Annual Report – 31.12.2008

Norddeutsche Landesbank Luxembourg S.A.

Content

Core Data at a Glance

Business Development	2008 EUR Million	2007 EUR Million	Increase/Decrease EUR Million	Increase/Decrease Percentage
Loans and Advances to Banks	6,721.4	8,622.7	– 1,901.2	– 22
Loans and Advances to Customers	6,074.7	5,724.6	350.1	6
Risk Provisions	– 91.4	– 12.3	– 79.1	> 100
Financial Assets	7,137.3	7,070.8	66.5	1
Sundry Assets	648.9	1,343.1	– 694.1	– 52
Balance Sheet Total Assets	**20,490.9**	**22,748.9**	**– 2,258.0**	**– 10**
Liabilities to Banks	13,554.8	13,909.6	– 354.8	– 3
Liabilities to Customers	1,681.5	1,828.6	– 147.1	– 8
Securitised Liabilities	3,713.8	5,052.7	– 1,338.9	– 26
Sundry Liabilities	866.5	1,283.0	– 416.6	– 32
Reported Equity	674.4	675.0	– 0.5	0
Balance Sheet Total Liabilities	**20,490.9**	**22,748.9**	**– 2,258.0**	**– 10**
Profit Development	**2008 KEUR**	**2007 KEUR**	**Increase/Decrease KEUR**	**Increase/Decrease Percentage**
Net Interest Income	130,076	102,259	27,817	27
Net Commission Income	5,034	5,078	– 45	– 1
Profit/Loss from Financial Assets	– 10,070	1,145	– 11,214	> 100
Other Profit/Loss	13,329	5,047	8,282	> 100
Profit/Loss before Tax	**138,369**	**113,529**	**24,840**	**22**
Administrative Expenses	– 22,263	– 19,628	– 2,635	13
Cost-Income-Ratio Percentage Change *)	16.1 %	17.3 %	– 1.2 %	– 7
Profit/Loss from Valuation Changes and Risk Provisions	– 91,881	– 41,045	– 50,836	> 100
Taxes	– 5,455	– 14,824	9,369	– 63
Profit/Loss after Tax	**18,770**	**38,032**	**– 19,261**	**– 51**
Regulatory Key Data	**2008 EUR Million**	**2007 EUR Million**	**Increase/Decrease EUR Million**	**Increase/Decrease Percentage**
Risk-Weighted Asset Values	7,641	8,326	– 685	– 8
Core Capital	716	655	61	9
Equity	958	892	66	7
Core Capital Ratio	9.4 %	7.9 %	1.5 %	19
Overall Coefficient	12.5 %	10.7 %	1.8 %	17
Number of Employees	**2008**	**2007**		**Increase/Decrease Percentage**
	118	108	10	9

*) Cost-Income-Ratio (CIR) is equivalent to the quotient of administrative expenses and earnings before tax.


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NORD/LB Luxembourg

Members of the Supervisory Board [1)]

Dr. Hannes Rehm
Chairman of the Board of Management
NORD/LB Norddeutsche Landesbank Girozentrale
(up until 31 December 2008)

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

Martin Halblaub
Member of the Board of Management
NORD/LB Norddeutsche Landesbank Girozentrale
(with effect from 15 August 2008)

Hans Hartmann
Administrateur-Délégué/CEO
Norddeutsche Landesbank Luxembourg S.A.
(up until 30 June 2008)

Dr. Stephan-Andreas Kaulvers
Chairman of the Board of Management
Bremer Landesbank

Walter Kleine
Chairman of the Board of Management
Sparkasse Hannover

Jürgen Kösters
Member of the Board of Management
Norddeutsche Landesbank Girozentrale
(up until 08 May 2008)

Harry Rosenbaum
Administrateur-Délégué
Norddeutsche Landesbank Luxembourg S.A. (with effect from 01 July 2008 up until 31 December 2008)

Christoph Schulz
Deputy Chairman of the Board of Management
Norddeutsche Landesbank GZ Braunschweig

Dirk Vormberge
Administrateur-Directeur
Norddeutsche Landesbank Luxembourg S.A.
(up until 31 January 2008)

1) NORD/LB Luxembourg was converted from a company with monistic management to one with dualistic management with effect from 1 January 2009 (see supplementary report, page 40).

Board of Management [2)]

Administrateur-Délégué
Hans Hartmann
(up until 30 June 2008)

Chairman of the Board of Management/CEO
Harry Rosenbaum
(with effect from 01 July 2008)

Deputy Chairman of the Board of Management/CFO/CRO
Christian Veit

Directeur
Uwe Rossmannek
(up until 31 March 2008)

Organisation

Treasury
Thorsten Schmidt

Strategic Investments
Olaf Alexander Priess

Private Banking
Markus Linnert

Loans
Franz-Josef Glauben

Accounting
Peter Heumüller

Controlling
Roman Lux

Credit Risk Management/ Loan Administration
Marion Reher

IT
Romain Wantz

Operation Services
Rita Kranz

Organisation and Project Management
Frank Seeberger

Administration
David Gunson

Human Resources
Christian Ehrismann

Corporate Development
Melanie Maier

Internal Audit
Michael Erbelding

Legal/Compliance
Dr. Ursula Hohenadel

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Chairman of the Board of Management/CEO
Harry Rosenbaum

Deputy Chairman of the Board of Management/CFO/CRO
Christian Veit

Norddeutsche Landesbank Luxembourg S.A.

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NORD/LB Luxembourg

Subsidiaries and Position within the Group

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

NORD/LB Luxembourg, Luxembourg, is the parent company of a sub-group that includes NORD/LB COVERED FINANCE BANK S.A., Luxembourg and SKANDIFINANZ BANK AG, Zurich. NORD/LB Luxembourg currently holds 100 % of the shares in both banks.

NORD/LB Luxembourg also has a 100 % holding in LUX-Cofonds, an investment fund. The fund will be dissolved on 1 April 2009. A consolidated financial statement, in which the three subsidiaries are fully consolidated, will be published separately.

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

This report relates to the unconsolidated annual financial statements for NORD/LB Luxembourg.

International Economic Development

Financial Markets

2008 was dominated by the crisis in the international financial markets and its real economic consequences. The upheaval was triggered by the subprime crisis in the US mortgage market. The bundling and sometimes multiple securitisations of US mortgages meant that risk was transferred to financial institutions all across the world, with the extent of the risk transfer, due to the complex and opaque structures involved, leading investors to grossly misjudge the situation. The bursting of the US housing market bubble caused the associated structured securities to drop enormously in value, which immediately led to the affected financial institutions across the world having to write off vast sums. The high opacity of structured securities and the associated uncertainty about the size of the amounts that had to be written off caused a deep crisis of confidence in the banking system. As a result, financial institutions all started to have real difficulty in obtaining short-term refinancing, which in turn led to a sharp increase in interbank money market rates. An indicator of this crisis in confidence is the spread between unsecured (EURIBOR) and secured (EUREPO) money market credit transactions, which also strongly reflects the wavelike development of the crisis. While the three-month spread was under 10 basis points prior to the onset of the crisis, it increased to over 80 basis points at the time of the Bear Stearns crisis in March.

The bankruptcy of the US investment bank Lehman Brothers in September 2008 dramatically intensified the crisis. The insolvency of this systemically relevant financial institution heightened the mistrust in the financial markets so much that the interbank credit transactions market – which had already been tense for some time – came to almost a complete standstill, and the spread between the three-month EURIBOR and the three-month EUREPO temporarily increased to over 180 basis points. The financial system was only saved from a total meltdown – which would have had unforeseeable consequences for the real economy – by the courageous and worldwide coordinated intervention of central banks and governments.

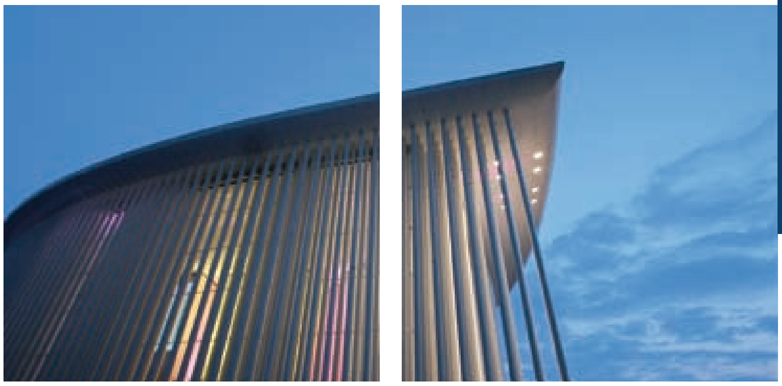
On 17 October 2008, in an unprecedentedly rapid move, Germany's Bundestag and Bundesrat passed the Financial Market Stabilisation Act (FmStG) drafted by the German government. The FmStG enables financial institutions, upon application and for a limited period only, to strengthen their capital and ease liquidity bottlenecks. The purpose of these measures is to stabilise the financial markets in order to ensure that German consumers and businesses – and in particular medium-sized companies, which form the backbone of the German economy - have adequate access to credit. These government measures have certainly helped to calm the situation, even though the financial markets are still marked by a high level of uncertainty. It is also obvious that the effects of the financial market crisis have made themselves felt in the real economy by now. The world economy is in the midst of a deep recession, which has already been noticed in the strongly export-oriented German economy in the shape of a drastic decrease in the number of orders received.

The committed actions and sometimes unorthodox measures taken by the central banks and governments have also had a positive impact on the financial market crisis. The European Central Bank (ECB), for example, cut its base rate by 175 basis points by the year-end after increasing the tender rate to 4.25 % in July due to the rise in inflation driven by energy prices. Changes in capital market yields were characterised by a high degree of fluctuation. After rising to just under 4.7 % during the period to mid-2008, the yield on 10-year federal bonds subsequently dropped again to around 3 % by the end of the year. The degree of fluctuation was even more pronounced in the USA, where yields on 10-year treasury bonds were heading towards 2.0 % at the end of the year. By December, the yield spread between German and American government bonds had increased to 90 basis points.

The Euro continued to strengthen against the US dollar up until mid-2008. The exchange rate temporarily rose from USD 1.46 at the beginning of the year to over USD 1.60 per EUR. The EU currency therefore strengthened again against the greenback by just under 10 % by the middle of the year, after its external value had already increased by nearly 11 % in 2007. The principal reasons for this were the different directions taken by the central banks with regard to monetary policy up to the middle of the year. The ECB's sudden rate change in early October then put the Euro under correspondingly strong pressure so that it temporarily weakened to less than USD 1.25 per EUR before recovering at the end of the year to a rate around USD 1.40. The Euro also rose strongly against the British pound, so that at the end of the year they were on the verge of parity. The Japanese yen and the Swiss franc, on the other hand, strengthened significantly against the Euro, which may also be attributed to the unwinding of carry trades caused by the crisis.

After the turn of the year, the international share markets were only able to maintain some of the peaks they reached in 2007 for a few days. By as early as mid-January, it became clear that there was a painful slump in the markets, with the American banks in particular suffering considerable losses in the wake of the subprime crisis. The precarious situation at Bear Stearns meant that the markets came under pressure again in March, though they were then able to stabilise in the months that followed, although at a lower level. Germany's leading share index, the DAX, only settled below the 6000 point mark in the run-up to the insolvency of Lehman Brothers in October.

The near bankruptcy of Iceland then led to further large losses on the DAX. The trigger for this development was the high debt levels of the Icelandic banks Kaupthing, Glitnir and Landsbanki and their increasingly poor refinancing opportunities, which were a result of the financial market crisis. The balance sheet of the three institutions was ten times the size of Iceland's gross domestic product. The Icelandic Financial Supervisory Authority therefore proceeded to take control of the banking sector from October 2008 onwards and began its restructuring and reorientation. All deposits and loans were frozen until further notice, the big three institutions were brought under state control and subsequently divided into so-called "bad banks" and "good banks", with the Icelandic state as owner. However, Iceland did not have sufficient public funds to stabilise the banking sector and the IMF had to step in with a rescue package worth billions.



The never-ending stream of bad news from the banking sector, the effects carried over into the real economy in the shape of an increasingly evident recession, and the near bankruptcy of the Icelandic state meant that equities sustained more huge losses. On 21 November 2008, the DAX fell to 4127 points, its lowest level for around four years. Over the whole year, the German blue chip index lost approximately 40 % of its value.

Economic Development in Germany

In 2008 Germany was unable to maintain the fairly robust economic growth it enjoyed in previous years. Compared to the previous quarter, the German economy was still growing strongly at 1.3 % during the first quarter of 2008, which was largely due to the warmer and drier weather causing the annual upturn in building investments during spring to start earlier, as well as to an upturn in investment made into special items relating to plant and equipment. Over the rest of the year, however, gross domestic product fell as a result of the global gloom and the effects of the financial market crisis. This downward trend then accelerated dramatically again at the end of the year. Over the year as a whole, Germany's gross domestic product grew by 1.3 %. The business climate in companies declined significantly over the year and in December it reached its lowest level since the German reunification.

Important support for the German economy came from investments, with growth turning out to be around as strong as in the previous year. Unlike in 2007, exports were of no help, and the growth impulse for net exports was negative at – 0.3 percentage points. Private consumption was disappointing despite favourable developments in the labour market and fairly strong nominal wage increases, again as a result of the high inflation, and in real terms remained at the previous year's level.

In spite of clearly flagging economic growth, there were further improvements in the German labour market situation over the course of the year. The annual average number of unemployed fell by around 500,000 to under 3.3 million and the unemployment rate dropped from 9.0 to 7.8 %.

Price rises in the cost of living accelerated up to July 2008 to 3.5 % before the inflation rate noticeably dropped over the rest of the year and reached its lowest level for over two years – 1.1 % – by year-end. This change was largely due to the rapid increase in energy prices until the middle of the year and the subsequent price drops. The crude oil price fell from its July peak of around USD 150/barrel (Brent) to under USD 40/barrel at the end of the year.

... in North-Eastern Europe

The financial crisis and the resultant slowdown in the global real economy hit the Baltic States and Hungary particularly hard. Although Latvia was still reporting double-digit growth rates in 2006 and 2007, its GDP for 2008 must have dropped by nearly 2 %. Gross domestic product in Estonia probably shrunk by over 2 %. Lithuania, on the other hand, was still able to show comparatively robust growth, though it was clear that its economy was already heading towards a slowdown, too. At the same time, the Baltic economies were forced into gradually cutting their extremely high, unsustainable current account deficits. The stabilisation package given to Latvia by the IMF is also tied to radical economic measures, which has already led to huge anti-government protests. Hungary also had to fall back on financial support from the IMF and EU in order to guarantee its public finances and stabilise the banking sector.

Countries such as Poland, the Czech Republic and the Balkan States, on the other hand, still showed comparatively stable growth in 2008. However, their national economies also showed increasing signs of being seriously affected by the global economic crisis.

Economic development in Scandinavia also declined significantly in 2008, with Denmark being the most obviously affected with regard to its overall development. There were also growing indications of a clear slump in the growth dynamic in the Scandinavian countries. In Norway one of the main factors was the sharp fall in the price of oil.

... in the USA

The US economy, according to the definition used by the National Bureau of Economic Research (NBER), has now been in a recession for over a year. Even though gross domestic product increased in each of the first two quarters of 2008, the NBER's definition of a recession also takes other indicators into consideration, including developments in the labour market. Once the effects of the first economic package had worn off, the US economy had to record a decline in economic performance in the second half of the year.

The poor development of housing investments had a dampening effect while the trade balance improved significantly. Consumer spending in private households, which in the past had been the most important prop for the US economy, finally saw a significant downturn as a result of the property market crisis and the decline in the labour market. Compared to the previous year, real consumption shrank in the third quarter of 2008 for the first time since 1991. Unemployment rose over the year from 4.9 % to 7.2 % in December, and consumer confidence fell to its lowest level in 28 years, though did recover slightly as 2008 drew to a close. The inflation rate increased until mid-year to 5.6 %, primarily due to higher energy and raw material prices, but decreased significantly in the second half of 2008. While the overall inflation rate fell to 0.1 % towards the end of the year, the drop in the core rate to 1.8 % was more moderate.

In view of the massive turbulence in the financial markets and the resulting strains on the economy and labour market, the US central bank (the Fed) cut its base rate in several stages over the year by a total of 400 basis points to 0.25 %. After capital market yields at the long end of the yield curve had fluctuated within a band of 3.3 and 4.3 % until October, they plunged in November due to the gloomy economic outlook and decreasing inflation rates. Yields on ten-year US treasury bonds dropped at the end of December to nearly 2 %.

... in Asia

In Asia, economic growth cooled off significantly in 2008. From a high starting point, India and Singapore in particular subsequently experienced significant growth slumps, according to estimates. However, the national economies that still appeared robust with regard to economic activity in 2008, such as South Korea and Indonesia, will probably also be faced with growth recession or negative growth in due course.

Japan was also hit hard by the global economic slowdown. According to the latest figures, its gross domestic product showed zero growth in 2008, after achieving 2.4 % growth the year before. This was mainly due to weaker export and investment growth. The Bank of Japan announced that the Tankan, its business climate index based on regular surveys, showed the deepest slump recorded in 30 years. The monetary normalisation process was replaced in the autumn by further base rate cuts. Deflation, which, to this point, seemed to have been overcome, reappeared again.

Due to a considerable slump in exports, 2008 saw China bid farewell to the double-digit growth rates it achieved in previous years. Private and public consumption, on the other hand, ensured stabilisation. This meant that, despite a distinct downturn, the Chinese national economy was still the main driver of Asian growth. In order to keep a further decline in growth under control, the government approved an economic package worth around 14 % of its GDP.

Forecast

In the current economic climate, every forecast involves a very high degree of uncertainty. This is particularly true when estimating the growth recession caused by the global financial crisis. It is anticipated that the US economy will bottom out during the course of the year due to the extremely expansive monetary policy and the two economic stimulus packages planned by the new President, Barack Obama, which should be worth at least 800 billion dollars. Nevertheless, the global economy in 2009 is facing a severe economic slump that will spread to every world region. Wide areas of the industrial countries are going through a deep recession. Even if the emerging Asian countries’ growth dynamic remains above average, the decoupling hypothesis for individual states must be rejected once and for all. The further development of the world economy depends very much on the success of the measures taken to overcome the financial market crisis.

As a country that depends strongly on exports, Germany is being especially affected by the decline in global economic demand. Because of the very weak overall economic development at the end of 2008, which is likely to persist into the first six months of 2009, we are expecting the deepest recession since the foundation of the Federal Republic of Germany 60 years ago. The growth recessions in exports and investments will be particularly bad, while private consumer spending should turn out to be relatively robust in the current economic crisis. This view is supported by the clear fall in inflation, the measures promoting consumption taken as part of the economic stimulus package and – in view of the scale of the crisis – a relatively moderate increase in unemployment. Nevertheless, there is a threat that Germany‘s real GDP will shrink by over 2 % in 2009.

Development of Business Sectors

Trading

Treasury
The responsibilities of the Treasury OU include liquidity management within the scope of refinancing reported business transactions and for the purpose of fulfilling minimum reserve requirements as well as the control of interest rate risks and the Bank's supply of capital. The Bank's Treasury Unit is an integral component of the Group's funding and, for this purpose, uses its international connections, and its connections to Switzerland in particular. Business transactions reflected in the balance sheet mainly comprise transactions with commercial papers, call money and term deposits as well as securities and open-market credits with first order issuers. When trading in off-balance sheet business, 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 credit business is diversified. Refinancing sources include deposits from banks and institutional investors, commercial papers issued (ECP and USCP) and open market deals on the money market transacted with the European Central Bank and the Swiss National Bank. The Bank utilises its EMTN program for long-term refinancing. Under this program, benchmark bonds and private placements had been issued on the balance sheet date. The additional long-term funding required is guaranteed in the current market situation.

In the financial year 2008, the use of genuine repurchase transactions in securities was actively expanded in order to achieve further diversification in funding sources.

The market crisis that has lasted since mid-2007 became increasingly severe in the course of 2008. By consistently pursuing the expansion of liquidity risk monitoring instruments and extending secured funding, it was possible to guarantee the Bank's supply of capital at all times. Actively undertaken maturity transformations and a good supply of liquidity prevented negative profitability effects.

Strategic Investments
The Bank pursues a portfolio strategy with the objective of investing in the historically less volatile banking and financials/financial institutions sector. The Bank does not enter into any appreciable risks pertaining to complex derivative products. It concentrates mainly on the criteria of safety, liquidity and earnings, and, therefore, only allows the purchase of securities with an investment grade rating and with issuers domiciled in OECD countries. In regional terms, the selection of securities focuses on Europe. The investment strategy, which was already pursued in 2008, is regularly reviewed and adapted to changing requirements.

The market-wide turbulence as a result of the subprime and liquidity crisis severely reduced investment activities. However, the Bank was not able to escape the increase in credit spread associated with the crisis. This had a negative effect on portfolio valuation. Nevertheless the portfolio is still of high quality, so the current dips in value are largely temporary in nature and it is to be expected that the value will recover in time. At the moment there are no securities with a sub-investment grade rating in the portfolio, though the Bank was affected to a manageable extent by the collapse of the Icelandic Glitnir Bank. The relevant risks are taken into account in current value adjustments. One must wait for further developments in relation to the service of these loans. The Bank is an active participant in the efforts being made by German banks to restructure Iceland's bank debts and is also collaborating closely in this respect with NORD/LB and various interest groups.

Private Banking

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

The Private Banking division offers a comprehensive consulting service to customers who are interested in investing internationally. In addition to a traditional consulting service aligned to the needs of individual customers (in terms of type of investment, risk preferences and time frame), various asset management concepts may also be utilised.

Within the framework of asset management, investors may choose between "personal asset management", tailor-made to suit customers' preferences, and "fund asset management".

In addition, in 2008 the decision was taken to extend the Private Banking range with effect from 2009 to include the arrangement of insurance policies as an insurance agent licensed in Luxembourg.

The Bank's conservative investment style and its customers' preference for fixed deposits ensured that customers' losses in the bear market remained within a normal range. This means that the conditions are in place to take new positions in an improving stock market.

Credit Transactions

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

Loans in foreign currencies account for around 42 % of all of the loans taken up. There is a strong regional focus on Europe and on other OECD countries.

The risk strategy of the Bank remains unchanged, with the focus being on a first-class credit rating for borrowers and for trading counterparties. During the financial year, due to the developments in Iceland, value adjustments were made for loans to Icelandic banks.

The risk provision that was not related to Iceland was in line with the expected or planned risk provision. As well as the portfolio-based provisions, it concerns a value adjustment for activity in 2007 and another for 2008.

On the balance sheet date the Bank shows a credit volume (comprising loan drawdowns, guarantees and open commitments) of a nominal EUR 11.4 billion (reduction of 9.5 % in comparison to figures for the previous year). Of this figure loan drawdowns amount to EUR 8.4 billion and open commitments to EUR 2.1 billion (reduction of 27.7 % in comparison to figures for the previous year).

Apart from the credit transactions business conducted in cooperation with other Group companies, the Bank also cooperates with other parties. In particular, NORD/LB Luxembourg provides loans in foreign currencies to customers of savings banks and third party banks outside the network with the guarantee of the respective financial institution.

NORD/LB Luxembourg's Credit business division was split, in terms of its structural organisation, into a front and back office during the second half of the financial year. This reorganisation includes the functional separation of credit responsibilities up to board level.

Outlook

The Bank's fundamental strategy will be maintained in 2009. This strategy involves, within the framework of the banking group, taking every opportunity to promote Luxembourg's advantages as a location, responding to new customer requirements quickly and flexibly, and limiting risk as far as possible. In the Credit business division the Bank is assuming that the credit margin will tend to increase due to the financial market crisis. In Private Banking, the bank is gaining access to new customer segments in North-Eastern Europe thanks to a structured cooperation with DnB NORD. The Bank is increasing the number of its customer advisers and portfolio managers in order to give customers even better service and regularly introduces new investment ideas so that it can continue to offer customers attractive investment opportunities in a bear market. All in all, the Bank again expects a satisfactory result in 2009 despite a difficult environment.

Earnings

The financial statements of NORD/LB Luxembourg were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as implemented by the EU, for the first time on 31.12.2008.

Despite the financial crisis, the Bank was able to achieve a satisfactory operating result in 2008. Earnings Before Taxes (EBT), though, decreased compared to the previous year, falling by EUR 28.6 million to EUR 24.2 million.

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

Items on the Income Statement changed as follows for the financial years 2008 and 2007.

	2008 (KEUR)	2007 (KEUR)	Increase/Decrease*) (KEUR)
Net Interest Income	130,076	102,259	27,817
Loan Loss Provisions	– 79,133	– 8,468	– 70,664
Net Commission Income	5,034	5,078	– 45
Profit/Loss from Financial Instruments stated at Fair Value through Profit or Loss, including Hedge Accounting	– 12,748	– 32,577	19,829
Other operating Profit/Loss	13,329	5,047	8,282
Administrative Expenses	– 22,263	– 19,628	– 2,635
Profit/Loss from Financial Assets	– 10,070	1,145	– 11,214
Earnings before Income Taxes	**24,225**	**52,855**	**– 28,630**
Income Taxes	– 5,455	– 14,824	9,369
Profit for the Year	**18,770**	**38,032**	**– 19,261**

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

Net interest income rose sharply compared to the previous year by EUR 27.8 million to EUR 130.1 million.

In the financial year 2008, loan loss provisions could not be held at the previous year's pleasingly low level. Loan loss provisions rose year over year by EUR 70.7 million.

At EUR 5.0 million, net commission income is in line with the previous year.

Profit/loss from financial instruments stated at Fair Value shows both trading profit/loss in the true sense and profit/loss from financial instruments that are voluntarily designated under the fair value option. Profits/losses from Hedge Accounting are also shown here. This item recorded an improvement of EUR 19.9 million over the previous year.

Other operating profit/loss and administrative expenses increased in relation to the previous year. The negative figure for financial assets was due to the sale of securities.

In 2008 the Bank recorded earnings of EUR 24.2 million before taxes and EUR 18.8 million after taxes. Within the scope of the appropriation of earnings, this should be carried forward in full.

The individual items making up the result are as follows:

Net Interest Income

	2008 (KEUR)	2007 (KEUR)	Increase/Decrease *) (KEUR)
Interest Income	1,508,815	1,846,231	– 337,416
Interest Expense	– 1,378,740	– 1,743,973	365,233
Net Interest Income	**130,076**	**102,259**	**27,817**

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

In 2008 interest income and interest expense both dropped significantly compared to the previous year. This is due partly to changes in the balance sheet structure between balance sheet dates and partly to market interest rate cuts.

Net interest income increased significantly. This was primarily the result of taking maximum advantage of the slope of the interest rate curve for the main trading currencies and of stepping up activity in the REPOS business segment.

Loan Loss Provisions

In the financial year 2008, the value of impaired loans and securities, relating mostly to exposure in Iceland, was adjusted, and the portfolio-based provisions concerning assets for previous years were increased further.

Net Commission Income

	2008 (KEUR)	2007 (KEUR)	Increase/Decrease *) (KEUR)
Commission Income	30,507	28,182	2,325
Commission Expense	– 25,473	– 23,104	– 2,369
Net Commission Income	**5,034**	**5,078**	**– 45**

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

Net commission income only includes income and expense from banking.

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

	2008 (KEUR)	2007 (KEUR)	Increase/Decrease *) (KEUR)
Trading Profit/Loss	– 6,842	– 31,356	24,515
Profit/Loss from Financial Instruments designated at Fair Value at initial Recognition	670	– 1,363	2,033
Profit/Loss from Hedge Accounting	– 6,576	142	– 6,719
Profit/Loss from Financial Instruments stated at Fair Value through Profit or Loss, including Hedge Accounting	**– 12,748**	**– 32,577**	**19,829**

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

Trading profit/loss mainly includes the profit/loss from derivative business that does not meet the restrictive criteria for Hedge Accounting. Opposing valuation changes relating to underlying transactions can, therefore, not be offset.

Other operating Profit/Loss

	2008 (KEUR)	2007 (KEUR)	Increase/Decrease *) (KEUR)
Other operating Income	20,375	6,792	13,583
Other operating Expenses	– 7,046	– 1,745	– 5,301
Other operating Profit/Loss	**13,329**	**5,047**	**8,282**

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

Other income is mainly from the sale proceeds of the Bank's office building (EUR 18.3 million). Other expenses include expenditure on deconstruction activities and the acquisition of land for the agreed new development (EUR 3.1 million).

Administrative Expenses

	2008 (KEUR)	2007 (KEUR)	Increase/Decrease *) (KEUR)
Wages and Salaries	9,947	8,798	1,149
Social Security Contributions and Expenses for Pension Provision	1,394	1,594	– 200
Staff Expenses	**11,341**	**10,392**	**949**
Other Administrative Expenses	**9,436**	**8,438**	**997**
Depreciation and Value Adjustments	**1,486**	**798**	**688**
Administrative Expenses	**22,263**	**19,628**	**2,635**

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

Administrative expenses including depreciation increased by a total of EUR 2.6 million to EUR 22.3 million. Of this figure, EUR 0.7 million relates to depreciation and value adjustments. This increase is due in particular to the scheduled depreciation during the financial year of activated software licences. In comparison to the previous year staff expenses were EUR 0.9 million higher because of increasing employee numbers. The increase in other administrative expenses is mainly due to special items relating to the introduction of new front end software in the Trading division.

Profit/Loss from Financial Assets

	2008 (KEUR)	2007 (KEUR)	Increase/Decrease *) (KEUR)
Profit/Loss from Financial Assets classified as LaR	– 98	0	– 98
Profit/Loss from Financial Assets classified as AfS (without participating Interests)	– 9,971	1,145	– 11,116
Profit/Loss from Affiliated Companies	0	0	0
Profit/Loss from Joint Ventures and Associated Companies	0	0	0
Profit/Loss from other participating Interests	0	0	0
Profit/Loss from Financial Assets	**– 10,070**	**1,145**	**– 11,214**

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

In both financial years profit/loss from financial assets is almost exclusively the result of the AfS category being taken out of financial assets.

Income Taxes

	2008 (KEUR)	2007 (KEUR)	Increase/Decrease *) (KEUR)
Current Taxes	7,149	18,650	– 11,501
Deferred Taxes	– 1,694	– 3,827	2,132
Income Taxes	**5,455**	**14,824**	**– 9,369**

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

Appropriation of Earnings

	2008 (KEUR)	2007 (KEUR)	Increase/Decrease *) (KEUR)
Profit/Loss for the Financial Year	18,770	38,032	– 19,261
Profit carried forward from previous Year	0	380	– 380
Sub-Total	**18,770**	**38,412**	**– 19,641**
Dividend Payment	0	0	0
Transfer to legal Reserves	0	0	0
Transfer to the other Reserves for Accounts under Lux GAAP	0	47,500	– 47,500
Transfer to the other Reserves for Accounts under IFRS	0	– 9,088	9,088
Profit carried forward for the Year	18,770	0	18,770

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

Schedule of Assets and Financial Data

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/Decrease (EUR Million)
Loans and Advances to Banks	6,721	8,623	– 1,901
Loans and Advances to Customers	6,075	5,725	350
Risk Provisions	– 91	– 12	– 79
Financial Assets at Fair Value through Profit or Loss	480	760	– 280
Financial Assets	7,137	7,071	66
Equity-accounted Investments	0	0	0
Other Assets	169	583	– 414
Total Assets	**20,491**	**22,749**	**– 2,258**
Liabilities to Banks	13,555	13,910	– 355
Liabilities to Customers	1,681	1,829	– 147
Securitised Liabilities	3,714	5,053	– 1,339
Financial Liabilities at Fair Value through Profit or Loss	448	739	– 291
Provisions	8	6	2
Other Liabilities	411	538	– 127
Reported Equity	674	675	– 1
Total Equity and Liabilities	**20,491**	**22,749**	**– 2,258**

The balance sheet total decreased in relation to the previous year by EUR 2.3 billion to EUR 20.5 billion and there were significant year on year changes in the various items reported. On the assets side, interbank business showed a decrease of EUR 1.9 billion at the reporting date. Loans and advances to customers, on the other hand, increased by EUR 0.3 billion to EUR 6.1 billion. Under financial assets, the figures for debt securities and other fixed-interest securities, in particular, remained static at the level of the previous year due to the financial market crisis.

At the reporting date, 31 December 2008, financial assets at Fair Value through profit or loss comprised EUR 0.4 billion of trading assets (previous year EUR 0.7 billion) and EUR 0.1 billion of financial instruments designated at Fair Value (previous year EUR 0.1 billion).

Other assets also include the cash reserve, at EUR 0.1 billion, which is less than the previous year (EUR 0.4 billion).

On the liabilities side, liabilities to banks are, at EUR 13.6 billion, some EUR 0.4 billion below the previous year‘s level. Liabilities to customers decreased in 2008 by EUR 0.1 billion.

At the reporting date, 31 December 2008, financial liabilities at Fair Value through profit or loss, at EUR 0.5 billion (previous year EUR 0.7 billion), only include trading liabilities.

The Bank’s equity, amounting to EUR 674 million on 31 December 2008, was virtually unchanged from the previous year.

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

Risk Report

The risk report for NORD/LB Luxembourg at 31 December 2008 was drawn up in accordance with IFRS 7. The Bank does not enter into any appreciable risks pertaining to complex structured derivatives.

Overall Bank Management

Fundamentals of Capital Control and Risk Control

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

Risk Strategies
The Bank's risk policy is characterised by a responsible handling of risks. Therefore, in 2007 NORD/LB Luxembourg adopted a risk strategy that will be subject to annual review and discussion with its supervisory bodies. The core element of these strategies is the risk-bearing capacity model, on the basis of which risk willingness is specified and risk capital allocated. The risk-bearing capacity model therefore defines the barriers within which risks may be taken.

Risk strategies always aim at achieving an optimal method of controlling and monitoring all the relevant types of risk and at achieving a transparent presentation of these risks to the management, the supervisory bodies and other third parties with a justified interest. They are specifically included in the general risk control method and roughly comprise the measures and instruments described in more detail in the risk manual.

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

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

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

The objective of the model is the aggregated presentation of risk-bearing capacity at the individual institution and sub-group level. Undertaking the monitoring and reporting process on a regular basis ensures that the Bank's bodies are informed promptly of any risk-bearing capacity situations. This model serves to further improve risk-oriented corporate management.

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

The RBC model compares, in an aggregated form and on a quarterly basis, the risks (potential for risk) and the defined risk capital for the individual institutions and/or the Group. In the model, risk capital and risk potential are determined for four different risk scenarios with varying degrees of probability of occurrence. In compliance with the requirement of a going concern, the first three internally defined stages are based on the consideration that risk capital and risk potential always grow from one step to the next. Regulatory requirements in accordance with ICAAP are implemented in the fourth step.

The presentation of risk capital has up to this point been based on CAD II. In the financial year 2008, the method of calculation was converted to values in accordance with the Solvency Regulation (SolvV). When calculating risk potential, risks are divided into credit, investment, market price, liquidity and operational risks, with credit risk being by far the most significant.

The RBC model was devised by the Group's parent company, NORD/LB, in close cooperation with Bremer Landesbank and NORD/LB Luxembourg. Quotients resulting from risk capital and risk potential, the levels of risk cover, serve as a yardstick for determining risk-bearing capacity. In order to ensure that the supply of capital was adequate at Group level, the ICAAP was first used to specify that the level of risk cover at individual institution level was not to fall below the 125 percent mark. This figure ensures that the regulatory requirement of an adequate supply of equity capital is met and that capital distribution is optimised with a view to generating the target yields.

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

The quarterly reports drawn up by Controlling on the risk-bearing capacity (RBC reports) constitute the main instrument for risk reporting to the Board and the supervisory bodies at overall bank level. Furthermore, the Bank's risk-bearing capacity is always assessed during the Bank's regular supervisory board meetings.

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

EUR Million	Risk-bearing Capacity 31.12.2008		Risk-bearing Capacity 31.12.2007	
Risk Capital	941.6	100.0 %	891.8	100.0 %
Credit Risks	**555.6**	**59.0 %**	522.1	58.5 %
Investment Risks	**5.6**	**0.6 %**	5.6	0.6 %
Market Price Risks	**12.3**	**1.3 %**	8.4	0.9 %
Liquidity Risks	**7.8**	**0.8 %**	18.9	2.1 %
Operational Risks	**8.1**	**0.9 %**	12.1	1.4 %
Total Risk Potential	**589.5**	**62.6 %**	567.1	63.6 %
Excess Cover	**352.1**	**37.4 %**	324.7	36.4 %
Risk Cover Level		**159.7 %**		157.3 %

The level of risk cover as at 31 December 2008 was 159.7 %.

Credit risk potential increased despite a decrease in credit exposure. The cause of this is the continuing difficult market situation that is a result of the financial market crisis, which increasingly leads to rating downgrades, and the associated deterioration of the average credit rating in the loan portfolio.

The risk potential for market price risks rose slightly compared to the end of the previous year, but remained at a low level due to the restrictive treatment of open positions in the trading book. In view of the continuing financial market crisis, the Bank deliberately refrained from building up significant trading book positions.

The risk potential for liquidity risks fell as, in the final months of 2008, the Bank was able to improve its liquidity situation despite the ongoing tense market situation by taking positions for liquidity supply as part of its liquidity management.

Structure and Organisation of Risk Control

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

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

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

All the procedures and responsibilities relevant to the process of risk control are recorded in the NORD/LB risk manual and NORD/LB Luxembourg's working guidelines. The risk manual acts as guidance for the whole NORD/LB Group.

Credit Risk

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

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

Credit Risk – Control

Recognising critical situations early enough forms a 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 these risks. This system notably comprises the Credit Transactions, Credit Business Back Office, Controlling, Treasury and Strategic Investment organisational units. New products, markets or distribution channels in the Bank's credit business are introduced within the framework of a new product process (NPP). A risk-related organisational structure and the functions, responsibilities and authorisation of the divisions which deal with risk processes are clearly defined at employee level. In accordance with the requirements of the Luxembourg bank supervisory authorities, credit business processes are characterised by a clear organisational separation of the front and back office, right up to Board level.

The Bank's risk management is based on the principles used by NORD/LB and is continuously improved in accordance with commercial and regulatory criteria. The portfolio is independently monitored by NORD/LB Luxembourg‘s Controlling division.

The Bank's Controlling division draws up a quarterly credit risk report for the Board of Directors and the managers of the Credit Transactions, Credit Business Back Office and Strategic Investments divisions as part of the management information system. The purpose of this report is to make existing risks or concentrations of risk transparent at an early stage and to initiate any necessary measures. The report sets out the significant structural features (e.g. branch structure, country and term structure, rating structure and movements) and the parameters that are needed to control the loan portfolio.

Borrower's Default Risks – Measurement

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

Unexpected loss is quantified on a Group-wide basis using a credit risk model for four different confidence levels and a time frame of one year. Calculation is based on the Gordy model which is applied by the Basel Bank Supervisory Committee for aligning equity requirements within the framework of Basel II.

The model determines contributions made by individual borrowers and investment companies towards unexpected loss at portfolio level, which together add up to unexpected loss for the full portfolio. The probabilities of default (PDs) resulting from the internal rating procedure and the loss given default (LGD) relating to specific transactions are applied here. Standard instructions under Basel II are generally applied for the remaining model parameters.

The methods and procedures for quantifying risk are agreed by the main Group companies in order to ensure a standardised approach within the Group. Day-to-day risk management and control is performed for the Bank by NORD/LB Luxembourg's Controlling division.

Credit Risk – Development in 2008

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

The credit exposure dimension plays a significant role in the context of credit risk control. This figure shows all of the transactions bearing credit risks concluded with counterparties. Credit exposure is calculated on the basis of credit utilisation (in the case of guarantees, the nominal value, and in the case of securities, the carrying amount) and the credit equivalent resulting from derivatives (including add-ons and on consideration of netting). Of the irrevocable credit commitments, 75 per cent are included in the credit exposure, while revocable credit commitments and securities are not taken into account.

Analysis of Credit Exposure

Credit exposure at 31 December 2008 amounts to EUR 23.1 billion (previous year EUR 25.6 billion). Classification is equivalent to the standard IFD rating scale agreed by the banks, savings banks and associations included in the Initiative Finanzstandort Deutschland (IFD, initiative for Germany as a financial location). This has been designed to improve the comparability of the various rating levels of the individual financial institutions. The rating categories of the 18-step DSGV rating master scale used by NORD/LB on a standardised Group basis can be transposed directly to the IFD categories.

The following table shows the rating structure of the overall credit exposure, divided into product types and comparing the total to the structure for the previous year.

Rating Structure 1) 2) EUR Million	Loans 3)	Securities 4) 31.12.2008	Derivatives 5)	Other 6)	31.12.2008	Total 31.12.2007 7)
Very good to good	9,229	6,750	237	3,582	**19,799**	**23,405**
Good/Satisfactory	1,642	104	–	198	**1,944**	**1,022**
Still good/Adequate	622	–	1	11	**634**	**592**
Bad Risk	332	–	–	0	**332**	**202**
High Risk	121	–	–	–	**121**	**97**
Very high Risk	147	–	–	–	**147**	**294**
Default (=NPL)	78	36	–	0	**114**	**16**
Total	**12,172**	**6,890**	**238**	**3,792**	**23,092**	**25,627**

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 78% and revocable ones at 0%
4) Includes the Bank's own stock of securities of external issuers (investment book only)
5) Includes derivative financial instruments such as financial swaps, options, futures, forward rate agreements and currency transactions
6) Includes other products such as transmitted loans and administration loans
7) Adjustments of figures as at 31 December 2007 due to changes in method

The majority of total exposure (85.7 %) is in the "very good to good" rating category. The proportion of this best rating category in the total exposure continues to be very high because of the large amount of business conducted with financing institutions and public administrations.

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

Sectors 1) 2) EUR Million	Loans 3)	Securities 4) 31.12.2008	Derivatives 5)	Other 6)	31.12.2008	Total 31.12.2007 7)
Financing Institutions/ Insurance Companies	6,486	6,770	237	3,756	**17,250**	**20,238**
Service Industries/Others	2,199	108	1	10	**2,318**	**2,376**
Of which: Shipping	935	–	–	0	**935**	**1,414**
Of which: Public Administration	34	93	–	–	**127**	**180**
Transport/Communication	360	–	–	–	**360**	**380**
Of which: Shipping	0	–	–	–	**–**	**–**
Of which: Aviation	0	–	–	–	**–**	**–**
Manufacturing Industry	1,806	–	–	2	**1,808**	**1,548**
Energy and Water Supplies and Mining	528	12	–	2	**542**	**538**
Trade, Maintenance and Repairs	682	–	–	21	**703**	**473**
Agriculture, Forestry and Fishing	42	–	–	0	**42**	**44**
Construction Industry	43	–	–	0	**43**	**27**
Other	25	–	0	0	**26**	**3**
Total	**12,172**	**6,890**	**238**	**3,792**	**23,092**	**25,627**

1) Allocation in alignment with that of the RBC report in accordance with economic criteria
2) to 7) see previous table on the rating structure

The table shows that business with financing institutions and insurance companies, which to date has always been relatively low risk, accounts for 74.7 % and thus still constitutes a considerable proportion of the total exposure. If service industries are included, the proportion of total exposure amounts to 84.7 %.

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

Regions [1) 2)] EUR Million	Loans [3)]	Securities [4)] 31.12.2008	Derivatives [5)]	Other [6)]	31.12.2008	Total 31.12.2007 [7)]
Euro Countries	7,559	5,747	68	3,027	**16,401**	**17,197**
Remaining Western Europe	1,347	796	153	650	**2,945**	**3,650**
Eastern Europe	792	40	–	0	**832**	**1,176**
North America	2,333	147	17	27	**2,524**	**3,000**
Latin America	31	114	–	0	**146**	**398**
Middle East/Africa	18	–	–	0	**18**	**36**
Asia	55	46	–	87	**188**	**119**
Other	37	–	0	0	**37**	**52**
Total	**12,172**	**6,890**	**238**	**3,792**	**23,092**	**25,627**

1) Allocation in alignment with that of the RBC report in accordance with economic criteria
2) to 7) see previous table on the rating structure

This shows that the country risk also tends to be of low significance. The Euro zone accounts for a high (71.0 %) proportion of loans and remains by far the most important business area.

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

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

At the reporting date, the Bank's loan loss provisions amounted to EUR 91.4 million and included, as well as EUR 15.2 million of portfolio-based provisions, EUR 65.7 million for Icelandic exposures, and EUR 10.4 million for two borrowers in the energy sector.

Credit Risk – Outlook

The Bank principally applies the IRB foundation approach (IRBA) when calculating the equity requirements for borrowers' default risks.

In 2009, the NORD/LB Group will implement a newly designed credit risk model for quantifying and controlling credit and investment risk. This will replace the current model. In addition, the collection of loss data is being gradually expanded in order to optimise the validity of the credit conversion factor (CCF) and LGD components.

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

Investment Risk

Investment risk is an additional component of borrower's default risk. It defines the risk of incurring losses when making equity available to third parties.

Investment Risk – Control

Strategy
The Bank's investment strategy is primarily aimed at securing and improving its own market position. The acquisition of participating interests therefore also forms part of NORD/LB Luxembourg's business policy. These interests are generally acquired to consolidate the Bank's universal activities.

The need for investment risks to be controlled separately at the different levels of the Bank was met in 2008 by the formation of the investment committee. Investment control was handed organisationally to the Controlling division which, in cooperation with other divisions, and the Business Development division in particular, is responsible for monitoring investment risk and providing the necessary information to the control units.

Participating interests are regularly monitored by analysing reports drawn up during the year, interim and annual reports, and audit reports drawn up by the auditors. Investments are controlled by representatives of NORD/LB Luxembourg through the use of operative mandates in the companies or by carrying out board functions.

Investment Risk – Measurement

Investment risks are integrated into the Bank's risk management system on the basis of quantified risk potential in accordance with the type of risk. Risk potential in this case is quantified on the basis of the respective carrying amount of participating interests and the respective apportioned probability of default.

Investment Risk – Development in 2008

There were no noteworthy changes in the Bank's investment portfolio or its contribution to the Bank's investment risks in the financial year 2008.

Market Price Risk

Market price risks are potential losses which may be incurred as a result of changes in market parameters. The Bank has further divided market price risk into interest rate risk, currency risk and volatility risk.

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

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

Market Price Risks – Reporting

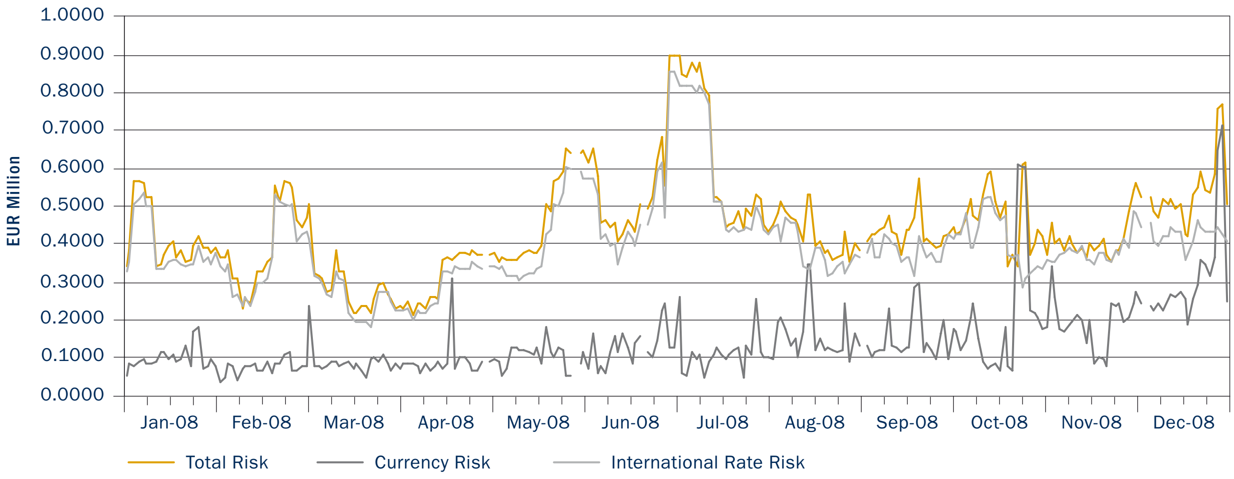
In compliance with MaRisk requirements, the Controlling division, which is independent of the divisions responsible for the positions, reports the market price risks to the management on a daily basis.

Market Price Risks – Development in 2008

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

NORD/LB Luxembourg's average utilisation of the market price risk limit (value-at-risk limit) for the year was 8.9 % (previous year 23.5 %), maximum utilisation was 18.0 % (91.2 %) and minimum utilisation was 4.3 % (5.4 %). The lower average utilisation in NORD/LB Luxembourg is due to the deliberate reduction of interest rate risks in the general financial market crisis. Value-at-risk (confidence level of 95 % and holding period of one day), which is calculated on a daily basis, was EUR 0.5075 million for NORD/LB Luxembourg on 31 December 2008.

VaR 2008 (95 %; 1 Day holding)



This figure does not include the credit spread risks in the investment book, as previously explained.

The effects of a standardised interest rate shock of + 130 basis points on interest rate rises in the investment book are also analysed in accordance with the requirements of the German Solvency Regulations (SolvV). The result is far below the regulatory threshold, which provides for a maximum proportion of 20 % of authorised equity capital.

Market Price Risks – Outlook

The methodology for determining credit spread risks will be modified in line with the Trading divisions' strategy relating to credit investment portfolios.

Liquidity Risk

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

A classical liquidity risk is the risk that the Bank needs to take up capital due to unexpected events in the credit or investment business, or that the Bank potentially suffers losses resulting from disruptions in money market liquidity induced by external parties. The focus of a relatively short-term observation is on the few weeks or months that follow.

Refinancing risk constitutes potential declines in earnings for the Bank as a result of the worsening of its own refinancing conditions on the money market or capital market. The most significant cause is a change in the estimation of the Bank's credit rating by the other market participants. The focus of this assessment is the entire maturity range.

Market liquidity risk defines the potential losses that the Bank will have to bear if it needs to conclude transactions under conditions which are not in line with the fair market value due to a lack of liquidity in individual market segments. Market liquidity risks may primarily result from the securities positions in the trading and investment books (see comments on market liquidity in the section on market price risk).

Liquidity Risk – Control

Strategy
Securing perpetual liquidity for the Bank is strategically essential. While classical liquidity risk is principally to be avoided by maintaining a sufficient supply of liquid assets (in particular central bank eligible securities), a structural transformation of liquidity terms is undertaken for the refinancing risk. Risks in both cases are constrained with suitable limits. When measuring the amount of liquidity risk limits, the factors of securing sufficient liquidity, the risk-bearing capacity, and utilisation of the opportunity to contribute to earnings from the "liquidity spread" profit source typical for banking business are all taken into account. Liquidity risk limits provide the Bank's divisions with the operational framework essential for reaching targets.

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

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

Liquidity Risk – Management

The refinancing risk is regulated by means of restricting the risk with volume structure limits for various maturity bands which cover the entire range of maturities and are derived from the limits in accordance with the RBC model (internal/external).

The classical liquidity risk is limited in the first 30 days by a dynamic stress test scenario. The total of the cumulative inflows and outflows from the different business categories must be positive on each individual day in the first 30 days. The scenario specifies the most likely crisis situation in the current market environment. Analysis is based on liquidity cash flows and is carried out on a daily basis for the first three months and on a monthly basis for months four to twelve. There is a traffic light for internal control.

The dynamic stress scenario is supplemented by other statistical stress tests on a monthly basis. These tests cover a scenario specific to NORD/LB and also the scenario of a comprehensive liquidity crisis as well as a short-term scenario for a market-wide liquidity problem.

Market liquidity risks are accounted for implicitly by means of distinguishing securities in the liquidity progress review in accordance with their market liquidity.

Liquidity Risk – Measurement

NORD/LB Luxembourg calculates the utilisation of volume structure limits for the various maturity bands on the basis of a liquidity progress review of the entire position, which essentially reflects the standard case. The liquidity risk is quantified in a risk-bearing capacity concept for the entire Bank resulting from the cash-equivalent consideration of the refinancing risk.

Calculation of the dynamic and static stress scenarios for modelling classical liquidity risk is based on the Bank‘s liquidity progress reviews which reflect the current situation or a crisis. The stress scenarios can be used to show the effects of unexpected events on the liquidity situation of the Bank. This makes it possible to plan for the future and to be well prepared for emergencies.

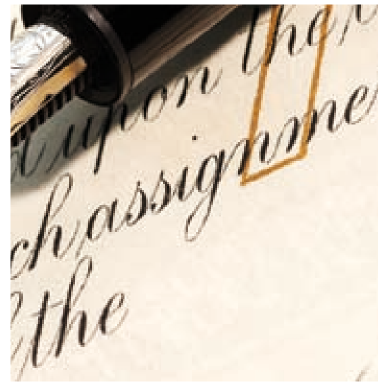
Liquidity Risk – Reporting

The respective management are informed about the Bank’s liquidity risk situation on a daily basis.

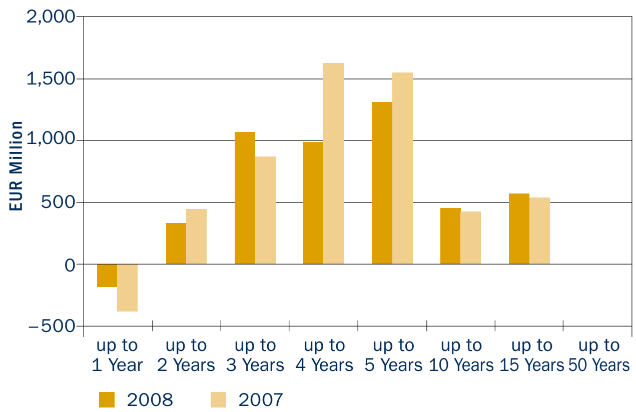
Liquidity Risk – Development in 2008

The situation of the financial market continued to be extremely tense over the course of 2008. In the fourth quarter, in particular, the market came to a virtual standstill and refinancing opportunities in the money and capital market became very limited. Nevertheless the liquidity resources of NORD/LB Luxembourg were guaranteed at all times.

The aggregated liquidity progress review used for the internal control of refinancing risk is shown as follows on the balance sheet reporting date:



Cumulative Liquidity Progress NORD/LB Luxembourg



There was compliance with the above-mentioned methods for the internal control of liquidity during the year under report. The regulatory requirements were also met at all times throughout the financial year. The liquidity supply in the four and five year maturity bands was partly reduced in order to fund new credit transactions business. At the same time, NORD/LB Luxembourg achieved a structural improvement in its liquidity progress review by raising its liquidity in the short and long-term.

Liquidity Risk – Outlook

By managing its liquidity risk to an extent beyond that required by regulatory provisions, the Bank ensures that it is at all times in a position to meet its payment obligations in good time and that it is able to raise refinancing funds at adequate conditions on the market.

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

Close observation of the markets and active liquidity management ensured that the Bank had a sufficient supply of liquidity in the financial year 2008. We do not expect any further substantial increases in liquidity risk in 2009.

Operational Risk

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

Operational Risk – Control

Strategy
The main aim is to avoid operational risks as far as this is economically viable. The Bank understands this to mean that it should protect itself against operational risks provided that the cost of the protection does not exceed the cost of the risks that may occur.

Organisational Units
The Board of Directors, Controlling, Internal Audit 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. Responsibility for the control of operational risks within the general environment specified is decentralised and lies with the individual divisions. Controlling is responsible for the central monitoring of operational risks and the independent reporting of these risks. The division is also responsible, in cooperation with the Group's parent company, for specifying 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 examining orderly implementation and carrying out 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 utilisation of buildings, the procurement of replacement operating and office equipment, and a supply of energy. The top priority is maintaining the health of employees. Therefore the safety officer is responsible for the promotion of health protection and occupational safety.

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 or the manipulation of systems and information.

Process-related and structural organisational risks are countered with well-organised structures and procedures. A regular correlation between all of the divisions involved in the process of controlling operational risks is permanently guaranteed.

The Bank is sufficiently insured. The legal department is to be consulted in terms of 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

The Bank has been collecting data on loss events resulting from operational risks since mid-2005 and has classified these events under cause and effect. There is no "insignificant" level, though a simplified reporting process is applied for gross losses of less than EUR 1000. Data in the loss databank provides the basis for analyses in support of risk management and in future will constitute a significant module in 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 (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). They are also used in scenario analyses and for regular benchmarking.

With the help of the self-assessment method carried out on an annual basis at NORD/LB Luxembourg, the collection of loss events relating to the past will be supplemented with future components. Expert appraisals provide a detailed insight into the risk situation of the Bank's individual divisions so that relevant measures can be derived if necessary. Self-assessment is carried out by means of a list of generic questions concerning both qualitative and quantitative issues and individual scenarios.

Operational Risk – Reporting

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

Operational Risk – Development in 2008

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

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

The distribution of loss events among the risk categories in relation to the total loss amount is shown in the following table.

Loss Event Databank
Net Loss as a Percentage of the Total Amount of Loss

Category	2008	2007
External Influences	**7.8**	9.9
Internal Influences	**24.1**	5.3
Staff	**68.1**	73.5
Technology	**0**	11.3

There were essentially no legal risks worthy of report at the reporting date.

Operational Risk – Outlook for 2009

NORD/LB Luxembourg, in close cooperation with NORD/LB, is endeavouring to apply an advanced measurement approach (AMA) for operational risk. In addition, the internal model is to be made more complete to meet AMA requirements in accordance with SolvV. Steps being taken include the further refinement of the management of operational risk on the basis of the internal model and the further expansion of the control of OpRisk management measures. In order to improve the internal control system the operational risk control methods are to be made increasingly process-oriented. Comprehensive improvements to the methods and processes that have already been implemented are planned in 2009 for this purpose.

Other Risks

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

Risks Resulting from the Financial Market Crisis

The year 2008 was again strongly characterised by the global financial market crisis.

The market liquidity problem caused by the financial market crisis confirms the requirement for rigorous liquidity management. All the essential information in this respect is provided by the Bank's liquidity control instruments that proved themselves once again in 2008.

The Bank pursues an active but conservative portfolio strategy. It concentrates mainly on the criteria of safety, liquidity and earnings, and therefore only allows the purchase of securities with an investment grade rating and with issuers domiciled in OECD countries. In regional terms, the selection of securities focuses on Europe. The investment strategy is regularly reviewed and adapted to changing requirements, and this was also done in 2008. The market-wide turbulence as a result of the subprime and liquidity crisis reduced investment activities to a minimum.

However, the Bank was not able to escape the increase in credit spread associated with the crisis. This consequently had a significant impact on the valuation of portfolios at market prices. Fundamentally, the portfolio is still of high quality, so the current dips in value are largely temporary in nature and it is highly probable that the value will recover in time. At the moment there are no securities with a sub-investment grade rating in the portfolio, though the Bank had to absorb the collapse of the Icelandic Glitnir Bank and this is taken into account in current value adjustments.

The risk-bearing capacity of the Bank has only been marginally affected by the aforementioned measures.

Summary and Outlook

The Bank has taken account of all known risks by employing precautionary measures. The appropriate instruments have been implemented to recognise risks in good time.

A core element of the risk strategy is the risk-bearing capacity model (RBC model). Willingness to accept risk is determined on the basis of risk strategy and risk-bearing capacity and the RBC model is used to track changes on a regular basis.

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

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

In 2008, NORD/LB Luxembourg complied at all times with the applicable regulatory requirements regarding equity and liquidity. At the same time the Bank also took account of the regulations on large credit transaction limits under Luxembourg and German law.

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 2009 have been covered in the relevant sections.

Personnel
Report

Number of Employees

Due to a rise in business activity, NORD/LB Luxembourg increased the number of its employees as follows:

Reporting Date	31.12.2008	31.12.2007	Absolute Change	Percentage Change
NORD/LB Luxembourg	118	108	10	9.3

Special recognition is given to all staff by the Board of Directors and Supervisory Board for a result that may be described as satisfactory in view of the generally difficult market environment. The Bank's success is largely driven by the professionalism and competence of its staff. The Board of Directors and Supervisory Board therefore thank staff for their commitment, motivation and, last but not least, their faithful cooperation.

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

Personnel Details

Mr Dirk Vormberge stepped down as a member of management and of the Board of Directors of the Bank with effect from 1 February 2008.

Mr Uwe Rossmannek, member of the management of NORD/LB Luxembourg, resigned from the management of the Bank on 1 April 2008.

Mr Jürgen Kösters resigned from the Board of Directors of NORD/LB Luxembourg on 8 May 2008.

Mr Hans Hartmann, member of the management and Board of Directors of NORD/LB Luxembourg, resigned from the management of NORD/LB Luxembourg on 30 June 2008 and on the same date also stepped down from the Board of Directors of NORD/LB Luxembourg.

Mr Hartmann's position was taken over by Mr Harry Rosenbaum, who joined the Bank on 1 July 2008 as an Administrateur Délégué.

On 15 August 2008 the Bank's Board of Directors was restored to seven members by Mr Martin Halblaub.

Dr Hannes Rehm stepped down from his position as chairman of the Board of Directors of NORD/LB Luxembourg on 31 December 2008.

Supplementary Report

In accordance with the decision taken by the extraordinary general meeting of shareholders on 8 December 2008, NORD/LB Luxembourg was converted from a company with monistic management to one with dualistic management with effect from 1 January 2009 (see Articles 60bis-1 to including 60bis-19 of the Luxembourg Law of 10 August 1915 on Commercial Companies, as amended). In this way the Bank clearly separates the company‘s Supervisory Board and Board of Directors.

As a result of the amended organisational form, the Board of Directors (Verwaltungsrat) was completely dissolved on 31 December 2008. The company's bodies, in accordance with the revised Articles of Association, are the General Meeting (Generalversammlung), the Supervisory Board (Aufsichtsrat) and the Board of Directors (Vorstand).

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

Dr. Gunter Dunkel
Chairman of the Supervisory Board of
Norddeutsche Landesbank Luxembourg S.A.
Chairman of the Board of Management of
NORD/LB Norddeutsche Landesbank Girozentrale

Martin Halblaub
Member of the Supervisory Board of
Norddeutsche Landesbank Luxembourg S.A.
Member of the Board of Management of
NORD/LB Norddeutsche Landesbank Girozentrale

Dr. Stephan-Andreas Kaulvers
Member of the Supervisory Board of
Norddeutsche Landesbank Luxembourg S.A.
Chairman of the Board of Management of
Bremer Landesbank

Walter Kleine
Member of the Supervisory Board of
Norddeutsche Landesbank Luxembourg S.A.
Chairman of the Board of Management of
Sparkasse Hannover

Christoph Schulz
Member of the Supervisory Board of
Norddeutsche Landesbank Luxembourg S.A.
Deputy Chairman of the Board of Management of
NORD/LB Norddeutsche Landesbank Girozentrale

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

In March 2009, matured silent participations amounting to a nominal EUR 102 million are to be paid back.

In early March, a borrower filed for bankruptcy. The default risk associated with this exposure cannot be foreseen at this time, but according to the information that is currently available it will not exceed the value adjustment made at portfolio level.

Norddeutsche Landesbank Luxembourg S.A.

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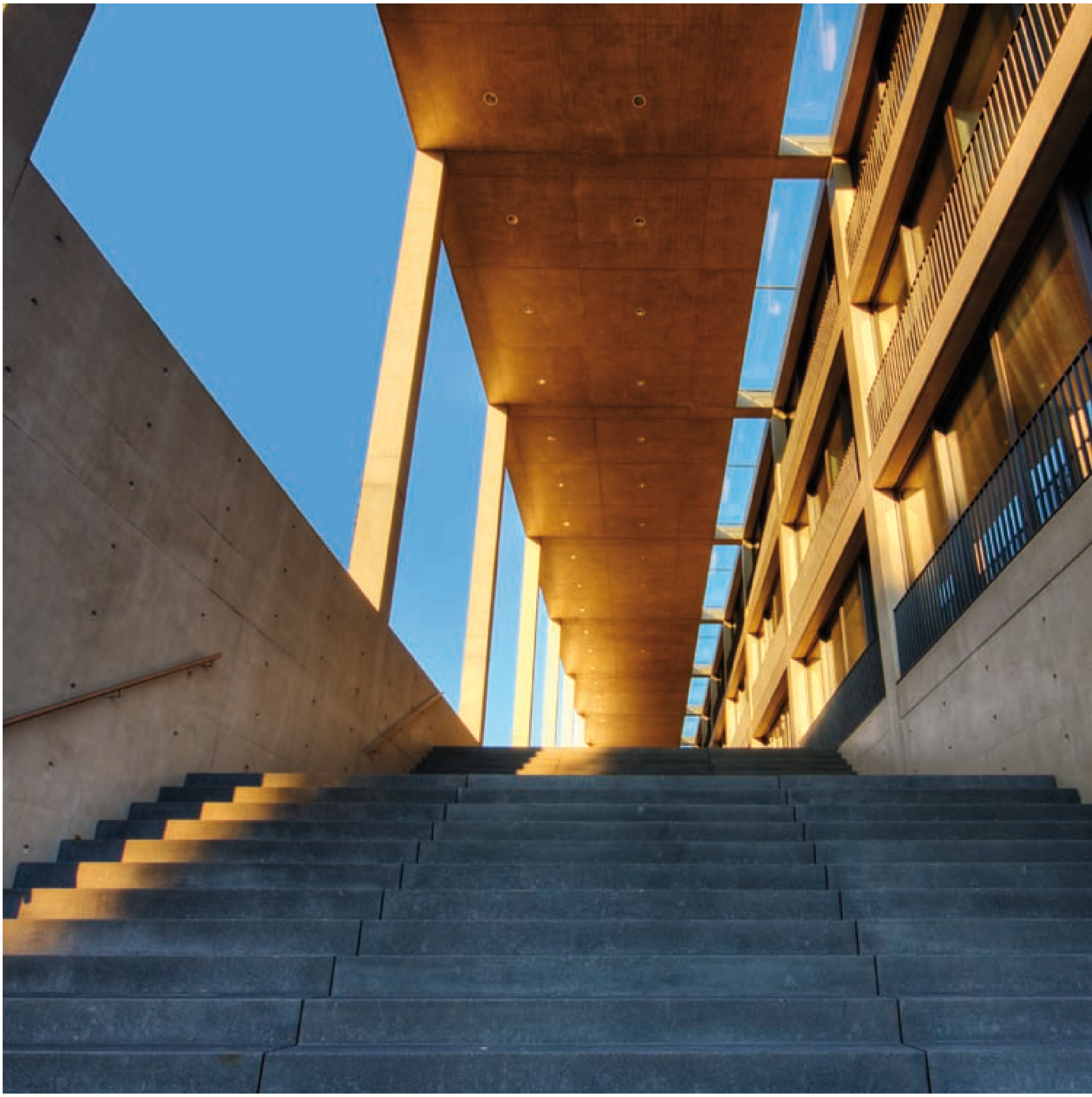

NORD/LB Luxembourg

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

Income Statement

For the year under report from 1 January to 31 December 2008:

	Notes	2008 (KEUR)	2007 (KEUR)
Net Interest Income	**19**	**130,076**	**102,259**
Interest Income		1,508,815	1,846,231
Interest Expense		1,378,740	1,743,973
Loan Loss Provisions	**20**	**– 79,133**	**– 8,468**
Net Commission Income	**21**	**5,034**	**5,078**
Commission Income		30,507	28,182
Commission Expense		25,473	23,104
Profit/Loss from Financial Instruments at Fair Value through Profit or Loss	**22**	**-6,172**	**– 32,719**
Trading Profit/Loss		– 6,842	– 31,356
Profit/Loss from the Fair Value Option		670	– 1,363
Profit/Loss from Hedge Accounting	**23**	**– 6,576**	**142**
Profit/Loss from Financial Assets	**24**	**– 10,070**	**1,145**
Administrative Expenses	**25**	**22,263**	**19,628**
Staff Expenses		11,341	10,392
Other Administrative Expenses		9,436	8,438
Depreciation of Property, Plant and Equipment		674	545
Depreciation on Intangible Assets		811	253
Other operating Profit/Loss	**26**	**13,329**	**5,047**
Earnings Before Taxes (EBT)		**24,225**	**52,855**
Income Taxes	**12.27**	**5,455**	**14,824**
Profit for the Year		**18,770**	**38,032**
Of which: attributable to Shareholders		18,770	38,032
Of which: attributable to Minority Interests		0	0

Statement of Income and Expense

Total income for 2008 (2007) for NORD/LB Luxembourg comprises income and expense recognised in the Income Statement and directly in equity.

	2008 (KEUR)	2007 (KEUR)
Profit for the Year	**18,770**	**38,032**
Increase/Decrease from Available for Sale (AfS) Financial Instruments *	– 18,417	– 45,463
Actuarial Gains and Losses for defined Benefit Provisions for Pensions	0	0
Profit/Loss recognised directly in Equity	**– 18,417**	**– 45,463**
Total Income for the Period	**354**	**– 7,432**
Of which: attributable to the Shareholders of NORD/LB Luxembourg	354	– 7,432
Of which: attributable to Minority Interests	0	0

*) The deferred taxes applied to this are included.

Within the scope of the appropriation of earnings it is intended to carry forward the profit for the year in the amount of KEUR 18,770.

Balance Sheet

Assets	Notes	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)
Cash Reserve	28	95.6	432.0
Loans and Advances to Banks	5.29	6,721.4	8,622.7
Loans and Advances to Customers	5.30	6,074.7	5,724.6
Risk Provisions	6.31	– 91.4	– 12.3
Financial Assets at Fair Value through Profit or Loss	5.32	480.0	760.1
Derivatives – Fair Values from Hedge Accounting	5.33	9.7	12.6
Financial Assets	5.34	7,137.3	7,070.8
Property, Plant and Equipment	7.35	1.0	9.1
Intangible Assets	9.36	4.0	1.8
Income Tax Assets	12.37	40.0	125.1
Other Assets	38	18.8	2.4
Total Assets		**20,491**	**22,749**

Equity and Liabilities	Notes	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)
Liabilities to Banks	5.39	13,554.8	13,909.6
Liabilities to Customers	5.40	1,681.5	1,828.6
Securitised Liabilities	5.41	3,713.8	5,052.7
Financial Liabilities at Fair Value through Profit or Loss	5.42	447.6	738.5
Derivatives – Fair Values from Hedge Accounting	5.43	130.5	91.0
Provisions	11.44	7.8	6.3
Income Tax Liabilities	12.45	17.8	120.0
Other Liabilities	46	18.0	89.6
Subordinated Capital	13.47	244.7	237.6
Equity	48	**674.4**	**675.0**
Issued Capital		205.0	205.0
Capital Reserves		0.0	0.0
Revenue Reserves		533.3	515.4
Revaluation Reserve		– 63.9	– 45.5
Total Equity and Liabilities		**20,491**	**22,749**

Cash Flow Statement

	2008 (EUR Million)	2007 (EUR Million)
Profit for the Year	**18.8**	**38.0**
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	– 80.6	– 9.3
Increase/Decrease in Provisions	1.5	– 1.3
Gains/Losses from the Disposal of Property, Plant and Equipment and Financial Assets	– 10.1	1.1
Increase/Decrease in other non-cash Items	– 29.0	– 75.8
Other Adjustments	– 18.8	– 38.0
Sub-Total	**– 118.2**	**– 85.2**
Increase/Decrease in Assets and Liabilities from Operating Activities after Adjustment for non-cash Items		
Loans and Advances to Banks and Customers	1,501.0	1,871.5
Trading Assets	– 138.6	– 135.0
Other Assets from operating Activities	168.1	– 71.3
Liabilities to Banks and Customers	– 471.3	357.6
Securitised Liabilities	– 1,327.6	– 1,176.7
Other Liabilities from operating Activities	– 9.6	62.2
Interest and Dividends received	1,539.3	1,874.4
Interest paid	– 1,420.2	– 1,765.6
Income Taxes paid	– 7.1	– 18.7
Cash Flow from operating Activities	**– 284.3**	**913.3**
Cash Receipts from the Disposal of		
Financial Assets	2,376.9	3,097.0
Property, Plant and Equipment	7.7	0.0
Cash Payments for the Acquisition of		
Financial Assets	– 2,425.7	– 3,686.2
Property, Plant and Equipment	– 3.8	– 0.9
Cash Receipts from the Disposal of Consolidated Companies and other Business Units	–	–
Cash payments for the Acquisition of Consolidated Companies and other Business Units	–	–
Increase/Decrease in Funds from other Investment Activity	– 0.1	– 0.1
Cash Flow from Investment Activities	**– 45.0**	**– 590.2**

	2008 (EUR Million)	2007 (EUR Million)
Cash Receipts from Equity Contributions	–	–
Increase/Decrease in Funds from other Capital	– 0.9	64.4
Interest Expense on subordinated Capital	– 6.2	– 21.1
Dividends paid	–	–
Cash Flow from Financing Activities	**– 7.1**	**43.4**
Cash and Cash Equivalents at End of the previous Year	**432.0**	**65.6**
Cash Flow from operating Activities	– 284.3	913.3
Cash Flow from Investment Activities	– 45.0	– 590.2
Cash Flow from Financing Activities	– 7.1	43.4
Effects of Exchange Rate and Valuation Changes and Changes in the Basis of Consolidation	–	–
Cash and Cash Equivalents at End of the Financial Year	**95.6**	**432.0**

Statement of Changes in Equity

EUR Million	Issued Capital	Capital Reserves	Revenue Reserves	Revaluation Reserve	Currency Translation Reserve	Equity
Equity at 01.01.2007	**205.0**	**0.0**	**477.0**	**1.3**	**0.0**	**683.3**
Distribution	–	–	–	–	–	0.0
Profit for the Year	–	–	38.4	–	–	38.4
Increase/Decrease from AfS Financial Instruments	–	–	–	–46.7	–	–46.7
Increase/Decrease from Capital Receipts and Payments	–	–	–	–	–	0.0
Equity at 31.12.2007	**205.0**	**0.0**	**515.4**	**–45.4**	**0.0**	**675.0**
Distribution	–	–	–	–	–	0.0
Profit for the Year	–	–	18.8	–	–	18.8
Increase/Decrease from AfS Financial Instruments	–	–	–	–18.5	–	–18.5
Increase/Decrease from Capital Receipts and Payments	–	–	–	–	–	0.0
Equity at 31.12.08	**205.0**	**0.0**	**533.3**	**–63.9**	**0.0**	**674.4**

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

Market Price Risk – Control

Strategy

The Bank concentrates its activities concerning the control of market price risks on selected markets, customers and product segments. Their position on the money, currency and capital markets should comply with the significance and size of the Bank.

In terms of interest rate risk, the objective is to undertake maturity transformations and to participate in general market trends within the framework of the risk limits. Significant credit spread risks also result from strategic investments in maturity-congruent refinanced securities and credit derivatives. A buy and hold strategy is generally pursued for these items. Therefore these transactions are always shown in the investment book.

Organisational Units

Divisions handling positions bearing market price risks and which account for profits and losses resulting from shifts in the markets are all included in the control process for market price risks. Risk monitoring is carried out by the Bank's Controlling division.

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 Bank.

Market Price Risk – Management and Monitoring

Value-at-risk (VaR) methods are employed for managing and monitoring the interest rate risks of NORD/LB Luxembourg (except credit spread).

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

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

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

The prediction quality of the value-at-risk model is verified with comprehensive backtesting analyses. This involves the change in value of the respective portfolios being compared on a daily basis with the value-at-risk of the previous day. A freak backtesting value will have occurred if the negative change in value observed exceeds the value-at-risk. The number of freak values in the trading and investment books was within the green range of the Basel traffic light approach for the Bank as a whole but, due to the financial market crisis, was in the amber to red range with respect to sub-portfolios.

Daily stress test analyses are used in addition to value-at-risk analyses in order to examine the effects that extreme market changes are having on the Bank's risk position. Various stress scenarios were defined for each type of risk – interest rate, currency and volatility, and also for credit spread risk – and these approximately reflect the most significant changes in the respective risk factors observed for periods of ten trading days over the past five to ten years.

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

Accounting Policies

(1) Principles for the Preparation of the Financial Statements

The financial statements of NORD/LB Luxembourg at 31 December 2008 are its first financial statements to have been prepared on the basis of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation) in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The standards used were those that had been published and adopted by the European Union at the time the financial statements were prepared (see Note (3) Adopted and new IFRS).

The financial statements of NORD/LB Luxembourg at 31 December 2007 were approved by the general meeting on 17 March 2008 and formed the basis for the determination and appropriation of earnings for the financial year 2007. Those annual accounts are based on the application of Lux GAAP and constitute the official financial statements under commercial law for the previous year. The conversion from Lux GAAP to IFRS accounting is accompanied by changes in the taxation basis for the financial year 2008 (see Note (12) Income tax assets and liabilities), which shall now be in line with IFRS wherever possible. The figures for the previous year that are presented in these annual accounts were prepared for reasons of comparability and in accordance with IFRS requirements. They are of a purely indicative nature in relation to the financial statements of NORD/LB Luxembourg at 31 December 2008 as required under commercial law. The basis for the previous year's accounts remains the annual accounts as at 31 December 2007, dated 11 February 2008.

The financial statements at 31 December 2008 take into consideration the national requirements of the law of 17 June 1992 on the annual accounts of credit institutions established under Luxembourg law (as at March 2006). The financial statements comprise the income statement, the statement of recognised income and expense, the balance sheet, the cash flow statement and the notes. Segment reporting is carried out in the notes (Note (17) Classification by business segment (primary reporting format) and Note (18) Classification by geographical segment (secondary reporting format). 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 management estimates and judgements required for accounting under IFRS are made in accordance with the relevant standard, are regularly reviewed and are based on experience and other factors, including expectations concerning future events that seem reasonable under the prevailing circumstances. If broad estimates were required, the relevant significant assumptions shall be stated. The estimates and judgements themselves, and the factors underlying the judgements and estimating processes, are checked and adjusted to the actual events as they occur. In our opinion, the parameters used are appropriate and justifiable. Changes to estimates, if the change concerns only one period, are only taken into account in that period. Where the change concerns the current and subsequent reporting periods, it is taken into consideration in those periods. The basic methods are set out in Notes 5, 6, 10 and 12.

The reporting currency used in the financial statements is the Euro. Unless stated otherwise, all amounts are shown in millions of Euros (EUR million) rounded to one decimal place.

(2) First-Time Adoption of IFRS

The first-time adoption of IFRS at 31 December 2007 by NORD/LB Luxembourg requires the creation of an opening balance sheet on the date of transition (1 January 2007) in accordance with IFRS 1. The opening balance sheet serves as the starting point for accounting policies that comply with the IFRS effective on the reporting date for the first IFRS financial statements (31 December 2007).

IFRS 1 basically requires an entity to apply all the IFRS effective at the reporting date of its first IFRS financial statements as if it had always prepared its balance sheet in accordance with IFRS (retrospective application). In certain cases, however, IFRS 1 allows exceptions to this principle, and NORD/LB Luxembourg took advantage of this in the following.

Designation of previously recognised Financial Instruments

NORD/LB Luxembourg makes use of the right to choose to designate previously recognised financial instruments at the date of transition to IFRS as "Available for Sale".

The differences between the financial statements drawn up in accordance with national law on 31 December 2006 and the IFRS opening balance sheet at 1 January 2007 were essentially offset against the revenue reserves. The measurement results for financial instruments classified as Available for Sale (AfS) are the only ones to be shown in a separate equity item (revaluation reserve).

The effects of first-time adoption on equity arise from the reconciliation of equity under Lux GAAP with equity under IFRS and the associated explanations; equity at 31 December 2007 and profit for the year 2007 were reconciled and explained accordingly (see Note (14) Reconciliation of equity at 1 January 2007, Note (15) Reconciliation of equity at 31 December 2007 and Note (16) Reconciliation of profit for the year 2007).

(3) Adopted and new IFRS

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

The financial statements of NORD/LB Luxembourg at 31 December 2008 are based on the conceptual framework of the IASB and the following IRFS:

IFRS 1	First-Time Adoption of International Financial Reporting Standards
IFRS 7	Financial Instruments: Disclosures
IAS 1	Presentation of Financial Statements
IAS 7	Cash Flow Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 21	The Effects of Changes in foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Consolidated and separate Financial Statements
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement (including Provisions on the of the Fair Value Option)
IFRIC 4	Determining whether an Arrangement contains a Lease
SIC 15	Operating Leases – Incentives
SIC 27	Evaluating the Substance of Transactions involving the legal Form of a Lease

IFRS 2, 3, 4, 5 and 6, IAS 2, 11, 20, 23, 28, 29, 31, 33, 34, 40 and 41, IFRIC 1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and SIC 7, 10, 13, 21, 25, 29, 31 and 32 are not taken into consideration as they are not relevant to NORD/LB Luxembourg or their adoption was not compulsory for the financial statements at 31 December 2008.

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 2008.

- **IFRS 8 operating Segments**
  IFRS 8, which replaces IAS 14, provides for the adoption of the management approach for reporting on the economic development of operating segments. The fundamental changes may be summarised as follows:

  - Operating segments are components of an entity of which the operating results are monitored regularly by the chief operating decision maker and that serve as a basis for decisions about the allocation of resources and the assessment of success and for which separate financial information is available.

  - Information on the segments shall be determined in accordance with the internal reporting to the chief operating decision maker.

  - Vertically integrated statements are also operating segments if they are managed as such.

  - More extensive disclosures in the notes.

  IFRS 8 is to be applied to reporting years beginning on or after 1 January 2009.

- **IAS 1 Presentation of Financial Statements (revised 2007)**
  The IASB issued a revised version of IAS 1 that aimed to make it easier for users to analyse and compare financial statements. The fundamental changes may be summarised as follows:

  - All changes in equity that do not relate to transactions with owners must be presented either in a statement of comprehensive income or in two separate financial statements (an income statement and a statement of comprehensive income).

  - An opening balance sheet for the earliest comparative period must always be prepared if:

  (a) accounting policies are applied retrospectively

  (b) amendments to the recognition, measurement or designation of items in the financial statements are made retrospectively, or

  (c) items in the financial statements are reclassified.

  - The corresponding income tax effects must be disclosed for the individual components of other comprehensive income (OCI).

  - Adjustments made as a result of reclassification must be disclosed for each component of OCI; the term "balance sheet" is replaced by "statement of financial position".

  - The term "income statement" is replaced by „statement of comprehensive income".

  IAS 1 (revised 2007) is to be applied to reporting years beginning on or after 1 January 2009

Furthermore, it was decided not to opt for early adoption of the following amended standards, which must be applied from 1 January 2009:

- IFRS 1 and IAS 27 (amended 2008)
- IAS 32 and IAS 1 (amended 2008)
- IAS 39 Recognition and measurement – eligible hedged items (amended 2008)
- First annual improvements project 2008 (to some extent there are other deadlines for amendments to IAS 19 and IFRS 5 to come into effect)

It is not anticipated that there will be any significant impact on accounting when these requirements are adopted for the first time in 2009.

(4) Currency Translation

The methods applied to currency translation are described below.

Translation into the functional Currency
When monetary assets and liabilities or non-monetary items at Fair Value are denominated in foreign currencies they must be translated at the ECB reference rate on 31 December 2008. Non-monetary items that are valued at cost are translated at the historical rates. Expense and income in foreign currencies are translated at market rates. Exchange rate differences on monetary items are reflected in principle in the income statement; non-monetary items are 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.

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

a) Recognition and Derecognition of Financial Instruments

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

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

When an entity only partially transfers the risks and rewards and retains 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). LaR is the most extensive category as it essentially incorporates all traditional credit business. 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 (6) Risk provisions). Reversal of impairment losses is through profit or loss. The upper limit for the reversal of impairment losses is the amortised cost that would have arisen at the time of measurement without impairment.

- **Held to Maturity (HtM)**
  This category includes non-derivative financial assets with fixed or determinable payments and a fixed life that an entity intends and is able to hold to maturity. Financial instruments may be allocated to this category in so far as they are not classified as financial assets at Fair Value through profit or loss (aFV), as Available for Sale (AfS) or as Loans and Receivables (LaR). Subsequent measurement is at amortised cost. The Held to Maturity category is not currently used in the financial statements of NORD/LB Luxembourg.

- **Financial Assets or Financial Liabilities at Fair Value through Profit or Loss (aFV).**
  This category is divided into two sub-categories:

  a) Held for Trading (HfT)
  This sub-category comprises financial instruments (trading assets and trading liabilities) that were acquired with the intention of making profit from short-term buying and selling. It includes all derivatives in so far as they are not hedging instruments. Trading assets are essentially composed of money market papers, bonds and debt securities, as well as derivatives with positive fair value. Trading liabilities comprise, in particular, derivatives with negative fair value as well as short sale delivery obligations. The subsequent measurement of trading assets and trading liabilities is at Fair Value through profit or loss. Premiums and discounts are not amortised using the effective interest rate.

  b) Designated at Fair Value through profit or loss (dFV)
  As long as they meet certain conditions, all financial instruments may be allocated to this sub-category, known as the fair value option. Using the fair value option avoids or significantly reduces the recognition and measurement discrepancies that arise from the different measurement methods for financial assets and liabilities (e.g. by designating economic hedging relationships without having to meet the restrictive requirements of Hedge Accounting). Further explanations on the type and scope of use of the Fair Value option are given in Note (32) Financial assets at fair value through profit or loss and Note (42) Financial liabilities at Fair Value through profit or loss. When the fair value option is applied to financial instruments they are included in the relevant item on the balance sheet and their subsequent measurement is at Fair Value through profit or loss. Premiums and discounts are not amortised using the effective interest rate.

- **Available for Sale (AfS)**
  This category includes all non-derivative financial assets that are not allocated to any of the above categories. This includes, in particular, bonds and debt securities as well as shares and participating interests. Subsequent measurement is at Fair Value; if the Fair Value cannot be determined reliably, measurement is at cost. The profit/loss from the fair value measurement is shown as not affecting profit or loss in a separate equity item (revaluation reserve). Upon the disposal of financial assets, the

measured profit/loss included in the balance sheet under revaluation reserve is removed and included in the income statement. When impairments are due to credit rating, the revaluation reserve is adjusted by the amount of the impairment and the amount is accounted for in the income statement provided that it is an impairment within the meaning of IAS 39. Reversals of impairment losses relating to the equity instruments of another entity are recognised through profit or loss while reversals of impairment losses relating to own equity instruments are recognised in equity as not affecting profit or loss – unless they are valued at cost. Differences between acquisition costs and redemption amounts are amortised using the effective interest method through profit or loss.

- **Other Liabilities (OL)**
  This category comprises, in particular, liabilities to banks and customers, securitised liabilities and subordinated capital. Subsequent measurement is at amortised cost using the effective interest method.

c) Determination of Fair Value

To determine fair value, the Bank generally uses prices provided by market makers (mark-to-market) and external pricing services. In the event that a price cannot be calculated on the basis of this method, prices are determined using mark-to-matrix models or, in specific cases, mark-to-model calculations.

These calculations make use of the market data that is already used as a basis for risk controlling. In discounted cash flow methods, all payments are discounted along the risk-free interest rate curve adjusted for the counterparty's credit spread. Spreads are determined on the basis of comparable financial instruments.

The aforementioned measurement hierarchy is applied by the Bank under normal market conditions.

During the course of 2008, however, parts of the money and capital markets lost their ability to function (financial market crisis), which then led to uncertainty amongst market participants, to illiquidity in certain markets, and to decreasing investment in secondary market products. As a consequence, bidding for certain financial instruments has ceased, the conditions of certain quotations are often counterproductive to effecting sales and some sales are taking place under fire sale conditions.

In the case of financial instruments for which there is no longer an active market and which can no longer be measured solely on the basis of observable market parameters, a fair value is determined for measurement purposes using a mark-to-model process based on discounted cash flows.

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.

NORD/LB Luxembourg applies this measurement model to the illiquid holdings classified as AfS.

d) Structured Products

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

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

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

- A separate derivative with the same terms as the embedded derivative would meet the definition of a derivative.

- The structured product is not recognised at Fair Value through profit or loss (aFV category).

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

e) Hedge Accounting

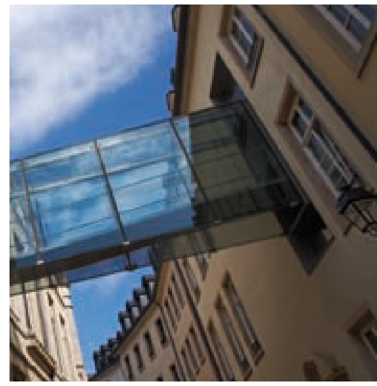
Hedge Accounting means showing hedging relationships in the financial statements. This involves documenting the relationships between the hedging transactions and the underlying transactions. The objective is to avoid the fluctuations in annual profit/loss and equity that arise from the different measurement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

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

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

Hedging relationships may only be reported in accordance with the rules of Hedge Accounting if the restrictive conditions laid down by IAS 39 are fulfilled. The requirements of Hedge Accounting, particularly proving hedge effectiveness, must be met on all balance sheet dates and for all hedging relationships. Critical term matching and the market data shift method are used where effectiveness tests must prospectively be carried out. The modified dollar offset method is applied for retrospective effectiveness tests.

In accordance with the rules of fair value Hedge Accounting, derivatives at Fair Value used in hedging are reported as positive or negative fair values from Hedge Accounting (Note (33) or Note (43) Fair values from Hedge Accounting). The valuation changes are recognised through profit



or loss (Note (23) 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 Credit Transactions

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 2008.

The principles of accounting for genuine repurchase agreements are similar to those for securities credit transactions. 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 credit 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 (54) Securities repurchase agreements.

(6) Risk Provisions

Loan loss provisions cover all discernible credit rating risks by creating specific value adjustments. A value adjustment is required when it is probable, based on observable criteria, that not all interest and repayment obligations or other obligations can be met in good time. Such criteria include 90 days or more of default or delay in interest payments or repayment of the principal amount and the debtor having serious financial difficulties. The size of the value adjustment is calculated on the basis of the difference between the book value and the cash value of the expected future cash flow.

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

(7) 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:

	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.

(8) Leasing

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

Finance Leases
There are no finance leases at the reporting date.

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

Operating leases are of minor significance.

(9) Intangible Assets

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

Intangible assets with a finite useful life are amortised by the straight-line method on the basis of the economic useful life. For intangible assets with a finite useful life, impairments are carried out to the extent in which the carrying amount exceeds the higher value of an asset's fair value less costs to sell and its value in use. If the reasons for impairments no longer apply, impairment losses are reversed but may not exceed the depreciated cost. Scheduled depreciation and impairments are recognised in administrative expenses.

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

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

(10) Provisions for Pensions and similar Obligations

The occupational pension scheme for NORD/LB Luxembourg is based on a scheme in which staff build up entitlement to pension rights and benefits are determined in line with factors such as expected wage and salary increases, age, length of service and pension forecasts (defined benefit plan). The accounting requirements set out under IAS 19 for defined benefit plans are applied to this pension scheme.

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

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

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

The pension scheme is outsourced to a Luxembourg insurance firm.

(11) Other Provisions

In accordance with IAS 37 and IAS 19, other provisions are made for uncertain liabilities to third parties and threatened losses from pending transactions if an obligation is probable and its size can be estimated reliably. 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.

(12) Income Tax Assets and Liabilities

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

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

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

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

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

NORD/LB Luxembourg has obtained binding information from the Luxembourg tax authorities with regard to the tax issues relating to the first-time adoption of IFRS and will apply the previously described tax measures. The income from first-time adoption shall be taken into account for tax purposes in the financial year 2008 rather than being apportioned over time.

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

(13) Subordinated Capital

The item subordinated capital comprises unsecuritised subordinated liabilities and contributions by silent partners. In accordance with the requirements of IAS 32, the majority of contributions by silent partners must be classified as the equity of another entity, based on the contractual right of termination. From a regulatory point of view, within the meaning of Circular 06/273, they are recognised predominantly as liable equity.

In March 2009, matured contributions by silent partners amounting to a nominal EUR 102 million are to be paid back.

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

Subordinated liabilities are set out in detail in Note (47).

Reconciliation of Lux GAAP to IFRS

(14) Reconciliation of Balance Sheet and Equity at 1 January 2007

In order to provide better comparability, the Lux GAAP balance sheet at 31 December 2006 was converted to IFRS classification (see the "reclassification" column). Equity was not reclassified in order to show the effects of the initial changeover from Lux GAAP accounting to IFRS accounting in the equity item. The effects of the changeover from Lux GAAP to IFRS arising out of the first-time adoption are shown below (see "Increase/decrease" column):

EUR Million	Lux GAAP 31.12.2006	Reclassification	Increase/ Decrease	IFRS 01.01.2007
Cash Reserve	6.1	0.0	0.0	6.1
Loans and Advances to Banks	8,740.4	123.2	2.9	8,866.5
Loans and Advances to Customers	5,585.9	275.5	– 4.5	5,856.9
Risk Provisions	0.0	– 41.6	37.8	– 3.8
Financial Assets at Fair Value through Profit or Loss	0.0	774.0	205.6	979.6
Fair Values from Hedge Accounting	0.0	4.5	13.2	17.7
Financial Assets	7,470.0	– 37.1	37.8	7,470.7
Equity-accounted Investments	0.0	0.0	0.0	0.0
Property, Plant and Equipment	9.5	0.0	0.0	9.5
Investment Property	0.0	0.0	0.0	0.0
Intangible Assets	1.2	0.0	0.0	1.2
Income Tax Assets	0.0	0.0	95.8	95.8
Other Assets	1,253.3	– 1,248.7	– 0.3	4.3
Total Assets	**23,066.4**	**– 150.3**	**388.3**	**23,304.4**

EUR Million	Lux GAAP 31.12.2006	Reclassification	Increase/ Decrease	IFRS 01.01.2007
Liabilities to Banks	10,506.9	293.6	– 5.0	10,795.5
Liabilities to Customers	4,542.7	14.3	0.0	4,556.9
Securitised Liabilities	6,258.1	– 5.3	– 47.6	6,205.3
Financial Liabilities at Fair Value through Profit or Loss	0.0	304.0	220.9	524.9
Fair Values from Hedge Accounting	0.0	20.6	98.0	118.6
Provisions	51.7	– 39.3	– 5.0	7.4
Income Tax Liabilities	0.0	18.0	105.1	123.1
Other Liabilities	833.4	– 786.2	– 5.3	41.9
Subordinated Capital	247.2	0.0	0.0	247.2
Equity	626.4	30.0	27.3	683.6
Issued Capital	205.0	0.0	0.0	205.0
Capital Reserves	20.5	– 20.5	0.0	0.0
Revenue Reserves	400.9	50.5	26.0	477.4
Revaluation Reserve	0.0	0.0	1.3	1.3
Minority Interests	0.0	0.0	0.0	0.0
Total Equity and Liabilities	**23,066.4**	**– 150.3**	**388.3**	**23,304.4**

The increases/decreases in the items on the balance sheet are due to the measurement differences explained later. The most significant changes and their effect on equity are described below.

Loans and Advances to Banks and Customers
Premiums and discounts are not shown under accruals and deferred income, as required by Lux GAAP, but under the appropriate loans and advances item. Under IFRS the items also include hedge adjustments entered as part of Hedge Accounting.

Risk Provisions
Cumulative value adjustments and value adjustments made solely because of tax law requirements are not permitted under IFRS. The corresponding amounts from the measurement differences described were offset in equity under revenue reserves (effects of first-time adoption). In addition, the increase/decrease in the risk provisions includes the portfolio-based provision made in accordance with IFRS.

Financial Assets at Fair Value through Profit or Loss
The increase/decrease in financial assets at Fair Value through profit or loss is due to the previously described measurement at Fair Value required under IFRS. In addition, financial instruments were recognised in this item which were voluntarily assigned to the designated at Fair Value through profit or loss category in accordance with IAS 39. The figures that diverge from Lux GAAP because of the fair value measurement are stated under revenue reserves.

Positive fair values from derivative financial instruments, which are not recognised under Lux GAAP, are also recognised under this item. There is an effect on equity from the excess seen at NORD/LB Luxembourg of negative fair values from derivative financial instruments compared to the positive fair values from derivative financial instruments on the assets side.

Financial Assets
The financial assets item mostly comprises debt securities and other fixed-interest securities, shares and other variable yield securities, and participating interests and shares in affiliated companies, provided that they are classified as Available for Sale (AfS) or as loans and receivables (LaR). The own debt securities recognised on the assets side under Lux GAAP are not recognised under IFRS as they do not fulfil the definition of a financial asset. They are deducted from securitised liabilities on the liabilities side.

The difference that arises from measuring AfS financial assets at Fair Value is shown as an equity item under revaluation reserve.

Income Tax Assets and Liabilities
The items income tax assets and income tax liabilities are made up of actual and deferred taxes.

The deviations in the items are the result of different approaches concerning the recognition and measurement of deferred taxes under IFRS as opposed to Lux GAAP.

Liabilities to Banks and Customers and Securitised Liabilities
The reacquired own debt securities were deducted from securitised liabilities.

Premiums and discounts are not shown under accruals and deferred income, as required by Lux GAAP, but under the appropriate liabilities item.

Provisions
Other provisions are shown under this item.

Unlike in Lux GAAP, an expense provision should not be made under IFRS. Furthermore, a distinction should be made under IFRS between provisions and accrued liabilities which have a high degree of security when the liability is entered. These accrued liabilities are shown under Other Liabilities.

Equity and subordinated Capital
In accordance with IFRS and unlike in Lux GAAP, own equity and the equity of another entity are not classified on the basis of their legal form but according to how they are seen from an economic point of view. A characteristic feature of a financial liability is the issuer’s obligation to repay it or the lender‘s ability to demand its repayment.

(15) Reconciliation of Balance Sheet and Equity at 31 December 2007

The following reconciliation shows the increases/decreases arising from the changeover based on the balance sheet prepared under Lux GAAP at 31 December 2007:

EUR Million	Lux GAAP 31.12.2007	Reclassification	Increase/ Decrease	IFRS 31.121.2007
Cash Reserve	432.0	0.0	0.0	432.0
Loans and Advances to Banks	8,493.2	83.3	46.2	8,622.7
Loans and Advances to Customers	5,602.6	105.8	16.2	5,724.6
Risk Provisions	0.0	– 6.4	– 5.9	– 12.3
Financial Assets at Fair Value through Profit or Loss	0.0	574.8	185.2	760.1
Fair Values from Hedge Accounting	0.0	– 15.2	27.8	12.6
Financial Assets	7,067.6	– 0.7	3.9	7,070.8
Property, Plant and Equipment	9.1	0.0	0.0	9.1
Intangible Assets	1.8	0.0	0.0	1.8
Income Tax Assets	0.0	5.4	119.7	125.1
Other Assets	996.0	– 991.9	– 1.6	2.4
Total Assets	**22,602.3**	**– 244.9**	**391.5**	**22,748.9**

EUR Million	Lux GAAP 31.12.2007	Reclassification	Increase/ Decrease	IFRS 31.121.2007
Liabilities to Banks	13,709.2	158.0	42.3	13,909.6
Liabilities to Customers	1,826.7	6.0	– 4.1	1,828.6
Securitised Liabilities	5,103.4	6.8	– 57.5	5,052.7
Financial Liabilities at Fair Value through Profit or Loss	0.0	505.9	232.6	738.6
Fair Values from Hedge Accounting	0.0	44.6	46.4	91.0
Provisions	24.6	– 18.3	0.0	6.3
Income Tax Liabilities	0.0	12.4	107.6	120.0
Other Liabilities	1,027.7	– 990.7	52.6	89.6
Subordinated Capital	237.2	0.4	0.0	237.6
Equity	673.5	30.0	– 28.5	675.0
Issued Capital	205.0	0.0	0.0	205.0
Capital Reserves	20.5	– 20.5	0.0	0.0
Revenue Reserves	448.0	50.5	16.9	515.4
Revaluation Reserve	0.0	0.0	– 45.5	– 45.5
Total Equity and Liabilities	**22,602.3**	**– 244.9**	**391.5**	**22,748.9**

The fundamental changes are due to the different requirements concerning designation, recognition and measurement for financial instruments and provisions. The effects of the different measurement approach can be seen in the increase/decrease in equity.

(16) Reconciliation of Profit for the Year 2007

The following reconciliation shows the increases/decreases arising from the changeover based on the last income statement to be published under Lux GAAP for the financial year 2007:

KEUR	Lux GAAP 31.12.2007	Increase/ Decrease	IFRS 31.12.2007
Net Interest Income	60,299.2	41,959.3	102,258.5
Loan Loss Provisions	– 6,377.5	– 2,091.0	– 8,468.5
Net Commission Income	17,821.1	– 12,742.7	5,078.4
Profit/Loss from Financial Instruments at Fair Value through Profit or Loss	2,550.3	– 35,269.4	-32,719.1
Profit/Loss from Hedge Accounting	0.0	142.4	142.4
Profit/Loss from Financial Assets	– 919.8	2,064.5	1,144.7
Administrative Expenses	– 21,230.5	1,602.4	– 19,628.1
Other operating Profit/Loss	13,627.4	– 8,580.2	5,047.2
Earnings Before Taxes (EBT)	**65,770.2**	**– 12,914.8**	**52,855.4**
Income Taxes	18,650.4	– 3,826.7	14,823.7
Profit for the Year	**47,119.8**	**– 9,088.1**	**38,031.7**
Of which: attributable to the Shareholders of NORD/LB Luxembourg	47,119.8	– 9,088.1	38,031.7
Of which: attributable to Minority Interests	0.0	0.0	0.0

The increases/decreases in items on the income statement are due to the different recognition and measurement under IFRS, as explained below. The fundamental changes concern:


Net Interest Income
The increase/decrease is due to the different recognition of interest income from derivatives under Lux GAAP and IFRS. The opposite effect is seen in the profit/loss from financial instruments at Fair Value through profit or loss.

There is also an adjustment between interest and commission income. The credit commission income contained in the interest margin is shown under net commission income under IFRS.

The different way in which Lux GAAP and IFRS treat the amortisation of premiums and discounts in the case of fixed-interest securities, loans and liabilities, as well as upfront payments for derivative products, is also reflected in the increase/decrease.

Loan Loss Provisions
The difference between loan loss provisions under Lux GAAP and under IFRS is due to the differing ways in which they determine value adjustments in credit business and to the portfolio-based provisions made under IFRS.

Profit/Loss from Financial Instruments at Fair Value through Profit or Loss
Apart from the effects described under net interest income, the increase/decrease in the profit/loss from financial instruments at Fair Value through profit or loss stems from the held-for-trading category or the designated at Fair Value through profit or loss category. In contrast to their treatment under Lux GAAP, securities in these two categories are measured at Fair Value through profit or loss in excess of the acquisition cost.

Profit/Loss from Financial Assets
Measurements for securities classified as AfS, which in previous periods were reported in recognition of profit or loss under Lux GAAP, are reflected in the revaluation reserve under IFRS. When such securities are derecognised the revaluation reserve is removed and included on the income statement.

Administrative Expenses
Income from accounting for services with subsidiaries is reduced under administrative expenses in the IFRS income statement

Other operating Profit/Loss
Under Lux GAAP, other operating profit/loss comprises items that are included under IFRS in the first-time adoption reserve. This concerns mainly the effects of the release of provisions.

Income Taxes
Income tax expense is not the same as under Lux GAAP because of the different way it is recognised in the national tax statement and the IFRS balance sheet.

Segment Reporting

Classification by Business Segment

Segment reporting serves to provide information on business segments and is carried out in accordance with the Bank's business model. The segments are defined as customer or product groups that are in line with the Bank's organisational structures.

Net interest income for the individual segments is determined in accordance with the market interest rate method. Segment expenditure comprises original expenses as well as expenses allocated on the basis of cost and accounting for services. Risk provisions were assigned to the segments on the basis of actual cost. Classification of the use of interest from equity investments underwent a systematic change. Both performance indicators are now assigned to the bank controlling/other segment rather than to the Bank's operative profit centres because of a lack of controllability by the market divisions.

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

Private Banking
This is where business with important private customers is shown.

Financial Markets
This includes NORD/LB Luxembourg's Treasury and Strategic Investments divisions which are active in investment banking.

Group Cooperation
This segment shows the credit business transferred by the Group.

Bank Controlling/Other
This segment covers other items and reconciliatory items.

(17) Classification of NORD/LB Luxembourg by Business Segment

Segment Reporting in the annual Financial Statements of NORD/LB Luxembourg

EUR Million	Savings Bank Network	Private Banking	Financial Markets	Group Cooperation	Bank Controlling/ Other	Total
Net Interest Income	**1.2**	**1.6**	**58.4**	**44.0**	**29.4**	**130.1**
do. previous Year	1.1	1.4	38.4	42.1	19.3	102.3
Loan Loss Provisions	**0.0**	**0.0**	**– 28.1**	**– 51.0**	**0.0**	**– 79.1**
do. previous Year	– 0.6	– 0.6	0.0	7.3	0.0	– 8.5
Net Interest Income after Loan Loss Provisions	**1.2**	**1.6**	**30.3**	**– 7.0**	**24.9**	**51.0**
do. previous Year	0.5	0.8	38.4	34.8	19.3	93.8
Net Commission Income	**0.8**	**7.9**	**– 1.2**	**– 2.4**	**0.0**	**5.1**
do. previous Year	0.0	10.1	– 1.8	– 6.3	3.1	5.1
Profit/Loss from Financial Instruments at Fair Value through Profit or Loss	**0.0**	**0,0**	**– 6.2**	**0.0**	**0.0**	**– 6.2**
do. previous Year	0.0	0.0	– 22.5	0.0	– 10.2	– 32.7
Profit/Loss from Hedge Accounting	**0.0**	**0.0**	**– 6.6**	**0.0**	**0.0**	**– 6.6**
do. previous Year	0.0	0.0	0.0	0.0	0.1	0.1
Profit/Loss from Financial Assets	**0.0**	**0.0**	**– 10.1**	**0.0**	**0.0**	**– 10.1**
do. previous Year	0.0	0.0	0.0	0.0	1.1	1.1
Profit/Loss from Equity-accounted Investments	**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
Total Revenue	**2.0**	**9.5**	**6.2**	**– 9.4**	**24.9**	**33.2**
do. previous Year	0.5	10.9	14.1	28.5	13.4	67.4
Administrative Expenses	**0.1**	**6.3**	**5.8**	**2.8**	**7.3**	**22.3**
do. previous Year	0.0	5.9	5.0	2.8	5.9	19.6
Operating Profit/Loss	**1.9**	**3.2**	**0.4**	**– 12.2**	**17.6**	**10.9**
do. previous Year	0.5	5.0	9.1	25.7	7.5	47.8
Other Income/Expenses	**0.0**	**0.0**	**1.3**	**0.0**	**12.0**	**13.3**
do. previous Year	0.0	0.0	2.2	0.0	2.9	5.1
Operating Profit/Loss before Taxes	**1.9**	**3.2**	**1.7**	**– 12.2**	**29.6**	**24.2**
do. previous Year	0.5	5.0	11.3	25.7	10.4	52.9
Segment Assets	**237.7**	**49.2**	**11,292.5**	**8,340.3**	**571.2**	**20,490.9**
do. previous Year	120.7	42.8	13,373.7	8,563.8	647.9	22,748.8
Segment Liabilities	**3.1**	**313.9**	**18,868.7**	**585.6**	**719.6**	**20,490.9**
do. previous Year	3.0	237.6	20,660.1	1,166.1	682.1	22,748.8

Segment Reporting in the annual Financial Statements of NORD/LB Luxembourg						
EUR Million	Savings Bank Network	Private Banking	Financial Markets	Group Cooperation	Bank Controlling/ Other	Total
Further Segment Information:						
Property, Plant and Equipment, net	**0.0**	**0.2**	**0.2**	**0.6**	**0.0**	**1.0**
do. previous Year	0.0	5.0	2.5	1.4	0.2	9.1
Depreciation of Property, Plant and Equipment, current Year	**0.0**	**0.1**	**0.1**	**0.5**	**0.0**	**0.7**
do. previous Year	0.0	0.3	0.1	0.1	0.0	0.5
Intangible Assets, net	**0.0**	**0.6**	**0.7**	**2.7**	**0.0**	**4.0**
do. previous Year	0.0	1.0	0.5	0.3	0.0	1.8
Depreciation on intangible Assets, current Year	**0.0**	**0.1**	**0.1**	**0.5**	**0.0**	**0.7**
do. previous Year	0.0	0.2	0.1	0.0	0.0	0.3

(18) Classification of NORD/LB Luxembourg by Geographical Segment

Segment Reporting in the annual Financial Statements of NORD/LB Luxembourg								
EUR Million	Germany	Luxem-bourg	Switzer-land	Remaining Europe	USA	Remaining America	Remaining Countries	Total
Operating Profit/Loss before Taxes	**7.7**	**3.6**	**0.8**	**9.2**	**2.5**	**0.2**	**0.2**	**24.2**
do. previous Year	18.2	4.1	1.9	21.2	5.5	1.0	1.1	52.9
Segment Assets	**6,553.3**	**3,033.6**	**690.7**	**7,704.8**	**2,133.6**	**203.9**	**171.0**	**20,490.9**
do. previous Year	7,827.7	1,742.5	812.7	9,096.0	2,366.0	415.7	488.3	22,748.9
Segment Liabilities	**8,483.8**	**7,157.4**	**2.158.2**	**1,894.4**	**406.7**	**45.6**	**344.8**	**20,490.9**
do. previous Year	7,298.8	3,695.3	5.151.0	5,189.9	895.8	88.1	430.0	22,748.9
Further Segment Information:								
Property, Plant and Equipment, net	**0.0**	**1.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.0**
do. previous Year	0.0	9.1	0.0	0.0	0.0	0.0	0.0	9.1
Intangible Assets, net	**0.0**	**4.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**4.0**
do. previous Year	0.0	1.8	0.0	0.0	0.0	0.0	0.0	1.8

Notes to the Income Statement

(19) Net Interest Income

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

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

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

	2008 (KEUR)	2007 (KEUR)	Increase/ Decrease (%)
Interest Income	**1,508,815**	**1,846,231**	**– 18**
Interest Income from Credit Transactions and Money Market Transactions	706,834	795,000	– 11
Interest Income from fixed Income and Book Entry Securities	348,741	351,087	– 1
Current Income	0	0	–
From Shares and other variable Yield Securities	0	0	–
From participating Interests	11,110	4,498	> 100
Interest Income from Hedge Derivatives	442,116	695,617	– 36
Interest Income from PFVH Amortisation	0	0	–
Other Interest Income and similar Income	14	29	– 50
Interest Expense	**– 1,378,740**	**– 1,743,973**	**– 21**
Interest Expense from Credit Transactions and Money Market Transactions	– 663,259	– 764,772	– 13
Interest Expense from securitised Liabilities	– 164,733	– 216,817	– 24
Interest Expense from subordinated Capital	– 13,676	– 21,060	– 35
Interest Expense from Hedge Derivatives	– 536,880	– 741,266	– 28
Interest Expense from silent Participations	0	0	–
Interest Expense for Provisions and Liabilities	– 192	0	–
Other Interest Expense and similar Expense	0	– 58	– 100
Total	**130,076**	**102,259**	**27**

Interest income and interest expense both fell by approximately 20 % in 2008 compared to the previous year. This change was caused by a reduction in the balance sheet total, which was partly due to the financial market crisis, as well as market interest rate cuts.

Making active use of these effects led to an overall increase in net interest income with a correspondingly higher contribution to profit from maturity transformation.

Interest in the amount of KEUR 485 was not included under adjusted holdings and KEUR 220 under adjusted loans.

Current income from participating interests comprises EUR 1.3 million from Skandifinanz Bank AG dividends (previous year EUR 1.2 million) and distributions from Lux Co Fond amounting to EUR 9.8 million (previous year EUR 3.3 million).

(20) Loan Loss Provisions

	2008 (KEUR)	2007 (KEUR)	Increase/ Decrease (%)
Income from Loan Loss Provisions	**0**	**111**	**– 100**
Reduction in Provisions for Claims	0	111	– 100
Reductions in Portfolio-based Provisions for Receivables	0	0	–
Reversal of Provisions in Credit Business	0	0	–
Additions to Receivables written off	0	0	–
Loan Loss Provision Expense	**79,133**	**8,580**	**> 100**
Allocations to Provisions for Claims	70,480	5,731	> 100
Allocation to portfolio-based Provisions for Claims	8,653	2,849	> 100
Allocation to Provisions for Credit Business	0	0	–
Direct Write-Offs of Claims	0	0	–
Total	**– 79,133**	**– 8,468**	**> 100**

Allocations to provisions for claims relate to the newly created provisions for impaired loans (LAR, KEUR 37,666) and positions in securities with Icelandic counterparties assigned to the AfS category (KEUR 28,114) and for two LAR exposures in the energy sector (4,700).

(21) Net Commission Income

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

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

The main part of commission income relates to commission for loans and guarantees received on a pro rata basis in non-banking transactions, and the smaller part to transaction-related broker commissions from customers.

The pro rata commission expenses arise primarily as a result of brokerage with NORD/LB GZ Hanover. The transaction-related commission is mostly due to payments and securities transactions carried out by the Bank.

	2008 (KEUR)	2007 (KEUR)	Increase/ Decrease (%)
Commission Income	**30,507**	**28,182**	**8**
From Security and Custody Transactions	5,698	6,570	– 13
From Brokerage Transactions	2,306	2,932	– 21
From Credit Transactions and Guarantee Transactions	21,860	17,872	22
Other Commission Income	642	808	– 20
Commission Expense	**25,473**	**23,104**	**10**
From Brokerage Transactions	21,347	20,423	5
From Credit Transactions and Guarantee Transactions	1,580	1,265	25
Other Commission Expense	2,546	1,416	80
Total	**5,034**	**5,078**	**– 1**

Commission income relates mainly to brokerage transactions (EUR 2.3 million; previous year EUR 2.9 million), security and custody transactions (EUR 5.7 million; previous year EUR 6.6 million) and credit transactions and guarantee transactions (EUR 21.9 million; previous year EUR 17.9 million).

Commission expense relates mainly to brokerage transactions (EUR 21.3 million; previous year EUR 20.4 million) and to credit transactions and guarantee transactions (EUR 1.6 million; previous year EUR 1.3 million).

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

	2008 (KEUR)	2007 (KEUR)	Increase/ Decrease (%)
Trading Profit/Loss	**– 6,842**	**– 31,356**	**-78**
Realised Profit/Loss	– 2,453	– 13,164	– 81
From Debt Securities and other fixed Interest Securities	0	0	–
From Shares and other variable Yield Securities	0	0	–
From Derivatives	– 2,453	– 13,164	– 81
From other Trading Transactions	0	0	–
Measurement Gains/Losses	– 5,113	– 20,000	– 74
From Debt Securities and other fixed Interest Securities	0	0	–
From Shares and other variable Yield Securities	0	0	–
From Derivatives	– 5,113	– 20,000	– 74
From other Trading Transactions	0	0	–
Foreign Exchange Profit/Loss	1,063	62	> 100
Other Profit/Loss	– 339	1,746	> 100
Profit/Loss from the Fair Value Option	**670**	**– 1,363**	**> 100**
Realised Profit/Loss from	0	0	–
Debt Securities and other fixed Interest Securities	0	0	–
From Shares and other variable Yield Securities	0	0	–
Other Transactions	0	0	–
Measurement Gains/Losses from	670	– 1,363	> 100
Debt Securities and other fixed Interest Securities	670	– 1,363	> 100
From Shares and other variable Yield Securities	0	0	–
Other Transactions	0	0	–
Other Profit/Loss	0	0	–
Total	**– 6,172**	**– 32,719**	**– 81**

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). Net interest income from trading activities, amounting to EUR -0.3 million (previous year EUR 1.7 million) is shown under other profit/loss.

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

(23) Profit/Loss from Hedge Accounting

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

	2008 (KEUR)	2007 (KEUR)	Increase/ Decrease (%)
Profit/Loss from micro Fair Value Hedge Transactions	**– 6,576**	**142**	**> 100**
From hedged underlying Transactions	20,614	63,801	– 68
From Derivatives used as hedging Instruments	– 27,191	– 63,658	– 57
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	**– 6,576**	**142**	**> 100**

(24) 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.

	2008 (KEUR)	2007 (KEUR)	Increase/ Decrease (%)
Profit/Loss from Financial Assets classified as LaR	**– 98**	**0**	**–**
Profit/Loss from Financial Assets classified as AfS (no Joint Ownership)	**– 9,971**	**1,145**	**> 100**
Profit/Loss from the Disposal	– 9,971	1,145	> 100
Of Debt Securities and other fixed Interest Securities	– 9,971	1,145	> 100
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	**– 10,070**	**1,145**	**> 100**

(25) Administrative Expenses

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

	2008 (KEUR)	2007 (KEUR)	Increase/ Decrease (%)
Staff Expenses	**11,341**	**10,392**	**9**
Wages and Salaries	9,947	8,798	13
Social Security Contributions	885	802	10
Expenses for Pension Provision	509	792	– 36
Other Staff Expenses	0	0	–
Other administrative Expenses	**9,436**	**8,438**	**12**
Expense for Operating and Office Equipment and IT	4,598	4,264	8
Occupancy Costs	525	467	12
Marketing, Communication and Representation Expenses	216	184	18
Staff-related operating Expense	1,451	1,090	33
Legal, Audit, Survey and professional Fees	2,340	1,424	64
Other Administrative Expenses	305	1,010	– 70
Depreciation and Impairments	**1,486**	**798**	**86**
Depreciation	1,486	798	86
Property, Plant and Equipment	674	545	24
Intangible Assets	811	253	> 100
Impairments	0	0	–
Total	**22,263**	**19,628**	**13**

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

(26) Other operating Profit/Loss

	2008 (KEUR)	2007 (KEUR)	Increase/ Decrease (%)
Other operating Income	**20,375**	**6,792**	**> 100**
From the Reversal of Provisions	0	1,360	– 100
Other Income	20,375	5,432	> 100
Other operating Expenses	**7,046**	**1,745**	**> 100**
From the Allocation of Provisions	0	0	–
Other Expenses	7,046	1,745	> 100
Total	**13,329**	**5,047**	**> 100**

In the financial year 2008, the Bank sold its office building and decided to construct a new building in a central location near the airport.

Other income is mainly made up of the sale proceeds of the office building (EUR 18.3 million). Other expenses include expenditure on the acquisition of land and deconstruction activities (EUR 3.1 million).

(27) Income Taxes

	2008 (KEUR)	2007 (KEUR)	Increase/ Decrease (%)
Current Income Taxes	7,149	18,650	> 100
Deferred Taxes	– 1,694	– 3,827	> 100
Total	**5,455**	**14,824**	**4**

The following tax reconciliation provides an analysis of the difference between the income tax expense that would have arisen by applying the Luxembourg approach to income tax to the IFRS Earnings Before Taxes and the actual income tax expense shown.

	2008 (KEUR)	2007 (KEUR)
IFRS Earnings Before Taxes (EBT)	**24,225**	**52,855**
Expected Income Tax Expense	– 7,178	– 15,661
Effects of Reconciliation:		
Effects of different Tax Rates	0	0
Taxes from previous Years recognised in the Year under Report	2,373	3,841
Effects of Tax Rate Changes	–	–
Non-allowable Income Taxes	–	–
Non-deductible operating Expenses	– 31	– 27
Effects of tax-free Income	0	0
Effects of permanent Effects affecting the Balance Sheet	–	–
Other Effects	– 2,313	– 6,803
Income Tax Expense shown	**– 7,149**	**– 18,650**

The expected income tax expense in the tax reconciliation is calculated on the basis of the corporate and trading tax applicable in Luxembourg in 2008, amounting to 29.63 % (previous year 29.63 %).

Deferred taxes (EUR 1.7 million) comprise the release of deferred taxes through profit or loss to the first-time adoption reserve (EUR 7.1 million) and the deferred tax liabilities arising out of the sale of the Bank's office building (EUR 5.4 million).

Notes to the Balance Sheet

(28) Cash Reserve

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Cash	0.7	1.3	– 45
Balances with Central Banks	94.8	430.7	– 78
Total	**95.6**	**432.0**	**– 78**

EUR 93.1 million (previous year EUR 430.7 million) of the balances with central banks is with the Luxembourg central bank and concerns the planned minimum reserve.

(29) Loans and Advances to Banks

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Receivables from Money Market Transactions	**3,700.7**	**4,138.9**	**– 11**
Luxembourg Banks	1,341.1	964.4	39
Foreign Banks	2,359.6	3,174.4	– 26
Other Receivables	**3,020.7**	**4,483.8**	**– 33**
Luxembourg Banks	112.5	47.0	> 100
Due on Demand	3.3	19.8	– 83
Deferred	109.1	27.2	> 100
Foreign Banks	2,908.3	4,436.8	– 34
Due on Demand	21.2	64.4	– 67
Deferred	2,887.0	4,372.3	– 34
Total	**6,721.4**	**8,622.7**	**– 22**

EUR 5,267.8 million (previous year EUR 7,611.2 million) of the total amount relates to loans and advances to foreign banks. EUR 1,960.2 million (previous year EUR 2,925.7 million) of loans and advances to banks are not due for over twelve months.

(30) Loans and Advances to Customers

	31.12.2008 (EUR Million)	31.12.2007 (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	**6,074.7**	**5,724.6**	**6**
Luxembourg Customers	40.4	26.3	53
Due on Demand	0.1	0.7	– 91
Deferred	40.3	25.6	57
Foreign Customers	6,034.3	5,698.3	6
Due on Demand	9.9	0.7	> 100
Deferred	6,024.4	5,697.6	6
Total	**6,074.7**	**5,724.6**	**6**

The total amount relates almost entirely to loans and advances to foreign customers. EUR 4,125.6 million (previous year EUR 4,144.4 million) of loans and advances to customers are not due for over twelve months.

(31) Risk Provisions

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Individual Value Adjustments for Receivables	**– 76.2**	**– 5.7**	**> 100**
Foreign Banks	– 58.3	0.0	–
Luxembourg Customers	0.0	0.0	–
Foreign Customers	– 17.9	– 5.7	> 100
Portfolio-based Provisions for Receivables	**– 15.2**	**– 6.6**	**> 100**
Total	**– 91.4**	**– 12.3**	**> 100**

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

	Specific Value Adjustments (EUR Million)	Portfolio-based Provisions (EUR Million)	Provisions in Credit Transactions Business (EUR Million)	Total (EUR Million)
01.01.2007	**0.1**	**3.7**	**0.0**	**3.8**
Allocations	5.7	2.8	0.0	8.6
Reductions	0.1	0.0	0.0	0.1
Utilisation	0.0	0.0	0.0	0.0
Effects from Currency Translations, Unwinding and other Changes	0.0	0.0	0.0	0.0
31.12.2007	**5.7**	**6.6**	**0.0**	**12.3**
Allocations	70.5	8.7	0.0	79.1
Reductions	0.0	0.0	0.0	0.0
Utilisation	0.0	0.0	0.0	0.0
Effects from Currency Translations, Unwinding and other Changes	0.0	0.0	0.0	0.0
31.12.2008	**76.2**	**15.2**	**0.0**	**91.4**

(32) 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.

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Trading Assets	**406.0**	**668,4**	**– 39**
Debt Securities and other fixed Interest Securities	**0.0**	**0.0**	**–**
Money Market Papers	0.0	0.0	–
From public Issuers	0.0	0.0	–
From other Issuers	0.0	0.0	–
Bonds and Debt Securities	0.0	0.0	–
From public Issuers	0.0	0.0	–
From other Issuers	0.0	0.0	–
Shares and other variable Yield Securities	**0.0**	**0.0**	**–**
Shares	0.0	0.0	–
Investment Certificates	0.0	0.0	–
Positive Fair Values from Derivatives in Connection with:	**406.0**	**668.4**	**– 39**
Interest Rate Risks	146.1	582.2	– 75
Currency Risks	260.0	86.2	> 100
Share and other Price Risks	0.0	0.0	–
Trading Portfolio Claims	0.0	0.0	–
Financial Assets designated at Fair Value	**74.0**	**91.6**	**– 19**
Loans and Advances to Banks and Customers	**0.0**	**0.0**	**–**
Debt Securities and other fixed Interest Securities	**74.0**	**91.6**	**– 19**
Shares and other variable Yield Securities	**0.0**	**0.0**	**–**
Total	**480.0**	**760.1**	**– 37**

The designated assets exclusively comprise debt securities that are economically hedged against interest rate risks with derivatives. The aim of the designation is to reduce an accounting mismatch. EUR 158.9 million of trading assets are not due for over 12 months.

(33) Fair Values from Hedge Accounting

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

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Positive Fair Values from allocated micro Fair Value Hedge Derivatives	9.7	12.6	– 24
Fair Values from Derivatives in Portfolio Fair Value Hedge Accounting	0.0	0.0	–
Total	**9.7**	**12.6**	**– 24**

(34) Financial Assets

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

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Financial Assets classified as LaR	**1,165.4**	**150.5**	**> 100**
Financial Assets classified as AfS	**5,971.9**	**6,920.3**	**– 14**
Debt Securities and other fixed Interest Securities	**5,703.5**	**6,645.1**	**– 14**
Money Market Papers	627.1	1,482.5	– 58
From public Issuers	0.0	25.7	– 100
From other Issuers	627.1	1,456.8	– 57
Bonds and Debt Securities	5,076.4	5,162.6	– 2
From public Issuers	66.6	188.7	– 65
From other Issuers	5,009.8	4,973.9	1
Shares and other variable Yield Securities	**0.0**	**0.0**	**–**
Shares	0.0	0.0	–
Investment Certificates	0.0	0.0	–
Profit Participation Certificates	0.0	0.0	–
Shares in Companies	**268.4**	**275.2**	**– 2**
Shares in affiliated Companies	268.4	275.2	– 2
Banks	73.2	73.2	0
Other Companies	0.0	0.0	–
Special purpose Vehicles (specific Funds)	195.2	202.0	– 3
Joint Ventures	0.0	0.0	–
Associated Companies	0.0	0.0	–
Other participating Interests	0.0	0.0	–
Other AfS Financial Assets	0.0	0.0	–
Total	**7,137.3**	**7,070.8**	**1**

EUR 5,814.8 million of financial assets are not due not due for over 12 months.

(35) Property, Plant and Equipment

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Land and Buildings	0.0	8.0	– 100
Operating and Office Equipment	1.0	0.0	–
Other Property, Plant and Equipment	0.0	1.1	
Total	**1.0**	**9.1**	**– 89**

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

EUR Million	Land and Buildings	Operating and Office	Other Property, Plant and Equipment	Total
Acquisition and Manufacturing Costs at 01.01.2007	**14.2**	**10.9**	**0.0**	**25.1**
Accruals	0.0	0.3	0.0	0.3
Disposals	0.0	0.2	0.0	0.2
Transfers	0.0	0.0	0.0	0.0
Increases/Decreases from Currency Translations	0.0	0.0	0.0	0.0
Total 31.12.2007	**14.2**	**11.0**	**0.0**	**25.2**
Cumulative Depreciation at 01.01.2007	**5.9**	**9.7**	**0.0**	**15.6**
Scheduled Depreciation	0.4	0.2	0.0	0.5
Impairments (Write-Downs)	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Total 31.12.2007	**6.2**	**9.9**	**0.0**	**16.1**
Closing Balance at 31.12.2007	**8.0**	**1.1**	**0.0**	**9.1**

EUR Million	Land and Buildings	Operating and Office	Other Property, Plant and Equipment	Total
Acquisition and Manufacturing Costs at 01.01.2008	**14.2**	**11.0**	**0.0**	**25.2**
Accruals	0.0	0.3	0.0	0.3
Disposals	14.2	0.0	0.0	14.3
Transfers	0.0	0.0	0.0	0.0
Increases/Decreases from Currency Translations	0.0	0.0	0.0	0.0
Total 31.12.2008	**0.0**	**11.2**	**0.0**	**11.2**
Cumulative Depreciation at 01.01.2008	**6.2**	**9.9**	**0.0**	**16.1**
Scheduled Depreciation	0.3	0.3	0.0	0.7
Impairments (Write-Downs)	0.0	0.0	0.0	0.0
Write-Ups	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0
Disposals	6.5	0.0	0.0	6.5
Increases/Decreases from Currency Translations	0.0	0.0	0.0	0.0
Total 31.12.2008	**0.0**	**10.3**	**0.0**	**10.3**
Closing Balance at 31.12.2008	**0.0**	**1.0**	**0.0**	**1.0**

(36) Intangible Assets

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Software	4.0	1.0	> 100
Acquired for Consideration	4.0	1.0	> 100
Self-Produced	0.0	0.0	–
Intangible Assets under Development	0.0	0.0	–
Other	0.0	0.8	– 100
Total	**4.0**	**1.8**	**> 100**

NORD/LB Luxembourg continues to use fully depreciated software. Intangible assets changed as follows:

EUR Million	Software		Other		Total
	Acquired for Consideration	Self-Produced	Acquired for Consideration	Self-Produced	
Acquisition and Manufacturing Costs at 01.01.2007	**11.5**	**0.0**	**0.0**	**0.0**	**11.5**
Accruals	0.9	0.0	0.0	0.0	0.9
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Total 31.12.2007	**12.4**	**0.0**	**0.0**	**0.0**	**12.4**
Cumulative Depreciation at 01.01.2007	10.4	0.0	0.0	0.0	10.4
Scheduled Depreciation	0.3	0.0	0.0	0.0	0.3
Disposals	0.0	0.0	0.0	0.0	0.0
Total 31.12.2007	**10.6**	**0.0**	**0.0**	**0.0**	**10.6**
Closing Balance at 31.12.2007	**1.8**	**0.0**	**0.0**	**0.0**	**1.8**
Acquisition and Manufacturing Costs at 01.01.2008	**12.4**	**0.0**	**0.0**	**0.0**	**12.4**
Accruals	3.5	0.0	0.0	0.0	3.5
Disposals	0.5	0.0	0.0	0.0	0.5
Transfers	0.0	0.0	0.0	0.0	0.0
Total 31.12.2008	**15.4**	**0.0**	**0.0**	**0.0**	**15.4**
Cumulative Depreciation at 01.01.2008	**10.6**	**0.0**	**0.0**	**0.0**	**10.6**
Scheduled Depreciation	0.8	0.0	0.0	0.0	0.8
Disposals	0.0	0.0	0.0	0.0	0.0
Total 31.12.2008	**11.4**	**0.0**	**0.0**	**0.0**	**11.4**
Closing Balance at 31.12.2008	**4.0**	**0.0**	**0.0**	**0.0**	**4.0**

(37) Income Tax Assets

Income tax assets are broken down as follows:

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Current Income Tax Assets	13.1	5.4	> 100
Active deferred Taxes	26.9	119.6	– 78
Total	**40.0**	**125.1**	**– 68**

Active deferred taxes are the potential income tax benefits arising from temporary differences between assets and liabilities in the IFRS balance sheet and the tax amount based on the tax rules.

Up to and including the financial year 2007, the Bank's tax statement was based on the financial statements under commercial law. The deferred taxes shown in the following table take this fact into account.

With effect from financial year 2008, the tax rules are applied to the IFRS financial statements. This means that many of the temporary differences no longer apply. Active deferred taxes in 2008 relate exclusively to financial assets classified as AfS.

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

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Assets			
Risk Provisions	0.0	1.8	– 100
Financial Assets	26.9	19.1	41
Property, Plant and Equipment	0.0	0.0	–
Other Assets	0.0	0.5	– 100
Equity and Liabilities			
Financial Liabilities at Fair Value through Profit or Loss	0.0	78.5	– 100
Fair values from Hedge Accounting	0.0	4.1	– 100
Provisions	0.0	0.0	–
Other Liabilities	0.0	15.6	– 100
Tax Losses carried forward	0.0	0.0	–
Total	**26.9**	**119.6**	**– 78**

(38) Other Assets

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Tax Reimbursement Rights from other Taxes	1.1	1.6	– 32
Other Assets	0.3	0.0	> 100
Other Assets including Accruals and deferred Income	17.4	0.8	> 100
Total	**18.8**	**2.4**	**> 100**

(39) Liabilities to Banks

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Deposits from other Banks	**3,936.9**	**4,058.9**	**– 3**
Luxembourg Banks	281.7	177.7	59
Foreign Banks	3,655.2	3,881.2	– 6
Liabilities resulting from Money Market Transactions	**9,615.0**	**9,801.1**	**– 2**
Luxembourg Banks	3,691.5	1,208.7	> 100
Foreign Banks	5,923.6	8,592.4	– 31
Other Liabilities	**2.8**	**49.7**	**– 94**
Luxembourg Banks	1.6	3.1	– 48
Due on Demand	1.6	3.1	– 48
Deferred	0.0	0.0	–
Foreign Banks	1.2	46.6	– 97
Due on Demand	1.2	46.6	– 97
Deferred	0.0	0.0	–
Total	**13,554.8**	**13,909.6**	**– 3**

EUR 3,046.1 million (previous year EUR 3,988.4 million) of the total amount relates to liabilities that are not due for over twelve months.

(40) Liabilities to Customers

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Savings Deposits	**0.0**	**0.0**	**–**
Liabilities resulting from Money Market Transactions	**1,632.5**	**1,776.1**	**– 8**
Luxembourg Customers	13.4	14.5	– 8
Foreign Customers	1,619.1	1,761.6	– 8
Other Liabilities	**49.0**	**52.5**	**– 7**
Luxembourg Customers	5.2	20.4	– 75
Due on Demand	5.2	8.2	– 37
Deferred	0.0	12.2	– 100
Foreign Customers	43.8	32.1	36
Due on Demand	43.8	29.6	48
Deferred	0.0	2.5	– 100
Total	**1,681.5**	**1,828.6**	**– 8**

The total amount of liabilities to customers will be due within the next 12 months (previous year EUR 1,826.2 million).

(41) Securitised Liabilities

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Issued Debt Securities	2,427.4	2,260.1	7
Money Market Papers/Commercial Papers	1,286.4	2,792.6	– 54
Other securitised Liabilities	0.0	0.0	–
Total	**3,713.8**	**5,052.7**	**– 26**

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

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

Trading liabilities comprise negative fair values from derivatives that are not used in Hedge Accounting and short sale delivery obligations.

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

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Trading Liabilities	**447.6**	**738.5**	**– 39**
Negative Fair Values from Derivatives in Connection with:	447.6	738.5	– 39
Interest Rate Risks	138.4	567.7	– 76
Currency Risks	309.1	170.8	81
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	**447.6**	**738.5**	**– 39**

(43) Fair Values from Hedge Accounting

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

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Negative Fair Values from allocated micro Fair Value Hedge Derivatives	130.5	91.0	43
Fair Values in Portfolio Fair Value Hedge Accounting	0.0	0.0	–
Fair Values in Cash Flow Hedge Accounting	0.0	0.0	–
Total	**130.5**	**91.0**	**43**

(44) Provisions

Provisions are broken down as follows:

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Provisions for Pensions and similar Obligations	**0.8**	**0.0**	**–**
Other Provisions	7.0	6.3	11
Provisions in Credit Business	0.0	0.0	–
Restructuring Provisions	0.5	2.0	– 76
Provisions for threatened Losses	0.0	0.0	–
Provisions for uncertain Liabilities	6.5	4.3	52
Insurance Business Provisions	0.0	0.0	–
Total	**7.8**	**6.3**	**24**

EUR 1.2 million of other provisions relate to the coming financial year. This amount is mainly for personnel provisions. EUR 5.8 million was held for uncertain liabilities in the next three years. These concern, inter alia, provisions for site deconstruction and risks of recourse.

Provisions for Pensions and similar Obligations
Calculations are based on the following actuarial assumptions:

Actuarial Assumptions	(%)
Annual Salary Growth	2.50
Annual Inflation Rate	2.50
Annual BBG Contribution Ceiling (including cost of living index)	3.88
Discount Rate	6.00
Mortality Table	Statistical Values in the Grand Ducal Regulation of 15 January 2001 governing the minimum Funding of occupational Pensions were published
Expected Return on Plan Assets	3.25
Turnover Rate	3.00

Provisions for pensions and similar obligations are as follows:

	31.12.2008 (KEUR)
Cash Value of the defined Benefit Obligation	3,397.5
Deduction for the Fair Value of Plan Assets	2,550.7
Excess Plan Assets not recognised as an Asset	0.0
Deduction for the Past Service Cost	0.0
Total	**846.8**

The pension plan was recognised for the first time during the financial year. In the previous year, the plan was still regarded as a defined contribution plan. When the classification was reviewed it was ensured that the plan was a defined benefit plan. The allocation to provisions for 2007 and 2008 was offset in the first-time adoption reserve. The provisions requirement in 2007 amounted to EUR 1.0 million, which in 2008 was offset against the first-time adoption reserve.

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:

	31.12.2008 (KEUR)
Opening Balance	**3,443.1**
Current Service Cost	255.6
Interest Expense	192.0
Contributions by Plan Participants	0.0
Actuarial Gains/Losses from the Liability	– 9.3
Increases/Decreases from Currency Translations	0.0
Benefits paid	– 483.9
Past Service Cost	0.0
Effects of Curtailments	0.0
Effects of Settlements	0.0
Closing Balance	**3,397.5**

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

According to the insurance firm, experience adjustments on plan liabilities and plan assets amount to KEUR 249.1 and KEUR –76.1 respectively.

The fair value of the plan assets can be shown to have changed as follows:

	31.12.2008 (KEUR)
Opening Balance	**2,515.1**
Expected Return on Plan Assets	100.7
Actuarial Gains/Losses on Plan Assets	76.1
Increases/Decreases from Currency Translations	0.0
Employer Contributions	342.7
Contributions by Plan Participants	0.0
Benefits paid	– 483.9
Effects of Settlements	0.0
Closing Balance	**2,550.7**

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

	31.12.2008 (%)
Equity Instruments	4
Equity Instruments of another Entity	89
Real Estate	5
Other Assets	2

The fair value of the plan assets includes equity instruments amounting to KEUR 96, equity instruments of another entity amounting to KEUR 2,269, and other assets amounting to KEUR 186.

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

Pension costs are made up as follows:

	31.12.2008 (KEUR)
Current Service Cost	255.6
Interest Expense	192.0
Expected Return on Plan Assets	– 100.7
Past Service Cost	0.0
Effects of Plan Changes	0.0
Expected Return on Reimbursement Rights	– 85.3
Total	**261.6**

Other provisions changed during the year under report as follows:

EUR Million	Provisions in Credit Business	Restructuring Provisions	Provisions for threatened Losses	Provisions for uncertain Liabilities		Insurance Business Provisions	Total
				Provisions for Personnel related Liabilities	Other Provisions for uncertain Liabilities		
Opening Balance	0.0	2.0	0.0		4.3	0.0	6.3
Increases/Decreases from Currency Translations							**0.0**
Utilisation		1.6			2.0		**3.5**
Reductions							**0.0**
Transfers							**0.0**
Allocations				0.5	3.7		**4.2**
Closing Balance	0.0	0.5	0.0	0.5	6.0	0.0	7.0

(45) Income Tax Liabilities

Income tax liabilities are broken down as follows:

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Current Income Tax Liabilities	12.4	12.4	0
Passive deferred Taxes	5.5	107.6	– 95
Total	**17.8**	**120.0**	**– 85**

Current income tax liabilities comprise payment obligations arising from current income taxes to Luxembourg and foreign tax authorities.

Passive deferred taxes are the potential income tax burdens arising from temporary differences between the values of assets and liabilities in the IFRS balance sheet and the tax amounts based on the tax rules.

Up to and including financial year 2007, the Bank's tax statement was based on the financial statements under commercial law. The deferred taxes shown in the following table take this fact into account.

With effect from financial year 2008, the tax rules are applied to the IFRS financial statements. This means that many of the temporary differences no longer apply (see table below). The passive deferred taxes in 2008 are the result of selling the Bank's office building.

The deferred tax liabilities relate to the following balance sheet items:

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Assets			
Financial Assets at Fair Value through Profit or Loss	0.0	56.2	– 100
Fair Values from Hedge Accounting	0.0	7.4	– 100
Financial Assets	0.0	20.5	– 100
Intangible Assets	0.0	0.0	–
Other Assets	0.0	13.1	– 100

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Equity and Liabilities			
Securitised Liabilities	0.0	9.0	– 100
Financial Liabilities at Fair Value through Profit or Loss	0.0	0.0	–
Provisions	0.0	0.0	–
Other Liabilities	5.5	1.4	> 100
Total	**5.5**	**107.6**	**– 95**

(46) Other Liabilities

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Liabilities from outstanding Invoices	2.7	1.7	59
Liabilities from Contributions	0.0	0.0	–
Liabilities from short-term Remuneration of Workers	2.0	2.7	– 24
Accruals and deferred Income	0.7	66.8	– 99
Liabilities from payable Taxes and Social Security Contributions	2.5	1.9	31
Liabilities on interim Accounts	0.0	0.0	–
Insurance-related Liabilities	0.0	0.0	–
Other Liabilities	10.0	16.5	– 39
Total	**18.0**	**89.6**	**– 80**

Liabilities from short-term remuneration of workers comprise outstanding leave entitlement, compensation and emoluments.

(47) Subordinated Capital

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

Because of their contractual form and economic character, contributions by silent partners constitute equity of another entity in accordance with IAS 32, but also fully meet the conditions set out in Circular 06/273 in relation to consideration as regulatory supplementary capital.

The interest expenses for contributions by silent partners are directly dependent on the profit/loss achieved by the Bank. In 2008, the fall in profit for the year led to interest expenses for subordinated liabilities that, at EUR 13.7 million, were lower than the previous year (EUR 21.1 million).

The changes shown in the table are due to accumulated interest and fluctuating exchange rates.

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)	Increase/ Decrease (%)
Subordinated Liabilities	90.0	85.2	6
Profit Participation Capital	0.0	0.0	–
Contributions by silent Partners	154.7	152.3	2
Total	**244.7**	**237.6**	**3**

Type of Transaction	Nominal Amount (Millions)	Accrued Interest (Millions)	Exchange Rate on 31.12.20088	Balance Sheet Value (EUR Million)	Term in Years	Interest Rates (%)	Maturity
Subordinated Loans	USD 60.0	USD 0.2	1.3917	43.3	15	2.67625	08.06.16
Subordinated Loans	USD 65.0	USD 0.0	1.3917	46.7	15	1.89875	31.12.17
Silent Participations	EUR 12.8	EUR 0.0	1	12.8	10	3.89	02.03.09
Silent Participations	EUR 76.7	EUR 2.1	1	78.8	10	5.222	02.03.09
Silent Participations	EUR 12.8	EUR 0.3	1	13.1	10	5.222	02.03.09
Silent Participations	EUR 50.0	EUR 0.0	1	50.0	10	5.25	27.09.10
Total				**244.7**			

In March 2009, with the approval of the supervisory authority, matured contributions by silent partners amounting to a nominal EUR 102 million are to be paid back.

(48) Notes to the Statement of Changes in Equity

The subscribed capital of the company amounted to EUR 205 million at 31 December 2008 and comprises 820,000 registered no-par value shares. It is fully paid up. There were no changes over the course of the financial year and no changes to the subscribed capital are planned in financial year 2009.

The individual components of equity and changes to those components in 2007 and 2008 arise from the statement of changes in equity.

The revenue reserves comprise the amounts accumulated in previous reporting years at NORD/LB Luxembourg and allocations from the profit for the year.

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

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

As in previous years, the Bank made use of the wealth tax imputation system for the year and appropriated an amount equivalent to five times the imputed wealth tax for the tax group to the other reserves in consideration of the five year lock-in period (EUR 20.3 million, previous year EUR 18.0 million).

Other Disclosures

(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.

There are no fundamental adjustments in comparison to presentation under LuxGAAP/DRS.

With regard to the liquidity risk management for NORD/LB Luxembourg we refer to the explanations in the risk report.

Notes to Financial Instruments

(50) Term to Maturity of Financial Liabilities

At 31 December 2008:

EUR Million	Up to 1 Month	Over 1 Month and up to 3 Months	Over 3 Months and up to 1 Year	Over 1 Year and up to 5 Years	Over 5 Years	Total
Liabilities to Banks	7,603.6	1,021.1	1,884.0	945.2	2,100.9	**13,554.8**
Liabilities to Customers	1,118.0	179.7	383.7	0.0	0.0	**1,681.5**
Securitised Liabilities	436.6	750.7	99.0	1,522.8	904.6	**3,713.8**
Financial Liabilities at Fair Value through Profit or Loss (without Derivatives)	0.0	0.0	0.0	0.0	0.0	**0.0**
Subordinated Capital	0.0	104.7	0.0	50.0	90.0	**244.7**
Irrevocable Credit Commitments	6.1	64.0	399.7	1,146.6	469.4	**2,085.9**
Total	**9,164.4**	**2,120.2**	**2,766.4**	**3,664.6**	**3,565.0**	**21,280.6**

At 31 December 2007:

EUR Million	Up to 1 Month	Over 1 Month and up to 3 Months	Over 3 Months and up to 1 Year	Over 1 Year and up to 5 Years	Over 5 Years	Total
Liabilities to Banks	7,398.3	1,680.5	842.4	2,514.7	1,473.7	**13,909.6**
Liabilities to Customers	1,619.4	161.0	45.8	2.4	0.0	**1,828.6**
Securitised Liabilities	1,433.9	1,284.0	70.6	1,596.3	667.9	**5,052.7**
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	89.5	148.0	0.0	**237.6**
Irrevocable Credit Commitments	5.6	339.0	338.9	1,786.7	416.6	**2,886.8**
Total	**10,457.2**	**3,464.5**	**1,387.3**	**6,048.1**	**2,558.1**	**23,915.3**

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

(51) 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 31.12.2008	Carrying Amount 31.12.2008	Difference 31.12.2008	Fair Value 31.12.2007	Carrying Amount 31.12.2007	Difference 31.12.2007
Assets	**13,540.7**	**12,800.2**	**740.5**	**14,883.0**	**14,767.0**	**116.0**
Cash Reserve	**95.4**	**95.6**	**– 0.2**	**432.0**	**432.0**	**0.0**
Loans and Advances to Banks	6,742.8	6,721.4	21.4	8,626.9	8,622.7	4.2
Loans and Advances to Customers	6,702.5	6,074.7	627.8	5,824.1	5,724.6	99.5
Risk Provisions	0.0	– 91.4	91.4	0.0	– 12.3	12.3
Loans and Advances after Risk Provisions	**13,445.3**	**12,704.7**	**740.7**	**14,451.0**	**14,335.0**	**116.0**

EUR Million	Fair Value 31.12.2008	Carrying Amount 31.12.2008	Difference 31.12.2008	Fair Value 31.12.2007	Carrying Amount 31.12.2007	Difference 31.12.2007
Equity and Liabilities	**19,795.3**	**19,194.7**	**600.6**	**21,098.6**	**21,028.4**	**70.1**
Liabilities to Banks	**14,133.7**	**13,554.8**	**578.9**	**13,971.9**	**13,909.6**	**62.3**
Liabilities to Customers	**1,684.7**	**1,681.5**	**3.2**	**1,832.8**	**1,828.6**	**4.2**
Securitised Liabilities	**3,716.9**	**3,713.8**	**3.1**	**5,043.9**	**5,052.7**	**– 8.8**
Subordinated Capital	**260.0**	**244.7**	**15.3**	**250.0**	**237.6**	**12.4**

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.

(52) Derivative Financial Instruments

NORD/LB Luxembourg 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 mostly interest rate swaps.

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

The composition of the derivative portfolio is as follows:

EUR Million	Nominal Values 31.12.2008	Nominal Values 31.12.2007	Market Values positive 31.12.2008	Market Values positive 31.12.2007	Market Values negative 31.12.2008	Market Values negative 31.12.2007
Interest Rate Risks	**16,070.7**	**58,020.7**	**155.7**	**594.8**	**269.0**	**658.7**
Interest Rate Swaps	16,070.7	58,020.7	155.7	594.8	269.0	658.7
FRAs	0.0		0.0		0.0	
Interest Rate Options						
Purchases	0.0		0.0		0.0	
Sales	0.0		0.0		0.0	
Caps, Floors	0.0		0.0		0.0	
Stock Exchange Contracts	0.0		0.0		0.0	
Other forward Interest Rate Transactions	0.0		0.0		0.0	
Currency Risks	**9,448.7**	**9,479.6**	**259.9**	**86.2**	**309.1**	**170.8**
Forward Exchange Contracts	114.6	8,428.6	3.8	47.6	3.9	67.5
Currency Swaps/ Interest Rate-Currency Swaps	9,334.1	1,051.0	256.1	38.6	305.2	103.3
Currency Options						
Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Sales	0.0	0.0	0.0	0.0	0.0	0.0
Stock Exchange Contracts	0.0	0.0	0.0	0.0	0.0	0.0
Other Currency Transactions	0.0	0.0	0.0	0.0	0.0	0.0
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						
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	**25,519.4**	**67,500.3**	**415.6**	**681.0**	**578.1**	**829.5**

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

Nominal Value (EUR Million)	Interest Rate Risks		Currency Risks		Share and other Price Risks		Credit Derivatives	
	31.12. 2008	31.12. 2007	31.12. 2008	31.12. 2007	31.12. 2008	31.12. 2007	31.12. 2008	31.12. 2007
Term to Maturity								
Up to 3 Months	9,143.9	18,903.5	7,161.1	8,600.2	0.0	0.0	0.0	0.0
Over 3 Months and up to 1 Year	2,714.5	31,440.2	1,282.0	158.6	0.0	0.0	0.0	0.0
Over 1 Year and up to 5 Years	2,697.8	6,906.6	655.2	166.4	0.0	0.0	0.0	0.0
Over 5 Years	1,514.5	770.4	350.4	554.4	0.0	0.0	0.0	0.0
Total	**16,070.7**	**58,020.7**	**9,448.7**	**9,479.6**	**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 31.12.2008	Nominal Values 31.12.2007	Market Values positive 31.12.2008	Market Values positive 31.12.2007	Market Values negative 31.12.2008	Market Values negative 31.12.2007
Banks in OECD Countries	25,481.5	67,434.4	413.1	678.6	577.5	829.1
Banks outside OECD Countries	0.0	0.0	0.0	0.0	0.0	0.0
Public Sector Entities in OECD Countries	0.0	0.0	0.0	0.0	0.0	0.0
Other Counterparties (including Stock Exchange Contracts)	37.9	65.9	2.5	2.4	0.6	0.4
Total	**25,519.4**	**67,500.3**	**415.6**	**681.0**	**578.1**	**829.5**

(53) NORD/LB Luxembourg as Assignor and Assignee

The following assets were assigned as security for liabilities:

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)
Loans and Advances to Banks	0.0	0.0
Loans and Advances to Customers	0.0	0.0
Financial Instruments at Fair Value through Profit or Loss	0.0	0.0
Financial Assets	4,924	4,157
Total	**4,924**	**4,157**

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

Assets were assigned as security for the following liabilities in the amounts stated:

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)
Liabilities to Banks	4,924	4,133
Liabilities to Customers	0.0	0.0
Total	**4,924**	**4,133**

The securities obtained, which may be rehypothecated or resold even without the default of the assignor, relate exclusively to securities repurchase agreements.

(54) Securities Repurchase Agreements and Securities Credit Transactions

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)
Genuine Repurchase Agreements as a Repurchase Buyer (reverse Repos)	521	1,690
Loans and Advances to Banks	521	1,690
Loans and Advances to Customers	0	0
Genuine Repurchase Agreements as a Repurchase Seller (Repos)	4,900	4,133
Liabilities to Banks	4,900	4,102
Liabilities to Customers	0	30

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)
Loaned Securities	0	0
Loaned Securities at Fair Value through Profit or Loss	0	0
Loaned Securities from Financial Assets	0	0
Borrowed Securities	70	0

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)
Securities sold under Repurchase Agreements	4,898	4,126
Securities sold under Repurchase Agreements at Fair Value through Profit or Loss	0	0
Securities sold under Repurchase Agreements from Financial Assets	4,898	4,126
Securities bought under Repurchase Agreements	519	1,684

Other Notes

(55) Basic regulatory Data

The risk-weighted asset values and the regulatory equity at the end of 2007 were still based on the rules set out in Circular 2000/10. With effect from financial year 2008, they are determined in accordance with the Solvency Regulation (SolvV) and on the basis of IFRS. In this respect the Bank uses an approach based on internal ratings.

Risk-weighted Asset Values

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)
Risk Assets	5,929.6	8,210.0
Market Risk Positions	162.7	116.3
Floor	1,548.9	
Total	**7,641.1**	**8,326.3**

The IRB approach used by the Bank leads to a lower equity cost compared to the previous regulation. In this case, the Solvency Regulation provides for the equity cost to be gradually reduced to the lower value during a transitional period. A floor in the risk assets is taken into consideration for this purpose.

Regulatory Equity

	31.12.2008 (EUR Million) under IFRS	31.12.2007 (EUR Million) under Lux GAAP
Contributed Capital	205.0	205.0
Other Reserves	514.5	421.4
Special Item for general Banking Risks (in Accordance with Art.63 of the Law of 17 June 1992)	–	30.0
Remaining Components	– 4.0	– 1.8
Core Capital	**715.5**	**654.6**
Contributions by silent Partners	152.3	152.3
Subordinated Debt Securities (recognisable Part)	89.8	84.9
Supplementary Capital	**242.1**	**237.2**
Liable Equity	**957.6**	**891.8**
Tier three Funds	0	0
Equity Capital	**957.6**	**891.8**

The special item for general banking risks was transferred to reserves in the first-time adoption of IFRS.

The revaluation reserve is not taken into account in regulatory equity. The Bank exercised its right to choose accordingly.

Minimum Capital Ratios

The Bank complied at all times with the regulatory minimum capital ratios in 2007 and 2008. At the respective year-ends the Bank had the following ratios:

	31.12.2008	31.12.2007
Overall Coefficient	12.5 %	10.7 %

When taking account of the floor, the overall coefficient is 12.5 %. Without recognising the floor the coefficient improves to 15.7 %.

(56) Contingent Liabilities and other Obligations

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)
Contingent Liabilities	0	0
Contingent Liabilities under rediscounted Bills of Exchange	–	–
Liabilities from Guarantees and other Indemnity Agreements	885	638
Irrevocable Credit Commitments	2,086	2,887
Total	**2,086**	**2,887**

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 in accordance with IAS 37.91.

(57) Subordinated Assets

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)
Loans and Advances to Banks	83.3	0
Loans and Advances to Customers	0	0
Financial Instruments at Fair Value	0	0
Financial Assets	0	0
Total	**83.3**	**0**

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

EUR 58.8 million of subordinated loans and advances to banks relates to a subsidiary and EUR 24.5 million relates to a NORD/LB participation.

(58) Trust Activities

Trust activities are broken down as follows:

	31.12.2008 (EUR Million)	31.12.2007 (EUR Million)
Trust Assets	**11.3**	**10.8**
Loans and Advances to Banks	0.0	0.0
Loans and Advances to Customers	11.3	10.8
Financial Instruments at Fair Value	–	–
Financial Assets	–	–
Other trust Assets	–	–
Trust Liabilities	**11.3**	**10.8**
Liabilities to Banks	11.3	10.8
Liabilities to Customers	0.0	0.0
Other Trust Liabilities	–	–

(59) Events after the Balance Sheet Date

NORD/LB Luxembourg was converted from a company with monistic management to one with dualistic management with effect from 1 January 2009 (see Articles 60bis-1 to 60bis-19 of the Luxembourg Law of 10 August 1915 on Commercial Companies, as amended). In this way the Bank clearly separates the company's Supervisory Board and Board of Directors.

In March 2009, with the approval of the supervisory authority, matured contributions by silent partners amounting to a nominal EUR 102 million are to be paid back.

In early March a borrower filed for bankruptcy. The default risk associated with this exposure cannot be foreseen at this time, but according to the information that is currently available it will not exceed the value adjustment made at portfolio level.

Related Parties

(60) Number of Employees

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

	Male 2008	Male 2007	Female 2008	Female 2007	Total 2008	Total 2007
NORD/LB Luxembourg	81.3	75.3	33.8	33.3	115.0	108.6

Group	2008	2007
Management	2.3	3.0
Senior Staff	13.5	12.8
Employees	99.2	92.8
Total	**115.0**	**108.6**

(61) Related Party Disclosures

All consolidated subsidiaries were defined as related 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 regarded as related parties under IAS 24 are members of the Board of Directors and Supervisory Board of NORD/LB Luxembourg and their close family members.

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

The extent of transactions with related parties in 2008 and 2007 can be seen below:

At 31 December 2008:

Disclosures (KEUR)	Shareholders	Subsidiaries	Persons in Key Roles	Other related Parties
Outstanding Loans and Advances				
To Banks	2,142,013	1,673,603	0	0
To Customers	0	0	440	0
Other Assets	112,811	1,335,654	0	0
Total Assets	**2,254,824**	**3,009,257**	**440**	**0**
Outstanding Liabilities				
To Banks	5,698,842	283,956	0	207,767
To Customers	0	35,416	0	0
Other Liabilities	311,181	52,507	195	0
Total Equity and Liabilities	**6,010,023**	**371,879**	**195**	**207,767**
Guarantees/Sureties granted	**0**	**373,184**	**0**	**0**
Interest Expense	254,855	14,902	0	10,655
Interest Income	84,062	74,502	117	7,162
Commission Expense	21,300	68	0	0
Commission Income	0	826	0	0
Other Income and Expense	– 19,568	6,887	– 2,512	0
Total Contributions to Income	**– 211,661**	**67,245**	**– 2,395**	**– 3,493**

Other income and expense includes dividend distributions from subsidiaries, amounting to KEUR 1,374 (previous year KEUR 1,245).

For services performed under service agreements with regard to personnel, the utilisation of buildings and other material costs, SKANDIFINANZ BANK AG and NORD/LB COVERED FINANCE BANK were invoiced for KEUR 168 (previous year KEUR 166) and KEUR 1,480 (previous year KEUR 1,223) respectively.

At 31 December 2007:

Disclosures (KEUR)	Shareholders	Subsidiaries	Persons in Key Roles	Other related Parties
Outstanding Loans and Advances				
To Banks	2,446,058	363,794	0	– 363,794
To Customers	0	0	460	0
Other unsettled Assets	107,209	463,008	0	0
Total Assets	**2,553,268**	**826,802**	**460**	**– 363,794**
Outstanding Liabilities				
To Banks	4,608,621	202,091	0	134,910
To Customers	0	0	0	0
Other unsettled Liabilities	301,472	4,779	218	0
Total Equity and Liabilities	**4,910,093**	**206,871**	**218**	**134,910**
Guarantees/Sureties granted	**0**	**116,258**	**0**	**0**
Interest Expense	268,492	2,997	0	6,715
Interest Income	34,048	75,444	3	12,343
Commission Expense	18,623	204	0	0
Commission Income	0	0	0	0
Other Income and Expense	– 25,158	44,096	– 2,555	– 60
Total Contributions to Income	**– 278,225**	**116,339**	**– 2,552**	**5,568**

All payments and loans to executive bodies in accordance with the provisions relating to trade are set out in Note (63) Remuneration of and loans to executive bodies.

(62) Members of Executive Bodies and their Positions

Board of Directors (Verwaltungsrat)
During the year under report the Bank‘s Board of Directors consisted of the following persons:

- Dr Hannes Rehm, President, Chairman of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (up until 31 December 2008)

- Dr. Gunter Dunkel, Member 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 (with effect from 15 August 2008)

- Hans Hartmann, Administrateur-Délégué of Norddeutsche Landesbank Luxembourg S.A., Luxembourg (up until 30 June 2008)

- Dr. Stephan-Andreas Kaulvers, Chairman of the Board of Directors of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale, Bremen

- Walter Kleine, Chairman of the Board of Directors of Sparkasse Hannover, Hanover

- Jürgen Kösters, Member of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (up until 8 May 2008)

- Harry Rosenbaum, Rosenbaum, Administrateur-Délégué of Norddeutsche Landesbank Luxembourg S.A., Luxembourg (with effect from 1 July 2008)

- Christoph Schulz, Member of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

- Dirk Vormberge, Administrateur-Directeur of Norddeutsche Landesbank Luxembourg S.A., Luxembourg (up until 1 February 2008)

Members of Management
During the year under report the Bank’s management consisted of the following persons:

- Hans Hartmann, Luxembourg (Administrateur-Délégué), up until 1 July 2008

- Harry Rosenbaum, Luxembourg (Administrateur-Délégué), with effect from 1 July 2008

- Uwe Rossmannek, Hanover (Directeur), up until 1 April 2008

- Dirk Vormberge, Igel (Administrateur Directeur), up until 1 February 2008

- Christian Veit, Luxembourg (Directeur)

Positions
At 31 December 2008 the managers of Norddeutsche Landesbank Luxembourg S.A. had the following positions:

Harry Rosenbaum
- SKANDIFINANZ BANK AG, Zurich, Member of the Board of Directors

- NORD/LB COVERED FINANCE BANK S.A., Luxembourg, Member of the Board of Directors

- NORD/LB Luxembourg Group Services, Luxembourg, Member of the management committee

Christian Veit
- NORD/LB COVERED FINANCE BANK S.A., Luxembourg, Managing Member of the Board of Directors

- NORD/LB Luxembourg Group Services, Luxembourg, Managing Director’s Authorised Representative (NORD/LB Luxembourg)

(63) Remuneration of and Loans to Executive Bodies

	2008 (KEUR)	2007 (KEUR)
Payments to active Executive Body Members		
Extended Management *	2,437	2,495
Board of Directors	75	60
Pension Obligations		
Extended Management *	195	218
Board of Directors	0	0
Advances, Loans and Liabilities		
Extended Management *	440	460
Board of Directors	0	0

* management and senior staff

(64) Auditor's Fees

	2008 (KEUR)	2007 (KEUR)
Auditor's Fees for:		
Auditing	298	360
Other Services	75	30

(65) Deposit Guarantee

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

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

(66) Approval of the annual Financial Statements by the Board of Directors

The annual financial statements were approved by the Board of Directors of NORD/LB on 6 March 2009.

Norddeutsche Landesbank Luxembourg S.A.

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NORD/LB Luxembourg

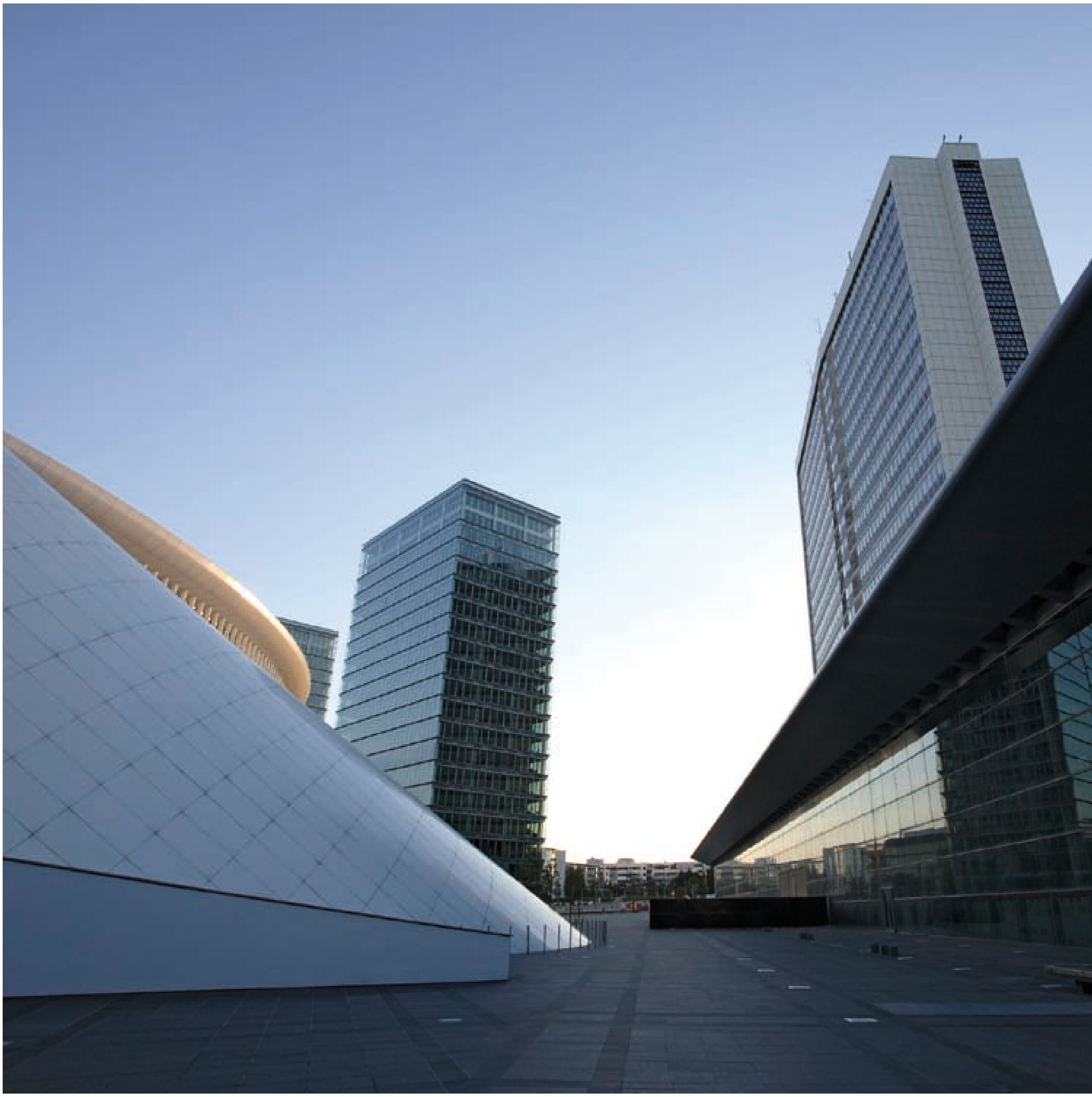
Responsibility Statement

We confirm to the best of our knowledge that the annual financial statements, in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank, and that the management report includes a fair review of the development and performance of the business and the position together with a description of the main opportunities and risks associated with the expected development of the Bank.

Luxembourg, 6 March 2009
Norddeutsche Landesbank Luxembourg S.A.

Harry Rosenbaum Christian Veit

Annual Report 2008



NORD/LB Luxembourg

Auditor's Report

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

Report on the Financial Statements

We have audited the attached annual financial statements of Norddeutsche Landesbank Luxembourg S.A., which comprise the balance sheet at 31 December 2008, the income statement, the statement of changes in equity, the cash flow statement and the notes for the financial year ending on this date, in accordance with the task entrusted to us by the ordinary general meeting of shareholders on 17 March 2008.

Responsibility of the Management for the Annual Financial Statements
The management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. This responsibility includes developing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. The annual financial statements of Norddeutsche Landesbank Luxembourg S.A. at 31 December 2007 were audited by another auditor, whose report dated 11 February 2008 contains an unqualified opinion on those financial statements.

We conducted our audit in accordance with the International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. These standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

Opinion
We believe that the financial statements, in accordance with the International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets and financial situation of Norddeutsche Landesbank Luxembourg S.A. at 31 December 2008 and of the earnings for the financial year ending on this date.

Report on other legal and regulatory Requirements

The management report, which is the responsibility of the management, is in accordance with the annual financial statements.

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

Christoph HAAS

Luxembourg, 6 March 2009

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NORD/LB Luxembourg

Report of the Supervisory Board

The Bank's management regularly informed the Board of Directors and the committees appointed by the Board during the year under report of the business development and situation of the Bank. The Board of Directors met on a total of four occasions during the financial year 2008.

The Board of Directors and its committees adopted resolutions on business matters presented to them and on other issues requiring decisions by these executive 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.

In accordance with the decision taken by the extraordinary general meeting of shareholders on 8 December 2008, NORD/LB Luxembourg was converted from a company with monistic management to one with dualistic management with effect from 1 January 2009. As a result of the amended organisational form, the Board of Directors (Verwaltungsrat) was completely dissolved on 31 December 2008. The company's bodies, in accordance with the revised Articles of Association, are the General Meeting (Generalversammlung), the Supervisory Board (Aufsichtsrat) and the Board of Directors (Vorstand).

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

- Dr. Gunter Dunkel, Chairman of the Supervisory Board
- Christoph Schulz
- Martin Halblaub
- Dr. Stephan-Andreas Kaulvers
- Walter Kleine

The financial statements of NORD/LB Luxembourg for the financial year 2008 were audited by Ernst & Young S.A., Luxembourg and were provided with an unqualified auditor's certificate. In addition, the auditor attended the meeting to discuss the financial statements held by the Supervisory Board on 6 March 2009 and reported on the results of the audit.

The Supervisory Board approved the results of the audit conducted by the auditors and, after consolidating the results of its own assessment, did not raise any objections.

At its meeting on 6 March 2009, the Supervisory Board approved the management report and the financial statements at 31 December 2008, which are therefore formally approved.

The Supervisory Board proposes that the General Meeting discharge the Board of Directors and carry forward the profit for the financial year 2008 of NORD/LB Luxembourg.

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 2008.

Luxembourg
March 2009

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

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Settlements-Securities	(+352) 45 22 11-363
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S.W.I.F.T.
NOLALULL

Supervision
Commission de Surveillance du Secteur Financier

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