	- 12,108
Net Commission Income	- 22,674	- 8,516	- 14,158

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

Net commission income only includes income and expense from Banking. Commission expenses result predominantly from security measures (guarantee commission) and margin splitting for the lending business operated in cooperation.

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

	2010 (KEUR)	2009 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Trading Profit/Loss	-5,993	1,546	-7,538
Profit/Loss from initial recording of Financial Instruments designated at Fair Value through Profit or Loss	-374	2,391	-2,765
Profit/Loss from Hedge Accounting	1,867	4,743	-2,876
Profit/Loss from Financial Instruments stated at Fair Value through Profit or Loss, including Hedge Accounting	-4,500	8,680	-13,179

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

The trading profit/loss includes primarily the profit/loss from derivative transactions, which do not satisfy the restrictive criteria of Hedge Accounting. Opposing valuation changes in underlying transactions can therefore not be offset.

Other operating Profit/Loss

	2010 (KEUR)	2009 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Other operating Income	3,713	1,733	1,980
Other operating Expenses	-9,225	-3,122	-6,102
Other operating Profit/Loss	-5,512	-1,390	-4,122

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

The other operating profit/loss primarily results from expenses related to wealth tax payments and to payments for services rendered by NORD/LB.

Administrative Expenses

	2010 (KEUR)	2009 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Wages and Salaries	16,797	12,826	-3,970
Other Staff Expenses	3,260	2,426	-834
Staff Expenses	20,057	15,253	-4,804
Other administrative Expenses	21,413	14,397	-7,016
Depreciation and Value Adjustments	524	5,814	5,290
Administrative Expenses	41,994	35,464	-6,530

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

Administrative expenses, including depreciations, rose from a total of EUR 6.5 million to EUR 42.0 million. In comparison to the previous year, other administrative expenses rose by EUR 7.0 million. These increases are due to increased costs for operational and business equipment, legal and other consultancy services, as well as higher personnel expenses. In contrast, the costs for depreciation have fallen.

Profit/Loss from Financial Assets

	2010 (KEUR)	2009 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Profit/Loss from Financial Assets classified as LaR	1,349	1,925	-576
Profit/Loss from Financial Assets classified as AfS (without participating Interests)	987	4,301	-3,314
Profit/Loss from affiliated Companies	0	0	-
Profit/Loss from Joint Ventures and associated Companies	0	0	-
Profit/Loss from other participating Interests	0	0	-
Profit/Loss from Financial Assets	2,336	6,226	-3,890

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

In both of the years under report, the financial profit/loss results from the disposal of financial investments of the categories LaR and AfS in both years under report.

Income Taxes

	2010 (KEUR)	2009 (KEUR)	Increase/Decrease ^{*)} (KEUR)
Current Taxes	6,324	- 4,315	10,639
Deferred Taxes	17,622	2,325	15,296
Income Taxes	23,945	-1,990	25,935

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

NORD/LB Luxembourg and NORD/LB CFB form a tax group in accordance with article 164bis of the Luxembourg income tax law. Because of a tax loss, no current income taxes are due in the tax group in 2010.

Appropriation of Earnings

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

Please refer to the individual financial statements of NORD/LB Luxembourg, which are subject to commercial law, which are published at www.nordlb.lu for more information on dividend payments. The dividend policy of NORD/LB Luxembourg as resolved by the shareholders meeting is detailed below for information only:

	2010	2009	2008
Dividends (EUR)	40,000,000.00	0.00	18,750,000.00
Number of Shares	820,000	820,000	820,000
Dividends per Share (EUR)	48.78	0.00	22.87

Schedule of Assets and Financial Data

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/Decrease (EUR Million)
Loans and Advances to Banks	4,094.5	7,102.7	-3,008.2
Loans and Advances to Customers	5,065.9	6,063.9	-998.0
Risk Provisions	-191.1	-220.6	29.4
Financial Assets at Fair Value through Profit or Loss	425.5	316.0	109.5
Financial Assets	10,251.9	9,959.5	292.5
Other Assets	547.2	495.4	51.9
Total Assets	20,193.9	23,716.8	-3,522.9
Liabilities to Banks	10,204.1	12,853.9	-2,649.8
Liabilities to Customers	3,750.6	4,362.9	-612.3
Securitised Liabilities	4,477.3	4,880.4	-403.1
Financial Liabilities at Fair Value through Profit or Loss	220.6	224.1	-3.5
Provisions	15.2	12.1	3.1
Other Liabilities	860.3	675.3	185.0
Reported Equity	665.9	708.1	-42.2
Total Equity and Liabilities	20,193.9	23,716.8	-3,522.9

In the year under report just ended, the Bank reviewed its business structure. This is shown in particular in the balance sheet total, which has fallen in comparison to the previous year by EUR 3.5 billion to EUR 20.2 billion. In the balance sheet structure, the fall mainly affected the interbank business. The loans, advances and liabilities to banks fell by EUR 3.0 billion and 2.6 billion respectively. The volume of business with customers shown on the balance sheet fell by EUR 1.0 billion and EUR 0.6 billion on the assets and liabilities sides respectively. The securitised liabilities likewise show a fall of EUR 0.4 billion.

On the reporting date of 31 December 2010, the financial assets shown at Fair Value through Profit or Loss include trading assets of EUR 0.3 billion (previous year EUR 0.2 billion) and financial instruments designated at Fair Value of EUR 0.1 billion (previous year EUR 0.1 billion).

The item "other assets" also includes the cash reserve at EUR 0.1 billion, which is below the previous year's amount (EUR 0.2 billion).

At the reporting date of 31 December 2010 financial liabilities at Fair Value through Profit or Loss, at EUR 0.2 billion (previous year EUR 0.2 billion), only include trading liabilities.

The reported equity of the banking group was EUR 665.9 million at 31 December 2010 (previous year EUR 708.1 million).

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

Risk Report

The risk report of NORD/LB Luxembourg Group to 31 December 2010 was prepared on the basis of IFRS 7. The Bank does not enter into any noteworthy risks from complex structured derivatives.

Overall Bank Management

Principles of Risk Management

Banking business is inextricably linked to the conscious entering into of risks. From a business point of view, the Group defines risk as being potential direct or indirect financial losses due to unexpected negative deviations between the actual and the projected results of business activity. The identification, analysis, measurement, management and monitoring of these risks is a basic prerequisite for the sustainable success of the business.

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

The new edition of the German MaRisk published in August 2009 resulted in various reforms and extensions e.g. in relation to taking into account risk concentrations and risk management at Group level. NORD/LB Luxembourg Group had already carried out a preliminary study before publication of the final version to identify areas needing action and brought an implementation project into being. In the year under report, the identified measures were implemented in close cooperation with NORD/LB AöR.

Among other things, the NORD/LB Luxembourg Group drafted a multi-stage process to derive an overall risk profile in the year under report that depicts the risk types relevant to the Group as well as to further differentiate between significant and insignificant risks. Of primary importance in this connection are all relevant risk types which could significantly impair the capital adequacy, earnings position, liquidity position or the achievement of strategic goals of the NORD/LB Luxembourg Group.

Furthermore the following risks are also deemed to be significant: credit risk, participation risk, market price risk, liquidity risk and operational risk. In addition, the following risks are deemed to be relevant: business and strategic risk, reputational risk, syndication risk and model risk. Appropriate precautions were taken for all identified risks. The overall risk profile is checked at least once a year in relation to events (risk stocktaking) and adjusted if necessary.

A further need for amendments results from the third revision of the MaRisk published on 15 December 2010. The NORD/LB Luxembourg Group carried out an analysis of the need for action on the basis of the second draft of 7 October 2010 and compiled an implementation plan.

Risk Management Strategies

The business policy of the NORD/LB Luxembourg Group is consciously conservative in its direction. Accordingly, NORD/LB Luxembourg's main principle is to responsibly handle risks. The risk strategy formulated accordingly is in keeping with the business model, the business strategy and the specifications of the Group risk strategy and is reviewed at least once a year. It contains statements on the principles of risk policy and the organisation of risk management, as well as risk sub-strategies relating to the significant risk categories specific to the Bank.

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

For the NORD/LB Luxembourg Group a conservative definition set, under which in normal circumstances up to 80 % of the economic risk cover amount (status quo of the RBC model) may be covered by risk potential. The economic capital adequacy item should exhibit a minimum cover ratio of 125 %.

The maximum allocation of risk capital to the significant risk categories is likewise done within the scope of the risk strategy. The large part of the cover volume is allocated to credit risks and reflects the focus of the NORD/LB Luxembourg Group which lies in the customer-orientated lending business.

The risk strategy was reviewed in 2010 and adjusted and discussed with the regulatory bodies after being passed by the extended sub-group Board of Directors. The focuses of the review that was undertaken lay on the integration of the overall risk profile and the improved RBC model into the risk strategy.

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

Risk-Bearing Capacity

The risk-bearing capacity model (RBC model) forms the methodical basis for monitoring compliance with the risk strategy of the NORD/LB Luxembourg Group. Adherence to the model is monitored both at Group and the individual institution's level for NORD/LB Luxembourg and NORD/LB CFB by the Controlling department of NORD/LB Luxembourg. In the case of Skandifinanz, the compilation and monitoring is initially carried out on a decentralised basis. Subsequently, the risk-bearing capacity report is passed on to the Controlling department of NORD/LB Luxembourg for checking and made available to the management of NORD/LB Luxembourg within the scope of the Group reporting process.

The aim of the model is the aggregated representation of the risk-bearing capacity (RBC) both at individual institute and group level in terms of a comparison of the risk potential and risk capital resulting from the significant risks. Through the regular monitoring and reporting process it is ensured that the competent governing bodies of the group companies are informed in good time of the risk-bearing capacity situation. This model serves to secure risk-oriented corporate management.

The NORD/LB Group employs a scenario-based RBC model which also fulfils the requirements of the Internal Capital Adequacy Assessment Process (ICAAP) in accordance with Basel II. The NORD/LB Group reviewed and expanded its existing RBC model, which is also valid for the main institutes of the NORD/LB Luxembourg Group. One of the central points of the review was the implementation of the requirements of the second MaRisk amendment with regard to an extended consideration of stress scenarios encompassing all risk types, as well as a further optimisation of the group-wide overall Bank management. During the year, the reports were produced quarterly on the basis of the reviewed RBC model in parallel to the RBC reporting used to date; as of 31 December 2010 the reports were

only produced on the basis of the reviewed model for the first time.

The extended RBC model comprises the three perspectives of Going Concern, Economic Capital Adequacy and Regulatory Capital Adequacy, in which the total of the significant risks (risk potential) is compared to the defined risk capital in each case. The economic and regulatory capital adequacies are both further broken down into the perspectives of status quo and under stress.

The first perspective is represented by the Going Concern Case, which assumes the continuation of the business and functions as an early warning. The risk capital compared to the risks is based on free capital stock under supervisory law beyond a set total key figure. In addition, effects affecting risk capital effects are taken into account during the year within the scope of a dynamisation process.

The second and third perspectives each take account of a higher confidence level of 99.9% on the risk potential side. For the economic capital adequacy, economically calculated risk potentials are used, and for the regulatory capital adequacy, the risk potentials calculated according to regulatory. The capital side is based both in the economic and the regulatory adequacy check on equity and near-equity components, which are to be taken into account according to regulatory rules on capital stock. In the economic perspective, a dynamisation process for effects affecting risk capital during the year is carried out like in the going concern case.

For the proof of the adequacy of the capital base (Internal Capital Adequacy Assessment Process, ICAAP) needed according to Bank regulatory laws, the economic capital adequacy (status quo) indicator is looked at primarily. The regulatory capital adequacy in the status quo is to be complied with as a strict secondary condition; the going concern case serves as an early warning level. The derivation of strategic limits from the risk-bearing capacity perspective arises from the going concern case taking into account the risk capital allocation undertaken in the risk strategy.

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

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

The relevant scenarios are merged at NORD/LB Group level and are to be applied in all individual companies, in order

to ensure comparability between the Banks and to ensure that it is possible to aggregate them into group values.

The 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. These are used to regularly check compliance with the specifications of the risk strategy regarding the appetite for risk and allocation of the risk capital to the primary risk categories. Furthermore, the Bank's risk-bearing capacity is always assessed during the Bank's regular Supervisory Board meetings.

The utilisation of the existing risk capital with risk potential in the economic capital adequacy can be seen from the following table:

EUR Million	Risk-Bearing Capacity 31.12.2010		Risk-Bearing Capacity 31.12.2009	
Risk Capital	790.0	100.0 %	811.0	100.0 %
Credit Risks	327.3	41.4 %	520.0	64.1 %
Investment Risks	0.0	0.0 %	0.0	0.0 %
Market Price Risks	35.9	4.5 %	19.3	2.4 %
Liquidity Risks	20.8	2.6 %	20.2	2.5 %
Operational Risks	11.3	1.4 %	10.4	1.3 %
Overall Risk Potential	395.3	50.0 %	569.9	70.3 %
Over Cover	394.7	50.0 %	241.1	29.7 %
Level of Risk Cover		199.8 %		142.3 %

The level of risk coverage was 199.8% as at 31 December 2010.

When comparing the reporting dates it must be considered that the comparative values to 31 December 2009 were determined using the RBC model that applied in 2009.

The considerable fall in credit risks results from methodological and technical improvements in the determination of credit risks.

The market price risks increase as a result of taking credit-spread risks (liquidity reserve) into account.

Risk Management Structure and Organisation

The responsibility for risk management is borne by the extended sub-group Board of Directors of the NORD/LB Luxembourg Group, which also sets the risk strategy for the Group. After the approval of the risk strategy by the extended sub-group Board of Directors, it is submitted to the Supervisory Board of NORD/LB Luxembourg for the board's information and to be discussed with this board. The responsibility for the compilation and monitoring of the risk strategy is borne by the Chief Risk Officer (CRO) of NORD/LB Luxembourg. This includes the monitoring of all significant risks including risk reporting.

Risk management is subject to continual review and improvement. Risk is managed using standard group methods at both individual and group levels. Any adjustments that might be necessary comprise regulatory requirements, organisational measures, improvement of procedures of risk quantification and the ongoing updating of relevant parameters. Risk-orientated and process-independent audits of the effectiveness and appropriateness of the risk management are likewise duties of the Internal Audit department. The aims of the Internal Audit department also include making a contribution to the securing of the effectiveness, efficiency and orderliness of the business activities. It also facilitates the optimisation of business processes as well as the controlling and monitoring of procedures.

Within the scope of the ongoing improvement of the group-wide monitoring instruments, the Internal Audit departments of NORD/LB and the NORD/LB Luxembourg Group work closely using a standardised group audit policy and evaluation matrix for the findings of audits. Cross-institutional competence centres were also set up in this regard, in order to develop complex specialised subjects and conduct audits in the Banks.

The handling of new products, new markets, new distribution channels, new services and their variations is regulated within the scope of the New Product Processes (NPP). The essential aim of the NPPs is for all potential risks for the NORD/LB Luxembourg Group to be identified, analysed and evaluated prior to the business being taken up. Associated with this are the integration of all necessary audit areas and documentation of new business activities, their treatment in the overall operational process, the decisions to establish business and any appropriate associated restrictions.

All processes and responsibilities, which are of relevance for the risk management process of the Group, are documented in the risk handbook of the NORD/LB Group and in the working directives of the NORD/LB Luxembourg Group.

Credit Risk

Credit risk is a component of counterparty risk and is sub-divided into classical credit risk and counterparty risk in trading. The classical credit risk describes the risk of a loss occurring because of the failure or decline in creditworthiness of a borrower. The counterparty risk in trading describes the risk of a loss occurring because of the failure or decline in creditworthiness of a borrower or contractual

partner in trading transactions. This is sub-divided into the default risk in trading, replacement, settlement and issuer risks.

As well as the original credit risk there is also the country risk in the case of cross-border capital services (transfer risk). This includes the risk of a loss occurring because of overriding state restraints, despite the ability and willingness of the counterparty to fulfil its payment obligations.

Credit Risk – 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 following organisational units in particular are involved in this system:

- NORD/LB Luxembourg: Corporate Banking (lending market sector), Credit Risk Management (lending market consequences), Controlling, Treasury and Credit Investments & Solutions (CIS),
- of NORD/LB CFB: Public Finance (lending market sector) and Treasury, of
- NORD/LB: Credit Risk Management (lending market consequences)

New products, markets or distribution channels in the Bank's lending business are introduced within the scope of a new product process (NPP). A risk-related organisational structure, as well as the functions, responsibilities and authorisation of the divisions that deal with risk processes, are clearly defined at employee level. In accordance with the requirements of the Luxembourg bank supervisory authorities, lending business processes are characterised by a clear organisational separation of the front and back office, right up to Board level.

The Group's risk management is based on the concepts of NORD/LB and is continually improved according to operational and regulatory criteria and adjusted where appropriate to the Bank's specific characteristics. The independent monitoring of the portfolio in relation to strategic and operational standards will be performed by NORD/LB Luxembourg's Controlling Department.

To this end, the Controlling department of NORD/LB Luxembourg compiles a quarterly counterparty risk report as part of the management information system for the members of the credit risk committee, in order to make existing risks or risk concentrations transparent at an early stage and to introduce necessary measures where applicable. This also includes an aggregated representation of the counterparty risks of the subsidiaries with regard to a standard group controlling process.

The counterparty risk report includes a detailed and comprehensive representation and analysis of the counterparty risk of the respective individual bank at overall portfolio level according to various aspects. The counterparty risk report also features a stress test. The exposure considered comprises all of the assets, including possible liabilities and approvals, as well as derivatives and repo transactions. The counterparty risk report is based on the data from the regulatory reporting process. The counterparty default risks are determined on the basis of Basel II: 1. All of the above processes are performed on the basis of the IRB base rate. The information from the subsidiaries that is needed in terms of reporting is prepared by NORD/LB CFB and Skandifinanz and monitored in terms of counterparty risk analysis.

As a further instrument for controlling and monitoring credit risks, the Controlling department of NORD/LB Luxembourg compiles a so-called counterparty risk notification on a monthly basis, as well as the Credit-Risk-Watchlist (monitoring borrowers with poor credit ratings) in order to make existing risks or risk concentrations transparent at an early stage.

Credit Risk – Measurement

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

The unexpected loss for the credit risk is quantified across the Group with the aid of an economic credit risk model for different confidence levels and a time horizon of one year. The credit risk model used by the NORD/LB Group draws correlations and concentrations into the risk assessment too.

The credit risk model determines the unexpected loss at the level of the overall portfolio. The model used for NORD/LB Luxembourg and NORD/LB CFB is based on the basic model of CreditRisk+. It involves representing sys-

tematic sector influences on the distribution of loss using correlated sector variables. The estimate of the Probability of Default – PD draws on the internal rating procedure. The loss quotas (Loss Given Default – LGD) are defined specific to the transactions.

The calculation for Skandifinanz initially continues to be the Gordy model, which is drawn on by the Basel Committee for Banking Supervision for modelling capital adequacy within the scope of Basel II. The Gordy model determines the contributions of the individual borrowers and investments to unexpected losses at portfolio level, which are consolidated by addition into an unexpected loss to the overall portfolio. This model uses the probabilities of default (PDs) resulting from the internal rating procedure and the loss given default (LGD) relating to specific transactions.

The methods and procedures for quantifying risk are coordinated within the Group's companies, in order to ensure a standardised approach within the Group. The ongoing risk management and controlling is done for NORD/LB Luxembourg and NORD/LB CFB by the Controlling department of NORD/LB Luxembourg. Skandifinanz's risks are managed and controlled separately by Skandifinanz staff. The reports of Skandifinanz are provided to the Controlling department of NORD/LB Luxembourg for monitoring and inclusion in the group reports.

Credit Risk – Development in 2010

The Group uses a management approach for reporting its risks, which means that its internal and external risk reports are always based on the same terms, methods, and data. Which means that its internal and external risk reports are always based on the same terms, methods and data. The categories for the representation of the credit risk to be formed in accordance with IFRS 7.6 are accordingly in keeping with the quarterly reports on risk-bearing capacity submitted to the sub-group Board of Directors and the regulatory bodies.

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 61 % and

revocable lending commitments at 5 %, while securities remain disregarded.

Analysis of Credit Exposure

The credit exposure as at 31 December 2010 amounts to EUR 20.1 billion (previous year EUR 24.9 billion). Classification is equivalent to the standard IFD rating scale agreed upon by the Banks, savings Banks, and associations included in

the Initiative Finanzstandort Deutschland (IFD, initiative to promote Germany as a financial and business centre). This has been designed to improve the comparability of the various rating levels of the individual financial institutions. The group's standard rating categories of the 18-tier DSGV rating master scale used in the NORD/LB Luxembourg Group can be transferred directly into the IFD categories.

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

Rating Structure ^{1) 2)} EUR Million	Loans ³⁾	Securities ⁴⁾ 31.12.2010	Derivatives ⁵⁾	Other ⁶⁾	31.12.2010	Total 31.12.2009
Very good to good	5,996	10,018	488	130	16,632	20,776
Good/satisfactory	976	527	0	0	1,503	1,849
Still good/adequate	395	15	1	9	419	568
Bad Risk	751	79	0	16	846	786
High Risk	215	0	0	0	215	294
Very high Risk	214	0	3	0	217	204
Default (=NPL)	282	21	0	4	307	399
Total	8,829	10,659	491	159	20,138	24,877

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 61 % and revocable ones at 5 %

4) Includes the Bank's own stock of securities of external issuers (investment book only)

5) Includes derivative financial instruments such as financial swaps, options, futures, forward rate agreements and currency transactions

6) Includes other products such as transmitted loans and administration loans

The majority of total exposure (82.6 %) is in the “very good to good” rating category. The proportion of this rating, the best rating category, in the total exposure continues to be very

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

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

Sectors ^{1) 2)} EUR Million	Loans ³⁾	Securities ⁴⁾ 31.12.2010	Derivatives ⁵⁾	Other ⁶⁾	31.12.2010	Total 31.12.2009
Finance Institutions/ Insurance Companies	4,136	7,084	488	91	11,800	15,995
Service Industries/Others	1,677	3,190	3	64	4,933	4,712
of which: Property and Housing	559	0	0	0	559	557
of which: Public Administration	157	3,060	0	55	3,272	550
Transport/Communication	444	109	0	0	553	536
of which: Shipping	14	0	0	0	14	8
of which: Aviation	0	0	0	0	0	2
Manufacturing Industry	1,361	0	0	4	1,365	1,864
Energy- and Water Supplies and Mining	788	276	0	0	1,065	744
Trade, Maintenance and Repairs	325	0	0	0	325	361
Agriculture, Forestry and Fishing	1	0	0	0	1	33
Construction Industry	92	0	0	0	93	186
Other	4	0	0	0	4	446
Total	8,829	10,659	491	159	20,138	24,877

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

The table shows that the business with financial institutions/insurers of good creditworthiness, which till now was relatively low risk with a total share of 58.6%, continues to

make up a significant share of the total exposure. When the service sector is included the proportion of the total exposure is 83.1%.

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

Regions ^{1) 2)} EUR Million	Loans ³⁾	Securities ⁴⁾ 31.12.2010	Derivatives ⁵⁾	Other ⁶⁾	31.12.2010	Total 31.12.2009
Euro Countries	6,408	7,414	313	142	14,278	16,934
Remaining Western Europe	660	703	146	16	1,525	2,314
Eastern Europe	333	431	0	0	764	868
North America	1,106	1,521	32	0	2,659	3,570
Latin America	31	83	0	0	114	147
Middle East/Africa	30	0	0	0	30	21
Asia	254	340	0	0	593	963
Other	8	167	0	0	176	61
Total	8,829	10,659	491	159	20,138	24,877

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

The Group invests almost exclusively in economically strong regions. The country risk tends to be of low importance due to the good country ratings. The Eurozone, with a high proportion (70.9%) of loans, continues to be the most important business region by far.

The differences between the totals of credit exposure according to internal reports and book values result from the definition of the credit exposure for internal purposes based on the regulatory reporting and from different balance sheet and evaluation methods.

Non-Performing Loans (NPL)

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

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

The risk provision of the Group amounts to EUR 199.7 million on the reporting date and as well as portfolio loss pro-

visions in the sum of EUR 15.9 million includes individual loan loss provisions in the sum of EUR 93.4 million for Icelandic commitments. A further EUR 9.8 million was put aside for two borrowers in the energy sector, and EUR 72.1 million for two borrowers from the automotive sector, a real estate financing deal and a trade financing deal. On top of this there are provisions in the total sum of EUR 8.5 million for two borrowers in the energy sector and one borrower from the automotive sector.

Credit Risk – Outlook

In 2011, measures are planned in close cooperation with the NORD/LB Group for the further optimisation of the models for quantifying and controlling credit risks. As well as further developing the economic credit risk model, the loss data collection for the validation of the components LGD and Credit Conversion Factor (CCF) will also be further expanded.

Participation Risk

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

As well as the original participation risk, there is the country risk in the case of international capital services (transfer risk). This includes the risk of a loss occurring because of overriding state restraints, despite the ability and willingness of the counterparty to fulfil its payment obligations.

Strategy

The Group's investment strategy is primarily aimed at securing and improving its own market position. The investments serve the targeted strengthening of the universal banking activities.

The risks that arise from entering into participation are controlled and monitored by the extended sub-group Board of Directors of the Bank. The Investment Controlling department resides in the Controlling division of NORD/LB Luxembourg from an organisational point of view, which in cooperation with other divisions, particularly the company development division, monitors the investment risk and is to supply the controlling units with the necessary information. As well as this the Internal Audit department of NORD/LB Luxembourg is involved in the monitoring of investments in its role as group auditors.

Monitoring is performed by analysing the reports drawn up during the year, the interim and annual financial statements and the audit reports prepared by the external auditors. The Bank exercises the control function by sending representatives of NORD/LB Luxembourg to operational posts in the companies or by exercising the function of the Administrative Board. Moreover the Bank has established group-wide committees in which the topics relevant for control are discussed.

Participation Risk – Measurement

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

Participation Risk – Development in 2010

The composition of the investment portfolio remained unchanged in the year under report 2010.

Skandifinanz Bank AG had to process a loss in the reported year of 2009 in the sum of around EUR 130 million from a

fraud case in the export financing business. The loss was borne by the Bank itself and with financial funds from the NORD/LB Group. Over the course of 2010, the governing bodies of the Swiss institution, in which NORD/LB Luxembourg is represented by the Chairman of its Board, decided to halt any new business and to reduce the business activities both in private banking and in trade financing in an orderly fashion. This resolution was enforced in January 2011 with the restriction of the purpose of the company in the articles of association of Skandifinanz Bank AG. Moreover the company was renamed Skandifinanz AG as of 7 January 2011.

Market Price Risk

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

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.

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

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

Market Price Risk – Management

Strategy

The activities associated with market price risks at the NORD/LB Luxembourg Group are concentrated on selected markets, customers and product segments. The positioning in the money, currency and capital markets should reflect the importance and size of the Group.

As regards interest risk the aim of the Group is to operate maturity transformations and to participate in the general market developments within the scope of the risk limits it has set. Credit-spread risks also arise from the strategic investment in refinanced securities with matching maturities. A buy & hold strategy is essentially pursued for these positions. Therefore, these transactions are always shown in the investment book.

Organisational Units

All divisions that manage market price risk-bearing positions and bear gains and losses arising from market changes, are included in the process of controlling market price risks. The monitoring of the risks is done by the Controlling department of NORD/LB Luxembourg.

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

Market Price Risk – Management and Monitoring

A Value-at-Risk procedure is adopted for managing and monitoring the market price risks of NORD/LB Luxembourg and NORD/LB CFB (ex Credit Spread) (VaR-). Skandifinanz calculates the interest rate change risk on the basis of a strictly limited scenario approach which is appropriate for the size of the Bank.

The Value-at-Risk key figures are determined on a daily basis using the method of historical simulation. 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 takes account of direct and indirect correlation effects between risk factors, types of risk, currencies and sub-portfolios.

A limit is defined 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.

The credit-spread risks of the investment book are not currently controlled with the aid of a Value-at-Risk method, but

calculated via 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 bank books were both in the green region in accordance with the Basel traffic light approach.

The effects of extreme changes on the markets on the risk position of the Bank are determined on a daily basis in addition to the Value-at-Risk. To do so, various stress scenarios, which approximately reflect the highest changes in the respective risk factors to have been observed over the last five to ten years over a period of ten trading days, were defined for each of the risk categories, interest, currency and volatility risk, as well as for credit-spread risk.

The Value-at-Risk for NORD/LB Luxembourg and NORD/LB CFB is also calculated on the basis of the regulatory parameters (confidence level of 99 % and holding time of ten 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 2010

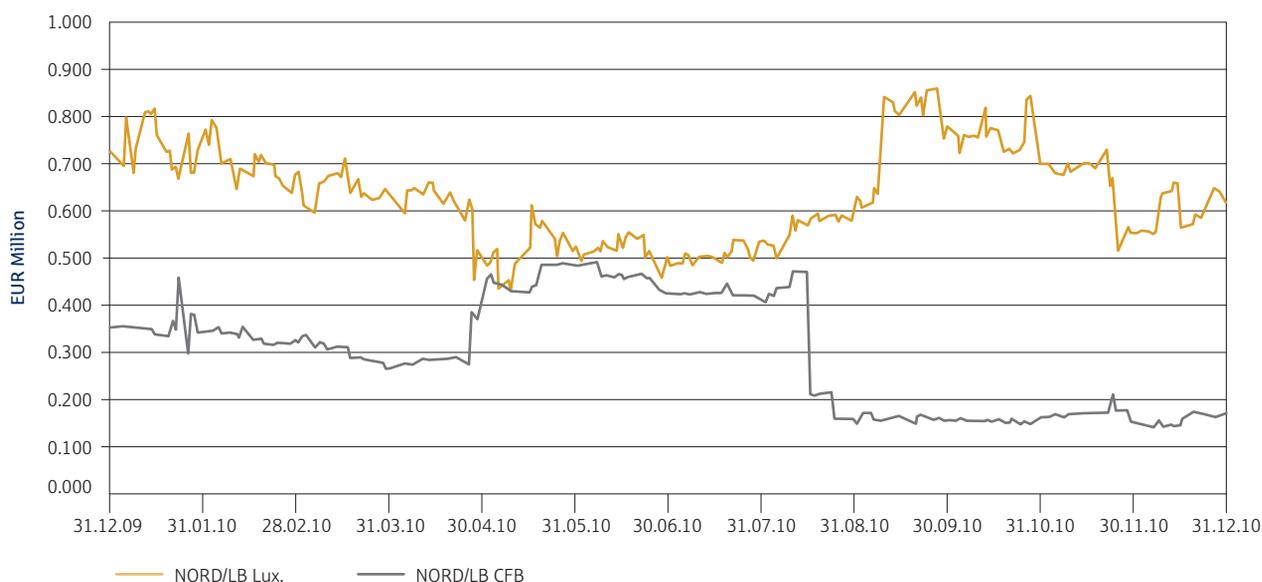
It was possible to keep the market price risks of the Bank shown in the following illustrations at a low level overall in the year under report:

The utilisation of the market price risk limits (Value-at-Risk limit) in NORD/LB Luxembourg was 12.6 % on a yearly average basis (previous year 15.7 %); the maximum utilisation was 17.2 % (24.6 %) and the minimum utilisation 8.6 % (9.9 %). The average utilisation in NORD/LB Luxembourg continues to be low and results from the conscious reduction of interest rate risks within the scope of the general financial market crisis. The Value-at-Risk, which is calculated on a daily basis (confidence level of 95 % and holding period of one day), amounted to EUR 0.619 million in NORD/LB CFB on 31 December 2010 (previous year EUR 0.725 million).

The annual average utilisation of the market price risk limit (Value-at-Risk limit) in NORD/LB CFB was 29.7 % (previous year 60.3 %). In the last four months of the year, a lower utilisation of the limit can be seen. This is to be seen as a consequence of a conscious reduction of interest risks. The Val-

ue-at-Risk, which is calculated on a daily basis (confidence level of 95 % and holding period of one day), amounted to EUR 0.167 million in NORD/LB CFB on 31 December 2010 (previous year EUR 0.353 million).

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



The share of the interest rate and foreign currency risks in the overall risk on 31 December 2010 was KEUR 235 and KEUR 468 respectively at NORD/LB Luxembourg and KEUR 162 and KEUR 96 respectively at NORD/LB CFB.

On 31 December 2010, the interest sensitivities (NORD/LB Luxembourg and NORD/LB CFB aggregated) are as follows:

Sensitivities (Interest Rates)																	31.12.2010	
„Present Value of a Basis Point“ (PVBP) per Portfolio and Currency																	(KEUR)	
Currencies	AUD	CAD	CHF	CZK	DKK	EUR	GBP	HKD	HUF	JPY	NOK	NZD	PLN	SEK	TRY	USD	ZAR	Total
Whole bank	-0	+0	+5	+0	-0	-95	+2	+0	+0	+20	-0	+0	+0	-0	+0	-2	-0	-71

The credit-spread risk of the investment book of NORD/LB Luxembourg on 31 December 2010 was EUR 15.3 million (holding time ten days).

The credit-spread risk of the investment book at NORD/LB CFB on 31 December 2010 was EUR 2.1 million for AFS stocks and EUR 41.1 million for LAR stocks (holding time ten days).

Additionally with regard to the interest rate risks in the investment book, the effects of a standardised interest rate shock of +130 or -190 basis points is analysed in accordance with the requirements of SolvV on a monthly basis. The result continues to be far below the regulatory threshold, which provides for a maximum proportion of 20 % of authorised equity capital.

Market Price Risks – Outlook

We are expecting a moderate increase in the interest rate and foreign currency risks for the year 2011.

With respect to the development in the credit-spread risks the introduction of a Credit Spread Value-at-Risk will take place via historical simulation within the scope of the daily controls in 2011. This method was already applied in the risk-bearing capacity calculation to 31 December 2010 within the scope of the group-wide introduction of the new RBC model.

Liquidity Risk

Liquidity risks are risks which may result from malfunctions in the liquidity of individual market segments, unexpected events in lending or investment business, or deteriorations in the Bank's own refinancing conditions.

Liquidity Risk – Control

Strategy

The liquidity risk strategy of the Group is orientated to the recommendations on efficient liquidity risk control published by the CEBS, the requirements on the part of the Luxembourg regulatory authorities and the Central Bank derived therefrom 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 department of NORD/LB Luxembourg is participating in the introduction and improvement of an internal procedure for measuring, limiting and monitoring liquidity risks to a large extent and assumes the responsibility for control functions for the calculation of the refinancing risks and the calculation and monitoring of the classical liquidity risk.

Liquidity Risk – Management and Measurement

The Group differentiates between the following characteristics of liquidity risk within the scope of liquidity management:

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 the so-called liquidity stress test (LST) which is generated on a daily basis at group level. A distinction is made here between one dynamic and three static scenarios.

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

The static scenarios are split into:

Market wide Liquidity Disruption:

There is a marked financial market induced liquidity bottleneck prevalent on the Financial Markets, which is blocking interbank 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.

The Bank has defined the following limits for the monitoring of the liquidity risk appetite and tolerance using the "Distance-to-Illiquidity", which is calculated at Group level:

- 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 at NORD/LB Luxembourg and on a weekly basis at NORD/LB CFB and Skandifinanzbank. An aggregated refinancing risk at group level is generated monthly.

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 bank level, derived from the Group. The Bank uses these limits to record a risk appetite in relation to discrepancies.

Liquidity Risk – Reporting

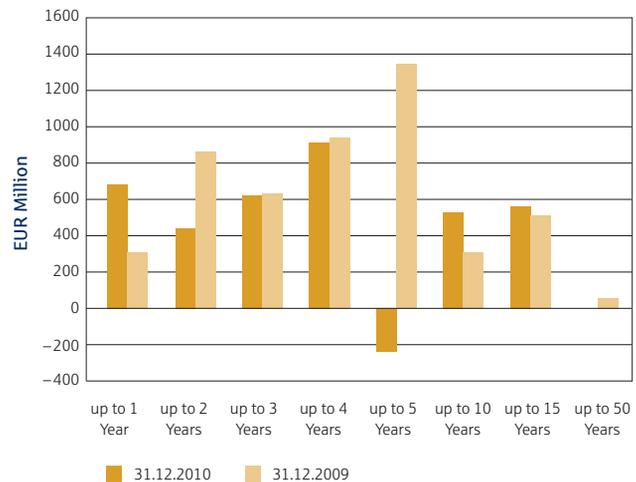
The respective Board of Directors is informed of the liquidity risk situation of the individual banks on a daily basis, and on a monthly basis for the Group. Furthermore a comprehensive daily report on the classical liquidity risks is generated at group level.

Liquidity Risk – Development in 2010

The financial market continues to find itself in a tense mood over the course of 2010 too. The liquidity position of the NORD/LB Luxembourg Group was guaranteed at all times and improved in comparison to the previous year.

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

Cumulative Liquidity Progress (NORD/LB Luxembourg Group) per 31.12.2010



The regulatory specifications were complied with at all times in the year under report just ended.

In order to depict and control the liquidity flows accurately, a security classification system was introduced via a methodical improvement, which groups together the whole security stocks into various classes according to the assessment of their convertibility into cash. The change in the cumulative outflows results mainly from the introduction of this new logic and is therefore only comparable with the previous year's reporting date to a limited extent.

Liquidity Risk – Outlook

With the liquidity risk management that goes beyond regulatory requirements it is ensured that the Group is always in a position to fulfil its payment obligations on time and to take up refinancing means on the market at reasonable conditions.

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

Through the vigilant observation of the markets and active liquidity management it was ensured at all times during the year under report 2010 that the Group was equipped with sufficient liquidity. The NORD/LB Luxembourg Group is not expecting any substantial increase in the liquidity risks for the year 2011.

In 2011, the methods and risk measurement processes will be optimised further. An essential component of this is the implementation of the significantly increased requirements of management announced by the international regulatory authorities as a reaction to the financial market crisis, and the external reporting with regard to liquidity risks. As regards the methodical improvement, the Bank is participating in a group-wide liquidity management project.

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

There are operational risks in every business activity. The aim is therefore to avoid them – so far as is economically reasonable. The economic consideration that must be made here follows the basic idea of protection against operational risks, so that the costs of protection do not exceed the risk costs 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.

The management of operational risks is supported by a methodical framework for risk assessment. Escalation processes are defined in order to introduce timely targeted measures.

Risk causes are to be identified and risk concentrations avoided through a continuous analysis of loss events, risk indicators (from 2011) and scenarios. The suitability and effectiveness of the internal management system (IMS) is checked at regular intervals (IMS control loop) in terms of risks. Depending on the occasion, suitable countermeasures are seized. Emergency plans serve to limit damage in the event of unexpected extreme events. 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 as early as the middle of 2005 the NORD/LB Luxembourg Group has been compiling loss events from operational risks and categorising them according to cause and effects. There is no “insignificant” level, although a simplified reporting process is applied for gross losses of less than EUR 1,000. Data in the loss database 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).

With the aid of the risk assessment method carried out every year in the Group the past-related collection of loss events is supplemented with the future components. 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 method was totally reviewed in the year under report and replaces the self-assessment carried out until then.

Operational Risk – Reporting

In terms of the continual risk management process, the results from the loss event collection, risk assessment, risk indicators (from 2011) and internal model are analysed and communicated to the Board of Directors quarterly and to the competent divisions in relation to the cause, but at least once a year. All results are included in the quarterly RBC report.

Operational Risk – Development in 2010

In the year under report the self-assessment method was replaced by the improved method of risk assessment, which comprises the three components of risk map, self-assessment and more in-depth scenario analyses. Based on objective information and a much simplified qualitative self-assessment, a risk map is developed, on the basis of which scenarios in terms of risk are evaluated by experts in those parts of the company that are concerned. The analysis of group-wide scenarios and risk concentrations and the performance of stress tests were further improved as a result of this. The results are included in the internal model, with which an increase in accuracy of measurements is associated and a stronger procedural view of the operational risks of the Bank becomes possible.

The internal model was applied across the Group for the first time in the period ended 31 December 2010. To this end, the previous model was extended, subjected to a detailed revalidation and expanded to include an allocation procedure. With the expansion of this model, conditions were finally created that allow a group-wide application of an AMA. It was possible to complete the group-wide standardised implementation of all the methods to a large extent. Thus uniformity of risk management and granularisation of the control impulses derived from the model were achieved.

Amounts qualifying for recognition in terms of operational risk were determined using the standard SolvV approach.

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		
	2010	2009
External Influences	100.0	4.1
Internal Procedures	0.0	4.6
Staff	0.0	91.3
Technology	0.0	0.0

Operational Risk – Outlook for 2011

In 2011, the NORD/LB Group is seeking regulatory approval of the advanced measurement approach for operational risk. The preliminary work to this end is almost complete; the application is planned for the third quarter of 2011. 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 2011. Furthermore, 2011 will also see the implementation of early warning indicators.

just ended. 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 2011 have been covered in the relevant sections.

Other Risks

Apart from the credit, participation, market price, liquidity and operational risks already illustrated, there are no significant risks identified. The relevant risks of the Group, which were identified as insignificant, are however integrated into a risk buffer in the management of risk-bearing capacity.

Summary and Outlook

The Group has taken all known risks into consideration reasonably through preventative steps. 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, the combined credit, participation, market price, liquidity and operational risks are compared to the respective risk potential available on a quarterly basis. The quotients calculated in the RBC model show that the risks were covered at all times in the period under report. There are no risks to the existence of the Group in its estimation. In 2010, NORD/LB Luxembourg and its subsidiaries, which are obliged to compile their own reports, fulfilled the applicable regulatory provisions on equity and liquidity at all times. Likewise, the Group complied with the regulations on large credit limits in accordance with Luxembourg and German laws in the year under report

Personnel Report

Number of Employees

The Group further expanded its personnel. On the reporting date 31 December 2010 the personnel was spread as follows:

Reporting Date	31.12.2010	31.12.2009	Absolute change	Increase/Decrease (%)
NORD/LB Luxembourg	157	139	18	12.9
Skandifinanz	7	13	-6	-46.2
NORD/LB CFB	9	7	2	28.6
Total Number of Employees	173	159	14	8.8

All members of staff deserve the special recognition of the Board of Directors and Supervisory Board for the company results that can be described as very satisfactory in the context of the circumstances in 2010. The success of the Group is mainly driven by the professionalism and competence of its staff. The Board of Directors and Supervisory Board therefore thank staff for their commitment, motivation and, last but not least, their faithful cooperation.

The development and qualification of its personnel is of great importance for the Group. Flat hierarchies enable faster response times, which in a dynamic environment are absolutely essential for lasting success. With performance-related pay, supplemented by corresponding social benefits, and the promotion of an innovative and dynamic team culture the Group wishes to create possibilities for the personal development of its staff and overall a motivating and constructive working environment.

Personnel Changes

Martin Halblaub

Member of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, departed on 11 January 2010 from the Supervisory Board of NORD/LB Luxembourg.

Thorsten Schmidt

Treasury Manager of NORD/LB Luxembourg, was appointed to the Board of Directors of NORD/LB Luxembourg by the Supervisory Board with effect from 1 July 2010.

Ulrike Brouzi,

General Manager of NORD/LB Norddeutsche Landesbank Girozentrale, was elected with effect from 1 September 2010 to the Supervisory Board of NORD/LB Luxembourg.

Dr. Stephan-Andreas Kaulvers

Chairman of the Board of Directors of Bremer Landesbank, Bremen, departed on 31 December 2010 from the Supervisory Board of NORD/LB Luxembourg.

Supplementary Report

Dr. Johannes-Jörg Riegler, Member of the Board of Directors of NORD/LB Norddeutschen Landesbank Girozentrale, was elected to Supervisory Board of NORD/LB Luxembourg with effect from 1 January 2011.

Statements relating to the Future

This report contains statements relating to the future. They can be recognised through terms such as “expect”, “intend”, “plan”, “seek”, “estimate” and relate to current plans and estimates. The statements contain uncertainties, because a large number of factors lie outside the Group’s sphere of influence which has an effect on the business. These include primarily the development of the Financial Markets and the changes in interest rates and market prices. The actual results and developments can differ considerably from the statements made today. The Group accepts no responsibility and neither does it intend to update the future-related statements or to correct them if developments are other than expected.

The Board

5 April 2011



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

Consolidated Profit and Loss Account

For the year under report from 1 January to 31 December 2010:

	Notes	2010 (KEUR)	2009 (KEUR)
Net Interest Income and current Income	18	138,566	177,384
Net Interest Income and current Income		810,980	1,055,378
Interest Expense		672,414	877,994
Loan Loss Provisions	19	-29,285	-152,396
Net Commission Income	20	-22,674	-8,516
Commission Income		32,540	34,590
Commission Expense		55,214	43,106
Profit/Loss from Financial Instruments at Fair Value through Profit or Loss	21	-6,367	3,937
Trading Profit/Loss		-5,993	1,546
Profit/Loss from the Fair Value Option		-374	2,391
Profit/Loss from Hedge Accounting	22	1,867	4,743
Profit/Loss from Financial Assets	23	2,336	6,226
Administrative Expenses	24	41,994	35,464
Staff Expenses		20,057	15,253
Other administrative Expenses		21,413	14,397
Depreciation of Property, Plant and Equipment		347	1,298
Depreciation on intangible Assets		177	4,517
Other operating Profit/Loss	25	-5,512	-1,390
Earnings before Taxes (EBT)		36,938	-5,475
Income Taxes	26	23,945	-1,990
Consolidated net Income for the Year		60,883	-7,465
of which are attributable to Shareholders		60,883	-7,465
of which are attributable to non-controlling Shares		0	0

Other Comprehensive Income

The total income of the banking group for 2010 (2009) comprises the income and expenses recorded in the profit and loss account and directly in the equity.

	2010 (KEUR)	2009 (KEUR)
Consolidated net Income for the Year	60,883	-7,465
Increase/Decrease from Available-for-Sale (AFS) Financial Instruments	- 11,393	62,252
of which unrealised Profit/Losses	- 12,052	61,199
of which reclassifications on the Grounds of Profit/Loss Realisation	659	1,053
Actuarial Gains/Losses for defined benefit Provisions for Pensions	2	- 351
Deferred Taxes	3,392	- 18,625
Translation Differences of foreign Business Units	- 5,810	- 597
Profit/Loss recognised directly in Equity	- 13,809	42,679
Total Income for the Year	47,073	35,214
of which attributable to Shareholders	47,073	35,214
of which attributable to non-controlling Shares	0	0

Consolidated Balance Sheet

Assets	Notes	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)
Cash Reserve	27	98.5	207.4
Loans and Advances to Banks	28	4,094.5	7,102.7
Loans and Advances to Customers	29	5,065.9	6,063.9
Risk Provisions	30	-191.1	-220.6
Financial Assets at Fair Value through Profit or Loss	31	425.5	316.0
Derivatives – Fair Values from Hedge Accounting	32	318.1	217.1
Financial Assets	33	10,251.9	9,959.5
Property, Plant and Equipment	34	60.6	33.7
Intangible Assets	35	5.2	0.3
Income Tax Assets	36	61.0	31.9
Other Assets	37	3.8	4.9
Total Assets		20,193.9	23,716.8

Equity and Liabilities	Notes	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)
Liabilities to Banks	38	10,204.1	12,853.9
Liabilities to Customers	39	3,750.6	4,362.9
Securitised Liabilities	40	4,477.3	4,880.4
Financial Liabilities at Fair Value through Profit or Loss	41	220.6	224.1
Derivatives – Fair Values from Hedge Accounting	42	715.6	536.1
Provisions	43	15.2	12.1
Income Tax Liabilities	44	6.9	9.3
Other Liabilities	45	44.3	43.1
Subordinated Capital	46	93.6	86.8
Equity	48		
Issued Capital		205.0	205.0
Capital Reserves		0.0	0.0
Revenue Reserves		500.5	540.0
Revaluation Reserve		-45.4	-37.4
Currency Translation Reserve		5.8	0.6
Equity attributable to Shareholders		665.9	708.1
Shares without controlling Influence		0.0	0.0
		665.9	708.1
Total Equity and Liabilities		20,193.9	23,716.8

Consolidated Capital Flow Statement

	2010 (EUR Million)	2009 (EUR Million)
Consolidated net Income for the Year	60.9	- 7.5
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	- 29.7	152.4
Increase/Decrease in Provisions	3.0	4.2
Gains/Losses from the Disposal of Property, Plant and Equipment and Financial Assets	- 2.3	- 6.2
Increase/Decrease in other non-cash Items	13.3	- 4.6
Other Adjustments (Balance)	- 263.9	59.6
Sub-Total	- 218.7	197.9
Increase/Decrease in Assets and Liabilities from operating Activities after Adjustment for non-cash Items		
Loans and Advances to Banks and Customers	4,104.0	636.4
Other Assets from operating Activities	0.0	0.0
Liabilities to Banks and Customers	- 3,382.5	871.9
Securitised Liabilities	- 424.3	- 589.5
Other Liabilities from operating Activities	- 0.6	- 9.3
Interest received	1,054.7	1,422.6
Dividends received	0.0	0.0
Interest paid	- 922.0	- 1,202.6
Income Taxes paid	- 3.1	- 12.1
Cash Flow from operating Activities	207.5	1,315.3
Cash Receipts from the Disposal of		
Financial Assets	1,825.1	6,208.6
Property, Plant and Equipment and intangible Assets	0.2	0.0
Cash Payments for the Acquisition of		
Financial Assets	- 2,006.4	- 7,194.1
Property, Plant and Equipment and intangible Assets	- 32.2	- 34.5
Incoming Payment from the Sale of consolidated Companies and other Business Units	0.0	0.0
Outgoing Payment from the Sale of consolidated Companies and other Business Units	0.0	0.0
Changes in Funds from other Investment Activities (Balance)	0.0	0.0
Cash Flow from Investment Activities	- 213.2	- 1,020.1

	2010 (EUR Million)	2009 (EUR Million)
Cash Receipts from Equity Contributions	0.0	0.0
Increase/Decrease in Funds from other Capital	-100.0	-155.3
Interest Expense on subordinated Capital	-3.1	-10.0
Dividends paid	0.0	-18.8
Cash Flow from financing Activities	-103.1	-184.1
Cash and Cash Equivalents at End of the previous Year	207.4	96.2
Cash Flow from operating Activities	207.5	1,315.3
Cash Flow from investment Activities	-213.2	-1,020.1
Cash Flow from financing Activities	-103.1	-184.1
Cash Flow Total	-108.9	111.1
Effects of Exchange Rate Differences and Valuation Changes and Changes in the Basis of Consolidation	0.0	0.0
Cash and Cash Equivalents at the End of the Year under Report	98.5	207.4

Consolidated Statement of Changes in Equity

EUR Million	Issued Capital	Capital Reserves	Revenue Reserves	Revalua- tion Reserve	Currency Transla- tion Reserve	Equity before Shares without control- ling Influ- ence	Shares without control- ling Influence	Equity
Equity at 01.01.2009	205.0	0.0	567.0	-81.0	1.2	692.2	0.0	692.2
Distribution	0.0	0.0	-18.8	0.0	0.0	-18.8	0.0	-18.8
Profit for the Year	0.0	0.0	-7.5	0.0	0.0	-7.5	0.0	-7.5
Profit/Loss recognised directly in Equity	0.0	0.0	0.0	43.5	0.0	43.5	0.0	43.5
Increase/Decrease from Capital Receipts and Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency Translation	0.0	0.0	0.0	0.0	-0.6	-0.6	0.0	-0.6
Consolidation Effects and other Capital Changes	0.0	0.0	-0.9	0.0	0.0	-0.9	0.0	-0.9
Equity at 31.12.2009	205.0	0.0	540.0	-37.4	0.6	708.1	0.0	708.1
Distribution	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the Year	0.0	0.0	60.9	0.0	0.0	60.9	0.0	60.9
Profit/Loss recognised directly in Equity	0.0	0.0	0.0	-8.0	0.0	-8.0	0.0	-8.0
Increase/Decrease from Capital Receipts and Payments	0.0	0.0	-100.0	0.0	0.0	-100.0	0.0	-100.0
Currency Translation	0.0	0.0	0.0	0.0	5.2	5.2	0.0	5.2
Consolidation Effects and other Capital Changes	0.0	0.0	-0.3	0.0	0.0	-0.3	0.0	-0.3
Equity at 31.12.2010	205.0	0.0	500.5	-45.4	5.8	665.9	0.0	665.9

On 19 February 2010 EUR 100.0 million was paid to the shareholder from the retained income of NORD/LB Luxembourg.

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Consolidated Financial Statements 2010



NORD/LB Luxembourg

Accounting Policies

(1) Principles for preparing the Consolidated Financial Statements

The consolidated financial statements of Norddeutschen Landesbank Luxembourg S.A. (NORD/LB Luxembourg) to 31 December 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). The standards used were those that had been published and adopted by the European Union at the time the financial statements were prepared (see Note (3) Adopted and new IFRS).

The financial statements to 31 December 2010 take into account the national provisions of the law of 17 June 1992 on the financial statements of banks under Luxembourg law (issued March 2006). The financial statements to 31 December 2010 comprise the consolidated profit and loss account, the total income calculation, the consolidated balance sheet, the consolidated capital flow statement, the consolidated statement of changes in equity and the consolidated notes. The reports on the segments are included in the notes. Risk reporting in accordance with IFRS 7 is essentially carried out in the separate report on the risks and rewards of future development (risk report) as part of the management report.

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

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

(2) Discretionary Decisions, Estimates and Assumptions

The estimates and assessments needed from the management in association with the preparation of the balance

sheet in accordance with IFRS are in keeping with the respective standard. They are regularly checked and are based on experience and other factors, including expectations regarding future events which appear to be sensible 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. The parameters used are appropriate and tenable. Changes to estimates, if the change concerns only one period, are only taken into account in that period. Where the change concerns the current and subsequent reporting periods, it is taken into consideration in those periods.

The essential methods are shown below:

a) Fair Value of Financial Instruments

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

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

b) Pension Payments

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

There is more information in Note (12) and Note (43).

c) Taxes

Deferred tax claims are assessed for unused tax losses carried forward to the extent that it is probable that the taxable income for this purpose will be available, i. e. that it will

actually also be possible to use the losses carried forward. The time of entry and the amount of the future taxable income are made by a significant exercise of discretion.

There is more information about taxes in Note (14).

(3) Adopted and new IFRS

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

The consolidated financial statements of NORD/LB Luxembourg to 31 December 2010 are based on the framework concept 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
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IAS 16	Property, Plant and Equipment
IAS 17	Leases
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IAS 21	The Effects of Changes in foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and separate Financial Statements
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets

IAS 37	Provisions, contingent Liabilities and contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement (including Provisions on the use of the Fair Value Option)
IFRIC 4	Determining whether an Arrangement contains a Lease
SIC 12	Consolidation – special Purpose Vehicles
SIC 15	Operating Leases – Incentives
SIC 27	Evaluating the Substance of Transactions involving the Legal Form of a Lease

No account was taken of IFRS 2, 3, 4, 5 and 6, IAS 2, 11, 20, 23, 26, 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, 13, 21, 25, 29, 31 and 32, because they do not apply to NORD/LB Luxembourg or are not obligatory for the financial statements as per 31 December 2010.

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 2010.

• IFRS 9 Financial Instruments

A revised version of IFRS 9 was published in October 2010 and is obligatory for reporting years beginning on or after 1 January 2013. The standard is to gradually supersede the current IAS 39 in three phases. The published first phase includes regulations on the categorisation and evaluation of financial assets and financial liabilities. For the categorisation of financial assets in accordance with IFRS 9 there are only two options now, the valuation at net book value or the valuation at Fair Value. The categorisation will be aligned with the business model of the balancing entity and the contractually agreed payment flows of the assets in future. The requirements for embedded derivatives and reclassification have also been amended. The requirements in relation to financial obligations are largely unchanged in comparison to IAS 39. Creditworthiness-induced changes in the valuation of financial liabilities will be shown in other profit/loss in principle (other comprehensive income) only when applying the Fair Value in the future. The final standards of the second and third phases with the topics of impairment and Hedge Accounting are expected in 2011.

- **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. The aim of the review is essentially to make the definition of related companies and persons more precise or to supplement it and the introduction of an exemption rule with regard to the information that must be published for government-related entities.

Furthermore, an early application of the changes to the standard made because of

- the annual improvements project and
- the amendments to IFRS 7 relating to the transfer of financial assets

was refrained from. These are obligatory for reporting years beginning on or after 1 January 2011 or 1 July 2011, but have not yet been transposed into European law.

No significant effects on the balance sheet preparation or evaluation are expected for the first application in 2011.

(4) Principles of Consolidation

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

The capital consolidation is done using the purchase method. At the same time, all assets and liabilities of subsidiaries at the time of gaining the controlling influence are shown at Fair Value taking into account deferred taxes. The differences in the amounts of assets within the scope of the initial consolidation are shown under intangible assets. The goodwill is reviewed at least once a year for its value and if necessary depreciated. The differences on the liabilities within the scope of the initial consolidation are calculated with the provisions (Badwill). The shares of equity of subsidiaries that is not due to the parent company are shown in the group equity as minority shares in subsidiaries. There is neither positive goodwill nor minority shares in subsidiaries within the group.

Internal group receivables and liabilities and internal group expenses and incomes are eliminated within the scope of the consolidation of debts and expenditure and income. Interim results within the group are taken out of the calculations within the scope of interim result elimination.

The results of subsidiaries that have left or joined over the course of the year are recorded in the consolidated profit and loss account according to the actual time of acquisition or actual departure date.

A final consolidation is done at the time when no controlling or significant control exists any longer and no joint management.

(5) Basis of Consolidation

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

These subsidiaries are:

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

The annual financial statements included in the group financial statements were prepared on the reporting date of 31 December. The financial statements of all companies are initially compiled according to their country's legal provisions and then brought over to IFRS according to group standard accounting and valuation methods.

The subsidiaries included in the group financial statements represent the shareholdings of den NORD/LB Luxembourg.

(6) Currency Translation

Each group company calculates its financial statements in its functional currency (balance sheet currency). The consolidation of the financial statements is done in the reporting currency (EURO). The methods applied to currency translation are described below.

Translation into the functional Currency

When monetary assets and liabilities or non-monetary

items at Fair Value are denominated in foreign currencies they must be translated at the ECB reference rate on 31 December 2010. Non-monetary items that are valued at cost are translated at the historical rates. Expenses and income in foreign currencies are translated at market rates on value dates. Exchange rate differences on monetary items are reflected in principle in the income statement; non-monetary items are taken as through profit or loss or as not affecting profit or loss according to the way in which profits or losses relating to such items are recorded.

Translation into the reporting Currency

In the case of the foreign subsidiaries and foreign branches to be consolidated, whose functional currency is not the euro, assets and liabilities are translated using the ECB reference rates on 31 December 2010; equity, with the exception of revaluation reserves (at reporting date rate), and of the annual profit to be carried forward, is translated on the basis of historical exchange rates. Income and expenses are translated at periodical average rates into the group currencies. Translation differences resulting from this are shown as a separate item in the group equity. On disposal, the translation differences accrued to that date are included in the disposal result.

(7) Financial Instruments

A financial instrument is defined as a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's financial instruments are recorded accordingly in the balance sheet. They are classified in accordance with the requirements of IAS 39 and measured in line with that classification.

a) Recognition and Derecognition of Financial Instruments

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

The derecognition requirements of IAS 39 depend on the concept of risks and rewards and on control, with the evalu-

ation 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 (8) 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. In the consolidated financial statements the category Held-to-Maturity is not currently applied.

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

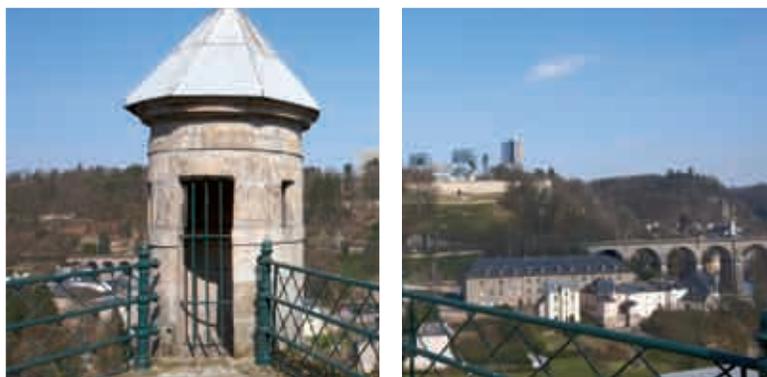
This category is divided into two sub-categories:

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

This sub-category comprises financial instruments (trading assets and liabilities) that were acquired with the intention of achieving profits from short term purchases and sales and contain all derivatives where not shown as hedging instruments in Hedge Accounting. 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 (31) Financial Assets at Fair Value through Profit or Loss and Note (41) 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. The Group uses this category solely for balance sheet positions hedged with derivative products outside Hedge Accounting in order to avoid an accounting mismatch.

- **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.

A creditworthiness-induced impairment only occurs with a permanent impairment. Checking the existence of a permanent impairment is done with reference to certain objective factors. Objective factors in this connection are the trigger events listed in IAS 39, such as financial difficulties of the issuer or debtor, or breach of contract, such as default, or delay in interest or redemption payments. In the case of equity capital securities, alongside other additional criteria, a significant fall in Fair Value below cost of acquisition is an objective indicator of an impairment.

In the case of creditworthiness-induced impairments, the revaluation reserve is to be adjusted by the impairment amount and the amount taken into account in the profit and loss account, if it is 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 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. Subsequent to the amendment of IFRS 7, the three-tier hierarchy with the terminology provided for in IFRS 7 of Level 1, Level 2 and Level 3 has been used in the Group since the reported year 2009.

The respective level is determined by the input data used for valuation, and is reflected in the market proximity of the variables used in the determination of the Fair Value.

In order to determine the Fair Value, the Group initially uses quotations of market makers (Mark-to-Market or Level 1).

In case no meaningful price calculation is possible using this method, the prices are calculated via Mark-to-Matrix models or obtained from external pricing services, if the valuation there is done wholly or in part via 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 the case of Discounted Cash Flow methods, all payments are discounted with the risk-free interest curve adjusted by the credit spread of the counterparty. 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 2010 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.

The Group uses this valuation model for illiquid security stocks categorised as AfS.

All the measurement models used are audited periodically. There were no changes from the previous year in the procedures or the models used.

Further information on the Fair Value hierarchy and the Fair Values of financial instruments can be found in Notes (54) to (56).

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. Such market value risks are subject especially to the issue and lending business of the group and the liquidity management security stocks, if they are interest bearing securities. 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.

Hedge relationships may only be shown on the balance sheet according to the rules of Hedge Accounting if the restrictive conditions of 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 (32) or Note (42) Fair values from Hedge Accounting). The valuation changes are recognised through profit or loss (Note (22) Profit/loss from Hedge Accounting). With regard to the hedged asset or hedged liability, the changes in

Fair Value attributable to the hedged risk are also stated in 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 2010.

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 (59) Securities repurchase agreements.

(8) Risk Provisions

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

Checking of intrinsic value is done for all significant outstanding amounts at individual business level. 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 institutions, 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.

(9) Property, Plant and Equipment

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

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

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

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

(10) Leasing

In accordance with IAS 17, leasing agreements must be classified as either finance leases or operating leases at their inception. A lease is classified as a finance lease if it substantially transfers the risks and rewards associated with ownership to the lessee; the leased property is accounted for by the lessee. A lease is classified as an operating lease if it does not substantially transfer the risks and rewards associated with ownership to the lessee; the leased property is accounted for by the lessor.

Finance Lease

There are no finance lease contracts at the reporting date.

Operating Lease

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

Operating leases are of minor significance to the Group.



(11) Intangible Assets

Intangible assets purchased by the Group are recognised at cost, and self-created intangible assets at the conversion cost, provided they meet the recognition criteria set out under IAS 38.

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

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

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

(12) Provisions for Pensions and similar Obligations

The Group'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 relevant institute to an external pension provider (Defined Contribution Plan). These contributions to the pension scheme are recorded as a current expense under the application of the accounting requirements set out under IAS 19 for contributory plans, so that no pension provisions are to be formed.

On the other hand, the Group's occupational pension scheme is based on a pension scheme in which employees build up entitlement to pension rights and benefits are determined in line with factors such as anticipated wage and salary increases, age, length of service and pension forecasts (Defined Benefit Plan). The accounting requirements set out under IAS 19 for defined benefit plans are applied to this pension scheme.

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

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

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

The pension scheme is outsourced to a Luxembourg insurance company.

(13) Other Provisions

In accordance with IAS 37, other provisions are made for contingent liabilities to third parties and anticipated losses from pending transactions if an obligation is probable and its size can be reliably 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.

(14) Income Tax Assets and Liabilities

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

Deferred tax assets and liabilities are calculated on the basis of the difference between the carrying amount of an asset or liability on the balance sheet and the corresponding tax amount. Deferred tax assets and liabilities probably lead, due to 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 Duchy regulation on the taxation of IFRS financial statements that is relevant to both NORD/LB Luxembourg and NORD/LB CFB was published as a draft bill. This provides for the measurement differences arising from financial instruments shown in the 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 re-

lating to the IFRS balance sheet preparation and first-time adoption and will apply the tax measures described above. In the process, the income from the initial application was not spread pro rata but taken into account integrally for taxation in the reported year 2008.

In a letter dated 2 August 2007, the Luxembourg financial authorities approved the establishment of a tax group with effect for corporation and trade tax comprising Norddeutsche Landesbank Luxemburg S.A. and NORD/LB Covered Finance Bank S.A. starting from financial year 2007. Pursuant to paragraph 164bis L.I.R., the tax group was allowed under the condition that it is maintained for a time span of at least five financial years. The Bank and NORD/LB CFB declared their intention of continuing the tax group until at least the end of the required five year period, which ends on 31.12.2011 and that they will fulfil the conditions pursuant to Art. 164bis L.I.R.

In doing so, NORD/LB Luxembourg S.A. functions as the parent company.

(15) Subordinated Capital

The item subordinated capital comprises unsecured subordinated liabilities.

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

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

Segment Reporting

Classification by Business Segment

Segment reporting is carried out in accordance with IFRS 8. It is designed to provide information about the Group's business segments and is carried out in compliance with the Group's business model and on the basis of the internal reporting system. The segments are defined as customer or product groups that are in line with the Group'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 Shareholdings/Other segment rather than to the Group's operative profit centres.

Affiliated Savings Banks

This includes institutional business with affiliated savings banks and syndicated business conducted with savings banks in the network with the profit/loss incurred (interest rate conditions contribution and net income from commission).

Private Banking

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

Financial Markets

This includes in particular those of the Group's segments that are involved in investment banking, including NORD/LB Luxembourg's Treasury and Strategic Investments segments, as well as NORD/LB CFB's Public Finance and Treasury segments.

The Treasury segment of NORD/LB Luxembourg mainly invests in commercial papers, call money and fixed term deposits as well as securities and promissory notes from first class issuers, the business segment Credit Investments & Solutions mainly in securities from banks and financial institutes. Profits/losses are generated in particular from liquidity and maturity transformations.

The business segments of Public Finance and Treasury of NORD/LB CFB include in particular government loans to central states, regional authorities, and their downstream offices in the OECD and loans and securities guaranteed by them. These are primarily opposed to contributions to profit/loss arising from the issuing activities of the Bank.

Structured Finance

This constitutes Skandifinanz's trading-related financial transactions and its international private customer business.

Group Cooperation

This segment shows the lending business transferred by the Group with the profit/loss contributions incurred.

Shareholdings/Other

This segment includes other items and transfer items as well as non apportionable consolidation effects.

Segmentation by Regions

Segmentation by geographical characteristics focuses on the counterparty's home country.

Expenses and income are determined in relation to the segment's assets and liabilities.

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

Segments							
EUR Million	Affiliated Savings Banks	Private Banking	Financial Markets	Structured Finance	Group Cooperation	Shareholdings/Other	Total
Net Interest Income	1.9	1.0	57.1	-0.2	72.7	6.1	138.6
do. previous Year	1.8	2.1	75.5	5.1	72.1	20.9	177.4
Loan Loss Provisions	0.0	0.0	-0.9	-0.5	-27.8	0.0	-29.3
do. previous Year	0.0	0.0	-2.8	-29.0	-120.8	0.2	-152.4
Net Interest Income after Loan Loss Provisions	1.9	1.0	56.1	-0.7	44.8	6.1	109.3
do. previous Year	1.8	2.1	72.7	-23.9	-48.7	21.1	25.0
Net Commission Income	-1.6	9.3	-2.0	0.7	-27.0	-2.1	-22.7
do. previous Year	-2.3	7.1	-2.0	1.0	-12.7	0.3	-8.5
Profit/Loss from Financial Instruments at Fair Value through Profit or Loss	0.0	0.0	1.1	0.8	0.0	-8.3	-6.4
do. previous Year	0.0	0.0	-4.8	0.2	0.0	8.6	3.9
Profit/Loss from Hedge Accounting	0.0	0.0	1.0	0.0	0.0	0.8	1.9
do. previous Year	0.0	0.0	-0.6	0.0	0.0	5.4	4.7
Profit/Loss from Financial Assets	0.0	0.0	2.5	0.0	0.0	-0.2	2.3
do. previous Year	0.0	0.0	6.2	0.0	0.0	0.0	6.2
Profit/Loss from equity-accounted Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
do. previous Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative Expenses	0.2	8.7	12.4	2.0	6.0	12.7	42.0
do. previous Year	0.1	8.0	11.5	2.2	3.4	10.3	35.5
Other Income/Expenses	0.0	0.0	1.1	-1.5	-0.9	-4.3	-5.5
do. previous Year	0.0	0.0	-1.1	0.0	0.0	-0.3	-1.4
Operating Profit/Loss before Taxes	0.1	1.7	47.6	-2.7	11.0	-20.7	36.9
do. previous Year	-0.6	1.2	58.9	-24.9	-64.9	24.8	-5.5
Taxes	0.0	0.0	0.5	0.0	0.9	22.6	23.9
do. previous Year	0.0	0.0	-1.5	1.3	0.0	-1.8	-2.0
Operating Profit/Loss after Taxes	0.1	1.7	48.1	-2.7	11.9	1.9	60.9
do. previous Year	-0.6	1.2	57.4	-23.6	-64.9	23.0	-7.5
Segment Assets	306.1	64.9	14,348.7	22.7	4,779.8	671.7	20,193.9
do. previous Year	342.0	56.0	16,494.3	318.8	5,559.0	946.7	23,716.8
Segment Liabilities (incl. Equity)	0.0	212.0	18,891.4	72.6	192.1	825.8	20,193.9
do. previous Year	0.0	238.0	22,723.3	280.2	0.0	475.3	23,716.8

Segments							
EUR Million	Affiliated Savings Banks	Private Banking	Financial Markets	Structured Finance	Group Cooperation	Shareholdings/ Other	Total
Risk Assets (annual Averages)	35.9	60.5	2,150.5	25.2	2,188.5	439.5	4,900.1
do. previous Year (annual Averages)	159.0	54.0	2,175.0	112.8	2,366.0	268.6	5,135.4
Equity lockup (on the Basis of annual Averages)	1.8	3.0	107.3	1.2	106.0	22.0	241.3
do. previous Year (on the Basis of annual Averages)	8.0	3.0	109.0	5.6	158.0	14.2	297.8
CIR	55.8 %	83.8 %	23.8 %	-1,979.8 %	13.5 %	1,071.4 %	37.3 %
do. previous Year	44.3 %	86.8 %	13.3 %	33.0 %	5.8 %	23.4 %	20.4 %
RoRaC/RoE*	7.8 %	28.9 %	40.4 %	-35.9 %	7.9 %	-30.3 %	22.9 %
do. previous Year	1.7 %	45.3 %	43.7 %	-325.9 %	-24.4 %	1.2 %	-3.1 %

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

Further Segment Information:							
EUR Million	Affiliated Savings Banks	Private Banking	Financial Markets	Structured Finance	Group Cooperation	Shareholdings/ Other	Total
Property, Plant and Equipment, net	0.2	10.3	21.1	0.0	5.1	23.8	60.6
do. previous Year	0.1	3.0	13.5	0.0	2.9	14.3	33.7
Depreciation of Property, Plant and Equipment, current Year	0.0	0.0	0.1	-0.1	0.0	0.1	0.2
do. previous Year	0.0	0.1	0.5	0.0	0.1	0.6	1.3
Intangible Assets, net	0.0	0.9	1.8	0.0	0.4	2.0	5.2
do. previous Year	0.0	0.0	0.1	0.0	0.2	0.0	0.3
Depreciation of intangible Assets, current Year	0.0	0.0	0.1	0.0	0.0	0.1	0.2
do. previous Year	0.0	0.6	0.9	0.0	2.9	0.0	4.5
Value Adjustments on Financial Assets, current Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0
do. previous Year	0.0	0.0	-2.8	0.0	0.0	0.0	-2.8

(17) Segmentation of the NORD/LB Luxembourg Group by geographical Characteristics

EUR Million	Segments							Total
	Germany	Luxem- bourg	Switzer- land	Rest of Europe	USA	Rest of America	Other Countries	
Operating Profit/Loss before Taxes	12.9	6.2	-1.9	12.0	4.9	1.0	1.7	36.9
do. previous Year	10.9	-2.0	-28.1	9.0	2.9	0.6	1.1	-5.5
Segment Assets	8,008.9	387.2	46.2	7,965.3	2,459.8	578.4	748.1	20,193.9
do. previous Year	8,960.0	960.0	189.2	9,132.7	2,896.4	455.2	1,123.4	23,716.8
Segment Liabilities (incl. Equity)	8,181.8	5,861.7	2,087.5	3,472.2	98.2	93.0	399.5	20,193.9
do. previous Year	8,189.9	6,443.3	3,260.1	5,281.6	155.4	26.9	359.6	23,716.8
Risk Assets (annual Average Values)	1,696.7	795.8	98.5	1,616.1	453.5	100.4	139.0	4,900.1
do. previous Year (annual Average Values)	1,756.6	772.9	155.3	1,653.7	501.2	87.3	208.4	5,135.4
Equity locked in (Basis annual Average Values)	85.4	39.6	5.2	79.6	22.0	4.8	4.7	241.3
do. previous Year (Basis annual Average Values)	106.8	46.2	9.4	96.6	28.4	5.2	5.2	297.8
Further Segment Information:								
Property, Plant and Equipment, net	0.0	60.6	0.0	0.0	0.0	0.0	0.0	60.6
do. previous Year	0.0	33.7	0.0	0.0	0.0	0.0	0.0	33.7
Intangible Assets, net	0.0	5.2	0.0	0.0	0.0	0.0	0.0	5.2
do. previous Year	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.3

Notes to the Group Profit and Loss Account

(18) Interest Income and current Income

The items interest income and expenses include pro rata reductions of premiums and discounts arising from finan-

cial instruments and dividend income as well as interest income and expenses.

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

	2010 (KEUR)	2009 (KEUR)	Increase/ Decrease (%)
Interest Income	810,980	1,055,378	-23
Interest Income from Lending and Money Market Transactions	274,170	402,471	-32
Interest Income from fixed Income and Book Entry Securities	266,876	316,094	-16
Current Income	300	0	> 100
from Shares and other variable Yield Securities	300	0	-
from participating Interests	0	0	-100
Interest Income from Hedge Derivatives	267,593	336,711	-21
Expected Return on Plan Assets	91	103	-12
Other Interest Income and similar Income	1,951	0	-
Interest Expense	-672,414	-877,994	-23
Interest Expense from Lending and Money Market Transactions	-183,230	-290,223	-37
Interest Expense from Securitised Liabilities	-108,201	-128,262	-16
Interest Expense from subordinated Capital	-618	-5,001	-88
Interest Expense from Hedge Derivatives	-378,312	-453,747	-17
Interest Expense for Provisions and Liabilities	-187	-176	6
Other Interest Expense and similar Expense	-1,867	-585	> 100
Total	138,566	177,384	-22

Interest income and interest expense both fell sharply in 2010 compared to the previous year. This was predominantly caused by the market interest rate trend.

Interest in the sum of KEUR 230 (previous year KEUR 843) was not received on value-adjusted security stocks, and on value-adjusted loans KEUR 5,172 (previous year KEUR 4,259).

(19) Loan Loss Provisions

	2010 (KEUR)	2009 (KEUR)	Increase/ Decrease (%)
Income from Loan Loss Provisions	32,988	1,577	>100
Reduction in Provisions for Claims	19,097	1,577	>100
Reductions in portfolio-based Provisions for Receivables	11,483	0	–
Reversal of Provisions in Lending Business	2,408	0	–
Additions to Receivables written off	0	0	–
Loan Loss Provision Expense	62,273	153,973	–60
Allocations to Provisions for Claims	52,050	138,716	–62
Allocation to portfolio-based Provisions for Claims	1,736	9,557	–82
Allocation to Provisions for Lending Business	8,487	5,700	49
Direct write-offs of Claims	0	0	–
Total	–29,285	–152,396	–81

The reversal of provisions for claims results essentially

- from the sale of a value-adjusted loan in the automotive sector in the year under report 2010 in the sum of KEUR 3,549
- from the sale of three US-American real estate financing deals KEUR 7,849

The allocation to the provisions for claims relates essentially to

- the new establishment of provisions for lending and non-received interest of a real estate financing deal and a trade finance deal of a total of KEUR 9,730.
- the increase in provisions for lending and non-received interest on two commitments from the automotive sector KEUR 30,118;

- the increase in provisions for loans at risk of default and non-received interest of Icelandic counterparties in the stock of LAR (KEUR 10,601, previous year KEUR 13,955) as well as security items designated in the category AfS (KEUR 230, previous year KEUR 2,814) of Icelandic issuers as a result of the developments determined in year under report 2010.

The allocation to the provisions for the lending business relates to off-balance sheet transactions, the reduction results from the abovementioned sales of real estate financing deals.

(20) Net Commission Income

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

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

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

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

	2010 (KEUR)	2009 (KEUR)	Increase/ Decrease (%)
Commission Income	32,540	34,590	-6
From Security and Custody Transactions	5,333	3,205	66
From the Arrangement Business	2,332	2,131	9
From Lending and Guarantee Transactions	22,327	27,557	-19
Other Commission Income	2,548	1,696	50
Commission Expense	55,214	43,106	28
From the Arrangement Business	36,331	24,540	48
From Lending and Guarantee Transactions	16,401	15,696	4
Other Commission Expense	2,482	2,870	-14
Total	-22,674	-8,516	> 100

The income from commission relates in particular to brokerage transactions (EUR 2.3 million; previous EUR 2.1 million), security and custodian business (EUR 5.3 million; previous year EUR 3.2 million) and the lending and aval business (EUR 22.3 million; previous year EUR 27.6 million).

Commission expenses relate in particular to brokerage transactions (EUR 36.3 million; previous year EUR 24.5 million) and the lending and aval business (EUR 16.4 million; previous year EUR 15.7 million). The increase is primarily from back payments that resulted from a change in basis data underlying the calculation (EUR 9.3 million).

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

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

	2010 (KEUR)	2009 (KEUR)	Increase/ Decrease (%)
Trading Profit/Loss	-5,993	1,546	> 100
Realised Profit/Loss	-428	-200	> 100
from Debt Securities and other fixed Interest Securities	0	0	-100
from Shares and other variable Yield Securities	0	0	-
from Derivatives	-428	-200	> 100
from other Trading Transactions	0	0	-
Measurement Gains/Losses	-6,036	4,410	> 100
from Debt Securities and other fixed Interest Securities	0	0	-
from Shares and other variable Yield Securities	0	0	-
from Derivatives	-6,036	4,410	> 100
from other Trading Transactions	0	0	-
Foreign Exchange Profit/Loss	-111	606	> 100
Other Profit/Loss	582	-3,270	> 100
Profit/Loss from the Fair Value Option	-374	2,391	> 100
Profit/Loss achieved from	0	0	-
Debt Securities and other fixed Interest Rate Securities	0	0	-
from Shares and other variable Yield Securities	0	0	-
other Business	0	0	-
Measurement Gains/Losses	-374	2,391	> 100
Debt Securities and other fixed Interest Rate Securities	-374	2,391	> 100
from Shares and other variable Yield Securities	0	0	-
other Business	0	1	-100
Other Profit/Loss	0	0	-
Total	-6,367	3,937	> 100

Trading profit/loss includes the measurement gains/losses from trading activities (defined as unrealised expense and income from Fair Value measurement) as well as the realised profit/loss (defined as the difference between disposal proceeds and carrying amount at the last reporting date). The interest from trading activities is shown under the other profit/loss.

The sharp fall in the trading result in comparison to the previous year was influenced by the dissolution of Group hedges and the associated changes.

The profit/loss from the Fair Value Option includes the profit/loss from the debt securities designated at Fair Value.

(22) Profit/Loss from Hedge Accounting

Profit/loss from Hedge Accounting includes offset Fair Value adjustments related to the hedged risk of an underlying transaction and offset Fair Value adjustments to hedging instruments in effective micro Fair Value hedging relationships.

	2010 (KEUR)	2009 (KEUR)	Increase/ Decrease (%)
Profit/Loss from Micro Fair Value Hedge Transactions	1,867	4,743	-61
From hedged underlying Transactions	20,945	-238,513	> 100
From Derivatives used as hedging Instruments	-19,078	243,255	> 100
Profit/Loss from Portfolio Fair Value Hedge Transactions	0	0	-
From hedged underlying Transactions	0	0	-
From Derivatives used as hedging Instruments	0	0	-
Total	1,867	4,743	-61

The Group carries out micro Fair Value Hedge Accounting to cover interest rate risks. Covered underlying transactions are accounts receivable from banks or customers, financial assets or own issues.

(23) Profit/Loss from Financial Assets

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

	2010 (KEUR)	2009 (KEUR)	Increase/ Decrease (%)
Profit/Loss from Financial Assets classified as LaR	1,349	1,925	-30
Profit/Loss from Financial Assets classified as AfS (no Joint Ownership)	987	4,301	-77
Profit/Loss from Disposal	987	4,301	-77
of debt Securities and other fixed Interest Securities	987	4,301	-77
of Shares and other variable Yield Securities	0	0	-
of other Financial Assets	0	0	-
Profit/Loss from Value Adjustments for	0	0	-
Debt Securities and other fixed Interest Securities	0	0	-
Variable Yield Securities	0	0	-
Profit/Loss from affiliated Companies	0	0	-
Profit/Loss from Joint Ventures and associated Companies	0	0	-
Profit/Loss from other participating Interests	0	0	-
Total	2,336	6,226	-62

Profit/loss from AfS-category financial assets in both years under report from the Group's was primarily from own issues bought back for the purpose of price management.

(24) Administrative Expenses

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

	2010 (KEUR)	2009 (KEUR)	Increase/ Decrease (%)
Staff Expenses	20,057	15,253	31
Wages and Salaries	16,797	12,826	31
Social Security Contributions	1,321	1,217	9
Expenses for Pension Provision	1,314	1,046	26
Other Staff Expenses	625	164	>100
Other administrative Expenses	21,413	14,397	49
Expense for Operating and Office Equipment and IT	9,066	5,107	78
Legal, Audit, Survey and Professional Fees	5,731	2,920	96
Other administrative Expenses	6,615	6,370	4
Depreciation and Impairments	524	5,814	-91
Depreciation	524	5,814	-91
Property, Plant and Equipment	347	1,298	-73
Intangible Assets	177	4,517	-96
Impairments	0	0	-
Total	41,994	35,464	18

In the year under report the costs for consultancy and IT rose. The income from accounting for services with subsidiaries was cut in the administrative expense.

With the expansion of the staffing level comes an essential rise in staff expenses. Personnel expenses include amounts to be reported under old age pension for staff according to a defined contribution plan in accordance with IAS 19 in the sum of KEUR 586 (previous year KEUR 226). For the expanded management this value was KEUR 6 (previous year KEUR 2). Expenses in connection with defined benefit obligations are shown in Note (43).

The rent costs for bank buildings are accordingly recorded in the costs of premises and buildings. In the previous year, the land for the resolved new build of the bank building in

Luxembourg was acquired and the building project started. Completion is anticipated in mid-2011.

In 2009 a consolidation and reorganisation of the software products used by the Bank within the sub-group was also resolved. It is anticipated that the project will be completed in 2012.

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 of these assets was adjusted accordingly, which increased the scheduled depreciation amount in the previous year by a total of KEUR 4,513 (property, plant and equipment KEUR 926, intangible assets KEUR 3,587).

(25) Other operating Profit/Loss

	2010 (KEUR)	2009 (KEUR)	Increase/ Decrease (%)
Other operating Income	3,713	1,733	> 100
From the Reversal of Provisions	288	0	–
Other Income	3,425	1,733	98
Other operating Expenses	9,225	3,122	> 100
From the Allocation of Provisions	0	0	–
Other Expenses	9,225	3,122	> 100
Total	–5,512	–1,390	> 100

Other operating expenses include wealth taxes in the sum of KEUR 5,557 (previous year KEUR 0).

(26) Income Taxes

	2010 (KEUR)	2009 (KEUR)	Increase/ Decrease (%)
Current Income Taxes	6,324	–4,315	–247
Deferred Taxes	17,622	2,325	> 100
Total	23,945	–1,990	–1,303

The following tax reconciliation shows an analysis of the difference between the current income taxes that would result for the IFRS profit/loss before taxes using the Luxembourg income tax rate, and the actual income tax expense shown.

	2010 (KEUR)	2009 (KEUR)
IFRS Earnings before Taxes (EBT)	36,938	-5,475
Expected Income Tax Expense	-10,560	1,565
Effects of Reconciliation:		
Effects of different Tax Rates	0	0
Taxes from previous Years recognised in the Year under Report	6,372	-6
Effects of Tax Rate Changes	0	0
Non-allowable Income Taxes	0	0
Non-deductible operating Expenses	-1,640	-39
Effects of tax-free Income	0	1,934
Effects of permanent Effects affecting the Balance Sheet	0	0
Other Effects	12,152	-7,769
Income Tax Expense shown	6,324	-4,315

The expected income tax expense in the tax reconciliation is calculated from the corporation and trade tax burden applicable in Luxembourg in 2010 in the sum of 28.59% (previous year 28.59%).

Because of the allocation of losses from a subsidiary of the Bank under fiscal legislation in the year under report, NORD/LB Luxembourg und die NORD/LB CFB's profit and loss account 2010 does not show any current income tax expense.

From tax losses carried forward that can be used in the future, and which amounted to EUR 50.0 million on 31 December 2010, active deferred taxes in the sum of EUR 14.4 million were taken into consideration for corporation tax purposes with an effect on earnings.

The losses carried forward are not subject to any time limit. According to the management's estimates, the planning documents for the coming five years to be reported, which contain information on profitability and forecast company earnings of the Bank, were used to calculate the tax

losses carried forward that can be used in the future and the amounts of deferred tax claims to be reported, supplemented by other relevant considerations. The activation of corresponding deferred taxes was undertaken to the extent that it appears probable that taxable income will be available that is needed to realise the losses carried forward.

The determination of the deferred taxes was carried out on the basis of the combined tax ratio of the tax group of the Bank of 28.80% in future. The combined income tax rate comprises corporation tax including a surcharge of 5% for the unemployment fund and the trade income tax. Losses carried forward, for which no active deferred taxes were established, do not exist on the reporting date.

In the year under report 2009, the reduction in the tax rate from 29.63% to 28.59% affected the deferred tax liabilities affecting profit/loss.

Notes to the consolidated Balance Sheet

(27) Cash Reserve

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Cash	1.4	1.0	45
Balances with Central Banks	97.1	206.4	-53
Total	98.5	207.4	-52

In order to comply with the minimum reserve regulations, EUR 95.9 million was deposited with the Luxembourg central bank (previous year EUR 205.2 million).

(28) Loans and Advances to Banks

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Receivables from Money Market Transactions	2,621.2	4,765.2	-45
Luxembourg Banks	0.1	591.6	-100
Foreign Banks	2,621.1	4,173.6	-37
Other Receivables	1,473.3	2,337.5	-37
Luxembourg Banks	3.6	8.5	-57
due on Demand	3.6	4.5	-20
deferred	0.0	4.0	-100
Foreign Banks	1,469.6	2,329.0	-37
due on Demand	42.4	104.3	-59
deferred	1,427.2	2,224.7	-36
Total	4,094.5	7,102.7	-42

Of the total amount, EUR 4,090.7 million (previous year EUR 6,502.6 million) relate to loans and advances to foreign Banks. EUR 992.2 million (previous year EUR 1,440.5 million) of loans and advances to banks are not due for over twelve months.

(29) Loans and Advances to Customers

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Receivables from Money Market Transactions	0.0	0.0	–
Luxembourg Customers	0.0	0.0	–
Foreign Customers	0.0	0.0	–
Other Receivables	5,065.9	6,063.9	–16
Luxembourg Customers	103.3	458.5	–77
due on Demand	9.2	0.8	> 100
deferred	94.0	457.7	–79
Foreign Customers	4,962.6	5,605.4	–11
due on Demand	22.1	233.2	–91
deferred	4,940.5	5,372.2	–8
Total	5,065.9	6,063.9	–16

The total amount is attributable primarily to loans and advances to foreign customers. EUR 3,527.5 million (previous year EUR 4,139.1 million) of the loans and advances to customers is not due for over twelve months.

(30) Risk Provisions

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Individual value Adjustments for Receivables	–172.3	–195.0	–12
Foreign Banks	–79.4	–72.4	10
Luxembourg Customers	0.0	0.0	–
Foreign Customers	–95.9	–122.7	–22
Portfolio-based Provisions for Receivables	–15.9	–25.5	–38
Total	–191.1	–220.6	–13

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

EUR Million	Specific value Adjustments	Portfolio-based Provisions	Provisions in Lending Business	Total
01.01.2009	77.5	16.0	0.0	93.5
Allocations	138.7	9.6	5.6	153.9
Reductions	1.6	0.0	0.0	1.6
Utilisation	19.5	0.0	0.0	19.5
Effects from Currency Translations, Unwinding and other Changes	0.0	0.0	0.0	0.0
31.12.2009	195.0	25.5	5.6	226.2
Allocations	52.0	1.8	8.5	62.3
Reductions	19.1	11.5	2.4	33.0
Utilisation	60.1	0.0	3.6	63.7
Effects from Currency Translations, Unwinding and other Changes	7.4	0.0	0.5	7.8
31.12.2010	175.3	15.9	8.5	199.7

Through the sale of four value-adjusted loan claims, value adjustments in the sum of EUR 24.3 million in 2010 were exercised. This amount comprises the sale of three commitments from the real estate sector (EUR 16.3 million) and a sale from the automotive sector (EUR 8.0 million).

As a result of the fraud case in the export financing business of Skandifinanz Bank AG in 2009, the loss provisions used in the year under report amounted to a counter value of EUR 35.7 million.

Value-adjusted loans in a nominal volume of EUR 52.5 million to Icelandic banks and one Icelandic company were sold at the end of November. The transaction is under reserve by the winding-up board. A net reduction in loan loss provisions in the sum of EUR 2.2 million is expected from the sale.

The volume of the loans in default amounts to EUR 148.2 million on the reporting date

(31) 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.

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Trading Assets	340.0	240.2	42
Debt Securities and other fixed Interest Securities	0.0	0.0	-
Money Market Securities	0.0	0.0	-
from public Issuers	0.0	0.0	-
from other Issuers	0.0	0.0	-
Bonds and Debt Securities	0.0	0.0	-
from public Issuers	0.0	0.0	-
from other Issuers	0.0	0.0	-
Shares and other variable Yield Securities	0.0	0.0	-
Shares	0.0	0.0	-
Investment Shares	0.0	0.0	-
Positive Fair Values from Derivatives in Connection with:	340.0	240.2	42
Interest Rate Risks	50.8	69.0	-26
Currency Risks	289.2	171.2	69
Share and other Price Risks	0.0	0.0	-
Trading Portfolio Claims	0.0	0.0	-
Financial Assets designated at Fair Value	85.5	75.8	13
Loans and Advances to Banks and Customers	0.0	0.0	-
Debt Securities and other fixed Interest Securities	85.5	75.8	13
Shares and other variable Yield Securities	0.0	0.0	-
Total	425.5	316.0	35

The Financial Assets designated at Fair Value only contain bonds, which are economically hedged with derivatives against interest rate change risks. The aim of the designation is to reduce an accounting mismatch. Of the total amount EUR 231.6 million (previous year: EUR 149.4 million) are only due after more than twelve months.

(32) Fair Values from Hedge Accounting

This item comprises positive Fair Values from hedging instruments in effective micro and portfolio Fair Value hedging relationships.

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Positive Fair Values from allocated Micro Fair Value Hedge Derivatives	318.1	217.1	47
Fair Values from Derivatives in Portfolio Fair Value Hedge Accounting	0.0	0.0	-
Total	318.1	217.1	47

The Group carries out micro Fair Value Hedge Accounting to cover interest rate risks. Hedge derivatives with a Fair Value of EUR 300.9 million become due at the earliest after twelve months (previous year EUR 203.8 million).

(33) Financial Assets

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

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Financial Assets classified as LaR	3,403.9	3,381.0	1
Financial Assets classified as AfS	6,848.0	6,578.4	4
Debt Securities and other fixed Interest Securities	6,827.7	6,558.4	4
Money Market Securities	50.0	57.6	-13
from public Issuers	0.0	0.0	-
from other Issuers	50.0	57.6	-13
Bonds and debt Securities	6,777.7	6,500.7	4
from public Issuers	1,400.5	650.3	> 100
from other Issuers	5,377.2	5,850.4	-8
Shares and other variable Yield Securities	20.3	20.1	1
Shares	0.0	0.0	-
Investment Shares	20.3	20.1	1
Profit Participation Certificates	0.0	0.0	-
Shares in Companies	0.0	0.0	-
Shares in affiliated Companies	0.0	0.0	-
Joint Ventures	0.0	0.0	-
Associated Companies	0.0	0.0	-
Other Investments	0.0	0.0	-
Other AfS Financial Assets	0.0	0.0	-
Total	10,251.9	9,959.5	3

In the previous year the Bank launched the NORD/LB Horizont Fund. The self-commitment in this fund is shown under investment shares.

The volume of financial assets, which were issued by the central governments of the PIIGS zone, amounts to a nominal EUR 128.2 million. These are a bond of the Greek state with a term up to May 2013, and two bonds of the Italian republic with terms up to 2018 and 2033 respectively.

Of the financial assets, EUR 8,309.9 million (previous year EUR 8,295.3 million) is due for over twelve months.

The Group made use of the options under IAS 39.50E and reclassified 18 securities designated as AfS (bonds and debt securities) as LaR in 2008. At the same time, bonds and debt securities where there was clearly no intention to sell or trade them in the short-term on 1 July 2008, and which were intended to be kept in the inventory for the foreseeable future instead, were recategorised. In accordance with the amended IAS 39 the recategorisation took place with effect from 1 July 2008 at the Fair Value calculated on this reporting date. In the years 2009 and 2010 no further recategorisations were undertaken.

With the recategorisation, the balance sheet presentation was also changed (reclassification). The table below shows the book values and the Fair Value of the recategorised assets.

EUR Million	31.12.2010			31.12.2009			31.12.2008		
	Book Value on Transfer Date	Carrying Amount	Fair Value	Book Value on Transfer Date	Carrying Amount	Fair Value	Book Value on Transfer Date	Carrying Amount	Fair Value
Reclassified Financial Assets	645.6	660.3	627.9	645.6	731.4	712.1	645.6	746.7	719.5

The reclassification was done at book value with expected achievable cash flows of EUR 1,038.5 million.

The results not affecting profit/loss recorded in the equity from the reclassified securities amounted to EUR –13.2 million at the time of the reclassification.

The pro rata resolution of this item is in accordance with IAS 39.54 in relation to net interest income. The effective interest rate for each security was determined for this purpose. These were in a bandwidth of 2.53 % – 6.46 %.

KEUR	31.12.2010	31.12.2009	31.12.2008	01.07.2008
Unrealised Profit/Loss before Taxes at Time of Conversion				–13,193.6
Pro Rata Reductions in Accordance with IAS 39.54	703	676	316	

In the year under report 2010, the pro rata closure amounted to KEUR 703 (previous year KEUR 676) charged to the tax profit/loss.

Without reclassification the following additional effects in equity would have occurred (cumulative to the reporting date in each case):

EUR Million	31.12.2010	31.12.2009	31.12.2008	01.07.2008
Unrealised Profit/Loss before Taxes	–32.4	–19.3	–27.1	–13.2
Deferred Taxes	9.3	5.5	8.0	3.9
Net Effect in Equity from reclassified Financial Assets Available-for-Sale	–23.1	–13.8	–19.1	–9.3

(34) Property, Plant and Equipment

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Land and Buildings	23.0	23.0	–
Operating and Office Equipment	0.6	0.4	43
Investments under Construction	37.0	10.3	> 100
Other Property, Plant and Equipment	0.0	0.0	51
Total	60.6	33.7	80

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	BGA	Investments under Construction	Other Property, Plant and Equipment	Total
Acquisition and Manufacturing Costs at 01.01.2009	0.0	11.5	0.0	0.0	11.5
Accruals	23.4	0.3	10.3	0.0	34.0
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Changes from Currency Translations	0.0	0.0	0.0	0.0	0.0
Total 31.12.2009	23.4	11.8	10.3	0.0	45.5
Cumulative Depreciation at 01.01.2009	0.0	10.5	0.0	0.0	10.5
Scheduled Depreciation	0.4	0.9	0.0	0.0	1.3
Impairments (Write-Downs)	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Changes from Currency Translations	0.0	0.0	0.0	0.0	0.0
Total 31.12.2009	0.4	11.4	0.0	0.0	11.8
Closing Balance at 31.12.2009	23.0	0.4	10.3	0.0	33.7

EUR Million	Land and Buildings	BGA	Investments under Construction	Other Property, Plant and Equipment	Total
Acquisition and Manufacturing Costs at 01.01.2010	23.4	11.8	10.3	0.0	45.5
Accruals	0.0	0.5	26.7	0.0	27.2
Disposals	0.0	0.2	0.0	0.0	0.2
Transfers	0.0	0.0	0.0	0.0	0.0
Changes from Currency Translations	0.0	0.0	0.0	0.0	0.0
Total 31.12.2010	23.4	12.1	37.0	0.0	72.5
Cumulative Depreciation at 01.01.2010	0.4	11.4	0.0	0.0	11.8
Scheduled Depreciation	0.0	0.4	0.0	0.0	0.4
Impairments (Write-Downs)	0.0	0.0	0.0	0.0	0.0
Write-Ups	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.2	0.0	0.0	0.2
Changes from Currency Translations	0.0	0.0	0.0	0.0	0.0
Total 31.12.2010	0.4	11.5	0.0	0.0	11.9
Closing Balance at 31.12.2010	23.0	0.6	37.0	0.0	60.6

On the reporting date there were contractual obligations relating to the new build of the bank building in the sum of EUR 10.0 million which are due on acceptance on 15 January 2011. For further information see Note (24).

(35) Intangible Assets

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Software	0.3	0.3	-15
acquired for Consideration	0.3	0.3	-15
self-produced	0.0	0.0	-
Intangible Assets under Development	4.9	0.0	-
Other	0.0	0.0	-
Total	5.2	0.3	> 100

The Group continues to use fully depreciated software.

Intangible assets developed as follows:

EUR Million	Software		Intangible Assets under Development	Other	Total
	Acquired for Consideration	Self- produced			
Acquisition and Manufacturing Costs at 01.01.2009	15.8	0.0	0.0	0.0	15.8
Accruals	0.7	0.0	0.0	0.0	0.7
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Total 31.12.2009	16.4	0.0	0.0	0.0	16.4
Cumulative Depreciation at 01.01.2009	11.6	0.0	0.0	0.0	11.6
Scheduled Depreciation	4.5	0.0	0.0	0.0	4.5
Disposals	0.0	0.0	0.0	0.0	0.0
Total 31.12.2009	16.1	0.0	0.0	0.0	16.1
Closing Balance at 31.12.2009	0.3	0.0	0.0	0.0	0.3
Acquisition and Manufacturing Costs at 01.01.2010	16.4	0.0	0.0	0.0	16.4
Accruals	0.1	0.0	4.9	0.0	5.0
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	0.1	0.0	-0.1	0.0	0.0
Total 31.12.2010	16.6	0.0	4.9	0.0	21.5
Cumulative Depreciation at 01.01.2010	16.1	0.0	0.0	0.0	16.1
Scheduled Depreciation	0.2	0.0	0.0	0.0	0.2
Disposals	0.0	0.0	0.0	0.0	0.0
Total 31.12.2010	16.3	0.0	0.0	0.0	16.3
Closing Balance at 31.12.2010	0.3	0.0	4.9	0.0	5.2

For further information see Note (24).

(36) Income Tax Assets

Income tax assets are broken down as follows:

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Current Income Tax Assets	25.0	16.5	51
Active deferred Taxes	35.9	15.4	> 100
Total	61.0	31.9	91

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 have been applied to the IFRS financial statements for NORD/LB Luxembourg and NORD/LB CFB since reported year 2008. This means that many of the temporary differences no longer apply. Deferred taxes on the assets side relate to financial assets categorised as AfS and result from taking into account losses carried forward in the profit/loss affecting taxes. For further information see Note (26).

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

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Assets			
Risk Provisions	0.9	0.0	–
Financial Assets	18.7	15.3	22
Property, Plant and Equipment	0.0	0.0	–
Other Assets	0.0	0.0	–
Equity and Liabilities			
Financial Liabilities at Fair Value through Profit or Loss	0.0	0.0	–
Fair Values from Hedge Accounting	0.0	0.0	–
Provisions	0.1	0.1	–10
Other Liabilities	0.0	0.0	–
Tax Losses carried forward	16.3	0.0	> 100
Total	35.9	15.4	> 100

(37) Other Assets

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Tax Reimbursement Rights from other Taxes	0.7	0.1	> 100
Other Assets	1.4	1.8	-21
Other Assets including Accruals and deferred Income	1.7	3.1	-46
Total	3.8	4.9	-23

(38) Liabilities to Banks

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Deposits from other Banks	2,681.1	3,444.1	-22
Luxembourg Banks	21.1	503.8	-96
Foreign Banks	2,659.9	2,940.3	-10
Liabilities arising from Money Market Transactions	7,522.9	9,409.6	-20
Luxembourg Banks	378.5	348.4	9
Foreign Banks	7,144.4	9,061.2	-21
Other Liabilities	0.1	0.2	-42
Luxembourg Banks	0.0	0.1	-76
due on Demand	0.0	0.1	-76
deferred	0.0	0.0	-
Foreign Banks	0.1	0.1	-7
due on Demand	0.1	0.1	-7
deferred	0.0	0.0	-
Total	10,204.1	12,853.9	-21

EUR 2,328.7 million (previous year EUR 2,664.9 million) of the total amount relates to liabilities that are not due for over twelve months.

(39) Liabilities to Customers

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Savings Deposits	0.0	0.0	–
Liabilities arising from Money Market Transactions	3,232.9	3,877.8	–17
Luxembourg Customers	41.7	25.4	64
Foreign Customers	3,191.3	3,852.4	–17
Other Liabilities	517.7	485.1	7
Luxembourg Customers	17.7	56.9	–69
due on Demand	15.3	54.3	–72
deferred	2.4	2.6	–8
Foreign Customers	499.9	428.2	17
due on Demand	65.0	60.8	7
deferred	435.0	367.3	18
Total	3,750.6	4,362.9	–14

EUR 434.9 million of liabilities to customers are not due for over twelve months (previous year EUR 367.9 million).

(40) Securitised Liabilities

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Issued debt Securities	3,951.3	4,377.0	–10
Money Market Securities	525.9	503.4	4
Other securitised Liabilities	0.0	0.0	–
Total	4,477.3	4,880.4	–8

EUR 3,657.9 million (previous year EUR 3,562.9 million) of the total amount relates to liabilities that are not due for over twelve months. The issued bonds are listed on the Luxembourg or Swiss stock exchanges.

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

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

The trading liabilities comprise negative Fair Values from derivative financial instruments that are not used within the scope of Hedge Accounting and delivery obligations from the short selling of securities.

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

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Trading Liabilities	220.6	224.1	-2
Negative Fair Values from Derivatives in Connection with:	220.6	224.1	-2
Interest Rate Risks	82.3	89.3	-8
Currency Risks	138.2	134.8	3
Share and other Price Risks	0.0	0.0	-
Credit Derivatives	0.0	0.0	-
Short Sale Delivery Obligations	0.0	0.0	-
Financial Liabilities designated at Fair Value	0.0	0.0	-
Liabilities to Banks and Customers	0.0	0.0	-
Securitised Liabilities	0.0	0.0	-
Total	220.6	224.1	-2

EUR 96.7 million of the total amount of financial liabilities at Fair Value through Profit or Loss are only due after a year (previous year EUR 84.2 million).

(42) Fair Values from Hedge Accounting

This item comprises negative Fair Values from hedging instruments from effective micro Fair Value hedging relationships.

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Fair Values from allocated Micro Fair Value Hedge Derivatives	715.6	536.1	33
Fair Values in Terms of Portfolio Fair Value Hedge Accounting	0.0	0.0	-
Total	715.6	536.1	33

The Group carries out micro Fair Value Hedge Accounting to cover interest rate risks. Hedge derivatives with a negative Fair Value of EUR 702.2 million are only due after at least twelve months (previous year EUR 406.6 million).

(43) Provisions

Provisions are broken down as follows:

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Provisions for Pensions and similar Obligations	1.5	1.3	16
Other Provisions	13.7	10.8	27
Provisions in Lending Business	8.5	5.6	53
Restructuring Provisions	0.0	0.0	–
Provisions for threatened Losses	0.0	0.0	–
Provisions for uncertain Liabilities	5.2	5.3	–1
Insurance Business Provisions	0.0	0.0	–
Total	15.2	12.1	26

EUR 1.8 million of other provisions relate to the coming financial year (EUR 1.4 million in the previous year). This amount is mainly for personnel provisions. Provisions in the sum of EUR 11.9 million (previous year EUR 9.4 million) are made for uncertain liabilities, which will become due in the coming three years. These relate among others to provision for risks of recourse and provisions in the lending business.

Provisions for Pensions and similar Obligations

Calculations are based on the following actuarial assumptions:

Actuarial Assumptions	31.12.2010 (%)	31.12.2009 (%)	Increase/ Decrease (%)
Annual Salary Growth	2.50 resp. 1.50	2.50 resp. 1.50	–
Annual Inflation Rate	2.50	2.50	–
Annual BBG Contribution Ceiling (including Cost of Living Index)	3.63	3.69	–2
Discount Rate	5.25	5.50	–5
Mortality Table	Statistical Values published in the Grand Ducal Regulation of 15 January 2001 and that Governing the Minimum Funding of occupational Pensions.		
Expected Return on Plan Assets	3.25	3.25	–
Turnover Rate	3.00 resp. 0.0	3.00 resp. 0.0	–

Provisions for pensions and similar obligations are as follows:

	31.12.2010 (KEUR)	31.12.2009 (KEUR)	Increase/ Decrease (%)
Cash Value of the performance-related Obligation	3,937.0	3,594.6	10
Deduction for the Fair Value of Plan Assets	2,688.8	2,520.5	7
Surplus Plan Assets not shown as an Asset	0.0	0.0	–
Deduction for the past Service Cost	0.0	0.0	–
Other Assets to be shown in the Balance Sheet	260.9	224.5	16
Total	1,509.1	1,298.6	16

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:

	31.12.2010 (KEUR)	31.12.2009 (KEUR)	Increase/ Decrease (%)
Opening Balance	3,594.6	3,451.0	4
Current Service Cost	357.7	332.2	8
Interest Expense	186.6	175.7	6
Contributions by Plan Participants	0.0	0.0	–
Actuarial Gains/Losses from the Liability	–122.0	147.3	> 100
Increases/Decreases from Currency Translations	0.0	0.0	–
Benefits paid	–79.8	–511.6	–84
Past Service Cost	0.0	0.0	–
Effects of Curtailments	0.0	0.0	–
Effects of Settlements	0.0	0.0	–
Closing Balance	3,937.0	3,594.6	10

Furthermore, the performance-related obligation must be split into amounts from the performance-related plans, which are not financed via a fund, and amounts from performance-related plans which are fully or partially financed from a fund, for the period to the reporting date. The latter applies to the performance related obligation of NORD/LB Luxembourg and NORD/LB CFB.

According to the insurance firm, experience adjustments on plan liabilities and plan assets amount to KEUR 287.0 and KEUR –2.2 respectively.

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

	31.12.2010 (KEUR)	31.12.2009 (KEUR)	Increase/ Decrease (%)
Opening Balance	2,520.5	2,591.4	–3
Expected Return on Plan Assets	90.9	103.0	–12
Actuarial Gains/Losses on Plan Assets	–79.7	16.6	> 100
Increases/Decreases from Currency Translations	0.0	0.0	–
Employer Contributions	236.9	321.1	–26
Contributions by Plan Participants	0.0	0.0	–
Benefits paid	–79.8	–511.6	–84
Effects of Settlements	0.0	0.0	–
Closing Balance	2,688.8	2,520.5	7

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

	31.12.2010 (%)	31.12.2009 (%)	Increase/ Decrease (%)
Equity Instruments	4	4	12
Equity Instruments of another Entity	88	87	1
Real Estate	4	4	4
Other Assets	4	5	–27

The Fair Value of the plan assets includes equity instruments in the sum of KEUR 120 (previous year KEUR 105), equity instruments of another entity in the sum of KEUR 2,360 (previous year KEUR 2,191) and other assets in the sum of KEUR 209 (previous year KEUR 224).

It is expected that a total of KEUR 375 will be paid into the plan assets of the defined benefit obligations during the next reporting period (previous year KEUR 346).

Pension costs are made up as follows:

	31.12.2010 (KEUR)	31.12.2009 (KEUR)	Increase/ Decrease (%)
Current Service Cost	357.7	332.2	8
Interest Expense	186.6	175.7	6
Expected Return on Plan Assets	-90.9	-103.0	-12
Past Service Cost	0.0	0.0	-
Effects of Plan Changes	0.0	0.0	-
Expected Return on Reimbursement Rights	-42.4	130.7	> 100
Total	411.0	535.6	-23

Summary of the amounts in the current reporting period and the previous reporting periods:

	31.12.2010 (KEUR)	31.12.2009 (KEUR)	31.12.2008 (KEUR)	31.12.2007 (KEUR)
Pension Obligation (DBO)	3,937.0	3,594.6	3,451.0	3,490.7
Plan Assets	-2,688.8	-2,520.5	-2,591.3	-2,546.0
Shortfall	1,248.2	1,074.1	859.7	944.7
Actuarial Profit/Losses	42.4	-130.7	90.7	60.8
Experience Adjustments to:				
Pension Obligation (DBO)	286.9	386.8	249.0	- ^{*)}
Plan Assets	-2.2	-16.6	-75.4	- ^{*)}

^{*)} this information is not available for the period 2007.

Other provisions changed during the year under report as follows:

EUR Million	Provisions in Lending Business	Restructuring Provisions	Provisions for Impending Losses	Provisions for uncertain Liabilities		Provisions for Insurance Business	Total
				from Personnel Field	Other		
Opening Balance	5.6	0.0	0.0	1.5	3.8	0.0	10.8
Increases/Decreases from Currency Translations	0.5	0.0	0.0	0.1	0.0	0.0	0.6
Utilisation	3.6	0.0	0.0	0.4	0.1	0.0	4.2
Reductions	2.4	0.0	0.0	0.0	0.3	0.0	2.7
Allocations	8.5	0.0	0.0	0.7	0.0	0.0	9.2
Closing Balance	8.5	0.0	0.0	1.8	3.4	0.0	13.7

(44) Income Tax Liabilities

Income tax liabilities are broken down as follows:

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Current Income Tax Liabilities	1.4	3.3	-59
Passive deferred Taxes	5.5	6.0	-8
Total	6.9	9.3	-26

Passive deferred taxes are the potential income tax burdens from temporary differences between the values of the assets and liabilities in the IFRS balance sheet and the tax values according to the tax regulations.

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

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

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Assets			
Financial Instruments at Fair Value through Profit or Loss	0.0	0.0	–
Fair Values from Hedge Accounting	0.0	0.0	–
Financial Assets	0.0	0.0	–
Intangible Assets	0.0	0.0	–
Other Assets	0.0	0.0	–
Equity and Liabilities			
Securitised Liabilities	0.0	0.0	–
Financial Liabilities at Fair Value through Profit or Loss	0.0	0.0	–
Provisions	0.0	0.0	–
Other Liabilities	5.5	6.0	–8
Total	5.5	6.0	–8

(45) Other Liabilities

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Liabilities from outstanding Invoices	20.1	6.4	> 100
Liabilities from Short Term Remuneration of Workers	3.3	2.3	39
Accruals and deferred Income	6.5	13.1	–50
Liability from Taxes and Social Security Contributions not yet deducted	8.2	2.0	> 100
Other Liabilities	6.2	19.4	–68
Total	44.3	43.2	2

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

(46) Subordinated Capital

Subordinated liabilities are only repaid after the claims of all senior lenders have been settled. They fulfil in the full amount the conditions of circular 06/273 as amended in relation to offsetting as regulatory supplementary capital.

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

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Subordinated Liabilities	93.6	86.8	8
Profit Participation Capital	0.0	0.0	–
Contributions from silent Partners	0.0	0.0	–
Total	93.6	86.8	8

Type of Transaction	Nominal Amount (Million)	Accrued Interest (Million)	Rate at 31.12.2010	Balance Sheet Value (EUR Million)	Term in Years	Interest Rates (%)	Maturity
Subordinated Loans	USD 60.0	USD 0.0	1.3362	44.9	15	0.45563	08.06.16
Subordinated Loans	USD 65.0	USD 0.0	1.3362	48.6	15	0.74281	31.12.17
Total				93.6			

Other Disclosures

(47) Notes to the overall Profit and Loss Account

The income tax effects are allotted to the individual components of the components of the profit/loss recorded directly in the equity as follows:

KEUR	Amount before Taxes 2010	Income Tax Effect 2010	Amount after Taxes 2010	Amount before Taxes 2009	Income Tax Effect 2009	Amount after Taxes 2009
Increase/Decrease from Available-for-Sale (AfS) Financial Instruments	-11,393	3,392	-8,001	62,252	-18,714	43,538
Actuarial Gains/Losses for defined Benefit Provisions for Pensions	2	0	2	-351	89	-262
Translation Differences of foreign Business Units	-5,810	0	-5,810	-597	0	-597
Profit/Loss recognised directly in Equity	-17,201	3,392	-13,809	61,304	-18,625	42,679
Attributable to Shareholders	-17,201	3,392	-13,809	61,304	-18,625	42,679
Attributable to non-controlling Shares	0	0	0	0	0	0

(48) Notes to the Statement of Changes in Equity

The subscribed capital of NORD/LB Luxembourg on 31 December 2010 amounts to EUR 205 million (previous year EUR 205 million). It is divided into 820,000 registered shares without nominal value (previous year 820,000 registered shares). The subscribed capital is fully paid up. There were no changes over the course of the year under report.

The individual components of equity and changes to those components in 2009 and 2010 arise from the statement of changes in equity.

The revenue reserves comprise the amounts accumulated in previous reporting years and allocations to reserves and

profit/loss carried forward from the profit for the year. The negative differences (badwill) determined as part of the first-time consolidation are deducted from the revenue reserves.

In February 2010 EUR 100.0 million was paid out to the shareholder from the revenue reserve.

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.

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

Year	Property Tax NORD/LB Luxembourg	Wealth Tax NORD/LB CFB	Total	Locked in Reserves (= five times the Offset Property Tax)	Locked in until
2005	4.2	0.0	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	3.6	0.2	3.8	11.3 ^{*)}	31.12.2014
2010	–	–	–	–	31.12.2015
Total	19.5	0.6	20.1	92.8	

^{*)} Property tax rebate limited by amount of corporation tax 2009 pursuant to Section 8a VStG.

(49) Notes to the Cash Flow Statement

The cash flow statement shows changes in cash and cash equivalents for the year under report due to payment flows from operating activities, investment activities and financing activities.

Cash and cash equivalents are defined as a cash reserve (cash and balances with central Banks as well as treasury bills and other bills eligible for refinancing with the central Bank).

The cash flow statement is prepared using indirect methods. This involves determining the cash flow from operating activities based on the profit for the year 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 the Group's control of the liquidity risk.

Notes to Financial Instruments

(50) Term to Maturity of Financial Liabilities and contingent Liabilities

At 31 December 2010:

EUR Million	< 1 Month	1 Month < 3 Months	3 Months < 1 Year	1 Year < 5 Years	> 5 Years	Total
Liabilities to Banks	4,604.2	2,075.3	1,195.9	1,333.3	995.4	10,204.1
Liabilities to Customers	2,112.7	951.4	251.6	28.5	406.4	3,750.6
Securitised Liabilities	324.8	215.6	279.0	2,791.5	866.4	4,477.3
Financial Liabilities at Fair Value through Profit or Loss (without Derivatives)	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated Capital	0.0	0.0	0.0	0.0	93.6	93.6
Irrevocable Credit Commitments	28.4	26.4	426.2	764.0	52.5	1,297.5
Financial Guarantees	35.5	29.9	97.0	223.8	441.8	828.1
Total	7,105.6	3,298.7	2,249.6	5,141.1	2,856.1	20,651.1

At 31 December 2009:

EUR Million	< 1 Month	1 Month < 3 Months	3 Months < 1 Year	1 Year < 5 Years	> 5 Years	Total
Liabilities to Banks	5,641.4	2,829.0	1,718.6	1,067.4	1,597.5	12,853.9
Liabilities to Customers	1,906.2	1,543.0	546.6	0.0	367.1	4,362.9
Securitised Liabilities	204.8	228.1	884.5	1,233.5	2,329.4	4,880.4
Financial Liabilities at Fair Value through Profit or Loss (without Derivatives)	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated Capital	0.0	0.0	0.0	0.0	86.8	86.8
Irrevocable Credit Commitments	19.9	40.2	320.8	1,086.9	314.6	1,782.3
Financial Guarantees	33.0	41.7	54.4	256.8	327.1	713.0
Total	7,805.2	4,682.0	3,524.9	3,644.6	5,022.4	24,679.3

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

(51) Book Values according to Valuation Categories

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Assets			
Financial Assets designated at Fair Value through Profit or Loss	743.6	533.0	40
Financial Assets Held-for-Trading	658.2	457.3	44
Financial Assets designated at Fair Value through Profit or Loss	85.5	75.8	13
Available-for-Sale Assets	6,848.0	6,578.4	4
Loans and Receivables	12,471.7	16,534.4	-25
Total	20,063.3	23,645.8	-15
Equity and Liabilities			
Financial Liabilities at Fair Value through Profit or Loss	-936.1	-760.2	23
Financial Liabilities Held-for-Trading	-936.1	-760.2	23
Financial Liabilities designated at Fair Value through Profit or Loss	0.0	0.0	-
Other Liabilities	-18,525.5	-22,183.9	-16
Total	-19,461.7	-22,944.2	-15

The Fair Values of underlying transactions from Hedge Accounting within the meaning of IAS 39 are allocated to the respective category, the Fair Values of securities transactions can be found again in the items HFT. Only financial instruments were considered here.

(52) Net Results according to Valuation Categories

	2010 (KEUR)	2009 (KEUR)	Increase/ Decrease (%)
Financial Instruments at Fair Value through Profit or Loss	-109,542.4	-110,222.6	-1
Financial Instruments Held-for-Trading	-111,599.1	-115,386.7	-3
Financial Instruments designated at Fair Value through Profit or Loss	2,056.8	5,164.1	-60
Available-for-Sale Assets	106,803.8	175,690.8	-39
Loans and Receivables	428,330.4	506,918.3	-16
Other Liabilities	-291,056.1	-413,357.4	-30
Total	134,535.7	159,029.2	-15

The result from Hedge Accounting is not included in the net results because it is not allocated to any of the categories. The risk provision in the lending business, which is also not included here, is explained in the following notes.

(53) Impairment/Reversal of Impairment according to Valuation Categories

	2010 (KEUR)	2009 (KEUR)	Increase/ Decrease (%)
Available-for-Sale Assets			
Result from Valuation Adjustments of AfS Financial Assets	0.0	0.0	–
Result from direct Write-Down of uncollectible Receivables/ Receipts on written down Receivables	0.0	0.0	–
Total	0.0	0.0	–
Loans and Receivables			
Result from Valuation Adjustments of LaR Financial Assets	–32,952.2	–137,139.3	–76
Result from Portfolio based Valuation Adjustments of LaR Financial Assets	9,746.6	–9,556.6	> 100
Result from the Formation/Reversal of Provisions in Lending Sector	–6,079.6	–5,699.9	7
Result from direct Write-Down of uncollectible Receivables/ Receipts on written down Receivables	0.0	0.0	–
Total	–29,285.3	–152,395.8	–81

(54) Fair Value Hierarchy

The following table shows the application of the Fair Value hierarchy for financial assets and liabilities stated at Fair Value through Profit or Loss or not affecting profit or loss:

31.12.2010 EUR Million	Level 1 (Mark-to- Market)	Level 2 (Mark-to- Matrix)	Level 3 (Mark-to- Model)	Total
Trading Assets	0.0	340.0	0.0	340.0
Financial Assets designated at Fair Value	40.3	45.2	0.0	85.5
Positive Fair Values from Hedge Accounting Derivatives	0.0	318.1	0.0	318.1
Financial Assets (measured at Fair Value)	5,229.8	622.8	995.4	6,848.0
Assets	5,270.1	1,326.2	995.4	7,591.7
Trading Liabilities	0.0	220.6	0.0	220.6
Financial Liabilities designated at Fair Value	0.0	0.0	0.0	0.0
Negative Fair Values from Hedge Accounting Derivatives	0.0	715.6	0.0	715.6
Equity and Liabilities	0.0	936.1	0.0	936.1

Only bonds are included in the financial assets which fall under the Level 3 valuation. 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. To calculate the sensitivity, each rating category is pushed one step up or down. Both calculated values represent the sum of the absolute difference to the original model value and is divided by two.

The fluctuation of the Fair Value of the Level 3 securities is EUR 6.8 million under this stress scenario in relation to the rating class.

The transfers within the Fair Value hierarchy are as follows:

01.01. – 31.12.2010 EUR Million	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
Trading Assets	0.0	0.0	0.0	0.0	0.0	0.0
Financial Assets designated at Fair Value	0.0	0.0	0.0	0.0	0.0	0.0
Positive Fair Values from Hedge Accounting Derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Financial Assets (measured at Fair Value)	57.2	366.7	10.7	15.7	211.6	84.7
Assets	57.2	366.7	10.7	15.7	211.6	84.7
Trading Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Financial Liabilities designated at Fair Value	0.0	0.0	0.0	0.0	0.0	0.0
Negative Fair Values from Hedge Accounting Derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Equity and Liabilities	0.0	0.0	0.0	0.0	0.0	0.0

The level transfers from Level 1 into Level 2 are two securities, which fell back into the market-to-matrix valuation on the reporting date. In total, 19 securities changed from Level 1 to Level 3, mainly caused by a distorted or inactive market. The level transfer from Level 2 into Level 1 was a security for which there was a market price on the reporting date. One security changed from Level 2 to Level 3 as a result of an inactive market. A total of 14 securities changed on the reporting date back into a market valuation (Level 1) due to a distorted market (Level 3). Three securities changed from a model evaluation to a matrix evaluation. With respect to the total inventory of securities, the level transfers never rose above 7%.

There were no financial liabilities in Level 3 of the Fair Value hierarchy in either in the year under report or in the previous year, the development of the financial assets in Level 3 of the Fair Value hierarchy is as follows:

EUR Million	Trading Assets	Financial Assets designated at Fair Value	Positive Fair Values from Hedge Accounting Derivatives	Financial Assets (measured at Fair Value)	Total Assets
Opening Balance as of 01.01.2009	0.0	0.0	0.0	2,891.3	2,891.3
Profit/Loss Effect	0.0	0.0	0.0	-6.7	-6.7
Equity Effect	0.0	0.0	0.0	34.0	34.0
Purchases	0.0	0.0	0.0	10.0	10.0
Sales	0.0	0.0	0.0	0.0	0.0
Amortisations	0.0	0.0	0.0	-241.2	-241.2
Moved from Level 1 and 2	0.0	0.0	0.0	92.4	92.4
Moved to Level 1 and 2	0.0	0.0	0.0	-1,858.5	-1,858.5
Closing Balance at 31.12.2009	0.0	0.0	0.0	921.4	921.4
Opening Balance as of 01.01.2010	0.0	0.0	0.0	921.4	921.4
Profit/Loss Effect	0.0	0.0	0.0	6.3	6.3
Equity Effect	0.0	0.0	0.0	-16.0	-16.0
Purchases	0.0	0.0	0.0	0.0	0.0
Sales	0.0	0.0	0.0	0.0	0.0
Amortisations	0.0	0.0	0.0	-0.1	-0.1
Moved from Level 1 and 2	0.0	0.0	0.0	382.4	382.4
Moved to Level 1 and 2	0.0	0.0	0.0	-298.6	-298.6
Closing Balance at 31.12.2010	0.0	0.0	0.0	995.4	995.4

Financial assets and liabilities are initially measured at market prices at the time of acquisition. There was no initial valuation at Level 3 in either period under report; there was consequently no day-one profit or loss.

(55) 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 31.12.2010	Book Value 31.12.2010	Difference 31.12.2010	Fair Value 31.12.2009	Book Value 31.12.2009	Difference 31.12.2009
Assets	12,474.6	12,471.7	2.9	16,777.2	16,534.4	242.8
Cash Reserve	98.5	98.5	0.0	207.3	207.4	-0.1
Loans and Advances to Banks	4,089.5	4,094.5	-5.0	7,120.8	7,102.7	18.1
Loans and Advances to Customers	5,263.7	5,065.9	197.8	6,188.2	6,063.9	124.3
Financial Assets	3,214.1	3,403.9	-189.8	3,260.9	3,381.0	-120.1
Risk Provisions	-191.1	-191.1	0.0	0.0	-220.6	220.6
Loans and Advances after Risk Provisions	12,376.1	12,373.2	2.9	16,569.9	16,327.0	242.9
Equity and Liabilities	18,710.4	18,525.5	184.8	22,366.0	22,183.9	182.0
Liabilities to Banks	10,340.7	10,204.1	136.6	12,984.1	12,853.9	130.3
Liabilities to Customers	3,768.0	3,750.6	17.4	4,380.8	4,362.9	17.9
Securitised Liabilities	4,497.1	4,477.3	19.8	4,900.3	4,880.4	19.9
Subordinated Capital	104.5	93.6	11.0	100.7	86.8	13.9

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.

(56) Derivative Financial Instruments

The Group uses derivative financial instruments for hedging purposes as part of asset/liability management. In addition, it undertakes derivative financial transactions.

Derivative financial instruments denominated in foreign currencies are mainly negotiated in the form of forward exchange transactions, currency swaps, and interest rate/currency swaps. Interest rate derivatives are primarily interest rate swaps.

The nominal values are the gross volume of all purchases and sales. This value is a reference amount used to determine mutually agreed adjustment payments, but does not include receivables or liabilities that are eligible for recognition.

The composition of the derivative portfolio is as follows:

EUR Million	Nominal Values		Market Values positive		Market Values negative	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Interest Rate Risks	15,844.0	16,474.9	248.0	230.6	676.1	564.5
Interest Rate Swaps	15,824.0	16,474.9	247.9	230.6	676.0	564.5
FRA's	0.0	0.0	0.0	0.0	0.0	0.0
Interest Rate Options	0.0	0.0	0.0	0.0	0.0	0.0
Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Sales	0.0	0.0	0.0	0.0	0.0	0.0
Caps, Floors	20.0	0.0	0.1	0.0	0.1	0.0
Stock Exchange Contracts	0.0	0.0	0.0	0.0	0.0	0.0
Other forward Interest Rate Transactions	0.0	0.0	0.0	0.0	0.0	0.0
Currency Risks	9,025.3	14,247.8	410.1	226.7	260.0	195.8
Forward Exchange Contracts	5,928.3	1,223.6	115.9	1.4	106.4	2.9
Currency Swaps/Interest Rate-Currency Swaps	3,097.0	13,024.2	294.2	225.3	153.6	192.9
Currency Options	0.0	0.0	0.0	0.0	0.0	0.0
Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Sales	0.0	0.0	0.0	0.0	0.0	0.0
Stock Exchange Contracts	0.0	0.0	0.0	0.0	0.0	0.0
Other Currency Transactions	0.0	0.0	0.0	0.0	0.0	0.0
Share and other Price Risks	0.0	0.0	0.0	0.0	0.0	0.0
Forward Share Transactions	0.0	0.0	0.0	0.0	0.0	0.0
Share Swaps	0.0	0.0	0.0	0.0	0.0	0.0
Share Options	0.0	0.0	0.0	0.0	0.0	0.0
Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Sales	0.0	0.0	0.0	0.0	0.0	0.0
Stock Exchange Contracts	0.0	0.0	0.0	0.0	0.0	0.0
Other forward Transactions	0.0	0.0	0.0	0.0	0.0	0.0
Credit Derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Secured Party	0.0	0.0	0.0	0.0	0.0	0.0
Guarantor	0.0	0.0	0.0	0.0	0.0	0.0
Total	24,869.3	30,722.8	658.2	457.3	936.1	760.3

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. 2010	31.12. 2009	31.12. 2010	31.12. 2009	31.12. 2010	31.12. 2009	31.12. 2010	31.12. 2009
Term to Maturity								
Up to 3 Months	3,618.9	4,549.8	4,996.1	8,345.7	0.0	0.0	0.0	0.0
More than 3 Months up to 1 Year	2,431.8	3,736.7	1,333.7	4,023.9	0.0	0.0	0.0	0.0
More than 1 Year and up to 5 Years	5,352.4	3,206.1	1,570.6	388.5	0.0	0.0	0.0	0.0
More than 5 Years	4,440.9	4,982.2	1,124.9	1,489.8	0.0	0.0	0.0	0.0
Total	15,844.0	16,474.9	9,025.3	14,247.9	0.0	0.0	0.0	0.0

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

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

EUR Million	Nominal Values		Market Values positive		Market Values negative	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Banks in OECD Countries	24,548.5	30,370.7	655.9	451.6	928.4	759.8
Banks outside OECD Countries	124.2	307.8	0.0	2.8	5.7	0.1
Public Sector Entities in OECD Countries	0.0	0.0	0.0	0.0	0.0	0.0
Other Counterparties (including Stock Exchange Contracts)	196.7	44.3	2.3	2.9	2.0	0.4
Total	24,869.3	30,722.8	658.2	457.3	936.1	760.3

(57) Underlying Transactions in effective hedging Relationships

Financial assets and liabilities, which are part of a hedging relationship as underlying transactions according to IAS 39, continue to be shown together with the unhedged transactions in the respective balance sheet item, since the hedging does not change the nature and function of the underlying transaction.

The balance sheet approach of the financial instruments otherwise shown on the balance sheet (categories LaR and OL) is however corrected by the Fair Value change resulting from the hedged risk.

The balance sheet reporting of financial instruments of the category AfS continues to be done at full Fair Value. The financial assets and liabilities, which are part of an effective micro Fair Value hedge relationship as hedged underlying transactions, are shown below for information purposes:

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Assets			
Loans and Advances to Banks	371.4	372.0	0
Loans and Advances to Customers	786.4	637.3	23
Financial Assets	5,859.0	4,600.5	27
Total	7,016.7	5,609.9	25
Equity and Liabilities			
Liabilities to Banks	157.1	133.7	17
Liabilities to Customers	431.9	367.9	17
Securitised Liabilities	2,496.8	2,972.5	-16
Subordinated Capital	0.0	0.0	-
Total	3,085.8	3,474.1	-11

(58) NORD/LB Luxembourg Group as a Provider of Collateral

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

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)
Loans and Advances to Banks	520.0	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	5,421.6	6,875.8
Total	5,941.6	6,875.8

The furnishing of security in order to borrow funds mostly took the form of genuine repurchase agreements (repos) with a maximum remaining term of 8.5 months. Expense and income from the pledged securities continues to be due to the Group.

The furnishing of security in the form of deposits at banks took place at standard market interest rates and predominantly covers value changes in derivative transactions. The relevant remaining terms are shown in Note (56).

The following securities were transferred for liabilities to the Group in the sum of the values given:

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)
Financial Assets transferred to the Group as Security	2,017.1	3,600.3
Liabilities to Banks	281.8	0.0
Total	2,298.9	3,600.3

(59) Securities Repurchase Agreements and Securities Lending

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)
Genuine Repurchase Agreements as a Repurchase Buyer (reverse Repos)	1,286.6	3,093.0
Loans and Advances to Banks	1,286.6	3,093.0
Loans and Advances to Customers	0.0	0.0
Genuine Repurchase Agreements as a Repurchase Seller (Repos)	4,677.5	6,845.2
Liabilities to Banks	4,191.6	6,777.8
Liabilities to Customers	485.9	67.4

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)
Loaned Securities	0.0	0.0
Loaned Securities at Fair Value through Profit or Loss	0.0	0.0
Loaned Securities from Financial Assets	0.0	0.0
Borrowed Securities	0.0	0.0

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)
Securities sold under Repurchase Agreements	5,406.6	6,799.2
Securities sold under Repurchase Agreements at Fair Value through Profit or Loss	0.0	0.0
Securities sold under Repurchase Agreements from Financial Assets	5,406.6	6,799.2
Securities bought under Repurchase Agreements	2,017.1	3,053.2

Other Notes

(60) Regulatory Information

The risk-weighted asset values and the regulatory equity are based on the regulations of the Solvency Regulation and on the basis of the IFRS.

Risk-weighted Asset Values

Group uses internal approaches for risk evaluation.

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)
Risk Assets	4,373.1	5,132.5
Weighted operational Risks	239.0	132.4
Market Risk Positions	43.5	44.3
Total	4,655.7	5,309.2

The IRB approach applied by the Group led to a lower equity utilisation in 2009 and 2010 in comparison to the previous regulation.

The Group uses the standard method to determine the capital requirements for operational risks. As at 31 December 2010, this results in an equity requirement of EUR 19.1 million (previous year EUR 10.6 million).

Regulatory Equity

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)
Contributed Capital	205.0	205.0
Other Reserves	476.1	541.6
Remaining Components	-5.2	-0.3
Core Capital	675.9	746.3
Asset Deposits of silent Shareholders	0.0	0.0
Subordinated Debt Securities (Part that can be Offset)	93.6	86.8
Supplementary Capital	93.6	86.8
Items deductible from Core (tier 1) and supplementary (tier 2) Capital	0.0	0.0
Liable Equity	769.5	833.0
Tier three Funds	0.0	0.0
Equity Capital	769.5	833.0

Revaluation reserves are not taken into account in the regulatory equity. The Group exercised a corresponding elective right.

Minimum Capital Ratios

The Bank complied at all times at Group level in 2009 and 2010 with the regulatory minimum capital ratios. At the respective year-ends the Group reported the following ratios:

	31.12.2010	31.12.2009
Overall Coefficient	16.5 %	15.7 %
Core Capital Ratio	14.5 %	14.1 %

Large Borrowers Requirements

In 2010, the Bank complied with the applicable regulatory requirements for equity and liquidity at all times. Likewise, the Bank accommodated the regulations on large borrowing limits in the year under report.

On application of the Bank, the regulatory body CSSF released the Bank from compliance with the large risk limit for companies in the NORD/LB Group in accordance with Section XVI, point 24 of Circular 06/273. Accounts and guarantees receivable from group companies exist in the sum of EUR 5,123.4 million (previous year: EUR 2,819.4 million).

(61) Foreign Currency Volumes

As at 31 December 2010, there were the following assets and liabilities in foreign currencies:

EUR Million	USD	JPY	CHF	Other	Total
Assets					
Cash Reserve	0.0	0.0	1.1	0.0	1.1
Loans and Advances to Banks	210.8	45.9	166.4	16.6	439.7
Loans and Advances to Customers	1,348.7	248.3	380.6	193.0	2,170.6
Risk Provisions	0.0	0.0	-7.7	0.0	-7.7
Financial Assets at Fair Value through Profit or Loss	-330.9	672.9	259.4	15.2	616.6
Positive Fair Values from Hedge Accounting	-9.4	205.6	113.1	225.2	534.5
Financial Assets	1,874.3	165.6	351.4	406.2	2,797.4
Other Assets	0.1	0.0	1.1	0.0	1.2
Total	3,093.6	1,338.3	1,265.5	856.2	6,553.5

EUR Million	USD	JPY	CHF	Other	Total
Equity and Liabilities					
Liabilities to Banks	2,859.9	110.5	939.6	296.5	4,206.5
Liabilities to Customers	241.1	32.3	413.0	20.7	707.1
Securitised Liabilities	1,075.4	914.8	397.0	243.9	2,631.2
Financial Liabilities at Fair Value through Profit or Loss	196.3	47.0	105.5	12.4	361.2
Negative Fair Values from Hedge Accounting	335.8	226.1	11.1	244.8	817.8
Other Liabilities	0.0	0.0	18.3	0.1	18.4
Subordinated Capital	93.6	0.0	0.0	0.0	93.6
Total	4,802.2	1,330.7	1,884.6	818.4	8,835.8

(62) Contingent Liabilities and other Obligations

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)
Contingent Liabilities	828.1	713.0
Contingent Liabilities under rediscounted Bills of Exchange	0.0	0.0
Liabilities from Guarantees and other Indemnity Agreements	828.1	713.0
Irrevocable Credit Commitments	1,297.5	1,782.3
Total	2,125.5	2,495.3

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

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

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

The liabilities from existing rent, lease, guarantee and similar contracts are within normal business levels.

Letter of Comfort:

Norddeutsche Landesbank Luxembourg S.A. issued a letter of comfort in favour of NORD/LB Covered Finance Bank S.A. in its annual statements to 31 December 2010.

(63) Subordinated Assets

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)
Loans and Advances to Banks	0.0	24.5
Loans and Advances to Customers	0.0	0.0
Financial Instruments at Fair Value through Profit or Loss	0.0	0.0
Financial Assets	45.0	20.0
Total	45.0	44.5

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

The Group holds two subordinated issues from Austrian banks in its own stocks.

(64) Trust Activities

Trust activities are broken down as follows:

	31.12.2010 (EUR Million)	31.12.2009 (EUR Million)
Trust Assets	11.5	112.0
Loans and Advances to Banks	0.0	50.3
Loans and Advances to Customers	11.5	43.1
Financial Instruments at Fair Value through Profit or Loss	0.0	0.0
Financial Assets	0.0	18.6
Other Trust Assets	0.0	0.0
Trust Liabilities	11.5	112.0
Liabilities to Banks	0.0	11.9
Liabilities to Customers	11.5	100.1
Other Trust Liabilities	0.0	0.0

(65) Events after the Balance Sheet Date

Dr. Johannes-Jörg Riegler, Member of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, was elected to Supervisory Board of NORD/LB Luxembourg with effect from 1 January 2011.

Related Parties

(66) Number of Employees

The average number of personnel employed by the Group during the period under report can be broken down as follows:

	Male 2010	Male 2009	Female 2010	Female 2009	Total 2010	Total 2009
NORD/LB Luxembourg	104.2	94.8	43.4	37.5	147.6	132.3
NORD/LB CFB	6.8	4.9	2.0	1.8	8.8	6.8
Skandifinanz	4.0	7.3	3.0	4.2	7.0	11.5
Group	115.0	107.1	48.4	43.5	163.4	150.5

(67) Related Party Disclosures

All consolidated subsidiaries were qualified as related legal entities. NORD/LB (parent company of NORD/LB Luxembourg) and companies covered by IAS 24.9(f) are also regarded as related parties.

Natural persons that are regarded as related in terms of IAS 24 comprise members of the Board of Directors and of the Supervisory Board of NORD/LB Luxembourg, as parent company, and their close family members.

Within the scope of ordinary business activities, transactions with related parties are concluded under normal market terms and conditions. These transactions are subject to the market conformity monitoring used in the Group.

The scope of the transactions (excluding the transactions to be eliminated as part of the consolidation) with related parties in 2010 and 2009 is shown in the following breakdowns:

At 31 December 2010:

KEUR	Shareholders	Persons in Key Functions	Other related Parties
Outstanding Loans and Advances			
to Banks	329,728	0	0
to Customers	0	20	0
Other Assets	298	0	0
Total Assets	330,025	20	0
Outstanding Liabilities			
to Banks	3,785,272	0	0
to Customers	0	0	0
Subordinated Capital	93,581	0	0
Other Liabilities	54,502	1,282	0
Total Equity and Liabilities	3,933,354	1,282	0
Guarantees/Sureties granted	7,000	0	0
Interest Expense	122,783	0	0
Interest Income	26,970	0	0
Commission Expense	48,699	0	0
Commission Income	0	0	0
Other Income and Expense	-1,795	-2,834	0
Total Contributions to Income	-146,308	-2,834	0

In addition to the above, the Bank is reporting receivables and other Assets loans to subsidiaries of the parent company to the sum of KEUR 1,569,649 (previous year KEUR 1,592,164) and liabilities and other liabilities in the sum of KEUR 308,088 (previous year KEUR 256,825).

The expenses and earnings generated in connection with these companies in the year under report amount to KEUR 9,598 (previous year KEUR 11,099) and KEUR 14,913 (previous year KEUR 15,270) respectively.

At 31 December 2009:

KEUR	Shareholders	Persons in Key Functions	Other related Parties
Outstanding Loans and Advances			
to Banks	1,055,957	0	0
to Customers	0	420	0
Other Assets	997	0	1,686
Total Assets	1,056,955	420	1,686
Outstanding Liabilities			
to Banks	4,530,853	0	0
to Customers	0	0	0
Subordinated Capital	86,798	0	0
Other Liabilities	58,416	1,240	0
Total Equity and Liabilities	4,676,067	1,240	0
Guarantees/Sureties granted	0	0	0
Interest Expense	171,427	0	1,547
Interest Income	30,428	18	82
Commission Expense	38,504	0	0
Commission Income	523	0	0
Other Income and Expense	5,255	-2,647	1,689
Total Contributions to Income	-173,725	-2,629	224

All payments and loans to executive bodies in accordance with the provisions relating to trade are set out in Note (69) Remuneration of and loans to executive bodies.

(68) 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)
- Christoph Schulz, Deputy Chairman of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover
- Martin Halblaub, Member of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (until 11 January 2010)
- Ulrike Brouzi, General Manager of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (since 1 September 2010)
- Dr. Stephan-Andreas Kaulvers, Chairman of the Board of Directors of Bremer Landesbank, Bremen (to 31 December 2010)
- Dr. Johannes-Jörg Riegler, Member of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (since 1 January 2011)
- Walter Kleine, Chairman of the Board of Directors of Sparkasse Hannover, 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)
- Thorsten Schmidt, Irrel (since 1 July 2010)

Positions

As at 31 December 2010 the following seats were taken up by the members of the board of Norddeutsche Landesbank Luxembourg S.A.:

Harry Rosenbaum

- NORD/LB Covered Finance Bank S.A., Luxembourg, Deputy Chairman of the Supervisory Board
- Skandifinanz Bank AG, Zürich, Member of the Administrative Board
- NORD/LB G-MTN S.A., Luxembourg, Chairman of the Administrative Board
- NORD/LB Asset Management Holding GmbH, Hanover, Member of the Supervisory Board

Christian Veit

- NORD/LB Covered Finance Bank S.A., Luxembourg, Deputy Chairman of the Board of Directors
- NORD/LB G-MTN S.A., Luxembourg, Deputy Chairman of the Supervisory Board

(69) Remuneration of and Loans to Executive Bodies

	2010 (KEUR)	2009 (KEUR)
Payments to active Executive Body Members	2,834	2,647
Extended Management *	2,759	2,572
Supervisory Board	75	75
Pension Obligations	1,282	1,240
Extended Management *	1,282	1,240
Supervisory Board	0	0
Advances, Loans and Liabilities	20	420
Extended Management *	20	420
Supervisory Board	0	0

* Board of Directors and senior staff

(70) Fee of the Auditor of the Consolidated Financial Statements

	2010 (KEUR)	2009 (KEUR)
Fee of the Auditor of the Consolidated Financial Statements:		
Auditing	555	545
Other Confirmation Services	417	416
Other Services	25	53

No fees in regard to services for tax advice or other fees shown in the table were paid to the auditors. The amounts include statutory VAT.

Consolidated Financial Statements 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 Group, 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 Group.

Luxembourg, 5 April 2011
Norddeutsche Landesbank Luxembourg S.A.

Harry Rosenbaum

Christian Veit

Thorsten Schmidt



Auditor's Report

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

Report on the Consolidated Financial Statements

In accordance with the instructions received from the Bank's Board of Directors on 16 November 2010 we have audited the attached consolidated financial statements of Norddeutsche Landesbank Luxembourg S.A., which comprise the consolidated balance sheet at 31 December 2010, the consolidated income statement, the statement of income and expense, the consolidated statement of changes in equity, the consolidated cash flow statement and the consolidated notes for the financial year ended on this date.

Responsibility of the Board of Directors for the annual Consolidated Financial Statements

The Board of Directors is responsible for the compilation of the consolidated annual financial statements and the representation that corresponds to the actual circumstances in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union for the compilation and representation of the consolidated annual financial statements, and for the establishment of an internal control system which the Board of Directors considers necessary for the compilation and representation of the consolidated annual financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We carried out our audit of the annual financial statements according to the International Standards on Auditing adopted by the Commission de Surveillance du Secteur Financier (CSSF). These standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of the procedures depend on the auditor's judgement, as well as the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to define 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 consolidated financial statements.

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

Opinion

We believe that the consolidated financial statements, in accordance with the International Financial Reporting Standards as they are to be applied in the European Union for the preparation and representation of the consolidated financial statements, give a true and fair view of the assets and financial situation of the Norddeutsche Landesbank Luxembourg S.A. Group at 31 December 2010, and of the earnings and cash flows for the financial year ending on this date.

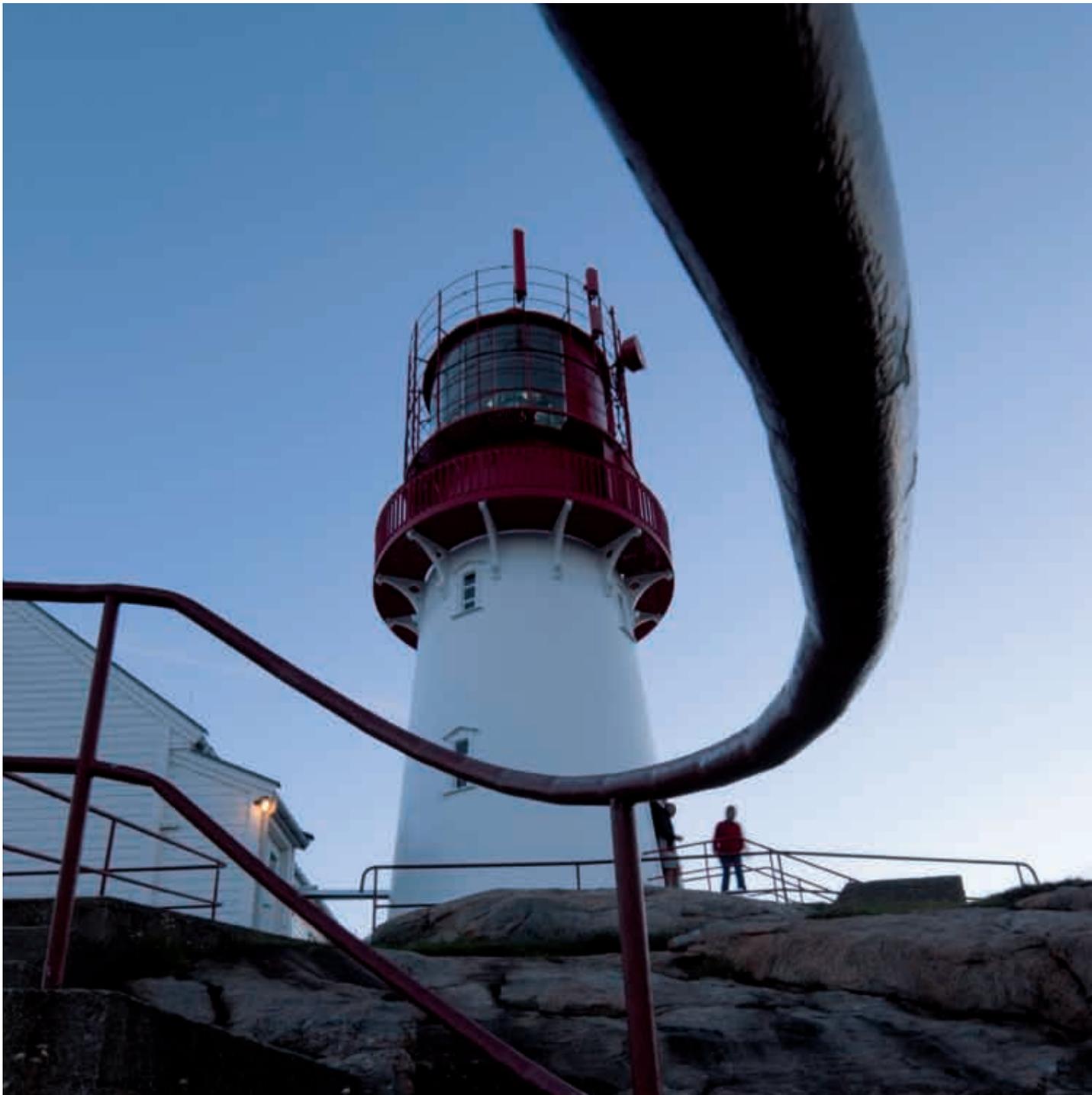
Report on other legal and regulatory Requirements

The consolidated management report for financial year 2010, which is the responsibility of the Board of Directors, is in accordance with the consolidated annual financial statements.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Christoph HAAS

Luxembourg, 5 April 2011



Report of the Supervisory Board

The Board of Directors of the Bank briefed the Supervisory Board and the committees it has appointed in the year under report regularly about the development of the business and the position of the Bank. The Supervisory Board met a total of six times in the year under report 2010.

Ernst & Young S.A., Luxembourg, has audited the annual financial statements and consolidated financial statements of NORD/LB Luxembourg for the year under report 2010 and issued them with an unqualified audit opinion. In addition, the auditor attended the meeting to discuss the financial statements held by the Supervisory Board on 17 March 2011 and reported on the results of the audit.

Following the detection of the fraud committed at the subsidiary Skandifinanz Bank AG – which has now been renamed Skandifinanz AG – the Supervisory Board and the Board of Directors have deeply looked into this issue both in and outside of board meetings and immediately initiated the required measures. In addition to examining the circumstances of this fraud case, all of the procedures and processes used by the Bank are being fully reviewed. NORD/LB Luxembourg took over large parts of Skandifinanz AG business operations with effect from September 2010. The Supervisory Board will yet decide about the future operations to be conducted by Skandifinanz AG in good time. As a first step, Skandifinanz AG's Articles of Association were changed at the beginning of 2011.

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.

The Supervisory Board has approved the audit results of the auditor and did not raise any objections to the concluding results of his audit.

At its meeting on 17 March 2011, the Supervisory Board approved the management report and the financial statements at 31 December 2010, which are therefore formally approved. These consolidated financial statements and the consolidated management report to 31 December 2010 were approved in April 2011.

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 2010.

Luxembourg
April 2011

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

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S.W.I.F.T.

NOLALULL

Supervision

Commission de Surveillance du Secteur Financier

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Trade and Companies Register

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