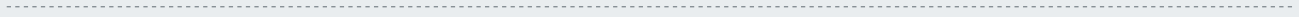


Annual Report 2009

Norddeutsche Landesbank Girozentrale
(Anstalt öffentlichen Rechts)



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Declaration of Norddeutsche Landesbank Girozentrale on the Corporate Governance Code

The Corporate Governance Code comprises standards for good and responsible management which are recognised both nationally and internationally. The Code serves to make German rules for the management and monitoring of the Group transparent and comprehensible. The aim of the Code is to reinforce trust placed by German and international investors, customers, employees and the general public in the management of German public limited companies.

For the purpose of responsible and transparent corporate management, NORD/LB complies to a large extent with the recommendations contained in the Code insofar as this is effective within the framework of the legal form of the bank. We primarily apply those rules which relate to the structure of executive bodies and their correlations (obligations to report and rights of control) as well as to transparency within the company.

NORD/LB will continue to solicit the trust of investors, customers, employees and the general public by means of good and responsible management.



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Business Activities and the General Environment

(Previous year figures for the 2008 accounting period or as at 31 December 2008 are shown in brackets.)

Economic Development

Germany

The crisis year of 2009 was a unique year from an economic point of view. Real gross domestic product fell by five per cent, its greatest fall since the Federal Republic of Germany came into existence. The previous worst recession in 1975 was comparatively harmless with a negative growth rate of 0.9 per cent for real GDP. Other industrial nations such as the USA, Japan, the eurozone and many emerging economies (in particular Russia and many of the Central and Eastern European countries) occasionally recorded very heavy falls in economic output. Global trade fell by a rate in double figures in 2009 compared to the previous year. At the half-year point economic development steadied, global trade started to grow again and orders and production increased, albeit from a much lower level.

The major cause of the global recession in the past year was the financial market crisis; after the investment bank Lehman Brothers collapsed in the autumn of 2008 the recession required many countermeasures by governments and central banks all around the world. The cause of the financial crisis, in particular the high global inequalities, the strong (real estate) credit expansion and the financial sector's very high share of value creation in some countries, are though also an expression at least in part of the non-sustainable development in the real economy. The crisis has resulted to some extent in a correction of these undesirable developments.

In the first quarter of 2009 economic output in Germany fell dramatically by 3.5 per cent compared to the previous quarter. Exports alone fell in this quarter by more than 10 per cent in real terms, while real capital expenditure on machinery and equipment was in free fall, falling by ca. 19 per cent. The global collapse in orders which was particularly painful for the German economy, which depends greatly on exports, was reflected by much lower industrial production, which in spring was more than 20 per cent below the previous year's level. During the remainder of the year the economic situation steadied, with the global stabilisation and economic programmes as well as the very expansive monetary policy contributing towards this. The business climate for companies subsequently recovered from the historic lows.

In the whole year less was exported than the previous year for the first time since 1993. Correspondingly the trade balance was negative and at -3.4 percentage points contributed significantly to the 5 per cent fall in GDP. Gross investment in plant and equipment was also negative, falling by a total of 8.6 per cent. Public and private consumer expenditure provided some support for the economy in Germany with an overall contribution to growth of 0.7 percentage points. Private consumption showed itself to be surprisingly robust during the crisis and rose in real terms by 0.4 per cent.

This though is attributable not least of all to a few special factors. First of all government incentives to buy new cars (the scrap bonus) worked as intended, the total of € 5 billion available had already been used up in the third quarter due to the huge increase in demand. The base effects of very low inflation also temporarily stimulated consumption. After the previous year's high rise in prices, the Harmonised Index of Consumer Prices (HICP) rose by only 0.2 per cent in 2009; this is the lowest rate of inflation since the HICP has been recorded. In July the inflation rate was even negative at 0.7 per cent.

However, the effects of the large negotiated wage increases did not unfold in the past year. Effective gross wages and salaries even fell by 0.4 per cent, with this primarily being due to the massive use of short-time work and the use of collective opening clauses. Short-time work did though contribute significantly towards the sharp fall in the real economy having relatively little impact on the job market. Despite the difficult recession, the average number of people unemployed only rose slightly by approximately 160,000 to 3.4 million; in the second half of the year the situation improved slightly. The unemployment rate only rose slightly from 7.8 to 8.2 per cent.

Lower Saxony

The economy in Lower Saxony contracted greatly in 2009 as a result of the global economic crisis. In the first half of the year gross domestic product adjusted for prices fell by 6.3 per cent compared to the same period for the previous year. Economic output fell by less than the average for the whole of Germany and by less than all of the states in Western Germany. Development in Lower Saxony was characterised by the adverse development in the manufacturing sector. All most all branches of industry had to endure double-figure falls in sales compared to the previous year. Among the strongest industries, the automotive, engineering, chemical and metal industries reported particularly heavy falls in sales. A slight upswing was seen in the second half of the year.

The effects of the global economic crisis have made themselves felt in Lower Saxony's job market in falling demand for labour and in falling employment figures. However, the short-time allowance prevented a greater rise in unemployment. The average unemployment rate for the year in Lower Saxony was 7.8 per cent and therefore only marginally higher than the previous year's level. The rate was also higher than the average for Western Germany in 2009.

Bremen

In Bremen gross domestic product adjusted for prices fell in the first half of 2009 by 4.9 per cent. With industry having a smaller share in overall economic output, the federal state has been less affected by the fall in global economic demand than Germany as a whole. However, the economic environment has also deteriorated considerably in Bremen. For example, the volume of traffic at the Port of Bremen has fallen greatly due to the global economic crisis.

Viewed across the whole of 2009, the slight recovery seen in the job market seen in recent years continued in the federal state of Bremen despite the global economic crisis. The average unemployment rate for the year was 11.8 per cent and therefore 0.9 percentage points below the rate for the previous year. Bremen still has the highest rate of unemployment of any federal state in Western Germany.

Saxony-Anhalt

Saxony-Anhalt also had to endure a considerable fall in economic output in 2009. In the first half of the year gross domestic product adjusted for prices fell by -5.6 per cent compared to the previous year. Saxony-Anhalt therefore fared somewhat better than Germany as a whole, but compared with the states in Eastern Germany it had to endure relatively large losses. The reasons for this development were in particular events in the industrial sector and in the construction industry. The falls in these economic sectors were though not as heavy in Saxony-Anhalt as in Germany as a whole. The manufacturing sector in Saxony-Anhalt is overall less dependent on exports and less affected by the weak demand from abroad.

In Saxony-Anhalt the average unemployment rate for 2009 was 13.6 per cent. This was 0.4 percentage points less than the previous year; however it was once again higher than the average for Eastern Germany.

Mecklenburg-Western Pomerania

In Mecklenburg-Western Pomerania gross domestic product adjusted for prices fell in the first half of 2009 by 3.6 per cent compared to the same period for the previous year. The fall in economic output affected all economic sectors, and in particular the manufacturing and construction industries, wholesale and retail trade, hotels and restaurants and transport. In Mecklenburg-Western Pomerania economic output fell much less as industry plays a comparatively smaller role and the food industry, which is less reactive to the economy, is particularly important.

In Mecklenburg-Western Pomerania the unemployment rate fell by 0.5 percentage points to 13.6 per cent in 2009. The federal state therefore no longer occupies last place among all federal states and was in joint-second-to-last place with Saxony-Anhalt ahead of Berlin in 2009.

General Economic Development in Foreign Markets

USA

By mechanistic definition the US economy is no longer in recession since the return of positive growth rates. The prospects for the near future are also not bad. NORD/LB is expecting that the US economy will develop positively when the economic stimulus packages come to an end and that the upswing will then support itself. At any rate the bank is forecasting average economic growth of 3.0 per cent for 2010.

The unpleasant unemployment situation will remain a problem for the time being and was 10.0 per cent at the close of 2009. However, the first signs of an improvement in the US job market can be seen. The first signs are also slowly emerging in the US real estate market that the situation is about to stabilise. In brief it can be concluded that the simultaneous weakness in the job and real estate markets affected US consumption much less than many pessimists had feared. The consumer therefore remains a reliable pillar of the US economy.

During the crisis the Federal Reserve lowered the Fed Funds Target Rate to between 0 and 0.25 per cent. With inflation rates being positive since the end of 2009 and the US economy also starting to look more promising, the bank is expecting that US monetary policy will slowly return to normal in 2010. Capital market yields at the long end of the yield curve have already broken away from their lows in March 2009. 10-year US treasury notes for example are again being listed at around 3.60 per cent.

North-East Europe

The Baltic states have been massively affected by the global economic crisis. Gross domestic product fell according to estimates by the EU Commission in both Latvia and Lithuania by around 18 per cent. Latvia has therefore been in recession for two years in a row. It is also estimated that growth in Estonia fell by around 14 per cent. The one time Baltic "Tigers" were therefore at the bottom of the league for economic development in the European Union. The slump in growth was due not least of all to their sticking to their respective fixed exchange rates with the euro. This

resulted in an "internal devaluation" of the Baltic currencies: The economic adjustment measures which were necessary due to the crisis took place not with a devaluation against the EU single currency and increased competitiveness, but solely with domestic economic measures, in particular with considerable wage and salary reductions in the public sector and reduced transfer payments. Both in turn had a negative effect on private demand. It is positive that in particular in Lithuania the extremely high and unsustainable balance of payment deficits of recent years have been reduced. In Latvia the political pressure against the reform measures demanded by the IMF in return for the stand-by credit granted had been so great that the government wanted to unilaterally relax the agreed goals. In response to this the IMF then put a question mark over further payments. The aid only started to flow again when the government relented.

Development in countries such as Poland and the Czech Republic was stable in comparison in 2008. Poland will in all probability even be the only country in the EU-27 to record positive economic growth in 2009.

Scandinavia's economic development also deteriorated considerably in 2009, whereby Finland was the most heavily affected in its macroeconomic development. Denmark is in its second year of recession, while Sweden has been massively affected by the slump in the Baltics due to the leading market position of its banks there.

Asia

Asia recorded a further slow-down in economic growth in 2009. In some countries the full effects of the financial and economic crisis were not seen until the past year. Among these countries were Malaysia and Singapore. India and Indonesia were seen to be robust thanks to their strong domestic consumption. For India slight growth is even expected for 2009.

In particular Japan has been heavily affected by the global economic downturn, with its economy suffering the greatest slump in growth in Asia. This was mainly due to a downturn in the development of export business and investments. On top of this Japan's high national debt is being viewed increasingly critical by the financial markets.

After China had to bid farewell to its double-figure growth rates, a further slump in growth was prevented in 2009. While exports made a negative contribution to growth, not least of all the extensive economic programme imposed by the government ensured that economic development stabilised. All in all the Chinese economy therefore remained one of the significant drivers of Asian growth.

Financial Markets

The financial market crisis with its real economic consequences remained the dominant issue in 2009. In reaction to the crisis, the world's most important issuing banks have lowered their base rates to historic lows. The European Central Bank lowered the tender rate to 1.0 per cent in May 2009, while the US Federal Reserve, the Bank of Japan, the Bank of England and the Swiss National Bank even switched to a de facto zero interest rate policy. Unorthodox measures were also taken to further ease monetary conditions, which the individual issuing banks made use of in different ways and to different degrees. The additional measures ranged from buying various debt instruments of private and public issuers, to relaxing the quality requirements for securities within the scope of refinancing operations and to refinancing transactions with extraordinarily long maturity periods with full allocation. The ECB was much more reserved in the buying of securities than the Fed and restricted itself to a programme of buying covered bonds with a maturity of one year and a volume of up to € 60 billion.

The situation in the interbank market eased during the course of the year as a result of the many stabilisation measures. The spread between unsecured (EURIBOR) and secured (EUREPO) money market loans with a three-month maturity fell by the end of the year to around 30 basis points. The situation in the financial sector remains unstable though. Global write-offs in the financial sector totalled more than USD 1.7 trillion at the end of 2009. The process of cleaning up the balance sheet is still taking place at many institutes.

Capital market yields remained at a historically low level in 2009 due to the recession, in particular because at times risks of deflation instead of inflation were being discussed in the markets. In addition the ongoing high demand of investors for secure investments had an impact on yields from German government bonds in particular. At the same time there were greater differences in the markets in terms of quality, including within the eurozone. In the middle of January 2009 the yields from 10-year German government bonds had reached a historic low of 2.85 per cent, but rose again by the middle of the year to over 3.7 per cent for a short period. At the end of the year yields fluctuated around 3.3 per cent. In parallel to this the spreads of in particular Irish and Greek government bonds rose to the level of German government bonds at the start of the year. The temporary convergence of spreads at the half-year point was followed, with reports that Greece's budget deficit for 2009 and 2010 had to be drastically corrected upwards, by a renewed differentiation. On top of this were the payment difficulties in the emirate of Dubai. The Dubai crisis has shown, however, that the markets have regained a certain degree of robustness and can obviously no longer be thrown off course by negative headlines.

The fluctuation range in the USA was again much more pronounced than with German government bonds; yields of 10-year treasuries rose from the low of 2.2 per cent in January to 3.8 per cent at the end of the year. Subsequently the outlook for the yield spread between the 10-year government bonds from Germany and the USA also changed, with treasuries listed a good 40 basis points above German government bonds at the end of the year.

At the start of the year the US dollar rose against the euro to 1.25 dollars/euro, before it came under pressure again in March and gradually fell to 1.51 dollars/euro. The reasons for this were the lower yields in the USA than in the eurozone both in the money market and at the short end of the yield curve. The euro then came under increased pressure until the end of the year. In particular positive news about the economy in the USA supported the dollar to the end of the year, although some market participants expressed concerns on account of the Greek budget situation with regard to stability in the eurozone. The euro again moved away from parity with the pound sterling was

quoted at around 0.90 pounds sterling/euro. The Japanese yen devalued slightly against the euro, while the Swiss franc had by the end of the year reached roughly the level of January at 1.48 francs/euro. Meanwhile the Swiss National Bank had been successfully trying for several months to prevent an excessive upward revaluation of the franc against the euro and stabilised it at the level of 1.50 francs/euro.

After the slump in the spring, the most important international share markets were able to make up lost ground by the end of the year and achieve an overall positive performance for the year. The share markets were supported significantly by the lower yield level and high surplus liquidity. In addition the previously extremely high aversion to risk gave way in the markets during the course of the year. The German leading share index DAX fell from around 5,000 points to its low for the year in March of around 3,600 points and recovered considerably by the end of the year to the 6,000-point mark.

NORD/LB Norddeutsche Landesbank Girozentrale

NORD/LB Norddeutsche Landesbank Girozentrale (hereafter NORD/LB or the bank) is a registered public institution (AöR) in Germany, with registered offices in Hanover, Braunschweig and Magdeburg. Its head office is in Hanover. Under the name of Braunschweigische Landessparkasse, Braunschweig (hereafter BLSK), NORD/LB performs the function of a savings bank in the Braunschweig region and maintains a close network of branches in this region. NORD/LB also operates branches in Hamburg and Schwerin as well as in London, New York, Shanghai and Singapore. The bank also has representative offices in Moscow, Beijing and Mumbai.

The guarantors of the bank are the federal states of Lower Saxony and Saxony-Anhalt, the Association of the Savings Banks of Lower Saxony (Sparkassenverband) in Hanover (hereafter SVN), the Holding Association of the Savings Banks of Saxony-Anhalt and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania.

The share capital amounts to € 1,085,483,130, with the federal state of Lower Saxony holding 41.75 per cent (of which 32.79 per cent is held in trust for the state-owned Hannoversche Beteiligungsgesellschaft mbH), the federal state of Saxony-Anhalt 8.25 per cent, the Lower Saxony Association of Savings Banks and Girobanks 37.25 per cent, the Holding Association of the Savings Banks of Saxony-Anhalt 7.53 per cent and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania 5.22 per cent.

The executive bodies of the bank are the Guarantors' Meeting, the Supervisory Board and the Managing Board.

NORD/LB is the state bank for the federal states of Lower Saxony and Saxony-Anhalt. In these two federal states and in Mecklenburg-Western Pomerania the bank performs the functions of a central and clearing bank for the savings banks (Girozentrale). NORD/LB focuses its business strategy on north-east Germany and also serves customers from all the areas of banking business.

NORD/LB operates in the business segments of

- the savings bank network,
- private and commercial customers,
- corporate customers,
- structured finance (comprising the divisions of Ship & Aircraft Finance, Commercial Real Estate Finance and Structured Finance) and
- financial markets (comprising the divisions of Markets, Corporate Sales, Portfolio Management & Solutions, Portfolio Investments and Treasury).

The bank also handles promotional loans on behalf of the federal states through Investitionsbank Sachsen-Anhalt, an institute of Norddeutsche Landesbank Girozentrale, and through Landesförderinstitut Mecklenburg-Vorpommern (LFI), a division of Norddeutsche Landesbank Girozentrale.

NORD/LB is the parent company of a group which also includes Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen (hereafter Bremer Landesbank), Norddeutsche Landesbank Luxembourg S.A., Luxembourg/Luxembourg (hereafter NORD/LB Luxembourg), Deutsche Hypothekenbank (Actien-Gesellschaft) (hereafter Deutsche Hypo), LBS Norddeutsche Landesbausparkasse, Berlin, Hanover (hereafter LBS), Bank DnB NORD A/S, Copenhagen/Denmark (hereafter DnB NORD), Öffentliche Lebensversicherung Braunschweig, Braunschweig and Öffentliche Sachversicherung Braunschweig, Braunschweig, (hereafter ÖVBS). The bank also maintains other participating interests as shown in the disclosures in the notes.

Control Systems

The control of profitability, productivity and the risk profile in the Group is the responsibility of the Managing Board. The aim of this system of control is to optimise short and medium-term profitability and efficiency while at the same time maintaining the best possible degree of transparency in terms of earnings and cost. Regulating earnings and productivity at NORD/LB is primarily focussed on the key figures of return on equity (RoE), cost-income ratio (CIR) and the rate of risk, on operating profit (contribution margin V) and on commercial profit/loss. The significance of key indicators is aligned towards the targets, depending on the respective banking division or the type of product. The cost-income ratio is defined as the ratio between administrative expenses and the sum total of the following income items: net interest income, net commission income, profit/loss from financial instruments at fair value, profit/loss from hedge accounting, profit/loss from investments accounted for using the equity method and other operating profit/loss. The calculation of the return-on-equity in the Group complies with the standard international definitions of key indicators and refers to earnings before taxes (less interest expenses for silent participations in reported equity) on long-term equity under commercial law (share capital and capital reserves and retained earnings and minority interests less silent participations in reported equity).

Based on a central, medium-term forecast of the operating result, the bank prepares in the third and fourth quarters the target operating result for the coming reporting period in a decentralised planning process. The aim of medium-term planning within the planning process is for the respective profit centres to obtain estimates concerning the medium-term development of customer potential, the market situation, products, risks, resources and measures.

Personnel Report

As at 31 December 2009 a total of 4,097 people were employed by NORD/LB. The number of employees has therefore risen compared to the previous year by approximately 5 per cent. This relatively large rise is attributable to the integration of 181 employees of NORD/LB Informationstechnologie GmbH (NORD/IT), a subsidiary of NORD/LB, which took place on the 1 July

2009. As the majority of NORD/IT's employees were male, the share of female employees and female managers has fallen consequently compared to the previous year. The number of employees has been specifically increased to expand our risk management and to increase our monitoring activities. The fluctuation rate fell to 3.9 per cent and the illness rate to 4.1 per cent.

Key employee figures for NORD/LB Bank in Germany:

	2009	2008
Prop. of female employees (%)	51.4	53.1
Prop. of female employees in managerial positions (%)	19.1	20.5
Training hours per employee in hours	19.8	18.0
Rate of part-time work (%)	19.1	19.6
Proportion of apprentices (%)	4.3	4.3
Fluctuation rate (%)	3.9	4.3
Illness rate (%)	4.1	4.2

The number of apprentices increased in the year under review. As at 31 December 2009 165 apprentices were employed in eight different occupations. Of these, 88 apprentices were training to become bankers and

52 were on a bachelor's degree course. As of the end of the year 32 trainees were employed in eleven different programmes. In the current financial year many more trainees will receive training.

NORD/LB structural data:

Reporting date	31 December 2009	Of which female	Female (%)	31 December 2008	Of which female	Female in %
Non-tariff employees	1,210	294	24.3	1,049	240	22.9
Tariff employees	2,391	1,557	65.1	2,319	1,561	67.3
Trainees and apprentices	197	95	48.2	193	103	53.4
Abroad	233	113	48.5	245	96	39.2
Other	66	45	68.2	99	72	72.7
Employees total	4,097	2,104	51.4	3,905	2,072	53.1

Employee development

An extensive range of seminars supports the professional and personal development of employees. In 2009 3,706 employees made use of a total of 10,055 seminar days.

In the year under review the management principles of NORD/LB were revised in order to define a standard benchmark for management. All managers including the Managing Board are assessed using 360° feedback by their respective employees.

The recently introduced expert development is the alternative to a management career. NORD/LB attaches particular importance to the targeted promotion of its High Potentials who are selected within the scope of a structured process.

NORD/LB Earnings

The following schedule shows the profit structure for the period:

	2009 (in € million)	2008 (in € million)	Change (in %)
Net interest income	1,271	1,134	12
Net commission income	147	130	13
Net income from trading activities	163	- 104	> 100
Administrative expenses	- 758	- 657	15
Other operating profit/loss	53	85	- 38
Operating result before loan loss provisions and valuation	876	588	49
Result of evaluation of receivables, securities and investments	- 625	- 87	> 100
Assumption of investment losses	- 109	- 9	> 100
Allocation to funds for general banking risks	-	- 286	- 100
Operating result after loan loss provisions and valuation	142	206	- 31
Partial profit transfer (silent participations)	- 142	- 115	23
Tax income	18	9	100
Profit for the year before appropriation of earnings	18	100	- 82

Earnings showed differing results. While the operating result before loan loss provisions and valuation rose by 49 per cent to € 876 million, the operating result after loan loss provisions and valuation fell by 31 per cent. The reason for this is the large increase in loan loss provisions compared to the previous year. After taking

account of a partial profit transfer in the amount of € 142 million (€ 115 million) to silent participations and participatory capital which rose by 23 per cent in comparison to the previous year and a positive tax result of € 18 million (€ 9 million), a profit for the period before the appropriation of earnings of € 18 million (€ 100 million) remains.

Net interest income rose by 3 per cent and is composed as follows:

	2009 (in € million)	2008 (in € million)	Change (in %)
Interest income from			
Lending and money market transactions	3,832	5,152	- 26
Fixed-income and book entry securities	1,117	1,896	- 41
	4,949	7,048	- 30
Interest for liabilities to			
banks	1,031	1,949	- 47
non-banks	1,282	1,674	- 23
Securitised liabilities	1,834	2,106	- 13
Remaining interest and similar expenses	- 207	383	> 100
	3,940	6,112	- 36
	1,009	936	8
Current income from shares and other variable-yield securities, investments and shares in affiliated companies	247	183	35
Income from profit pooling, profit transfer and partial profit transfer agreements	15	15	-
Net interest income	1,271	1,134	12

The balance of interest income and interest expense rose by 8 per cent. Interest terms developed positively on the assets and liabilities side, while earnings from transformations were down compared to the previous year. The remaining interest and similar expenses include in particular the earnings from interest-rate swaps, which in balance represented an expense item of € 184 million in 2008 and in contrast a net income of € 386 million in 2009.

Current income from shares and other variable-yield securities, participating interests and shares in affiliated companies rose by 35 per cent. One reason for this is the rise in income from NORD/LB Luxembourg in 2009.

Commission income rose compared to the previous year by 13 per cent. Commission income of € 197 million (€ 184 million) was seen alongside a commission expense of € 50 million (€ 54 million). The bank mainly generates commission income from lending business (€ 93 million, previous year € 66 million), from pay-

ment transactions (€ 31 million, previous year € 34 million) and from securities transactions (€ 24 million, previous year € 31 million). Commission expense essentially results from securities business (€ 23 million, previous year € 20 million) and lending business (€ 11 million, previous year € 11 million).

Earnings from financial transactions have improved considerably compared to the previous year, which is also attributable to the recovery in the financial markets.

Administrative expenses rose to € 758 million (€ 657 million), with wages and salaries increasing due to the increase in the number of employees by € 14 million to € 240 million (€ 226 million). Around € 5 million of this was attributable to the absorption of NORD/IT employees. Social contributions rose by € 34 million to € 113 million, the reason for this are higher allocations to provisions for pensions and an increased expenditure on benefits. The remaining administrative expenses rose, due in particular to higher IT costs, by € 53 mil-

lion to € 383 million, while amortisation and depreciation of intangible assets and property and equipment remained virtually constant at € 22 million.

Other income fell by 38 per cent. In the previous year higher reversals of provisions were reported.

The much poorer valuation includes € 311 million for amortisation, depreciation and impairment to loans, advances and securities and € 313 million for write-downs of and value adjustments to participating interests. Risk provisions were made in particular in the area of ship financing at the end of 2009. In addition a write-down was made on the book value of DnB NORD as it has been affected to a considerable degree by the financial and economic crisis in the Baltics. Expenses relating to the transfer losses to the amount of € 109 million were also incurred.

Of the profit for the period of € 18 million, € 7 million is to be transferred to retained earnings. An amount of € 11 million remains and is to be used for the payment of a 1 per cent dividend to the guarantors.

NORD/LB Assets

The following overview shows the condensed balance sheet items as at 31 December 2009 alongside the figures for the previous year.

	2009 (in € million)	2008 (in € million)	Change (in %)
Assets			
Loans and advances to banks	37,363	40,952	- 9
Loans and advances to customers	65,691	64,884	1
Securities	42,480	43,219	- 2
Investment property and shares in affiliated companies	2,892	3,575	- 19
Other assets	9,665	11,677	- 17
Total assets	158,091	164,307	- 4
Liabilities			
Liabilities to banks	43,283	49,512	- 15
Liabilities to customers	41,773	45,849	- 9
Securitised liabilities	54,757	49,807	10
Provisions	1,396	1,381	1
Participatory capital and subordinated liabilities	2,550	2,626	- 3
Bank's own funds	5,780	5,384	7
Other liabilities	9,552	9,748	- 2
Total liabilities	158,091	164,307	- 4
Balance sheet data			
Contingent liabilities	9,690	8,196	18
Other obligations	11,179	16,340	- 32
Business volume	178,960	188,843	- 5

According to this the balance sheet total fell slightly by 4 per cent to € 158 billion. The assets are again characterised by the lending business. Loans and advances to customers, which compared to the previous year have risen slightly by € 1 billion, made up 42 per cent (39 per cent) of the balance sheet total. Securities, at 27 per cent (26 per cent) of the balance sheet total, remain the second largest item on the assets side and are characterised by bonds and debt securities.

On the liabilities side there were considerable reductions in particular in short-term liabilities to banks and customers; this was partially compensated by the reduction in securitised liabilities relating in particular to the G-MTN Programme (Guaranteed Medium Term Note Programme). At 35 per cent (30 per cent) of the balance sheet total, securitised liabilities represent the largest item on the liabilities side as of the balance sheet date.

The increase in the bank's own funds is essentially the result of the absorption of silent participations. A dividend payment of € 76 million was made to the guarantors in 2009 from the previous year's profit.

The capital ratio as of the balance sheet date was 3.7 per cent (3.3 per cent).

Regulatory capital at 31 December 2009 totalled € 7,816 million (previous year € 7,582 million), of which € 6,506 million related to core capital (previous year € 5,845 million). The capital ratio (= overall ratio) is 11.8 per cent of risk-weighted assets against 12.2 per cent for the previous year.

Financial Position

Please refer to information on liquidity risks in the risk report for a detailed presentation of the financial position of the bank.

Supplementary report

The Norwegian finance group DnB Nor ASA, Oslo (DnB Nor) notified NORD/LB at the end of December 2009 that it wants to carry out a fundamental joint evaluation of the joint venture bank DnB NORD. An evaluation phase provided for in the joint venture agreement, at the end of which DnB Nor may take over all of the shares, therefore started at the end of January 2010.

NORD/LB intends to use the evaluation phase to adjust the contractual basis of the DnB NORD bank to current challenges. The joint venture agreement concluded in 2005 has in the view of NORD/LB proven to be inadequate against the background of the financial market crisis.

Summary

The performance of the business is again viewed as satisfactory in view of the difficult conditions.

Development of the Business Segments

(in € million)	Savings bank network	Private and commercial customer	Corporate customers	Structured finance	Financial markets	Investments/ Other	NORD/LB operating income	Reconciliation of income statement	NORD/LB income statement
Operating result after loan loss provisions and valuation	24	17	16	203	172	-290	142	-	142
for the previous year	20	35	83	388	18	-339	206	-	206
CIR	62 %	81 %	26 %	17 %	23 %	-	46 %	-	46 %
CIR for the previous year	70 %	84 %	26 %	17 %	31 %	-	53 %	-	53 %
RoRaC/RoE	31 %	8 %	4 %	12 %	19 %	-	-	-	-
RoE for the previous year	26 %	14 %	25 %	25 %	2 %	-	3 %	-	3 %

CIR = administrative expenses/total earnings plus net other earnings/expenses

Business segment RoRaC = operating income after loan loss provisions and valuation/committed capital

Entire bank RoE = operating result after loan loss provisions and valuation less extraordinary earnings less interest expenses for silent participations/long-term core capital under commercial law

The CIR improved in 2009 from 53 per cent to 46 per cent. The main reason for this is the considerable rise in income, which was due to the further improvement in net interest income and net commission income relating to the turnaround in trading profit.

RoRaC calculations in the segments include the contribution to income after risk provisions and valuation on committed capital. The calculation of return-on-equity (RoE) for the Group is adjusted to standard international key indicator definitions and includes the operating result after loan loss provisions and valuation (less any extraordinary earnings and interest expenses for silent participations) on long-term core capital under commercial law (share capital and other capital reserves and retained earnings from the previous year and a balancing item for minority interests).

A capital securitisation level of 5 per cent of risk-weighted asset values applies for calculating committed capital in the segments. Since 2008 these have been based on regulations pertaining to German solvency regulations.

The RoE for 2009 is due to the negative effects on earnings of the financial market crisis virtually nil as the interest expense for silent participations still has to be deducted from the operating result after loan loss provisions and valuation.

Savings Bank Network

The savings bank network consolidates primarily institutional business with savings banks, syndicated business transacted with corporate customers, business with the public sector in the states of Lower Saxony, Saxony-Anhalt, Mecklenburg-Western Pomerania and Bremen and the proportionate business of LBS (included at equity).

Overall the savings bank network segment can look back on a positive business performance in spite of the financial market crisis. This is due to the consistent and structured reinforcement of business relationships with the savings banks since the reorganisation of the savings bank network in the middle of 2004.

The institutional savings bank business was heavily affected by the financial market crisis with the capital markets slowly steadying in 2009. All over the world issuing banks tried to regain the trust of market participants with calculable monetary policies and at the same time ensure sufficient liquidity (one-year tender with full allocation, programme of buying covered bonds). While the risk premiums of various asset classes were still relatively high at the start of the year, they fell noticeably during the course of the year. NORD/LB also benefited in the institutional savings bank business from its excellent reputation in the

market and was able to contract high-margin business. As part of the continued expansion of its custodian bank role, "NORD.report" was introduced and made available to interested customers. NORD.report provides institutional investors round-the-clock access to their portfolio data via the internet.

The main reason for a good financial year in the savings banks' private customer business was in particular an increased need for security with private investors. In addition to the rise in the number of issues in the fixed-securities segment, in particular structured retail products have performed positively, with sales volumes rising considerably against the already very pleasing figures of 2008. 82 issues generated 2.5 times the volume of sales compared to 2008. Interest-bearing products made up the lion's share with ca. 95 per cent as these products have a repayment guarantee.

The savings bank syndicate business also performed very satisfactorily. New business was around the same level as the previous year. This is equivalent to a portfolio increase of ca. 5 per cent. Overall the goals of the financial year 2009 were achieved without having to extend risk provisions.

As part of the savings bank finance group NORD/LB is available as a partner wherever it can generate added value. Accordingly it also offers its products and services to among others the savings banks in Schleswig-Holstein. In 2009 NORD/LB was able to expand its support activities considerably in this extended network in all business segments, strengthen contacts and expand the volume of business and the network's share. However, it was the savings banks in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania which laid the foundation for success in 2009 with their sales strength.

Earnings in NORD/LB's savings bank network rose by approx. 16 per cent compared to the previous year. With operating costs remaining virtually the same, an improvement in the CIR can be seen. The improvement in the RoRaC was due in particular to the increase in trading profit.

Private and Commercial Customers

As well as business with private, individual, commercial and small-business customers, this business segment also includes middle-market corporate customer business in the Braunschweig region. In this business segment NORD/LB assumes the role of a savings bank in the form of Braunschweigische Landessparkasse, founded on 1 January 2008 as an institute with partial legal capacities, a so-called "Anstalt in der Anstalt", or "AidA" for short, translated as an institute within an institute.

Braunschweigische Landessparkasse is a sales savings bank with approximately 400,000 customers and an extensive presence. As an integral part of NORD/LB it also has direct access to the full range of a commercial bank operating both nationally and internationally.

In 2009 the goal of becoming a "quality leader" was systematically pursued. The integrated advisory approach based on the savings bank finance concept has established itself as a benchmark for providing advice to private customers and won two awards: In January 2009 Braunschweigische Landessparkasse came first for "Best Advice" in a test carried by the editorial team of the television consumer programme WISO. In August this commendation was supported by the first place in private customer advice in the "Bankentest regional" (regional bank test).

In the private customer business the main emphasis of sales was on gaining deposits; at the start of the year the focus was on fixed-interest savings accounts with attractive interest rates and in early summer the focus was on a version of this, the "Wilhelm-Busch" savings certificate. For World Savings Day a combination product comprising funds and savings deposits was offered.

Another area focused on in 2009 was pension advice. In the spring a joint advertising campaign with ÖVBS took place. In the autumn pensions were the subject of another campaign focusing on the "Riester" pension as a strategic entry product for private retirement pensions. As in the previous year good sales performances were rewarded in 2009 in the employee competition "1 VORAUS".

In private banking Braunschweigische Landessparkasse focused on expanding foundation management. These efforts were rewarded by the 1st place in the nationwide test of foundation assets managers by the "Fuchsbriefer" (a leading reference medium in the area of private banking). Another focal point was the launch of the NORD/LB Horizon Fund in the fourth quarter. The aim was to meet the needs of customers for investment security and value retention. For this reason this fund invests primarily in inflation-linked asset classes. The fund was initiated jointly under the lead of NORD/LB Luxemburg by specialists of NORD/LB and the Bremer Landesbank and is an example of successful Group cooperation.

In the corporate and small business customer business the Braunschweigische Landessparkasse is distinguished by its regional presence and its proximity to companies and public institutes in the Braunschweig region. The restructured corporate customer division also concentrates on its core middle-market business.

The regional proximity also benefits traditional companies in Braunschweig. Providing experienced advice and practical expertise on a local basis, Braunschweigische Landessparkasse has contributed significantly towards securing the existence of a long-established brewery with finance which is partly guaranteed by the state. Braunschweigische Landessparkasse also participated in the financing of the new bus terminal for a tourism company in Wolfenbüttel with loans and promotional loans.

Particularly in times when a "credit crunch" is being felt in some branches of industry, Braunschweigische Landessparkasse's investment loan was an important pillar in the business with corporate and small business customers. New-business volume remained relatively high in 2009 and confirms the claim of being the number one provider of finance to middle-market businesses in the region.

As a partner of the business start-up network "Gründungsnetzwerk Braunschweig", Braunschweigische Landessparkasse helps people setting up their own businesses to put their ideas into practice. In September 2009 the network organised the third "Braunschweiger Gründungswoche" (Braunschweig start-up week). In addition to providing financial support, Braunschweigische Landessparkasse also made an important contribution in the panel "Gründer fragen – Experten antworten" (founders ask – experts answer) and with specialist presentations.

The private and commercial customers division recorded much improved earnings, particularly in lending business; however compared to the previous year there was also a rise in risk provisions with a corresponding impact on the RoRaC. With operating costs remaining virtually the same, the CIR fell.

Business with Corporate Customers

The business segment of corporate customers mainly comprises the divisions of agricultural banking and housing in addition to business transacted with middle-market corporate customers (excluding the business of Braunschweigische Landessparkasse). Despite the difficult market situation in 2009, NORD/LB expanded this business segment and acquired around 120 new customers. As well as extensions, our corporate customers were provided with an additional volume of around € 400 million of classic credit compared to the previous year. NORD/LB offers its customers a diversified portfolio of further top-quality products. Business with corporate customers focuses on individual, innovative solutions in close cooperation with the Corporate Finance product division to ensure long-term benefits for customers.

Many sectors are proving themselves to be robust even in difficult times and are investing anticyclically. NORD/LB has for example participated in the financing of logistics and warehouse capacity in the sanitary sector. The project, costing tens of millions, was completed by NORD/LB with the involvement of LHI Leasing GmbH. The investment was made with a leasing structure off the customer's balance sheet and therefore in a way which optimises capital and liquidity. A particular highlight of the finance was the acquisition of long-term funds via the KfW Entrepreneur Loan Programme.

NORD/LB strengthened its position among municipal companies in 2009. NORD/LB has supported the structural development in the energy market with finance and sustainably strengthened the competitiveness of municipal energy suppliers.

NORD/LB is one of the Top 10 financiers in residential housing in Germany. Municipalities and other parties engaged in the area of residential housing are increasingly being required to face the strategic issues concerning the adjustment of housing stocks to urban and demographic changes. NORD/LB offers intelligent solutions here. For example the takeover of a Hamburg residential construction company by a residential company in Hanover was structured and financed solely by NORD/LB. One reason for the allocation of finance to our client was the high social responsibility of the buyer in its core business of property. The strategy was geared towards a long-term portfolio policy for the purchased buildings and not towards short-term maximisation of profit at the expense of tenants. In addition a far-reaching tenant protection agreement and a social charter were agreed.

NORD/LB also reinforced its market position as the most significant special financier in the agricultural segment in 2009. In the year under review one area focused on was the financing of biogas plants near to farms. Not least of all the amendment to the Renewable Energy Sources Act (EEG) resulted, in view of the possibility of using liquid manure in biogas plants, in new investment in the biogas sector. In 2009 NORD/LB financed 40 new biogas plants with a total output of 20 megawatts and a total credit volume of € 60 million. The use of agricultural economists with specific knowledge on the structures, production processes and market parameters in the agricultural sector towards customer support was well-received. The business segment of agricultural now stretches far beyond the borders of northern Germany.

In NORD/LB's corporate customer business the positive developments in lending business and commission income were concealed by the considerable rise in loan loss provisions. Therefore with CIR remaining constant, a significant fall in the operating result after loan loss provisions was recorded. Consequently the RoRaC also deteriorated considerably.

Structured Finance

The Structured Finance business segment of NORD/LB recorded an overall fall in the operating result after loan loss provisions compared to the previous year. Earnings remained virtually the same; there has simply been a slight shift away from interest-based business to commission income. The considerable increase in risk provisions, in particular in the area of ship financing, was the outstanding factor influencing earnings in this business segment. The CIR remained stable at a very low level, while the RoRaC fell compared to the previous year due to risk provisions.

Ship Finance

The globalised markets of the world have experienced a massive slump since the end of 2008. Dry cargo shipments in particular in container ships fell greatly to the middle of 2009. Oil shipments had also collapsed by the middle of 2009.

While shipments of bulk goods have since increased considerably and therefore resulted in improved utilisation of the transport fleet, the container fleets remain to a large extent idle. The earnings of container shippers and the ships used fell in some cases below operating costs in 2009, so that a large number of ships had to be laid up for a period. Additional pressure came from the large number of new ships completed.

The financing of new orders for ships has come to a standstill though due to the lack of orders being placed by shipping companies with the yards. In addition to this a large portion of the ships which have already been ordered is not or is not yet completely financed, so that cancellations of orders can be expected. In the first instance the orderers are agreeing later delivery dates with the yards so that they do not have to take delivery of the ships during the current crisis. As many of the parties involved in shipping are still living off the high earnings generated in recent years, many problems have only just started to become acute.

These developments have also had an effect on the ship financing portfolio of NORD/LB. In a range of financing packages customers are no longer able to meet their obligations as planned. In a few exceptional cases interest deferrals have even been necessary. As a result of this the bank has had to make a significant loans loss provision for the first time in many years. In

contrast to this, margins and restructuring charges have risen considerably. The difficulties which occurred in 2009 will also continue in 2010.

Aircraft Finance

The global economic and financial crisis has also been felt in the aviation industry. After a few traditional providers of aircraft finance withdrew from the segment, there was a risk of a funding gap of billions of euros which could only be closed by the increased commitment of export credit agencies.

NORD/LB has kept on course in this difficult environment and strengthened its competitive position by supporting its core customers during this crisis.

While the market for closed aircraft funds only attracted a few activities due to uncertainty among investors, NORD/LB managed together with its partners to acquire and place a few attractive projects. These included the Super-Jumbo Airbus A380 for Air France and Emirates, the Boeing 777 for Cathay Pacific and the Dash Q 400 Turboprops for the emerging British regional airline Flybe.

NORD/LB also managed to position itself in the successful engine sector. The highlight here is the financing of a pool of engines leased long term by Rolls Royce to the German airline Lufthansa. As airlines all over the world are relying more and more heavily on the leasing of aircraft, NORD/LB has aligned its business model early on to this growing demand and been able to acquire leading aircraft leasing companies as customers. In the year under review important lead-arranger mandates were acquired whereby modern aircraft for long-term service with among others Singapore Airlines and Air France were financed.

Despite the difficult conditions, the aviation crisis has not yet had an effect on the portfolio of NORD/LB. With contribution margins stable and high, a loan loss provision was not necessary. The business model of NORD/LB has therefore proven itself in this segment.

Structured Finance

In the business segment Structured Finance the focus of activities is on the growth sectors of energy and infrastructure in Germany and abroad. Here NORD/LB structures individual financing solutions for mostly project-related transactions, and usually in the role of arranger. Customers are supported all over the world in their commitments. With the close network of teams at locations in Hanover, New York, London, Singapore and Shanghai, new trends can be followed at an early stage and tried-and-tested financing concepts can be transferred efficiently between the individual locations and branches within the Group in order to enhance customer benefit.

In the renewable energies sector the focus is on financing energy production from wind and solar energy/ photovoltaics. The international obligations to reduce greenhouse gases and expand capacity for renewable energy plants provide considerable opportunities due to NORD/LB's expertise. This trend applies to the market for wind turbines, which is more mature in Germany but not yet saturated abroad, as well as to replacing old turbines with new and more powerful ones (repowering).

On an international level NORD/LB sees attractive foreign markets in the area of renewable energies in Poland, Southern Europe, Scandinavia, the Baltics, India and South East Asia. By combining activities in the wind energy market with Bremer Landesbank, NORD/LB is able to serve a wide range of different customer groups (from the small North German wind park developer to globally-operating projects). NORD/LB is currently penetrating the promising market for off-shore wind energy, for which investments in the region of € 50 billion have been scheduled for the period up to 2020 in Germany alone. In 2009 the bank continued to expand its leading market position for financing wind park projects in Europe, and in particular in Germany, Great Britain, Ireland and the USA.

The important market position was underlined by the financing of an international wind energy project for a German developer stretching across Germany and France to Ireland. NORD/LB also managed to arrange and finance the first wind energy project in Cyprus which, when completed, will cover up to 10 per cent of the country's energy supply and replace high-emission heavy oil power plants.

Commitment in the area of solar energy was also expanded, for example with the co-financing of the largest solar park in Germany and further financing mandates in Spain and Italy.

In addition to the active structuring and financing of projects in the area of renewable energies, NORD/LB also advises companies in order to improve the financial viability of new technologies and sub-sectors. In 2009 for example NORD/LB acted as an advisor to the Bard Engineering Group in Bremen which is planning large-scale investment in the area of offshore wind energy in the German North Sea. NORD/LB also advises companies intending to realise projects in new markets such as for example wind energy in Poland and Sweden or solar energy in Italy.

In addition to financing projects for the generation of energy, the bank also supports the resettlement of companies in the renewable energies sector. Here NORD/LB offers its customers across the whole value chain (glass manufacture – production of solar modules – generation of solar energy) its know-how and its range of financing options.

In the infrastructure industry, NORD/LB is financing projects in the areas of public-sector building construction and social infrastructure as well as in the waste disposal and recycling sector. In addition to great know-how in structuring, customers benefit from the bank quickly reacting to current market trends, the bank's wide knowledge of the industry and its technical expertise and not least of all its deep understanding of the interests and concerns of the public sector and project sponsors. High customer satisfaction with completed projects confirms and reinforces the advisory philosophy of NORD/LB. In the case of public private partnership financing, NORD/LB was one of the first German institutes to successfully launch this financing model in the British and German markets when it financed schools and prisons. In spite of the great challenges following the global financial crisis, NORD/LB was able to profit more than most. In the European market alone eight self-arranged projects were successfully structured in 2009. In Great Britain for example the first financing projects for fire stations were successfully completed. In addition a further project for the financing of school locations in the regional home market of Saxony-Anhalt was structured and financed.

Commercial Real Estate Finance

NORD/LB has decided to concentrate real estate banking in the wholly owned subsidiary Deutsche Hypo in order to realise opportunities for growth across the Group.

For this purpose the portfolio business of NORD/LB will be gradually transferred via extensions and asset transfers to Deutsche Hypo; this process started in 2009.

Credit commitments which have not yet been transferred, i.e. those still on the risk of NORD/LB, will be processed by Deutsche Hypo within the scope of a mandate.

The current real estate portfolio still with NORD/LB at the end of 2009 primarily concerns financing projects in the target markets of Germany, Western Europe and the USA. They are short-term interim loans for new construction projects and long-term loans for existing properties. In particular office and commercial buildings, shopping centres and housing construction measures in preferred conurbations with a correspondingly good tenant structure and good cash flow are financed.

Financial Markets

The business segment Financial Markets can look back on a successful financial year 2009. It has managed to generate positive results in a highly volatile market environment. The past year was also used to develop the earnings structure in accordance with the strategy more towards customer-induced business.

Markets

The long-standing customer relationships of the sales divisions supported in particular in the difficult first half of the year the placing of NORD/LB's own issue volume. Throughout the year a share of € 12 billion of the total refinancing requirement of the NORD/LB Group was covered in the capital market.

In the area of third-party issuers, two bond transactions each over € 500 million for the states of Baden-Württemberg and Lower Saxony are highlighted. These were arranged and placed solely by NORD/LB.

In the highly contested custodian bank business for restricted funds NORD/LB recorded a considerable increase in funds. With the technical support of the NORD.report reporting tool, in which both restricted funds and direct mandates of institutional customers can be presented, analysed and evaluated in aggregated form, NORD/LB has developed from a classical custodian bank into a “master custodian bank”.

In 2009 a position among the three leading institutes with business relations with the public sector across the whole of Germany was achieved for the first time. The turnover with the federal states alone was around € 7 billion at the end of the year. A municipal bond of € 105 million was arranged with the city of Hanover, the umpteenth time such a transaction had been carried out with the city.

NORD/LB was the only state bank to strengthen its equity base with a hybrid loan (tier 1) to the amount of USD 500 million.

Due to the market environment there was strong demand for simply structured, capital-guaranteed issues. NORD/LB used this demand to expand its investor base in the retail and wholesale business. The high acceptance of NORD/LB products in the retail business was shown by the sale of NORD/LB structures at savings bank not in the network and cooperative banks.

Overall the reputation of the Financial Markets division of NORD/LB with existing customers, many new customers and savings banks in other regions improved substantially in 2009.

Corporate Sales

In the past year of turbulent markets, the professional management of interest and exchange rate risks was essential for Corporate Sales customers. NORD/LB helped its customers to use the attractive market level with historically low interest rates to hedge and optimise interest rates.

The great fluctuation band in currency markets has made for a difficult market situation for both the export business and for importers. Here it was primarily about developing individual, customer-oriented solutions to hedge risks with swap transactions for corporate sales customers. In this way the contribution to income from customer business was expanded in spite of the financial market crisis.

Portfolio Management & Solutions

The Portfolio Management & Solutions division is currently in the operational phase of strategically aligning itself to improve the balance turnover rate. In this connection several transactions relating to the placement of assets are being prepared.

Portfolio Investments

Due to the ongoing credit and liquidity crisis and the incipient ratings migration of our investments, there were during the course of the year, in spite of our conservative risk policy, write-downs relating in particular to our asset backed securities (ABS) investments. The write-downs were though more than compensated by the appreciation in the value of the overall business.

Treasury

The business activities of Treasury focused throughout the whole of 2009 on securing the liquidity position of NORD/LB. Overall using a diversified range of funding a very good liquidity supply was ensured for the long term.

To be highlighted in this connection is the G-MTN programme of NORD/LB, with which a total of € 3.5 billion of refinancing funds was acquired in 2009. NORD/LB is now phasing out the G-MTN programme early and classically refinancing itself again in the capital market as, now that the markets have steadied, there are currently no longer any conditions significantly impairing competition.

However, the liquidity building which took place in the first half of 2009 had a negative effect on Treasury's earnings.

Compared to the previous year the performance of the Financial Markets division has on the whole been very pleasing. The operating result after risk provisions has increased significantly. With a slight reduction in risk provisions and interest income improving, a trading profit was achieved. These increases in income were accompanied by a disproportionately low rise in operating costs, and in particular cost of materials, which resulted in a significant improvement in the CIR and RoRaC figures.

Investments/Others

Under investments/others mainly sources of revenue for the entire bank are shown which are not allocated to the profit centres, such as investment/financing revenue (including revenue from the participating interest item and from investments of equity resources), reconciliation items from profits/losses from internal accounting and external reporting in the income statement, service centre residual costs (including full bank projects) which were not allocated, consolidation items, requirements for valuation in the liquidity reserve portfolio and changes to provision reserves in accordance with §340f of the German Commercial Code and the fund for general banking risk in accordance with §340g of the German Commercial Code.

Earnings in the area of investments/others improved compared to the previous year as reconciliation items relating to reporting between internal and external accounting were lower. A significant reason for this lies in the mark-to-market reporting of earnings from the area of financial markets in the internal control system in contrast to the reporting on an accrual basis in the income statement in accordance with lower of cost principle.

Administrative expenses reported under investments/others have risen, this mainly being due to overall bank projects and the cost of issues.

As the difficult economic situation also affected subsidiaries of NORD/LB, there were in part significant write-downs on their book values in 2009, and in particular on the book value of the joint venture bank DnB NORD following the recession in the Baltic states. These impacts on the investment portfolio are included in investments/others.

The Bank's earnings remained stable despite all of the negative effects of the crisis, allowing NORD/LB to also make an allocation to the provision reserves in accordance with §340f of the German Commercial code in 2009. However, this was much smaller than the previous year, and the risk provisions reported under investments/others have fallen accordingly.

Risk Report

Risk Control

Risk Control – The Fundamentals

The business activities of a bank inevitably involve the undertaking of risks. From a business point of view, NORD/LB defines risk as being potential direct or indirect financial losses due to unexpected negative differences between the actual and projected results of business activity. Identifying, analysing, measuring, monitoring and the management and reporting of these risks are basic requirements for the sustained success of an enterprise.

Basic conditions for structuring this risk management process are specified for banks and groups of banks in the minimum requirements for risk management (MaRisk) on the basis of §25a of the law on banking (KWG, German Banking Act). 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.

The revised version of MaRisk published on 14 August 2009 has resulted in various amendments and extensions, e.g. in relation to the consideration of concentrations of risk. NORD/LB had already carried out a preliminary study before the final version was published to identify any need for action and defined the responsibilities for implementation.

Risk Control – Strategies

The risk policy of NORD/LB is characterised by a responsible handling of risks. The core element of the risk strategy is the risk-bearing capacity model (RBC model), on the basis of which risk willingness is specified and the allocation of risk capital to the material risk types is undertaken. The focus here is on credit risk and reflects the strategic alignment of NORD/LB as a customer-oriented credit bank.

NORD/LB's risk strategy is specified to conform to the business model, the business strategy and the provisions of a risk strategy in the NORD/LB Group and it is reviewed at least once a year. It accordingly contains information on the principles of risk strategy, the organisation of the risk control process and on sub-strategies for risks relating to the significant bank-related types of risk. Furthermore specifications with regard to the allocation of risk capital to the material risk types are made in the risk strategies. The Group

risk strategy specifies bands within which the main institutes have to operate.

The main institutes of the NORD/LB Group, in addition to the parent institute NORD/LB, as at 31 December 2009 are:

- Bremer Landesbank,
- NORD/LB Luxembourg,
- Deutsche Hypo and
- NORD/LB Covered Finance Bank S.A. (NORD/LB CFB).

The Group risk strategy and the risk strategy of NORD/LB were revised in 2009 and discussed with the Supervisory Board after being passed by the Managing Board. The revision focused on the implementation of the requirements of the MaRisk amendment.

The risk strategy aims at achieving an optimal method of controlling and monitoring all of 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. It constitutes the basis of risk control and includes an overview of the measures and instruments described in more detail in the risk manual.

On the basis of a standard RBC model for the entire Group, the NORD/LB risk strategy, based on the current situation and taking into account scheduled business operations, focuses on securing a forward-looking risk-bearing capacity for NORD/LB and the NORD/LB Group.

Based on this, NORD/LB has a range of instruments at operational level which provide the necessary transparency, limitation and portfolio diversification in a way which can be controlled and monitored. These instruments are described in detail in the risk manual.

Risk Control – Structure and Organisation

Responsibility for risk control lies with the Managing Board of NORD/LB, which also specifies the risk strategy for NORD/LB. It is initially reconciled with the higher Group risk strategy and its amendments by the extended Group Managing Board, which also includes the Chairmen of the Bremer Landesbank, NORD/LB Luxembourg and Deutsche Hypo. It is then passed by the Managing Board of NORD/LB and discussed in the Supervisory Board.

The responsible Chief Risk Officer (CRO) in the Managing Board bears, in concert with the heads of the market departments, responsibility for drawing up and monitoring the risk strategy. This includes the monitoring of quantifiable risks including the risk reporting.

The Managing Board is supported in this by the Group Risk Committee (GRC), which focuses on the holistic consideration of risks in the NORD/LB Group. The GRC is a committee which is part of the group control division Risk/Finance and comprises the Chief Risk Officer, the heads of the market divisions and the heads of the divisions Generalia, Risk Controlling, Credit Risk Control, Research/Economy and the credit administrative divisions of NORD/LB and the risk officers at Bremer Landesbank, NORD/LB Luxembourg and Deutsche Hypo. Further members are invited when required. The GRC considers the overall portfolio of the NORD/LB Group taking into account all material types of risk.

The structure and organisation of risk control at NORD/LB complies with the requirements of MaRisk. The process of risk control is subject to constant review and improvement. Adjustments which may be made cover organisational measures, adjustments to procedures for quantifying risk and the continuous updating of relevant parameters.

The General Bank Risk Control Division is responsible for updating and developing the RBC model and regularly reviewing the risk strategies.

A risk-related examination of the effectiveness and adequacy of risk management is carried out independently of the processes by Internal Audit. As an instrument of the Managing Board it is part of the internal monitoring system. The aims of Internal Audit also include making a contribution towards securing the effectiveness, the efficiency and correctness of business activities. It also facilitates the optimisation of business processes and of controlling and monitoring procedures.

The treatment of new products, new markets, new sales channels, new services and their variations is regulated in the new product process (NPP) taking into account the respective conditions. The essential aim of the NPP is to identify, analyse and assess all potential risks prior to starting the new business. This includes all of the essential audit areas, documentation of the new business activities, their treatment in the overall operational process, the decisions to start the business and where applicable the associated restrictions.

Within the framework of the Group-wide monitoring instruments, the internal audit departments of NORD/LB, Bremer Landesbank, NORD/LB Luxembourg, Deutsche Hypo and NORD/LB CFB work together closely using fundamentally uniform instruments (audit policy and assessment matrix for audit findings).

Due to the changes in regulatory requirements placed on the management of risk across the Group, the goals, tasks, function and instruments for Group audit have been revised and a new Group audit policy has been drawn up. The policy passed by the Managing Board in December 2009 came into effect on 1 January 2010.

Risk Control – Risk-Bearing Capacity Model

The risk-bearing capacity model constitutes the methodical basis for monitoring compliance with the NORD/LB risk strategy. The aim of the model is to aggregate and duly present the bank's risk-bearing capacity. The monitoring and reporting process is conducted regularly and guarantees that NORD/LB's bodies are promptly informed about the risk-bearing capacity situation. The continuous development of the model also improves risk-related corporate control.

NORD/LB employs a scenario-based risk-bearing capacity model which also fulfils the requirements of the Internal Capital Adequacy Assessment Process (ICAAP) in accordance with Basel II and MaRisk requirements. 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.

Assessment on the basis of the risk-bearing capacity model compares risks (potential for risk) and the defined risk capital in an aggregated form on a quarterly basis. In the model, risk capital and risk potential are determined for four different risk scenarios with different, in each case declining probabilities of occurrence. In turn, risk capital and risk potential always grow step by step. The three internally defined scenarios serve as early warning indicators and were specified in compliance with the requirement of a going concern. The fourth step serves the external verification relating to the implementation of the supervisory requirements in accordance with MaRisk.

Risk capital is calculated based on the understanding of capital in accordance with supervisory regulations. When calculating risk potential, a distinction is made between the risk types of credit, investment, market price, liquidity and operational risk, with credit risk being by far the most significant of these risk types.

The RBC model was designed by NORD/LB in close cooperation with the other significant subsidiaries of the NORD/LB Group and is developed jointly with these partners.

Quotients resulting from risk capital and risk potential, the levels of risk cover, serve as a yardstick for determining the risk-bearing capacity, which is given from a risk cover level of 100 per cent in the ICAAP. A risk strategy was specified in line with a conservative approach to ensure that the risk cover level does not fall below 125 per cent, therefore defining an additional buffer. This specification was intended to ensure that the regulatory requirement of an adequate supply of equity capital was met at all times and that capital distribution is optimised in future with a view to generating target yields.

Taking into account its risk-bearing capacity, NORD/LB allocates a maximum percentage of risk capital to the significant types of risk.

The quarterly reports drawn up by the Risk Control Division on risk-bearing capacity (RBC reports) constitute the main instrument for risk reporting to the Managing Board and the supervisory bodies at full bank level.

In addition to receiving the report on risk-bearing capacity, the Managing Board is also informed about risks relating to mortgage bond business on a quarterly basis. The report meets the requirements of §27 of the Mortgage Bond Act (Pfandbriefgesetz) and includes among other things a system of internally defined risk indicators.

In the year under review NORD/LB undertook a fundamental analysis of its RBC model. The subsequent, ongoing revision is focusing on the further optimisation of the Group-wide bank control system and in particular on the implementation of the requirements of the MaRisk amendment with regard to expanded reporting of stress tests covering different types of risk.

NORD/LB's future model will also include several scenarios and serve to verify the economic and regulatory capital adequacy and the consistency of business activities with the risk strategy. In addition a detailed assessment of the risk situation taking into account stress scenarios covering different types of risk will be undertaken.

The implementation of the refined RBC model is planned for 2010.

Risk Control – Development in 2009

In general a management approach is applied for risk reporting at NORD/LB: internal and external risk reports are always based on the same terms, methods and data.

In the first half of 2009 the parameters for calculating the risk potential for market price and liquidity risk were adjusted to take into account the knowledge gained from the financial market crisis and the conditions in the money and capital market. The holding periods for the market risk positions were extended and the used liquidity spreads were increased. At the same time the confidence level used in the RBC model was harmonised.

In addition the credit risk potential has been calculated since 30 September 2009 based on an internal credit risk model which makes more use of correlations and concentrations in the risk assessment than before.

The utilisation of risk capital with risk potential in the ICAAP may be seen in the following overview of risk-bearing capacity. The comparative values as at 31 December 2008 were adjusted to take into account the change in methodology and to improve comparability. This results in an increased risk potential for market price and liquidity risks, while the credit risk potential falls in the ICAAP scenario due to the diversification of NORD/LB's credit portfolio.

in € million ¹⁾	Risk-bearing capacity 31 Dec. 2009		Risk-bearing capacity 31 Dec. 2008 ²⁾	
Risk capital	7,816	100 %	7,582	100 %
Credit risks	3,546	45 %	1,516	20 %
Investment risks	226	3 %	282	4 %
Market price risks	221	3 %	296	4 %
Liquidity risks	71	1 %	1,244	16 %
Operational risks	168	2 %	165	2 %
Total risk potential	4,233	54 %	3,503	46 %
Excess coverage	3,583	46 %	4,079	54 %
Risk cover level		185 %		216 %

¹⁾ Total differences are rounding differences

²⁾ Adjustment of the figures as at 31 December 2009 due to method-related changes.

The risk cover level as at 31 December 2009 was 185 per cent, whereby the reduction compared to the previous year is primarily attributable to the strong rise in credit risk. In particular the increased probability of defaults in the shipping segment and with securitisations has had a negative effect here.

In order to actively counter the effects of the financial and economic crisis, NORD/LB has implemented various measures to strengthen the risk quota. In addition to risk reduction measures, this also included the issue of further subordinated capital in the fourth quarter of 2009. As a result risk capital rose slightly.

Overall the risk cover level is still well above the internally specified target of 125 per cent. The risk-bearing capacity is therefore given and the specifications of the risk strategy are complied with.

The risk-bearing capacity of NORD/LB is also given when the stress effects which are already integrated into the RBC model are taken into account.

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 item 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 when cross-border capital transfer services involve the risk that, despite the ability and the willingness of individual borrowers to make repayment, a loss will occur as a result of overriding government hindrances (transfer risk).

Credit Risk – Control Strategy

Credit business and the management of credit risks at NORD/LB is a core competence that is to be permanently developed and extended. NORD/LB sees itself as a reliable universal bank focusing on credit business and it positions itself with its customers accordingly.

In order to meet the specific requirements of each business segment, NORD/LB has established financing principles for the individual market segments. These represent binding guidelines for new business for the respective market divisions.

New lending business clearly focuses on concluding agreements with customers with a good to very good credit rating. NORD/LB also concentrates on business with borrowers of good standing in the capital market business. The aim is to produce competitive profitability and ensure efficiency and flexibility (in terms of the active management of credit risk positions) in order to minimise unexpected losses.

The controlling of NORD/LB's credit portfolio takes into account opportunities and risks. This includes the early identification of crisis situations. For this reason a number of processes, systems and instructions are in place, for portfolios and for individual borrowers, which combined form a system for the early recognition and effective management of risks and the initiation of measures to limit these risks.

Structure and Organisation

A risk-related organisational structure and the functions, responsibilities and authorisation of divisions involved in risk processes are clearly defined at employee level. In accordance with MaRisk, processes in credit business are characterised by a clear organisational separation of the market and risk management divisions, right through to management level.

NORD/LB market divisions conduct the operational financing business relating to customers, properties and projects on a national and international level within a framework of specified limits. They are primarily responsible for the core tasks of acquisition and sales and are relieved of administrative tasks. The market divisions are responsible for the initial vote, for structuring conditions and for earnings. In the case of minor-volume, low-risk exposures, the market divisions will in some cases also bear sole responsibility for the risk (unilateral authorisation) as well as responsibility for analysing and observing these risks.

Tasks relating to analysis and risk observation as well as the specification of collateral values are combined in the Credit Risk Management (CRM) back office division. Real estate and special appraisals are exceptions here; these are carried out in a separate department. The Credit Risk Management Division is also responsible for the second vote taken for decisions on individ-

ual loans. In a multi-stage reporting system, the division also prepares segment portfolio reports on selected sub-segments at regular intervals.

The Credit and Securities Management division in the CRM is responsible for implementing the credit decisions including the contract documentation and for managing portfolios. With special financing the respective market division is responsible for these tasks.

The processing of non-performing exposures or exposures requiring debt readjustment is the responsibility of the Special Credit Management (SCM) Division at NORD/LB. Credits with a rating of 11 on the DSGV rating master scale (i.e. allocation to the "high risk" category in accordance with the "Initiative Finanzstandort Deutschland" (IFD, initiative for Germany as a financial location) or lower and exposures with a rating of 7 (allocation to the "good/satisfactory" category in accordance with IFD) or lower which exhibit other established risk indicators must all be reported to the SCM division where a decision can be taken on whether the processing of a loan is to be taken over or whether the loan is to remain with the credit risk management division. From a rating 16 (allocation to the IFD "very high risk" category), the SCM division is obliged to take over responsibility for an exposure.

Credit decision authorisation is classified in accordance with the total loan eligible and the rating of a borrower. Credit decisions are always taken by a person in authority in the market division and a person in authority in the risk-management division (bilateral authorisation). The second vote is prepared in units independent of the market divisions in accordance with specified criteria. In addition to fulfilling the regulatory requirement of functional separation for credit assessments, this ensures that first-class credit decisions are taken on the basis of unified standards.

The Managing Board is responsible for the general credit risk management of the NORD/LB portfolio. In performing its tasks, the Board consults among other things the Group Risk Committee, which ensures that a link between individual credit decisions and portfolio management as well as an approach covering all the types of risk is given. The GRC recommends to the Managing Board various instruments for this purpose such as the ordering of an acquisition stop, the limiting of national, industrial or borrower-related risks or making recommendations relating to the placement of exposures and sub-portfolios.

As of a certain volume, decisions are taken by the Managing Board or by the General Working and Credit Committee (AAKA), a sub-committee of the Supervisory Board of NORD/LB. The AAKA participates in the process of granting loans in accordance with an authorisation regulation passed by the Supervisory Board. The acquiring participating interests is also subject to a Supervisory Board resolution as is approval for loans to executives.

The Credit Risk Control Division is responsible for the methods employed for measuring and controlling credit risk in the area of credit risk control, which comprises the Reporting System/Methods and the Credit Portfolio Management divisions.

The Reporting System/Methods department is responsible for the independent monitoring of credit and investment risk at portfolio level and for the corresponding report system as well as the regulatory reporting system. This is also where method-related responsibility for procedures relating to the economic quantification of borrower default risk already agreed on with the Risk Control Division lies.

The main task of loan portfolio management is to supervise concentration risks in the loan portfolio. Concentrations in terms of the magnitude of a borrower entity as well as national and industrial concentrations are examined.

Credit Risk – Securities

For the assessment of credit risks, in addition to the credit rating of borrowers or counterparties reflected in the rating, the customary bank securities available and other risk reduction methods are of importance. NORD/LB therefore accepts domestic and foreign securities in the form of property and rights (collateral) to reduce credit risk. When accepting securities the cost-benefit relationship of the security is considered.

The securities are assessed both at the time the loan is granted and during the subsequent ongoing (normally at least half-yearly) monitoring as to whether they appear to be disposable at the assumed value based on foreseeable economic developments during the (remaining) term of the loan. They are therefore reviewed on a case-to-case basis as to whether the valuation appears to be justified based on the respective type of security and based on its legal and economic applicability in respect of the person of the borrower and the type of loan. If factors relevant to the assessment have changed, the assessment is adjusted accordingly.

The credit guidelines and lending principles of NORD/LB specify which fundamental types of security and the maximum loan (lending limit) which may be lent against the collateral. Sureties, credit securities similar to sureties, assignments of receivables and other rights, chattel mortgages, property, receivables and other rights and collateral assignment of chattel are accepted as credit security. Other securities can be contracted with the borrower, but these do not reduce the unsecured portion of the exposure.

Credit Risk – Management

In order to assess credit risks at NORD/LB, each borrower is rated within the framework of an initial or annual credit rating process and a cause-related rating or credit rating category is also determined for each borrower. The rating modules employed were either developed in various cooperation projects conducted by the savings bank financial group or the Landesbanks or they were developed internally by NORD/LB.

A specific limit is stipulated for each borrower at individual transaction level within the scope of operational limiting in order to control risks; this has the character of an upper limit. The significant parameters applied for deriving this limit are a borrower's creditworthiness, expressed as a rating, and the funds that are available at the borrower's free disposal for making principal payments when servicing a loan.

The management of risk concentrations at portfolio level is mainly carried out on the basis of national and industrial limits as well as with the help of the Large Exposure Management limit model. The latter defines an exposure limit for every rating on the basis of which a Group exposure for the categories corporates, financial institutes and special financing is classified as being normal, bearing risk concentration or bearing high risk concentration. The exposure limits are based on the risk-bearing capacity of the NORD/LB Group.

Credit Risk – Securitisation Transactions

Securitisation transactions are a further instrument used to manage credit risks in NORD/LB. The aim of these securitisation activities is to optimise the yield/risk profile of the loan portfolio and to ease regulatory equity requirements.

In order to diversify the loan portfolio, credit risks in the bank's own books are transferred to other market participants (NORD/LB as an originator) or additional credit risks are taken (NORD/LB as an investor). NORD/LB also conducts securitisation activities as an arranger of structured transactions in the interest of customers.

Risk control is carried out in synthetic securitisation transactions using various hedging instruments and in true sale transactions by acquiring asset-backed securities issued through special purpose entities (SPEs). As a sponsor, NORD/LB makes liquidity facilities and credit enhancements available in order to improve the loan quality of the institute's own asset-backed commercial paper (ABCP) conduit programmes.

NORD/LB pursues a conservative exposure strategy in its role as investor and sponsor. Securitisation transactions are all subject to a strict process of approval and monitoring, so that potential risks before and after the conclusion of a contract can be identified and regulated. NORD/LB uses, among other approaches, a rating system in accordance with the Solv Internal Assessment Approach for its securitisation transactions.

Credit Risk – Measurement

The key risk indicators of expected loss and unexpected loss are applied in order to quantify a borrower's default risk (credit risk and investment risk). Expected loss is determined on the basis of probability of default, taking into account recovery rates. The risk premium, which must be collected in order to cover expected loss, is calculated with Group-wide standard methods.

Unexpected loss for credit risk is quantified Group-wide with the help of a credit risk model for four different confidence levels and a time frame of one year. NORD/LB has performed the calculation in the year under review for the first time on the basis of a new economic credit risk model which includes correlations and concentrations in the risk assessment more than before.

The credit risk model calculates the unexpected loss at the level of the overall portfolio. This is then apportioned over the individual borrowers. The model is based on CreditRisk+. Using correlated sector variables, systematic industry effects are represented in the loss distribution. The estimated probability of default (PD) is based on the internal rating method. The loss given default (LGD) is determined on a transaction-specific basis.

The model is supported by the use of limit models to limit concentrations of risk (large exposure management, country exposure management and industry limitation) in order to adequately manage concentrations of risk in the portfolio.

In order to calculate equity capital required for credit risks, NORD/LB uses the Internal Ratings Based Approach (IRBA). NORD/LB has authorisation for its rating systems, for its Internal Assessment Approach (IAA), for securitisation and to use methods to reduce credit risk. Other portfolios are to be gradually transferred from the credit risk standard approach (CSA) to IRBA.

Credit Risk – Reporting

NORD/LB's Credit Risk Control Division draws up a quarterly report for the Managing Board which shows and analyses all the significant structural features and parameters required for controlling the loan portfolio. In 2009 the previously established Credit Risk Report was replaced by the Credit Portfolio Report. The Credit Portfolio Report also includes in-depth analyses and stress scenarios relating to the credit portfolio. It complements the Risk-Bearing Capacity Report and is further specified by Industry Portfolio Reports for individual sub-segments.

Credit Risk – Development in 2009

Credit exposure plays a significant role in the context of credit risk control. Calculation of credit exposure is based on credit utilisation (in the case of guarantees the nominal value and in the case of securities the carrying amount) and the credit equivalents resulting from derivatives (including add-ons and on consideration of netting). Irrevocable credit commitments and revocable credit commitments are included in the credit exposure, while securities against NORD/LB are ignored.

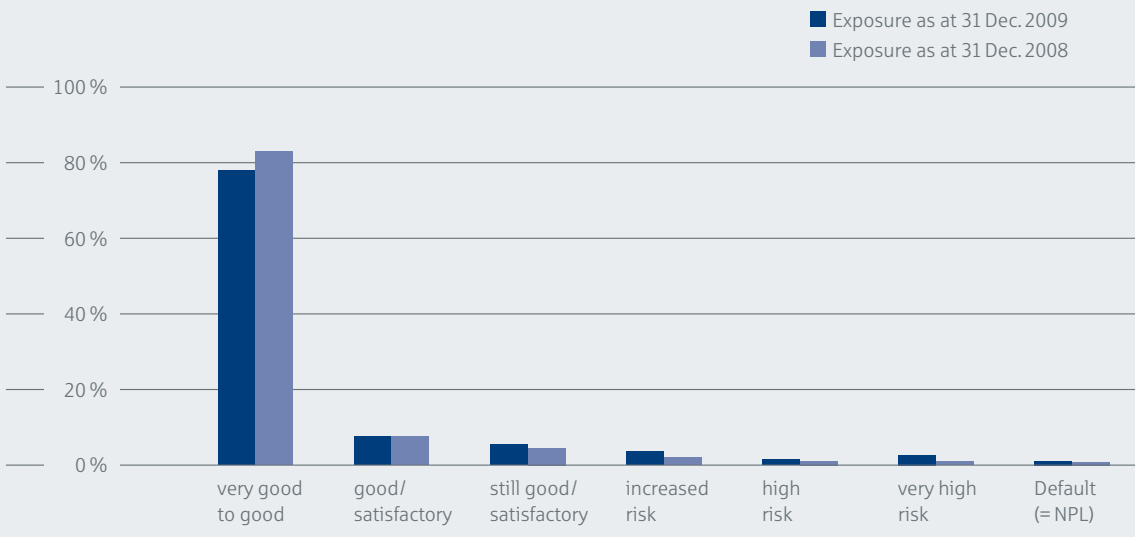
Credit exposures also contain minor participating interests on the basis of their carrying amount since these are treated similar to lending transactions in terms of measurement (cf. the section on investment risk measurement).

Credit Exposure Analysis

NORD/LB's credit exposure as at 31 December 2009 amounts to € 171 billion and has therefore fallen compared to the adjusted comparative value by four per cent. The main reason for the slight fall is above a fall in the Financials segment.

The Rating Structure chart shows the rating structure for the whole credit exposure (existing and new business) compared to the previous year's structure. The classification is based on the standard IFD rating scale which the banks, savings banks and associations in the "Initiative Finanzstandort Deutschland" (IFD, initiative for Germany as a financial location) have agreed on in order to improve comparability between the rating levels of the individual credit institutes. The rating classes of the 18-step DSGV rating master scale used in NORD/LB can be transferred directly into the IFD classes.

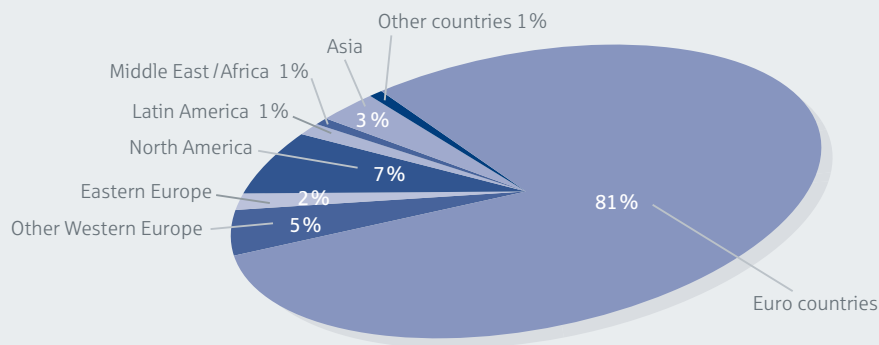
Rating structure by IFD categories



In the year under review items in the “good to very good” rating category fell due to the fall in the Financials segment and rating migrations by 10 per cent. The very high share of these best rating categories in the total exposure of 78 per cent (83 per cent) is explained by the great importance of business with public authorities and with financing institutes with a good credit rating and therefore at the same time reflects the conservative risk policy of NORD/LB.

Overall though NORD/LB felt the effects of the financial and economic crisis in its credit portfolio. The share of loans in the rating classes increased risk to very high risk rose in particular due to rating migrations from four per cent to eight per cent. Here in particular the increased probability of defaults in the shipping segment and with securitisations had an effect. The share of non-performing loans (NPL) also rose from 0.8 to 1.1 per cent.

Exposure by groups of countries as at 31 December 2009¹⁾



¹⁾ Total differences are rounding differences

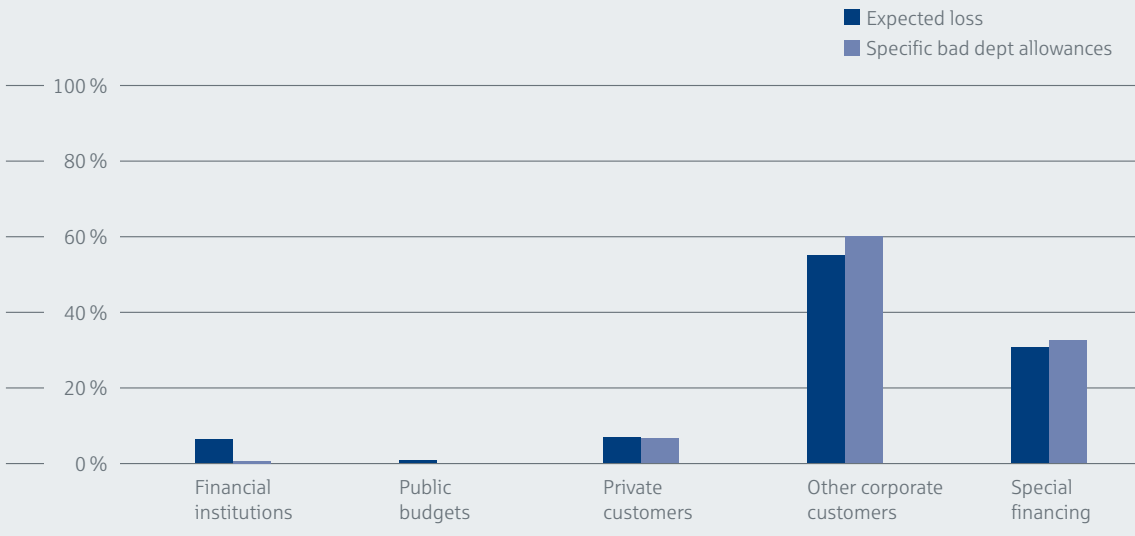
According to the classification of total credit exposure by region, the country risk for the NORD/LB Group tends to be of minor significance. The eurozone accounts for a high share of 81 per cent (79 per cent) of loans and remains by far NORD/LB's most important area of business. With a share of 67 per cent of total loans Germany is particularly important.

Non-Performing Loans

In accordance with the impairment policy, specific bad debt allowances are established at NORD/LB in the event of objective indications of acute borrower default risks. A need for loan loss provisions is based on a present value consideration of anticipated interest and redemption payments which are still expected as well as on earnings from the realisation of collateral.

NORD/LB takes account of latent borrower default risk relating to transactions with non-banks for which no specific bad debt allowances are established by establishing portfolio debt allowances for impairments.

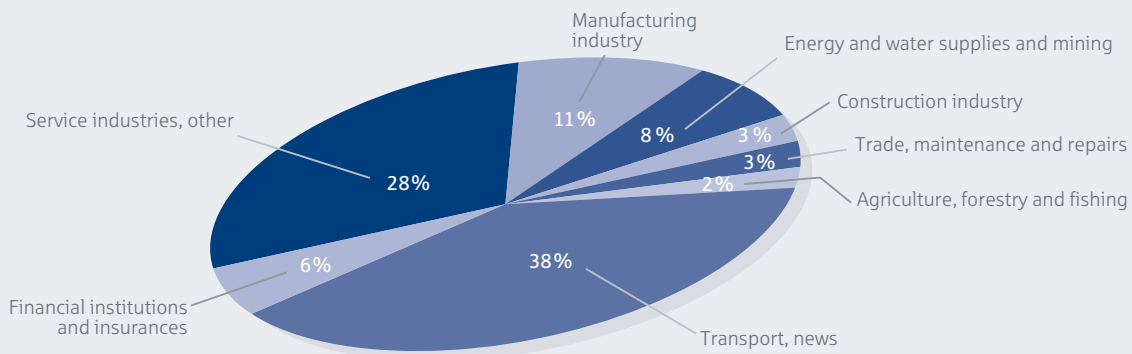
Expected loss and specific bad dept allowances by sector as at 31 December 2009



A comparison of expected loss and specific bad debt allowances by sub-portfolio shows that both the NORD/LB business conducted with financial institutions and with public-sector budgets continues to be relatively low-risk. The most significant driver of credit risk though is still commercial lending business, comprising special financing transactions and business with other corporate customers.

These sub-portfolios have a combined credit exposure of € 55 billion mainly comprising the industry groups of transport and communications (38 per cent), service industries and others (28 per cent) and the manufacturing industry (11 per cent).

Corporate Customers and Special Financing exposure by branch-related groups as at 31 December 2009¹⁾



¹⁾ Total differences are rounding differences

The share of total NPLs in the credit exposure rose slightly in the period under review and is as at 31 December 2009 1.1 per cent (0.8 per cent). In

addition to the impaired loans and advances shown, the NPLs also include overdue loans and advances.

Provisions 1 January 2009 – 31 December 2009

in € million ¹⁾	Specific bad debt allowances (SBDA) ²⁾	National bad debt allowances (NBDA)	Portfolio bad debt allowances (PBDA)
Opening balance 1 January 2009	840	1	163
+ New provision/increase	504	–	14
– Disposal	–525	–	–
of which: debt losses (consumption)	–266	–	–
of which: reductions	–259	–	–
+/- Transfer	1	–	–
+/- Currency conversion	–1	–	–
= Closing balance 31 December 2009	820	1	177

¹⁾ Total differences are rounding differences

²⁾ including loan loss provisions

The total risk provision (specific bad debt allowances, national bad debt allowances and portfolio bad debt allowances) was reduced slightly in the year under review. While the balance of specific bad debt allowances fell overall by € 20 million due to higher debt losses and reductions compared to allocations, portfolio bad debt allowances were increased in the year under review by € 14 million.

The specific bad debt allowances rate, the relationship between specific bad debt allowances and the sum total of exposures, rose slightly in the reporting period, from 0.47 per cent to 0.48 per cent. Before the inclusion of collateral 43 per cent of these NPLs, and after the inclusion of collateral eligible for evaluation all of the NPLs are secured with specific bad allowances.

Credit Risk – Outlook

Credit risk is expected to rise in 2010 due to the continuing financial market and economic crisis. Due to the rise in interest and repayment arrears, the bank is expecting a further rise in NPLs in 2010. NORD/LB will continue to monitor developments closely and proceed with the measures which have been implemented to strengthen the risk quotas.

In 2010 measures to further optimise the model for quantifying and controlling credit risk are planned. In addition the collection of loss data to validate the LGD components and Credit Conversion Factor (CCF) will be expanded.

Various projects have also been launched to methodically refine the methods of credit risk control.

Investment Risk

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

Investment risk – Control Strategy

Securing and improving the bank's own market position is the primary motive behind the investment strategy of the NORD/LB Group. Generally the acquiring of participating interests serves to effectively consolidate the universal activities of the bank and to fulfil joint responsibilities resulting from the function as a state bank and a central bank for the savings banks. In order to support the NORD/LB Group's business model there is a deliberate focus on credit institutes and financial companies.

Group interests are maintained in relation to participating interests primarily by centrally specifying key business ratios or specific tasks. The aim is to ensure that the Group is effectively managed and that transparency is guaranteed for third parties.

Structure and Organisation

Risks resulting from participating interests at various levels in the Group are controlled by the Investment Management Organisational Unit of NORD/LB in cooperation with other divisions, in particular the Finance Division. Domestic and foreign participating interests are all supervised centrally by the Investment Management unit or by the corresponding units in the subsidiaries. Minor exposures are controlled and supervised by the divisions initiating the exposure in each case due to the close factual connection.

Since the beginning of 2010 all significant strategic and strategy-supporting participating interests have been managed directly by the Erweiterter Konzernvorstand (extended Group Managing Board) and the Konzernsteuerungskreis (Group Control Committee). All smaller participating interests will also in future be concentrated centrally in Investment Management.

Investment Risk – Management, Monitoring and Reporting

Participating interests are regularly monitored by analysing reports drawn up during the year, intermediate and annual reports and audit reports drawn up by the auditors. Control is carried out by NORD/LB representatives or the supervising subsidiaries in the supervisory boards, advisory boards, shareholders' meetings, annual general meetings and guarantors' meetings as well as by means of holding operative mandates in the companies.

The systematic, complete risk management comprises the identification, analysis, valuation, documentation and communication of any risks. Current income (earnings and depreciation) is regularly evaluated and reported to the NORD/LB Managing Board in the case of significant participating interests.

Investment risk – Measurement

A distinction is made between two categories for measuring investment risk in terms of risk-bearing capacity:

1. Significant participating interests, which make a significant contribution towards general risk at Group level.
2. Insignificant participating interests which only contribute immaterially to general risk at Group level.

Allocation to significant and insignificant investments is regularly examined by the Risk Control Division on the basis of quantitative criteria. In the period under review, Bremer Landesbank, NORD/LB Luxembourg, Deutsche Hypo and NORD/LB CFB were identified as significant participating interests from a risk point of view.

Risks resulting from significant participating interests are integrated into the risk management system of the Group on the basis of quantified risk potential in accordance with the type of risk. Risks resulting from insignificant participating interests on the other hand are included by reporting risk potential within the investment risk subcategory or by directly reducing the risk capital item.

The risk potential is quantified based on the respective book values of the participating interests and the probability of default assigned to them with the help of a credit risk model for four different confidence levels and a time frame of one year. The calculation is based on the Gordy model, which is used by the Basel Bank

Supervisory Committee for aligning equity requirements within the framework of Basel II.

The credit risk model determines contributions made by individual investments towards unexpected loss at portfolio level, which together add up to unexpected loss for the full portfolio. The parameters for the model are set in accordance with the standard parameters of Basel II.

Investment Risk – Development in 2009

In order to enhance earnings potential and reduce capital tied and potential risk relating to participating interests the NORD/LB Group has, on the basis of a critical review of the investment portfolio, disposed of a range of participating interests since 2005.

Besides this the Group has been strengthened by the takeover of Deutsche Hypo. After the successful takeover in 2008, in the year under review it was necessary to push on with the integration of the mortgage bank in the NORD/LB Group. Particular attention was paid to the gradual transfer of the remaining property credit portfolios remaining in NORD/LB.

The development of the participation in DnB NORD, the joint venture with the Norwegian finance group DnB NOR, represented a further challenge. DnB NORD, due to its focus on corporate and private customers in the Baltic states, was particularly affected by the effects of the financial and economic crisis in these countries.

Investment Risk – Outlook

The essential task for 2010 will be to supervise and manage the participating interests of in particular Deutsche Hypo and DnB NORD in the expected difficult market conditions.

In addition the optimisation of the investment portfolio will be continued in 2010. Within the scope of this optimisation NORD/LB intends among other things to dispose of its 25 per cent interest in Berenberg Bank.

Within the scope of a process analysis of investment management carried out within NORD/LB, there will also be focus on revising and defining more precisely work processes, optimising interfaces between the areas involved in the investment process and making investment management more professional.

Market Price Risk

Market price risks are potential losses which may be incurred as a result of changes in market parameters. With market price risk NORD/LB makes a distinction between interest-rate risk, credit-spread risk in the investment book, currency risk, share-price and fund-price risk, volatility risk and raw material risk.

Interest rate risk always occurs when the value of an item or a portfolio reacts to changes to one or several interest rates or to changes in full yield curves and when these changes may consequently impair the item. Prepayment risk and credit spread risk constitute part of interest rate risk in the trading book. Prepayment risk occurs with products where the repayment structure is not specified in the contract (e.g. securitisation where discharge is related to the repayment of the underlying asset) and at the same time are not charged variable interest rates.

Credit spread risk arises in the event of changes to the additional interest rate for respective issuers, borrowers or reference entities which is added to the risk-free interest rate when a market value is determined for an item. Credit-spread risk in the trading book is a component of interest rate risk. A credit-spread risk for items in the investment book exists if this market value has an impact on the income statement or the revaluation reserve.

Currency risks (or exchange-rate risks) arise when the value of an item or portfolio reacts sensitively to changes in one or several currency exchange rates and if changes in the exchange rates could result in impairing an item.

Share-price risks always occur when the value of an item or a portfolio reacts to changes in one or several share prices or share indices and if these changes in share prices or share indices could impair the item. Fund-price risks occur when the value of an item or portfolio reacts sensitively to changes in one or several fund prices.

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

Risk relating to raw materials have no significant relevance at NORD/LB.

Market Price Risk – Control Strategy

The activities of NORD/LB associated with market price risks are concentrated on selected markets, customers and product segments. Their positioning on money, currency and capital markets should be in line with the significance and dimension of the bank and is primarily geared towards the needs of customers and supporting the control measures of the bank as a whole. Positions are also taken opportunistically within the scope of the remaining market price risk limits.

Trading activities focus on interest rate risk. Here NORD/LB aims, within the scope of set limits, to employ term transformation or interest-spread trading and to participate in general market developments within the framework of these risk limits.

Significant credit spread risks also result from existing investments in securities and credit derivatives. NORD/LB generally aims to use the credit spread to maturity and achieve maturity-congruent refinancing of investments. The credit investment books which are currently frozen are managed by the central Credit Investments task force.

Structure and Organisation

Divisions handling items bearing market price risks which also account for profits and losses resulting from shifts on markets are all included in the control process for market price risks. At NORD/LB this includes the Treasury, Markets and Portfolio Investments divisions which are supported by the service divisions. The risks are monitored by the Risk Controlling division.

In the second quarter of the year under review a strategic realignment of NORD/LB's whole Financial Markets division took place. The intensified focus of the division lies on customer business and supporting control measures for the bank as a whole.

The trading divisions Treasury, Markets and Portfolio Investments enter into market price risks in the course of their trading activities. Within the scope of their Global Head function, they are also responsible for trading activities conducted at the foreign branches in London, New York, Singapore and Shanghai. The Treasury Division also controls the interest rate and currency risk relating to the planning of new business. The Financial Markets Business Development is responsible for performing services.

In accordance with MaRisk requirements, the Risk Control Division operates independently of divisions responsible for market price risk management in terms of both function and organisation; it performs various monitoring, limiting and reporting activities for NORD/LB (including the foreign branches). These activities also include calculating amounts eligible for monthly SolvV reporting for those risk types in market price risk for which regulatory approval of the internal model has been granted. The SolvV report for the German Federal Financial Supervisory Authority (BaFin) is prepared by the Credit Risk Control Division.

The Treasury Division presents the current maturity profile for strategic planning and, if necessary, makes proposals to the planning committee concerning the method of strategic planning in future. This committee, which convenes monthly, is an advisory body of the Financial Markets director and its members include representatives from the Treasury, Markets, Research/Economy, Finance and Risk Controlling divisions as well as Bremer Landesbank, NORD/LB Luxembourg and Deutsche Hypo. The Treasury Division is responsible for implementing the measures within the framework of basic instructions issued by the Managing Board and of the risk limit for strategic planning.

In the Credit Investments task force the Portfolio Investments Division shows positioning in maturity-congruent refinanced securities and credit derivatives in the investment book and makes proposals for the risk management of the portfolio. The task force meets as and when required and advises the Managing Board on the management of risk and demonstrates related economic effects. Due to the investment stop resolved by the Managing Board, the measures proposed in the year under review almost all serve to reduce risk relating to the portfolio. Members of the Credit Investment task force include the Financial Market and Risk Control Directors and representatives from the divisions of Portfolio Investments, Risk Control, Credit Risk Management and Finance. The Portfolio Investments Division implements measures agreed by the Managing Board.

Market Price Risk – Management and Monitoring

Value-at-Risk (VaR) methods are generally employed for all significant portfolios to manage, monitor and limit market price risks.

The historical simulation method is used daily to determine VaR indicators on the basis of a Group-wide unilateral confidence level of 95 per cent and a holding period of one trading day. At the end of each quarter the bank also prepares a Value-at-Risk calculation when calculating the risk-bearing capacity.

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

Limits derived from loss limits specified by the Managing Board for each trading division are stipulated for Value-at-Risk data. Any trading book and selected banking book losses are immediately added to the loss limits, hence resulting in a reduction in Value-at-Risk limits in accordance with the principle of self-absorption. Correlation effects between the portfolios are included in calculating Value-at-Risk and in the delegation of sub-limits. In some areas specific sensitivity limits are added to the Value-at-Risk limits.

Banking book credit spread risks are currently not regulated with the help of a Value-at-Risk method; instead they are ascertained in a scenario analysis and separately limited. In order to be able to make a comparison with the market price risks ascertained in the Value-at-Risk model, the following also shows a Value-at-Risk figure for the credit-spread risks of the investment book for the purpose of information.

The prediction quality of the Value-at-Risk model is verified with comprehensive backtesting analyses. This involves a comparison of the daily change in value of the respective portfolio with the Value-at-Risk of the previous day. A backtesting exception exists if a negative change in value observed exceeds the Value-at-Risk. The number of backtesting exceptions fell during the course of the year under review and was as of the reporting date in the green according to the Basel traffic light approach both for the bank as a whole and for all sub-portfolios.

In daily stress-test analyses, in addition to the Value-at-Risk method, the effects of extreme market changes on the risk position of NORD/LB are examined. Various stress scenarios were defined for each of the types of market price risk, namely interest rate, currency, share price, fund price and volatility risk, as well as for credit spread and prepayment risks, and these approximately reflect the most considerable changes in the respective risk factors which were observed in the past for a period of ten trading days. The risk factors observed were selected in such a manner that significant risks relating to the entire portfolio of NORD/LB and to the individual sub-portfolios of the trading divisions are covered. In addition, other stress test analyses are conducted at least once a month, for example strategy-related stress tests for selected trading items. The stress test parameters are reviewed on at least an annual basis and adjusted to changes in the market situation as and when required.

Since the internal risk model was recognised by the Federal Financial Supervisory Authority in 2005, NORD/LB has been the only institute to also utilise the Value-at-Risk model for calculating equity capital required for general interest-rate risks and for general and special share-price risks in accordance with SolvV. The standard method is applied for the remaining types of risk.

Market Price Risk – Reporting

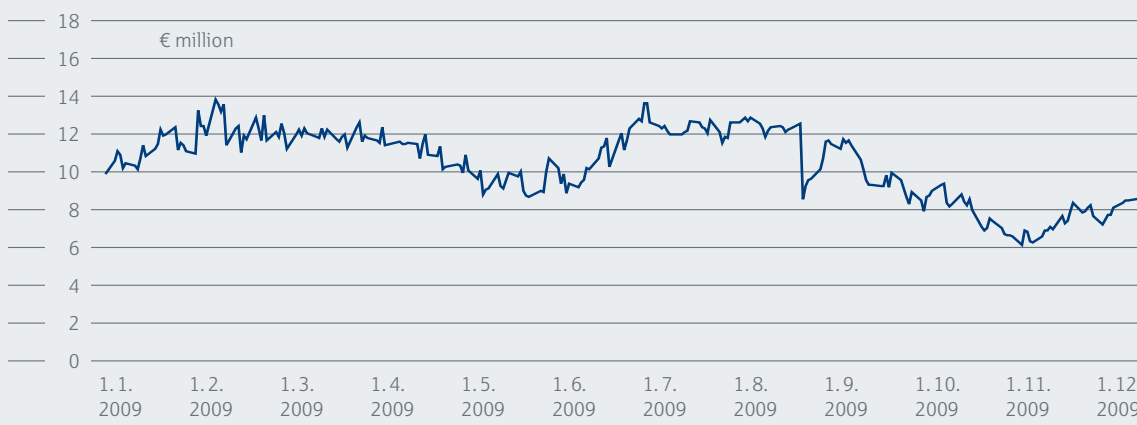
In compliance with MaRisk requirements, the Risk Control Division, which is independent of the divisions responsible for the items, reports daily on market price risks to the respective Director. The Directors are therefore also informed about the effect of stress scenarios beyond the scope of Value-at-Risk scenarios. A weekly report is also provided on the credit spread risks in the banking book. The Managing Board is informed in detail once a month about market price risks and the earnings position.

Market Price Risk – Development in 2009

2009 continued to be affected by turbulent markets in the first quarters as a result of the financial market crisis. Later on the markets steadied. On average higher Value-at-Risk figures were seen in the first quarters due to the increased volatility; these fell again by the middle of the year as the markets steadied.

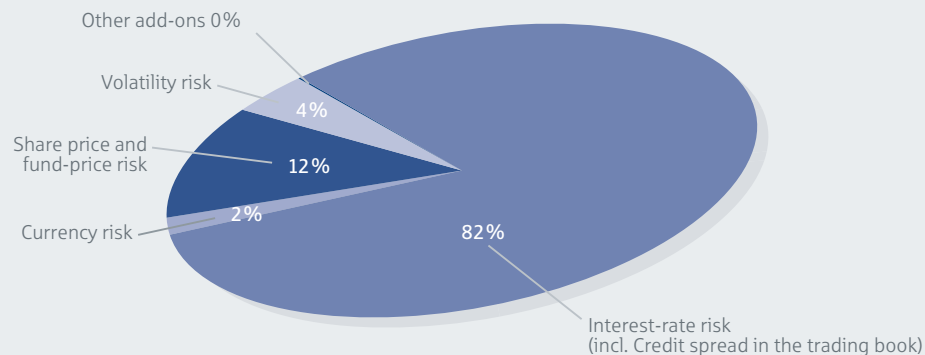
By the middle of the year a change in the positioning of interest rate risk resulted in an increase in the Value-at-Risk, while in the second half of the year reduced risk in the trading books and changes in the correlation effects between the different asset classes resulted in a reduction in the Value-at-Risk.

Value-at-Risk (95 per cent, 1 day) NORD/LB in € million



There is also a special effect with an investment listed on the stock exchange no longer being listed under market price risk but solely under investment risk due to the inactive market and the change in accounting treatment since the third quarter of 2009. This has

contributed towards a reduction in the Value-at-Risk in the category share price and fund price risk to the benefit of the other categories. Consistent with the trading strategy, interest rate risk dominates with a share of 82 per cent.

Market price risk (VaR 95 %, 1 day) structure as at 31 December 2009


The average NORD/LB utilisation of market price risk limits for the year was 27 per cent (23 per cent), with maximum utilisation amounting to 39 per cent and minimum utilisation at 17 per cent. As at the balance sheet date on 31 December 2009, Value-at-Risk was calculated at eleven per cent below that of the previous year (confidence level of 95 per cent and a holding period of one day) and amounted to € 10 million. During the course of 2009, the daily Value-at-Risk (confidence level of 95 per cent and holding period of one day) fluctuated between € 6 million and € 14 million, with an average VaR of € 10 million. The Value-at-Risk calculated on the basis of regulatory parameters (confidence level of 99 per cent and holding period of ten days) amounted to € 44 million on 31 December 2009. The figures also include the interest rate and share price risk in the investment book.

In the period under review the Financial Markets division of NORD/LB was strategically realigned. The focus of the division now lies more on customer business and supporting control measures for the bank as a whole. Credit investment positions are therefore further reduced by slimming down. The Value-at-Risk for the credit spread risks in the investment book not included in the overview fell considerably in the period under review and was € 16 million as of 31 December 2009 (confidence level 95 per cent, holding period one day).

The effects of a standardised interest-rate shock in the investment book are also analysed in accordance with SolvV requirements. The result as at 31 December 2009, at three per cent, is far below the regulatory threshold which provides for a maximum share of 20 per cent of authorised equity capital.

Market Price Risk – Outlook

NORD/LB will continue to observe all the relevant asset categories closely in 2010 as at least in sub-markets short-term, volatile market fluctuations can be expected. Based on the gradually developed risk models, risk control methods and focused trading strategy, NORD/LB believes though that it is also well prepared for turbulent market phases.

In view of the extension of regulatory approval of the market risk model, the aim in the medium term is for full approval of the model. Due to the extensive reform of the requirements of SolvV for the particular interest rate risk, the implementation and regulatory approval of this model extension is not envisaged though until 2011.

Liquidity Risk

Liquidity risks are risks which may result from malfunctions in the liquidity of individual market segments, unexpected events in lending or investment business or deterioration in the bank's own refinancing conditions. Liquidity risks are defined as classical liquidity risk, refinancing risk and market liquidity risk.

Classical liquidity risk is the risk that NORD/LB is not able to meet its payment obligations due to externally induced market disruptions or unexpected events in its lending or investment business. The focus of the NORD/LB consideration is on the respective coming twelve months.

Refinancing risk constitutes potential declines in earnings resulting for NORD/LB from the worsening of the bank's own refinancing conditions on the money market or capital market. The most significant cause in this case is a change in the estimation of the bank's credit rating by other market participants. The focus of consideration here is on the entire range of terms to maturity.

Market liquidity risk defines potential losses to be borne by the bank if transactions need to be concluded at 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 security items in the trading and banking books.

Liquidity Risk – Control Strategy

Securing perpetual liquidity for NORD/LB is strategically essential. While classical liquidity risk is principally to be avoided through 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 are constrained with suitable limits in both cases.

The limit for classical liquidity risk serves to secure the ability to make payment even in a conservative stress scenario, while the limit for the refinancing strategy is derived from the risk strategy and the risk-bearing capacity of NORD/LB and allows term transformation to contribute to earnings.

In order to limit market liquidity risk NORD/LB primarily operates in liquid markets. This applies in particular to all transactions in the trading book. The balances in the trading book primarily consist of securities from prime issuers.

The NORD/LB global liquidity policy (GLP) describes the basic strategic guidelines for ensuring a sufficient supply of liquidity. Liquidity management measures in cases of emergency and in crisis situations are specified in the GLP contingency plan.

Risk concentrations on the liabilities side are prevented by a diversified investor base and product range. The focus is on institutional and public investors, which is in line with the risk-based orientation of NORD/LB. The diversification of refinancing sources is also reinforced by the mortgage bond business, which provides NORD/LB with additional access to the funding market.

Structure and Organisation

The global trading divisions Markets, Treasury, Portfolio Investments and Portfolio Management & Solutions and the Risk Control Division are included in the process of liquidity management at NORD/LB.

The trading divisions and Treasury assume the management role for items bearing liquidity risks and produce the profits and losses resulting from changes in the liquidity situation (generally specific to NORD/LB).

The Treasury also presents the liquidity progress review to the planning committee. It also reports to this committee on the refinancing risk and makes proposals for activities in terms of the future approach towards strategic planning if necessary.

The Risk Control Division is in charge of the implementation and development of internal procedures for measuring, limiting and monitoring liquidity risks. The Risk Control Division also ascertains and monitors classical liquidity risk and monitors refinancing risk. It also ascertains and monitors regulatory indicators in accordance with German Liquidity Regulations (LiqV).

A Global Liquidity Management crisis team is available in the event of a liquidity crisis and assumes responsibility for liquidity management in close cooperation with the Managing Board. In order to coordinate the decentralised units of the NORD/LB Group, regular

telephone conferences are held between the significant companies to address both issues relevant to control in the Treasury Division and also model-relevant issues in the Risk Control Division.

Liquidity Risk – Control

NORD/LB's refinancing risk is regulated by restricting the risk with volume structure limits for various maturity bands which cover the entire range of maturities. Since the start of the year under review liquidity progress is also considered by currency.

Classical liquidity risk is limited by a dynamic stress test scenario. The scenario describes the most likely crisis situation in each case, hence also describing the spread of the financial market crisis in the current market environment. Analysis is based on liquidity cash flows and covers the coming twelve months on a daily basis. Assumptions are made in accordance with the market situation in terms of scheduled new business and refinancing options.

With the help of the limit system it is ensured that in the event of a stress case, surplus liquidity is available for at least three months. This means that securing the ability to make payment at any time in this maturity band is given preference over possible opportunities to generate profits. The aim is to ensure a liquidity surplus for six months on consideration of profitability aspects.

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

Market liquidity risks are implicitly accounted for by means of classifying securities in the liquidity progress review in accordance with their market liquidity. NORD/LB pursues a best-practice approach: Securities are allocated to one of eight categories (e.g. trading book, cover fund, central bank eligibility) on the basis of a detailed liquidity category concept. The presentation of the liquidity progress review is contingent on the liquidity category and is carried out in a maturity range extending from call money to the final due date.

Liquidity Risk – Measurement

NORD/LB calculates the utilisation of volume structure limits for the various maturity bands on the basis of a liquidity progress review of the entire item, which essentially reflects the standard case. Liquidity risk is quantified in a risk-bearing capacity concept for the entire bank resulting from a present-value consideration of the refinancing risk.

Calculation of dynamic and static stress scenarios for modelling classical liquidity risk is based on current liquidity progress reviews. These are stressed until they reflect a crisis. For example, a reduced amount of accounting liquidity and an increased utilisation of credit commitments is presumed. The stress scenarios can be used to show the effect of unexpected events on the liquidity situation of the bank, enabling the bank to plan for the future and to be well-prepared for cases of emergency.

The analysis of stress scenarios takes into consideration the overriding significance of the market liquidity of all of the securities in the portfolio. In addition, a separate credit spread risk calculation is made for securities in the banking book. Since the spreads observed on the market reflect both the credit rating of an issuer and the market liquidity of the securities and since the parameters applied for calculating a scenario are specified in relation to current market spreads, the risk report also indirectly takes into account the market liquidity of the securities. No separate risk dimension is applied for market liquidity risks.

Liquidity Risk – Reporting

Coefficients in accordance with German Liquidity Regulations (LiqV) are calculated daily and are submitted to the Treasury Division for the purpose of regulating liquidity risk. The report in accordance with German Liquidity Regulations for the entire bank and for each control unit is submitted to the control divisions and to the Managing Board once a month. The liquidity progress review is presented to the planning committee and discussed on a monthly basis.

The responsible divisional heads are informed several times a week, and depending on the amount of the limit used on a daily basis if necessary, of NORD/LB's classical liquidity risk. In addition to this the biggest investors in new business are monitored regularly.

The Managing Board is informed about the liquidity risk situation on a monthly basis in the report on the risk and earnings situation in the trading divisions and in a quarterly report submitted by the Risk Management Division on the risk-bearing capacity of the bank. The supervisory body receives the reports stated on a quarterly basis.

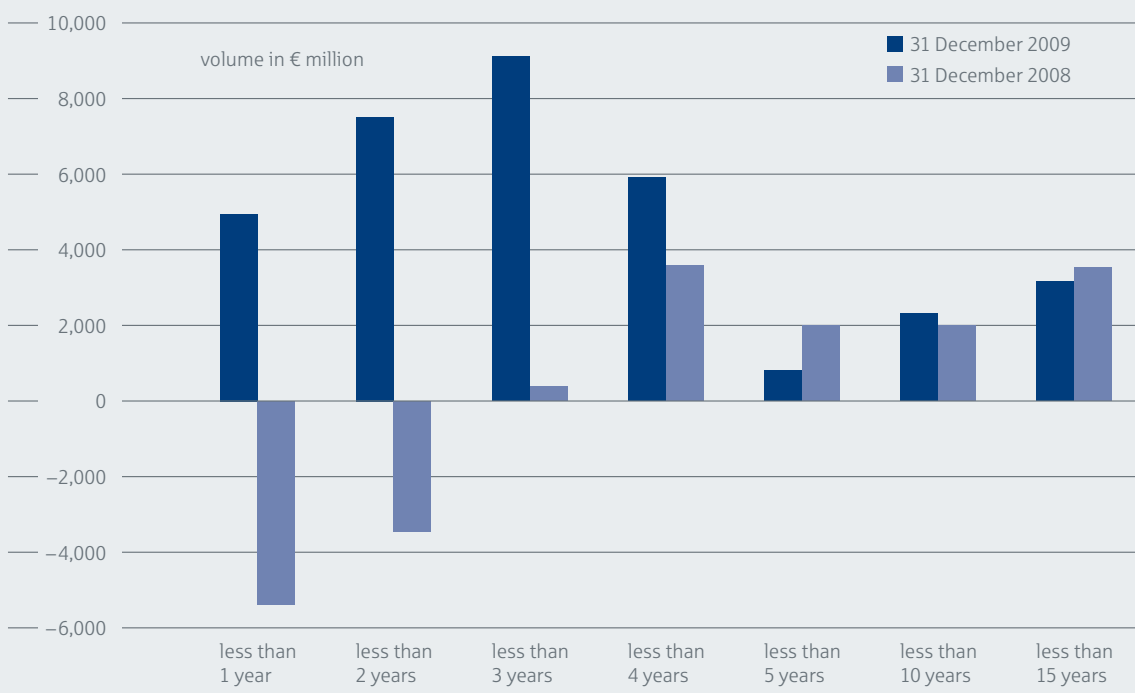
The monthly reporting in the year under review was also supplemented by the presentation of the liquidity progress reviews in the most important foreign currencies. These progress reviews are presented to the planning committee which meets on a monthly basis for consultation.

Liquidity Risk – Development in 2009

The tense situation in the financial markets at the start of the year under review initially resulted in liquidity remaining restricted in many market segments. The situation has though eased considerably during the course of 2009.

NORD/LB had sufficient liquidity at all times and was able to implement various risk-reduction measures, e.g. the issue of a G-MTN programme guaranteed by the states of Lower Saxony and Saxony-Anhalt. The liquidity progress review shows that the liquidity situation of NORD/LB has improved considerably in 2009 in particular in the maturity periods to four years.

Accumulated liquidity progress review in € million



The forward-looking liquidity control in the market phases affected by the financial market crisis produced a liquidity supply which resulted in low utilisation of the limits in virtually all maturity periods. NORD/LB also operates in markets with the highest possible level of liquidity and maintains a portfolio of high-quality securities, 86 per cent of which are suitable for repo transactions with the European Central Bank or the US Federal Reserve.

The comfortable refinancing situation of NORD/LB allowed the G-MTN programme to be phased out early in December 2009. The unused refinancing limit of € 6 billion is no longer needed in the foreseeable future.

Overall the measurement and control processes were extended in 2009. These include the in-depth analysis of sub-liquidity risks in individual currencies, the implementation of risk-reduction measures and the significant expansion of model validation processes.

Due to the attentive monitoring of markets and active liquidity control, it was ensured at all times in the year under review that NORD/LB had sufficient liquidity. The liquidity ratio in accordance with the liquidity regulation (LiqV) was always well over the minimum of 1.00 required by regulatory provisions during the year. At the end of 2009 the ratio was 1.40.

Liquidity Risk – Outlook

For 2010, due to the stocking of liquidity undertaken in the year under review, no significant increase in liquidity risk is expected. The Group-wide development of liquidity risk control will continue.

An important part of this is the implementation of the much greater requirements for control announced by the international regulatory authorities in reaction to the financial market crisis and the external reporting with regard to liquidity risks. Here in particular the new regulations of the British Financial Services Authority (FSA) which have to be implemented in 2010 and the current Liquidity Buffers and Survival Periods consultation paper of the Committee of European Banking Supervisors (CEBS) are of great importance to NORD/LB.

Operational Risk

Operational risk is defined as the risk of incurring losses as a result of the inadequacy or failure of internal procedures, employees and technology or losses which occur as a result of external influences. Besides covering legal risks, this definition implicitly covers 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. NORD/LB understands this as meaning that the bank is to protect itself against operational risks provided that the cost of protecting it against such risks does not exceed the cost of risks that may occur.

The prevention of operational risk should be supported in particular by an appropriate operational and organisational structure, regulations set down in writing, the internal control system (ICS), an appropriate personnel level in terms of quality and quantity, security and contingency plans and appropriate insurance cover.

With continual analysis of loss events, risk indicators and scenarios, causes of risk should be identified and concentrations of risk prevented. The ICS is reviewed regularly in relation to its appropriateness and effectiveness with regard to risk (ICS control group). Appropriate countermeasures are taken as and when required. Contingency plans serve to limit damage in the case of extreme unexpected events.

Structure and Organisation

The Managing Board, the Risk Control Division and the internal Auditing Division as well as all the other divisions are involved in the process of controlling operational risks. The Managing Board stipulates the basic method of handling operational risk, taking into account the risk situation at general bank level. Responsibility for the control of operational risk within the general environment specified is decentralised and lies with the individual divisions.

The Risk Control Division is responsible for the central monitoring of operational risks and the independent reporting of these risks. The division is also responsible for specifying methods to be applied, for properly implementing centralised methods and for coordinating the implementation of decentralised methods. The internal Auditing Division is in charge of independently examining whether methods and procedures are properly implemented and carried out.

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, etc. Maintaining the health of employees has top priority. For this purpose extensive preventive measures were taken in the year under review in relation to pandemic precautions.

All of the previously independent tasks of security and contingency management have been combined in the newly established Group Security division. The aim is to establish a security strategy for NORD/LB and implement uniform standards in order to efficiently and sustainably protect the bank from harm and at the same time meet legal and supervisory requirements.

Personnel risk is countered by an appropriate personnel level in terms of quality and quantity. The bank pays particular attention to employee qualifications and the qualification status is reviewed with the help of a system of job specifications and employee assessments. Personnel development measures can therefore be initiated in a targeted manner.

Criminal actions are countered in close cooperation with the criminal prosecution authorities. NORD/LB has a central office for permanently improving the prevention of internal and external acts of fraud. The responsibilities of this office include making available adequate security measures relating to the prevention of acts of fraud in accordance with §25a Paragraph 1 of the German Banking Act and within the framework of a proper business organisation. For this purpose a fraud prevention strategy was implemented, and this has been improved in the year under review by among other things the implementation of a whistle-blowing system and regular training for all employees.

In the IT Division, instructions on procedures, alternative capacities and backups ensure that the IT infrastructure is adequately stable. Security concepts and contingency plans supplement 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. If weaknesses in the organisation are identified, appropriate countermeasures are initiated immediately. The structures in the internal control system which have been further improved in the year under review should support this and permanently guarantee regulated cooperation between all of the divisions involved in the process of controlling operational risks.

NORD/LB has a standard process map. Based on this processes involving particular risk are identified with the help of a scoring model and a detailed analysis with regard to the appropriateness and effectiveness of the ICS is undertaken. In the year under review the scoring model, which enables a detailed analysis, was revised.

NORD/LB's insurance cover is appropriate and is regularly reviewed. 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 which are not based on approved sample contracts are concluded.

The quality of external suppliers and service companies is ensured by concluding service level agreements or detailed specifications and subsequently controlling respective key figures. A process for assessing service providers in terms of their significance for risk aspects was installed in order to implement MaRisk requirements concerning outsourcing. For each significant service outsourced a position is nominated which is responsible for managing services and risk relating to the business relationship. An individual contingency concept is also drawn up for each significant service outsourced.

Natural disasters and terrorist attacks are defined as force majeure. These risks are countered in contingency concepts.

Operational Risk – Accounting-Related ICS

The ICS of NORD/LB also covers in relation to the accounting process all of the principles, processes and measures implemented by management which are aimed at the organisational implementation of decisions by management relating to

- the correctness and reliability of internal and external accounting,
- compliance with legal regulations which are relevant to the company and to
- ensuring the effectiveness and efficiency of the accounting.

The ICS of NORD/LB is based on the COSO framework for internal controls. The accounting-related ICS is integrated into NORD/LB's overall ICS concept and consists of a hierarchy of controls and key controls which are to be carried out periodically or as and when required and the results of which are to be documented. In the year under review a comprehensive review and assessment of all controls took place.

NORD/LB's accounting process is structured decentrally. The preparation of the annual accounts and the management report for NORD/LB in compliance with legal regulations is the responsibility of the Finance Division. Many accountable facts are already recorded in the market and back-office divisions in upstream systems and are already subjected there to controls with regard to verification, completeness and assessment. There are also controls here with regard to the correct recording of data which control the reporting of facts and the preparation of the disclosures in the notes.

The bank's four foreign branches, whose accounting processes are basically structured independently, each have their own accounting-related control processes. Overall the accounting process is governed by regulations set down in writing which are accessible to all employees concerned.

The accounting-relevant data is transferred from the bank's upstream systems both automatically and manually to the general ledger with different levels of aggregation. Risks relating to manual steps are prevented across the entire accounting process by targeted controls. With regard to automatic interfaces, the posting logic specified by the Finance Division ensures that the data is transferred in a factually correct manner. With new products, the new product process which has been installed ensures that all aspects of accounting for the new product are given appropriate attention. Closing and accrual entries posted directly in the general ledger are also subject to the ICS.

The closing entries of the German head office and the foreign branches are consolidated via a SAP module into the accounts of NORD/LB. The accuracy of this consolidation process and the evaluation of the results is also part of the ICS.

In selected accounting-relevant areas, in particular relating to the calculation of liabilities to employees, NORD/LB uses external service providers.

The accounting process is monitored in the Finance Division by a central, intranet-based management application. This application allows all activities and milestones relevant to the financial statements to be tracked in relation to their respective completion dates and their processing status, so that in the event of delays immediate action can be taken.

NORD/LB's Internal Audit ensures as a process-independent unit compliance with the ICS with systematic audits. The internal control and risk management system is also the subject of an annual audit by the auditor. The results are reported to the audit committee.

The efficiency of the accounting process is ensured by continual improvements. In 2010 there will be particular focus on continuing to replace manual steps by automatic routines.

Operational Risk – Measurement

NORD/LB has been collecting data on loss events resulting from operational risk since the beginning of 2003 and has classified these events by process, cause, and effect. There is no “insignificant” level; however there is a simplified reporting process for gross losses of less than € 2,500. Data in the loss data-bank provides the basis for analyses in support of risk management and is an important element of a statistical/mathematical risk model.

The loss events collected are entered in anonymous form in the DakOR data consortium initiated by the German Federal Association of Public Sector Banks (VÖB). In return NORD/LB receives the loss events collected by the consortium as a data basis. In addition information contained in the ÖffSchOR database is available in which press releases on major losses resulting from operational risk are collected, structured and processed. The two sources of data are used for scenario analyses and for regular benchmarking.

A record of data concerning past losses is supplemented with future components with the help of the self-assessment method which is carried out annually. Expert appraisals provide a detailed insight into the risk situation of the individual bank 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.

At the start of 2009 a method for collecting risk indicators was implemented in NORD/LB. The selection of indicators takes place on a risk-oriented basis and is regularly reviewed for its appropriateness. NORD/LB aims to identify potential risks early on and to take countermeasures. Likewise with continual analysis of loss events, risk indicators and scenarios, causes of risk should be identified and concentrations of risk prevented.

NORD/LB has an internal model to measure operational risk. As well as internal data and scenario analyses, external data from the DakOR consortium also goes into this model. Correlation effects are also considered. For this purpose a loss distribution approach is used in which elements of the extreme value theory are considered. Dependencies are modelled with the help of a Gaussian copula. The Value-at-Risk calculated by the internal model is used as a control variable for operational risks in the RBC model.

The methods and procedures implemented in NORD/LB meet the requirements of §272 SolvV concerning the use of the standard approach for operational risk. The amount allowable for operational risk was calculated in the year under review using the standard approach in accordance with SolvV. In addition the further developments based closely on the requirements of SolvV already meet essential conditions for the implementation of an advanced measurement approach (AMA).

Operational Risk – Reporting

Within the framework of a continuous risk management process, results from the collection of loss events and risk indicators are analysed and communicated to the Managing Board on a quarterly basis and the responsible divisions at least once a year. The self-assessment is carried out once a year and analyses are reported to the Managing Board and the divisions. The quarterly RBC reporting includes information from the loss database, the self-assessment and the internal model for operational risks.

Operational Risk – Development in 2009

In the year under review the project to improve the internal control system started in the previous year was completed. Within this framework the further conceptual development of the ICS as an essential component for bank control took place. The implementation of this concept was started in the year under review and will take place gradually, accompanied by an intensive communication concept at all levels. The ICS framework includes a specific operational and organisational structure. With the use of standardised methods and procedures, an appropriate and effective ICS should be ensured throughout the bank and a lasting improvement sought.

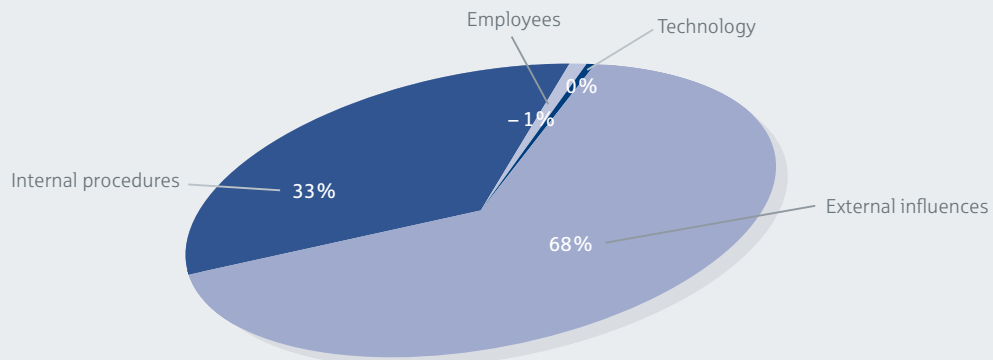
Based on this framework the operational structure of NORD/LB's ICS is geared towards a recurrent control cycle. The overriding goal is the bank-wide assessment of the ICS based on the consideration of the appropriateness and effectiveness of the controls implemented. The control cycle will be supported by an organisational structure optimised for this purpose. This includes roles related specifically to the ICS, the tasks, competencies and responsibilities of which are defined and distinguished from one another. The current reporting to different groups of recipients is part of this control cycle.

As a result of the project to improve the internal control system, the methods for controlling operational risks have become increasingly process-oriented. For this purpose extensive improvements to the methods and procedures already implemented have started.

Significant changes have resulted for the self-assessment method. Here, in view of the planned use of the advanced measurement approach and the amendments to MaRisk, a complete revision of the methods was initiated and piloted. This enables a process-related view of the bank's operational risks.

The new risk assessment consists of three components, the risk map, self-assessment and in-depth scenario analyses. Based on objective information and a greatly simplified qualitative self-assessment, a risk map is produced based upon which risk-oriented scenarios are assessed by experts of the company processes concerned. This further improves the analysis of Group-wide scenarios, risk concentrations and the carrying out of stress tests. The results should also flow into the internal model, further improving measurement accuracy.

Loss event databank – net loss as a percentage



The allocation of losses to the risk categories in relation to the total loss can be seen in the allocation of total net losses (not including losses linked to credit). There were no significant legal risks as of the reporting date.

Operational Risk – Outlook

NORD/LB is endeavouring to apply an advanced measurement approach for operational risk. A considerable amount of preparatory work has already been completed here.

Extensive scenario analyses are planned for 2010 together with the refining of controls which can be derived from the model. In addition further developments in the area of stress tests and risk concentrations are planned.

The implementation of all of the methods should be completed in 2010, creating the conditions for the application of an AMA. In addition to this the controlling of operational risks should continue to be interlinked with the contingency planning and the ICS.

Summary

NORD/LB has taken account of all the risks known to the bank by employing precautionary measures. Suitable instruments have been implemented for the purpose of recognising risks early.

Quotients determined in the risk-bearing capacity model show that risks were covered at all times during the period under review. NORD/LB does not believe that there are any risks at present that would put the existence of the bank at risk.

NORD/LB complied with the applicable regulatory provisions concerning equity capital and liquidity throughout 2009. The bank also took due account of the regulations relating to large credits limits in accordance with Paragraph 13a of the German Banking Act (KWG) in the year under review.

In addition to the risk report, the following forecast report presents the opportunities and risks relating to the future development of NORD/LB.

Forecast Report

General Economic Development

The economic recovery, which started at roughly the same time in the most important industrial nations in the middle of the past year, will continue this year. The bank is expecting strong growth of 3 per cent for the US economy. It is also expecting that the recovery will continue in Germany and Europe, although this will for the time being still depend on government support measures and an expansive monetary policy. The German economy will recover more strongly at 1.8 per cent than the eurozone (around 1 per cent growth). There are also risks relating to the further development of the global economy. For example a worsening of the financial market crisis could also have a negative effect on the process of economic recovery or result in an abrupt abandonment of the expansive monetary or fiscal policy. In addition warnings can increasingly be heard of a bubble forming in emerging countries.

The German economy will due to its export orientation be able to benefit from an anticipated strong recovery in global trade. Investment will also recover slightly in 2010, although low capacity utilisation will be an obstacle to dynamic development. Construction investment should benefit from the economic stimulus programmes after a poor start to the year due to the weather. The outlook for private consumption does not look so good. On the one hand development relating to standard salaries and wages will be weak in 2010. On the other NORD/LB is expecting the situation in the job market to deteriorate, although the increase in unemployment will not be as great as was feared in the middle of last year. With the inflation rate returning to positive territory, the situation has normalised. There is no sign of any significant inflationary pressure in the foreseeable future. NORD/LB is therefore expecting that the European Central Bank will act cautiously and that interest rates will not be raised until the second half of the year at the earliest.

NORD/LB Planning for 2010

The customer-oriented business model of NORD/LB is continuing to prove to be sustainable in the difficult market environment. With the planning for 2010 NORD/LB is preparing for the challenges of the markets taking into consideration the difficult economic conditions. As in the previous year, increased loan loss provisions should act as a buffer for the difficult road ahead. In the medium term, planning has been based on a normalised risk structure.

NORD/LB's planned operating result after risk provisions and valuation for 2010 is higher than the operating result of 2009. On the earnings side, the short-term planning to 2010 shows that initial reserved development will be reserved; only in the medium term will there be a clear improvement in the earnings base associated with a diversification of the earnings structure. The focus of new business is on resource-friendly potential business with manageable risk in order to absorb the procyclical effects of the Basel II regulations.

Moderate investment in personnel and material resources are essential to realise growth prospects, comply with regulatory standards and specifications and to complete major projects.

In expectation of an intensified lending risk situation as a result of economic developments, the loan loss provisions for 2010 have been adjusted for the expected development of credit ratings in the loan portfolio and are above the level of the loan loss provisions for 2009. The result of valuation planned for 2010 includes appreciations for losses on the value of securities in previous years due to the crisis for which the bank pursues a buy-and-hold strategy. No other results of valuation are anticipated.

Business Segment Planning for 2010

Savings Bank Network

In the savings bank network the main focus of business for 2010 will, in addition to the successful institutional savings bank business and public sector customers, be on intensifying the network region expanded in the previous year by assuming a support function in associated business for the savings banks in Schleswig-Holstein and Brandenburg. NORD/LB is expecting this business segment to make, with stable earnings, a smaller contribution to the operating result due to slightly higher administrative expenses as a result of the expansion of business activities and in particular due to the increased loan loss provisions in view of the tense credit situation.

Sales activities of the member savings banks are to be intensified in order to maintain earnings (including municipal financing and interest derivatives). With these measures NORD/LB is expecting contributions to earnings to be higher, in particular in commission business and from trading profit to compensate for the slight decline in interest-bearing business.

Investment relating to the expansion of the business segment and higher costs relating to compliance with legal standards have resulted in an increase in administrative expenses for the savings bank network compared to 2009. NORD/LB is expecting risk costs in the loan loss provisions to rise in 2010 after the more relaxed risk situation in the previous year.

The CIR will rise in 2010 as a result of the planned development in administrative expenses in the savings bank network; the RoRac is below that of the previous year and this is attributable in particular to the rise in equity capital requirements due to the planned increase in business volume and also to higher risk costs. Pressure from domestic and foreign competitors may have a negative impact on the achievement of targets set as could unforeseeable consequences of the economic crisis.

Private and Commercial Customers

The private and commercial customer business segment mainly reports on results for the strategic business units Private and Individual customers, Private Banking and Business, Commercial and Corporate Customers of the Braunschweigische Landesbank (BLSK) in Braunschweig and at NORD/LB in Hanover.

In this business segment NORD/LB positions itself in the market as a quality supplier. It aims to consolidate its strong position as market leader in the area of private customers with advice on selected products and services with attractive terms. At the same time NORD/LB is aiming to establish itself as the top address in private banking and as a quality leader for commercial and corporate customers. In its private and commercial customers business NORD/LB is expecting, with a noticeable rise in earnings, a moderate rise in administrative expenses and risk costs at roughly the level of the expected loss, the contribution to income to be slightly higher in 2010 than in the previous year.

With systematic use of the S finance concept in customer advice and the extended collaboration with ÖVBS, the customer and market potential in private banking and asset management should be better exploited with focused customer groups (potential customers such as new generation customers and freelancers). In the middle-market corporate customers business the Group's product areas are closely integrated, so that NORD/LB can also offer commercial and corporate customers the products of a major international bank in the BLSK. It nevertheless remains to be seen how competitive pressure from other market participants, predominantly from direct banks and large banks pushing business with private customers and middle-market companies, will affect the margins and business volume of BLSK.

By optimising the provision of services processes, the increase in administrative expenses due to the necessary investment in the quality of personnel and material resources should be strictly limited in 2010.

In view of the continuing difficult economic situation in parts of the banking industry, the segment for private and commercial customers at NORD/LB is expecting, after a more relaxed risk situation in the previous year, that risk provisions will be around the level of the expected loss in 2010. The RoRac projected for 2010 will be lower due to a rise in scheduled risk costs. On the other hand, an improved cost/income situation in this segment will result in a lower CIR.

Corporate Customers

Activities relating to the “corporate customer campaign” project will continue to be implemented in the corporate customer business segment in order to sustainably improve earnings for the segment.

Earnings from business with corporate customers planned for 2010 should initially stabilise at the level of previous years and grow in the medium term. Increases in commission business and earnings from financial and investment banking transactions will compensate for slight falls in interest-bearing business. The strategic aim is to become the leading middle-market bank in northern Germany. In addition to activities conducted with our corporate customers (intensified relationships with existing customers, gaining new customers and reinforcing cross selling), the Corporate Finance Division should be more integrated. This will involve the expansion of working capital management, leasing activities with LHI-Leasing GmbH, Munich, inclusion of funds in the structuring and expansion of the mandate as mandated lead arranger. In addition, both the Agricultural Division (the leading supplier of agricultural banking services in Germany) and the Housing Division will contribute significantly towards this planned result, the Agricultural Division by acquiring new customers and the Housing Division by expanding business throughout Germany.

Rising administrative expenses reflect investments made in personnel and material resources. The slight increase in staff expenses relates to the filling of vacancies; material costs increased compared to the previous year, reasons for this being increased marketing costs for supporting the activities in the corporate customers business and higher expenses to comply with legal standards.

In view of the worsening economic outlook, NORD/LB expects risk provisions in the corporate customer business segment to rise, although they will be below the previous year's level. As a result the RoRaC will rise again, while the estimated CIR in this business segment will not quite reach the previous year's level. Risks might arise, due to the economic crisis, from the anticipated risk provisions being insufficient.

Structured Finance

Since last year the real estate business has gradually been moved from the Structured Finance business segment at NORD/LB and transferred via extensions and asset transfers to the subsidiary Deutsche Hypo.

This process will take place for the foreign locations in the next few years. By concentrating real estate activities in Deutsche Hypo, growth prospects and potential for earnings should be realised and due to the stronger concentration and harmonisation of products and processes synergy effects should be achieved.

In the Structured Finance segment the bank is planning to sustainably extend core customer relationships with the targeted use of available resources. In awareness of risks and cautious with capital, it will maintain its market presence in Germany and abroad at the same high level as before in selected growth segments such as transport (notably ship and aircraft financing), energy (in particular wind and solar energies), infrastructure (in particular social infrastructure in areas such as accommodation, education, blue light and waste/water) and industries (mainly rail transport) in order to make significant contributions to earnings in the long term. NORD/LB expects that it will be able to increase earnings from lending and commission business and trading profit both in Germany and in the international markets in which it is represented with branches.

In order to implement its strategic concepts, the extension and differentiation of the product range (including the financing of engines, cargo aircraft financing, project financing/public private partnerships, market presence as mandated lead arranger and employing financial market products) are to be continued next year too. The focus will lie on the structuring and arranging of individual financing solutions for mostly project-related transactions. The bank plans to issue ship bonds and is also reviewing/using alternative refinancing instruments through third parties in order to refinance loans.

Due to investments in personnel resources and in materials relating to the planned market orientation and to comply with regulatory requirements, a corresponding increase in the administrative expenses in the special financing divisions is expected in 2010.

For 2010, in view of the tense economic situation, significant risk provisions and corresponding effects on the RoRaC of the business segment are expected. The CIR should also maintain its good level in 2010.

Risks relating to projected increases in earnings lie mainly in the financial market crisis continuing with the possible consequence of anticipated risk provisions being insufficient.

Financial Markets

The Financial Markets business segment provides the investors and customers of NORD/LB with efficient access to the financial markets and in doing so relies on a combination of relationship management and specialist knowledge.

With a systematic alignment to the customer segments of the bank, the Corporate Sales and Markets divisions aim to pool know-how and increase in earnings with corporate and structured finance customers. The good relationship of this division with institutional clients should stabilise earnings long term.

The Treasury Division focuses on liquidity management and the gradual development of its consulting and pricing expertise for the credit areas of the bank.

The main aim of the Portfolio Management & Solutions Division is to provide support with the structuring and placing of assets in order to release equity. The portfolios of NORD/LB which are no longer considered to be strategic will be controlled in the Portfolio Investment division.

Due to the previous year's very good development particularly in the Markets Division, a fall in earnings is expected in 2010 in the Financial Markets segment due to the absence of special factors relating to 2009.

The expected rise in administrative expenses over those of the previous year relates to investment in IT and additional personnel structures which will become fully cost-effective in 2010. After the risk provisions for the ABS portfolio the previous year, the division has planned additional risk provisions for 2010. Due to the expected fall compared to the previous year in

earnings in relation to the administrative expenses, the CIR and RoRaC will also fall in 2010.

Risks in the planning of financial market divisions lie in unexpected developments in credit spreads and restrained economic development with negative consequences such as the valuation of portfolios being adjusted and a fall in new lending business with the associated opportunities to generate income from cross selling.

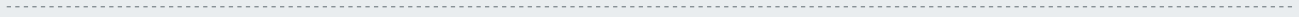
Medium-Term Planning for the Period up to 2014

NORD/LB will continue to resolutely pursue its strategy of operating its customer-oriented business model which has proved itself in the crisis and its risk-conscious business policy. In its estimation of its medium-term development, NORD/LB AöR assumes that the continued tense economic situation will be overcome and that the economy will return to a sustainable path of growth. The planned increased earnings in the medium term will focus on growth in all earnings components and at the same time improving the earnings structure and a gradual return to normal risk provisions. Despite increasing staff expenses (increases in factor prices, strategically motivated investments and compliance with banking regulatory standards and specifications), administrative expenses will only rise slightly in the medium term. Given the overall development of earnings and expenditure, with risk provisions at the level of the required imputed covering, the bank expects the operating result after risk provisions and valuation to increase significantly every year in the period up to 2014, accompanied by a corresponding improvement in key figures.

Statements Relating to the Future

This report contains statements relating to the future. They can be recognised in terms such as "expect", "intend", "plan", "endeavour" and "estimate" and are based on our current plans and estimations. These statements contain uncertainties since a number of factors which affect our business are beyond the sphere of influence of NORD/LB. These factors notably include developments in the financial markets and

changes in interest rates and market prices. Actual results and developments may deviate considerably from current assumptions. NORD/LB does not assume any responsibility and nor does it intend to update these statements relating to the future or to adjust them in the event of developments which deviate from those that had been anticipated.



Annual Account

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Assets

Nordeutsche Landesbank Girozentrale

	€	€	€	31 Dec. 2008 € 000
1. Cash reserve				
a) Cash on hand		74,430,742.26		67,185
b) Balances with central banks		546,297,075.18		736,926
of which:				
with the "Deutsche Bundesbank" _____ € 541,062,349.86				(728,992)
			620,727,17.44	804,111
2. Claims on banks				
a) Due on demand		3,206,418,077.75		3,977,806
b) Other claims		<u>34,156,110,877.05</u>		<u>36,974,442</u>
			37,362,528,954.80	40,952,248
3. Claims on customers			65,691,323,571.69	64,883,785
of which: secured by mortgage _____ € 6,601,887,476.58				(6,297,919)
Public sector loans _____ € 21,456,714,027.75				(20,041,932)
4. Debt securities and other fixed-interest securities				
a) Money-market instruments				
aa) Issued by public sector borrowers	0.00			64,655
of which: eligible as collateral for "Deutsche Bundesbank" advances _ € 0.00				(64,655)
ab) Issued by other borrowers		<u>504,274,834.49</u>	504,274,834.49	2,091,802
of which: eligible as collateral for "Deutsche Bundesbank" advances _ € 24,904,540.00				(606,629)
b) Bonds and debt securities				
ba) Issued by public sector borrowers		9,881,410,634.64		8,438,828
of which: eligible as collateral for "Deutsche Bundesbank" advances _ € 9,836,365,633.57				(8,247,378)
bb) Issued by other borrowers		<u>29,390,750,963.48</u>	39,272,161,598.12	29,727,291
of which: eligible as collateral for "Deutsche Bundesbank" advances _ € 22,609,292,596.62				(21,652,569)
c) Debt securities, issued by the institution itself			1,214,877,399.15	1,358,891
Nominal amount _____ € 1,195,026,399.00				(1,347,046)
			40,991,313,831.76	41,681,467
5. Shares and other variable-yield securities			1,488,975,526.47	1,537,661
6. Participating interests			690,361,067.93	844,972
of which:				
in banks _____ € 426,767,928.30				(579,997)
in financial institutions _____ € 1,983,523.31				(24)
7. Shares in affiliated companies			2,201,500,508.24	2,730,155
of which: in banks _____ € 1,414,721,196.18				(1,617,472)
8. Assets held in trust			4,131,792,152.30	4,058,936
of which: loans on a trust basis _____ € 4,131,792,152.30				(4,058,935)
9. Intangible assets			10,792,076.54	11,311
10. Tangible assets			90,455,601.31	103,239
11. Other assets			4,033,235,179.94	6,020,489
12. Prepaid expenses			777,962,054.42	678,789
Total assets			158,090,968,342.84	164,307,163

Balance sheet NORD/LB Bank as at 31 December 2009

Liabilities

	€	€	€	31 Dec. 2008 € 000
1. Liabilities to banks				
a) Due on demand		6,811,603,800.55		5,508,740
b) With an agreed term or notice period		<u>35,471,542,688.66</u>		<u>44,003,201</u>
			42,283,146,489.21	49,511,941
2. Liabilities to customers				
a) Savings deposits				
aa) with an agreed notice period of three months	828,801,716.81			728,565
ab) with an agreed notice period more than three months	<u>425,979,568.19</u>	1,254,781,285.00		810,073
b) Other liabilities				
ba) Due on demand	9,819,928,147.44			9,913,678
bb) With an agreed term or notice period	<u>30,698,271,711.17</u>	<u>40,518,199,858.61</u>		<u>34,396,774</u>
			41,772,981,143.61	45,849,090
3. Securitised liabilities				
a) Issued debt securities		52,345,132,128.51		47,438,824
b) Other securitised liabilities		2,411,821,226.01		2,368,497
of which: money-market instruments _____ € 2,116,516,917.41				(1,802,578)
			54,756,953,354.52	49,807,321
4. Liabilities held in trust			4,131,792,152.30	4,058,936
of which: loans on a trust basis _____ € 4,131,792,152.30				(4,058,935)
5. Other liabilities			4,026,335,390.87	4,285,164
6. Deferred income			670,539,711.77	681,890
7. Provisions				
a) Provisions for pensions and similar obligations		583,923,763.99		554,093
b) Tax provisions		182,418,339.78		216,489
c) Other provisions		<u>630,826,346.95</u>		<u>610,245</u>
			1,397,168,450.72	1,380,827
8. Subordinated liabilities			2,102,975,285.00	1,810,747
9. Participatory capital			446,894,949.70	814,992
of which: thereof falling due in less than two years _____ € 248,156,000.00				(694,992)
10. Funds for general banking risks			722,300,000.00	722,300
11. Equity				
a) Subscribed capital				
aa) Share capital	1,085,483,130.00			1,085,483
ab) Capital contribution as per § 15 para. 1 State treaty	51,129,188.12			51,129
ac) Other Capital contributions	<u>2,307,056,101.82</u>	3,443,668,419.94		<u>1,853,189</u>
b) Capital reserves				
ba) Contribution as per § 15 para. 2 State treaty	37,579,953.27			37,580
bb) Other reserves	<u>1,778,877,562.69</u>	1,816,457,515.96		<u>1,778,878</u>
c) Retained earnings		501,702,006.02		501,702
d) Profit shown on the balance sheet after appropriation to or transfer from reserves		<u>18,053,473.22</u>		<u>75,994</u>
			5,779,881,415.14	5,383,955
Total liabilities			158,090,968,342.84	164,307,163
1. Contingent liabilities				
a) Contingent liabilities under rediscounted bills of exchange		0.00		0
b) Liabilities from guarantees and other indemnity agreements		9,689,696,002.76		8,195,797
c) Liabilities from assets pledged as collateral for third-party liabilities		<u>0.00</u>		<u>0</u>
			9,689,696,002.76	8,195,797
2. Other obligations				
a) Repurchase obligations from non-genuine partial repurchase agreements		0.00		0
b) Placement and underwriting obligations		0.00		0
c) Irrevocable credit commitments		<u>11,179,289,125.99</u>		<u>16,339,868</u>
			11,179,289,125.99	16,339,868

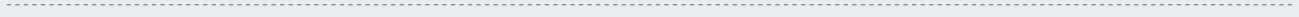
Norddeutsche Landesbank Girozentrale

Income Statement

	€	€	€	2008 € 000
1. Interest income from				
a) Lending and money market transactions	3,831,840,357.98			5,151,766
b) Fixed-income and book entry securities	<u>1,116,764,620.36</u>	4,948,604,978.34		1,896,542
2. Interest expense		<u>3,939,877,271.79</u>		6,112,466
			1,008,727,706.55	935,842
3. Current income from				
a) Shares and other variable-yield securities		60,658,359.72		69,169
b) Participating interests		27,512,729.28		42,005
c) Shares in affiliated companies		<u>158,419,592.23</u>		71,953
			246,590,681.23	183,127
4. Income from profit pooling, profit transfer and partial profit transfer agreements			15,388,605.12	14,876
5. Commission income		197,277,078.63		183,634
6. Commission expense		<u>50,232,809.04</u>		53,771
			147,044,269.59	129,863
7. Net income / net expenditure from financial and investment banking transactions			162,507,033.34	-103,810
8. Other operating income			84,031,621.06	101,456
9. General administrative expenses				
a) Staff expenses				
aa) Wages and salaries	240,239,395.68			226,597
ab) Social security contributions and expenses for pension provision and other employee benefits	<u>113,243,023.32</u>	353,482,419.00		78,997
of which: for pensions _____ € 59,670,219.36				(44,740)
b) Other administrative expenses		<u>383,015,167.87</u>		329,961
			736,497,586.87	635,555
10. Amortisation and write-downs of intangible assets			21,626,073.64	21,485
11. Other operating expenses			30,555,105.99	16,475
12. Write-downs of and value adjustments to claims and certain securities and allocations to provisions for lending business			311,483,732.74	118,854
13. Write-downs of and value adjustments to participating interests, shares in affiliated companies and securities treated as fixed assets			313,167,450.38	0
14. Income from write-ups of participating interests, shares in affiliated companies and securities treated as fixed assets			0.00	32,041
Amount carried forward			250,959,967.27	501,026

for the reporting period from 1 January 2009 to 31 December 2009

	€	€	€	2008 € 000
Amount carried forward			250,959,967.27	501,026
15. Expenses on assumption of losses			108,540,405.86	9,040
16. Transfer to the funds for general banking risks			0.00	286,200
17. Profit on ordinary activities			142,419,561.41	205,786
18. Refund from income taxes		7,427,767,89		14,513
19. Refund from other taxes not show under item 11 (Previous year: other taxes)		<u>10,025,809.37</u>		- 5 036
			17,453,577.26	9,477
20. Income from profit pooling, profit transfer and partial profit transfer agreements			141,829,756.81	115,170
21. Profit for the year			18,043,381.86	100,093
22. Earnings brought forward from the previous year			10,091.36	1
23. Transfer to retained earnings			0.00	24,100
24. Profit shown on the balance sheet after appropriation to or transfer from reserves			18,053,473.22	75,994



I. Reporting information: accounting and valuation methods currency conversion principles

(In the following text, previous year figures for the 2008 accounting period or as at 31 December 2008 are shown in brackets)

General information

Principles for drawing up the Annual Accounts and the Consolidated Accounts. The annual accounts of Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig, Magdeburg (NORD/LB) as at 31 December 2008 were prepared in accordance with the provisions of the German Commercial Code (HGB) and the accounting regulations for financial institutions and financial service institutions (RechKredV).

The balance sheets and the statements of income are based on the RechKredV.

Accounting and valuation methods employed

The balance sheet was prepared in accordance with §268 Paragraph 1 of the German Commercial Code on consideration of partial appropriation of the profit for the year.

Assets and liabilities are valued pursuant to §§252 ff. HGB valuation rules unless special provisions pursuant to §340e ff. HGB are applied. Requirements to reinstate original values in accordance with §280 Paragraph 1 HGB were fulfilled.

With the exception of those pertaining to the trading portfolio, claims on banks and customers are shown at nominal value. Claims are reported at full value in accordance with §340e Paragraph 2 HGB for interest-related differences between nominal amounts and disbursements in the case of mortgage loans and other claims. The differences are reported under deferred income and written back on a scheduled basis.

Provisions and reserves are included in order to adequately take account of discernible credit risks. Principles for calculating provisions for country risk were maintained. Adequate general loan loss provisions cover other general credit risks. The general loan loss provision continues to be calculated in alignment with

the regulatory statements of the German Banking Committee (BFA) 1/1990 and the German Federal Finance Ministry (BMF) of January 10, 1994. The relevant reference period for calculating the default rate was permanently changed from five to eight years. NORD/LB hence fulfils the requirements of its consistent business and risk strategy and reports a more appropriate general loan loss provision.

The strict principle of the lower of cost was observed on evaluating trading portfolio securities and claims and liquidity reserve securities. Valuation units are created with financial swaps where appropriate. Securities held as fixed assets are valued at acquisition cost provided that they are not permanently depreciated. Debt securities to the amount of € 24,731.6 million and shares to the amount of € 680.1 million were not valued using the lower of cost principle. With securities with a book value of € 17,917.1 million (€ 18,725.7 million) and fair value of € 17,585.4 million (€ 18,030.1 million) there was no unscheduled depreciation. The securities of fixed assets show hidden liabilities to the amount of € 315.5 million and hidden reserves to the amount of € 446.9 million. These are seen alongside hidden reserves and losses to the amount of € 6.8 million and € 193.9 million respectively which relate to interest rate swaps taken out to cover the risk of changes in interest rates for the above-mentioned items. Since securities are held until their final due date and are solely issued by borrowers with a first-class rating, in the case of hidden liabilities no provision was made for the risk of default.

Publicly listed stock-exchange prices, provided such prices are available, are used to calculate the fair value of financial instruments traded on an active market. If no stock-exchange prices are available, valuations are based on dealers' price quotations, with price quotations of other banks or market makers being applied when price sources than those quoted on the stock exchange need to be used.

If no price quotations are available, fair value is calculated with the help of generally accepted valuation methods or models.

For measuring financial instruments, these methods include the valuation methods which are established on the market (e.g. discounted cash flow method and the Hull-White model for options) whose calculations are always based on input parameters available on the market. In this case it is essential that influencing factors which market participants would have taken into account for specifying prices are included in the valuation process. Wherever possible, respective parameters are taken from markets on which the instruments are issued or acquired.

Valuation models are employed primarily for OTC derivatives and unlisted securities. Various parameters are applied for the models, for example market prices and other market quotations such as volatility and market liquidity. A standard market method is always applied whenever estimations are essential in individual cases, for example when option price models are used.

For these mark-to-model calculations as much as possible of the market data which forms the basis of risk management is used. For discounted cash flow methods, payments are discounted by the no-risk interest-rate curve adjusted by the credit spread of the payer. Spreads are determined on the basis of comparable financial instruments on the basis of validated model data (for example on consideration of the respective market segment and the issuer's credit rating). Valuation models applied are all reviewed at regular intervals.

Participating interests and shares in affiliated companies are reported at acquisition cost or at fair value in the case of permanent depreciation, whereby the fair value is the present value of the future net inflows to the shareholders associated with ownership in the company (present value of future profits).

The net earnings of shareholders, which are discounted to calculate the income value, relate primarily to the distributions of financial profits generated by the company. The starting point for calculating the fair value of the investment is a forecast of growth in earnings for 2009, a detailed plan for 2010 and where applicable the medium-term plan for the following four years (planning phase I). For the following years beyond the planning horizon in general perpetuity of the undertaking is assumed. For this purpose a so-called perpetual annuity is calculated which should

reflect the long-term situation of the affiliated company (planning phase II). These anticipated future profits are discounted taking into account the anticipated distributions on the balance sheet date.

The discount rate used represents the yield from an adequate alternative investment in respect of maturity and risk to the investment in the affiliated company and is derived on the basis of a capital market model. The discount rate comprises the components of risk-free interest and the risk premium for future financial profits. The risk premium is the product of an average market risk premium and the beta factor which expresses the specific risk structure of the company to be valued. The beta factor describes as a relative measure to what extent the yield of the respective share in the affiliated company follows changes in the yield of the market portfolio.

In order to value participating interests in companies which are not listed on the stock exchange, comparison groups of similar titles traded on the stock exchange are formed and for each individual value the beta is calculated in relation to the respective nationwide index. In brief, the beta factor of the comparison group calculated in this way is a significant multiplier used when calculating the capitalisation interest. Due to this new method expenses fall by € 111 million and earnings rose by € 1 million.

The raw beta represents the historical beta of a company, which is the result of a linear regression of the return of the share against the return of the market portfolio. The adjusted beta represents as an alternative to using the raw beta an estimate of the beta's future development. For 2009 the adjusted beta factor (adjusted beta = raw beta x 0.67 + 0.33) is used for the first time in order to smooth the volatility of the value of the investment over time.

The book value of the indirect investment in Erwerbengesellschaft der S-Finanzgruppe mbH & Co KG, Neuhardenberg, to the amount of € 35.6 million was not written down to the fair value of € 32.78 million. The write-down of € 2.82 million is of a temporary nature and it is anticipated that this will be made good by the Erwerbengesellschaft's next financial statement.

Maximum depreciation to the extent permitted by tax legislation is applied for fixed assets with a limited useful life span. Unscheduled depreciation in accord-

ance with § 253 Paragraph 2 Clause 3 HGB amounted to EUR 0.5 million in the reporting period (EUR 0.3 million). Economic assets whose acquisition cost amounts to EUR 150 to 1,000 are carried as a compound item and generally depreciated at 20 per cent p.a. over a period of five years. Assets of minor value whose acquisition cost does not exceed EUR 150 are fully depreciated in the year in which they are acquired.

Claims bearing little or no interest, are reported at their cash equivalent, adjusted if necessary by specific loan provisions and general provisions.

Liabilities to banks and customers are shown in the amounts repayable. Interest-rate related differences between amounts borrowed and amounts repaid are reported under deferred income and written back on a scheduled basis.

Zero bonds are reported at their purchase price plus accumulation in accordance with the yield on issue.

Provisions assessed on the basis of the principle of prudence have been made for contingent liabilities and anticipated losses on pending transactions.

The 2005 G mortality tables drawn up by Prof. Klaus Heubeck were applied for determining provisions for pensions and for benefits. Pension obligations are determined at partial value in accordance with actuarial principles on the basis of an interest rate for accounting purposes of 6 per cent.

The bank reported non-recurring earnings from the granting of ship mortgages in commission income for the first time.

Write-downs and impairments of loans and advances as well as certain securities, allocations to provisions for lending business and write-downs of and value adjustments to participating interests, shares in affiliated companies and securities treated as fixed assets are offset against their associated income.

Currency conversion

Currency conversion is carried out in accordance with the principles of §340h HGB. The option available under §340h Paragraph 2 Clause 3 HGB has been exercised.

Fixed assets are stated at historic acquisition cost.

Other assets and liabilities are converted at the ECB reference rate of exchange or at rates from other reliable sources on the balance sheet date. Spot exchange transactions not yet concluded and forward exchange contracts are also based on the ECB reference exchange rate.

For futures transactions, evaluation of proportionate swap premiums/swap discounts not yet amortised is carried out at current swap rates for the residual term of the transactions.

Results of the valuation of remaining items are offset per currency and losses are deferred. Remaining positive results such as calculated profits on open items are not taken into consideration.

NORD/LB assets and liabilities in foreign currencies total € 29,764,498 thousands (€ 32,961,837 thousands) and € 16,347,147 thousands (€ 21,474,996 thousands).

Valuation of derivatives

Derivative financial instruments (futures, options and swaps) are always valued individually on the basis of general commercial valuation rules (§252 ff. HGB) and on consideration of the realisation and imparity principle unless valuation units are created for the purpose of securing balance sheet and trading portfolio items in a legally-permissible scope.

Trading portfolios in securities and derivatives, handled as units in terms of earnings and risks, have been combined across-product, taking adequate account of risks.

In doing so, the valuation results of interest-rate related products are offset per currency; share-related products are offset per type or index and credit derivatives per reference debtor. The principle of prudence is taken into account that an earnings balance remains unappropriated, while a negative balance on the other hand will result in the creation of a provision or in depreciation.

Derivative contracts concluded beyond the scope of trading portfolios primarily for the purpose of securing interest-rate risks of balance sheet items are not valued.

Option premiums and future margin payments on transactions not yet due and proportionate interest on interest-rate swap transactions are shown under other assets or under other liabilities. Amounts as yet not amortised resulting from agreements to limit interest rates and up-front payments from interest-rate swap transactions as yet not amortised are included in deferred income.

Provisions/depreciation have been put in place to take the risk of losses into account.

For balance sheet purposes, credit default swaps for which the bank acts as guarantor held in the investment portfolio are handled in the same manner as in the procedure for contingent claims and liabilities from guarantees and other indemnity agreements. Rating-induced provisions are created if a credit default swap is expected to be utilised. Income components resulting from credit default swaps held in investments for which the bank acts as guarantor are shown under commission income. If credit default swaps with the bank as guarantor have been concluded to hedge securities held in the investment portfolio, the securities will not be depreciated if depreciation is rating-related. The risk of dubious creditworthiness in the case of a guarantor is to be taken into consideration separately. This is carried out in accordance with the procedure applied for a guarantee. Income components resulting from credit default swaps held in investments for which the bank receives a guarantee are shown under interest payable.

Credit default swaps employed in the trading portfolio are reported as option transactions and as such are valued in accordance with the strict principle of lower of cost or market.

Provisions have been established for negative market values while positive market values are not taken into account.

Gross premiums for the full period are not presented; they are instead collected under the accrual principle.

In accordance with § 285 No. 18 HGB both positive and negative market values are shown for derivative financial instruments. Products are distinguished as those traded on the stock exchange and those traded off-exchange. If a stock-market price is available it is used for the purpose of valuation. Valuation models used on financial markets are applied if no stock-exchange prices are available or if derivatives are not traded on the stock exchange (OTC derivatives).

II. Information and explanatory notes to the balance sheet and income statement

The following explanatory notes on the individual items of the balance sheet and the income statement are given in accordance with the sequence of the items reported:

Explanatory notes to the balance sheet	Assets	
(in € 000)	31 Dec. 2009	31 Dec. 2008
2. Claims on banks		
a) Due on demand		
Balance sheet value	3,206,418	3,977,806
of which		
Claims on affiliated companies	295,717	834,659
Claims on companies in which an equity investment exists	659	51,072
b) Other claims		
with a residual term of		
less than 3 months	9,630,155	8,089,246
more than 3 months but less than 1 year	5,306,288	7,275,198
more than 1 year less than 5 years	9,150,800	10,378,381
more than 5 years	<u>10,068,868</u>	<u>11,231,617</u>
Balance sheet value	34,156,111	36,974,442
of which		
Claims on affiliated companies	6,740,350	7,254,242
Claims on companies in which an equity investment exists	1,474,003	2,904,659
Subordinated receivables	264,037	354,582
Used to cover old stock	4,785,991	6,890,628
The full amount of receivables from banks includes:		
Claims on affiliated savings banks	8,366,544	10,031,346

Assets

(in € 000)	31 Dec. 2009	31 Dec. 2008
3. Claims on customers		
a) With a residual term of		
less than 3 months	4,584,562	4,499,259
more than 3 months but less than 1 year	4,851,243	4,735,382
more than 1 year but less than 5 years	18,881,318	17,288,140
more than 5 years	37,374,201	38,361,004
Balance sheet value	65,691,324	64,883,785
of which		
Claims on affiliated companies	81,744	85,267
Claims on companies in which an equity investment exists	102,146	130,632
Subordinated receivables	7,289	3,749
Used to cover old stock	9,881,748	11,359,165
With an indefinite term	1,033,749	1,152,228
4. Debt securities and other fixed-interest securities		
a) Money-market instruments		
aa) Issued by public sector borrowers		
Balance sheet value	–	64,655
of which		
due in the following year	–	64,655
marketable and listed money-market instruments	–	64,655
ab) Issued by other borrowers		
Balance sheet value	504,275	2,091,802
of which		
due in the following year	504,275	2,091,563
marketable and listed money-market instruments	–	606,629
marketable and unlisted money-market instruments	24,905	–
b) Bonds and debt securities		
ba) Issued by public sector borrowers		
Balance sheet value	9,881,411	8,438,828
of which		
due in the following year	2,949,282	1,150,518
marketable and listed money-market instruments	9,688,559	8,101,245
marketable and unlisted money-market instruments	192,851	337,583
Used to cover old stock	983,280	632,667

Assets

(in € 000)	31 Dec. 2009	31 Dec. 2008
bb) Issued by other borrowers		
Balance sheet value	29,390,751	29,727,291
of which		
due in the following year	6,399,069	4,709,514
marketable and listed money-market instruments	26,980,124	27,088,267
marketable and unlisted money-market instruments	2,410,627	2,639,024
Affiliated company securities	1,847,064	721,619
Securities of companies in which an equity investment exists	621,339	576,213
Subordinated debt securities	56,105	88,138
c) Debt securities, issued by the institution itself		
Balance sheet value	1,214,877	1,358,891
of which		
due in the following year	497,036	408,670
marketable and listed money-market instruments	1,204,032	1,318,446
marketable and unlisted money-market instruments	10,846	40,446
5. Shares and other variable-yield securities		
Balance sheet value	1,488,976	1,537,661
of which		
marketable and listed shares and other variable-yield securities	282,773	324,222
marketable and unlisted shares and other variable-yield securities	138,439	163,732
6. Participating interests		
Balance sheet value	690,361	844,972
of which		
Marketable unlisted shares	356,993	467,808
The equity holding is shown in III. Paragraph 10.		
7. Shares in affiliated companies		
Balance sheet value	2,201,501	2,730,155
of which		
Marketable unlisted shares	1,053,947	1,053,608
The equity holding is shown in III. Paragraph 10.		

Assets

(in € 000)	31 Dec. 2009	31 Dec. 2008
8. Assets held in trust		
Balance sheet value	4,131,792	4,058,936
of which		
Claims on banks	461,577	401,589
Claims on customers	3,670,215	3,657,346
Participating interests	–	1
10. Tangible assets		
Balance sheet value	90,456	103,239
of which		
for own activities	29,502	36,870
Operating and office equipment	60,929	65,544
11. Other assets		
Balance sheet value ^{*)}	4,033,235	6,020,489
of which		
The following are reported as significant items:		
Interest and interest due from interest rate swaps	1,660,763	2,735,813
Premiums paid for options, swaps and caps	686,670	768,621
Balancing item resulting from currency evaluation	154,515	717,322
Tax refunds	69,222	85,217
Valuation adjustments	39,348	114,883
Outstanding items on interim accounts, not classified	1,352,891	1,464,720
Other LTS assets	–	1
12. Deferred expenses and accrued income		
Balance sheet value	777,962	678,789
of which		
deferred premiums in accordance with § 340e Paragraph 2 HGB	169,987	137,844
discounts and maturing premiums	136,857	161,401

^{*)} This item includes unlisted shares not intended for investment purposes to the amount of € 1.2 million (€ 2.3 million).

Assets

The development of fixed assets is shown in the following schedule:

(in € 000)	Aquisition/ manufacturing cost	Additions	Disposals	Accumulative depreciation	Balance sheet value 31 Dec. 2009	Balance sheet value 31 Dec. 2008	Depreciation for the accounting- period
Participating interests					690,361	844,972	
Shares in affiliated companies					2,201,501	2,730,155	
Investment securities					26,474,047	31,227,624	
Intangible assets	51,644	4,859	898	44,813	10,792	11,311	5,136
Tangible assets	310,599	9,496	24,372	205,267	90,456	103,239	16,490

Liabilities

(in € 000)	31 Dec. 2009	31 Dec. 2008
1. Liabilities to banks		
a) Due on demand		
Balance sheet value	6,811,604	5,508,740
of which		
Liabilities to affiliated companies	32,615	5,103
Liabilities to companies in which an equity investment exists	24,404	10,232
b) With an agreed term or notice period		
of which with a residual term of		
less than 3 months	13,756,558	19,714,881
more than 3 months but less than 1 year	4,451,178	6,427,728
more than 1 year but less than 5 years	6,583,268	6,767,096
more than 5 years	10,680,539	11,093,496
Balance sheet value	35,471,543	44,003,201
of which		
Liabilities to affiliated companies	1,181,687	3,476,128
Liabilities to companies in which an equity investment exists	909,008	598,626
Assets pledged as collateral	3,218,163	4,907,741
The full amount of bank loans and overdrafts includes:		
Liabilities to affiliated savings banks	4,241,701	5,584,885

Liabilities

(in € 000)	31 Dec. 2009	31 Dec. 2008
2. Liabilities to customers		
a) Savings deposits		
aa) with an agreed notice period of three months		
Balance sheet value	828,802	728,565
ab) Savings deposits with an agreed notice period of more than three months		
of which with a residual term of		
less than 3 months	36,136	125,742
more than 3 months but less than 1 year	54,637	637,020
more than 1 year but less than 5 years	334,390	47,307
more than 5 years	<u>817</u>	<u>4</u>
Balance sheet value	425,980	810,073
b) Other liabilities		
ba) Due on demand		
Balance sheet value	9,819,928	9,913,678
of which		
Liabilities to affiliated companies	52,535	74,062
Liabilities to companies in which an equity investment exists	122,867	51,790
bb) With an agreed term or notice period		
of which with a residual term of		
less than 3 months	7,234,946	10,431,077
more than 3 months but less than 1 year	2,080,791	3,376,434
more than 1 year but less than 5 years	5,357,405	5,363,517
more than 5 years	<u>16,025,130</u>	<u>15,225,746</u>
Balance sheet value	30,698,272	34,396,774
of which		
Liabilities to affiliated companies	115,709	428,397
Liabilities to companies in which an equity investment exists	169,835	187,149
Assets pledged as collateral	120,241	1,325,119

Liabilities

(in € 000)	31 Dec. 2009	31 Dec. 2008
3. Securitised liabilities		
a) Issued debt securities		
Balance sheet value	52,345,132	47,438,824
of which		
Due in the following year	11,426,793	12,651,973
Liabilities to affiliated companies	4,271,927	715,060
Liabilities to companies in which an equity investment exists	1,397,665	1,313,770
b) Other securitised liabilities		
of which with a residual term of		
less than 3 months	1,630,914	1,903,001
more than 3 months but less than 1 year	513,249	170,769
more than 1 year but less than 5 years	17,812	25,098
more than 5 years	<u>269,846</u>	<u>269,629</u>
Balance sheet value	2,411,821	2,368,497
4. Liabilities held in trust		
Balance sheet value	4,131,792	4,058,936
of which		
Liabilities to banks *)	1,237,665	1,200,545
Liabilities to customers	2,894,127	2,858,391

*) Investitionsbank Sachsen-Anhalt equity to the amount of € 119.9 million is included in the figures and for the Group.

Liabilities

(in € 000)	31 Dec. 2009	31 Dec. 2008
5. Other liabilities		
Balance sheet value	4,026,335	4,285,164
of which reported as significant items:		
Interest payable and accrued interest from swaps	1,399,714	2,651,550
Countervalues for outstanding securities purchases	713,917	654,671
Interest payable from profit participation rights, subordinated liabilities and capital contributions	192,601	187,925
Outstanding items on interim accounts, not classified	1,411,705	359,466
Current values for short-term securities	165,013	53,606
Temporal posting differences relating to German Central Bank items	66,807	332,763
6. Deferred income		
Balance sheet value	670,540	681,890
of which deferred discounts in accordance with § 340e Paragraph 2 HGB	68,804	97,914
8. Subordinated liabilities		
NORD/LB spent € 86,839 thousands (€ 96,957 thousands) on the liabilities reported.		
Borrowings which exceed 10 % of the total amount respectively are defined as follows:		
Currency amount	Interest rate	Due on
580 million €	5.75 % p. a.	1. Dec. 2015
150 million €	Euribor (3m) + 0.295 %	5. April 2014
Obligation to make premature repayment could only arise if a change in taxation results in additional payments to a purchaser.		
Subordination of these funds is in compliance with the Banking Act.		
Conversion of these funds into capital or into any other form of debt has neither been agreed on nor provided for.		

Explanatory notes to the income statement

The total balance of items 1., 3., 5., 7. and 8. includes the following regions:

(in € 000)	2009	2008
Federal Republic of Germany	4,868,005	6,124,316
Europe (excl. of Federal Republic of Germany)	251,535	580,217
North America	227,531	354,755
Asia	191,940	353,428
	5,539,011	7,412,716

(in € 000)	2009	2008
8. Other operating income		
The following are reported as material items:		
Reversal of accruals	40,779	67,980
Offsetting of services with promotion institutes	2,086	2,153
Income from rents	4,945	5,228
Income from the resale of hardware and software and services	6,787	5,244
IT services for third parties	3,740	2,219
Book profits from disposals of property and equipment	6,326	211
Interest income from tax refunds	6,313	317
11. Other operating expenses		
The following are reported as material items:		
Interest expenses for payment of tax arrears	2,507	1,227
Expenses for losses resulting from operational risks	8,172	1,206
Expenses for the resale of hardware, software and services purchased	7,394	5,638
Allocation to provision for recourse risks	–	2,020

Other financial obligations

a) in accordance with §285 no. 3 HGB

Concerning the joint venture bank DnB NORD A/S, the partners have agreed on substantial mutual subscription rights for the assignment of partnership shares at market value. Furthermore NORD/LB provides liquidity at the rate of 49 per cent to the joint venture.

With regard to the security reserve for landesbanks, NORD/LB's maximum obligation to make additional contributions is € 219.4 million (€ 256.9 million). In the event of a need for support these, additional contributions could be collected immediately.

Membership in the regional reserve fund, established on 1 January 2007, and its agent funds results, in the event of a case of debt readjustment among the affiliated institutes, in an obligation to make a maximum additional payment of € 269.2 million (€ 280 million) if funds available in the savings banks' support fund are insufficient.

NORD/LB has further obligations to make additional contributions to the amount of € 30.5 million (€ 30.5 million) in addition to extra joint liabilities for other partners on the part of Liquiditätskonsortialbank GmbH.

Lease agreements entered into by NORD/LB totalled € 535.3 million for IT systems.

With regard to customers there are maximum obligations relating to guarantees to the amount of € 5,822.6 million and letters of credit to the amount of € 235.4 million.

b) in accordance with §285 no. 3 HGB

NORD/LB ensures that the following companies are able to meet their obligations:

- Norddeutsche Landesbank Luxembourg S.A., Luxembourg
- NORD/LB Covered Finance Bank S.A., Luxembourg
- SKANDIFINANZ/BANK AG, Zurich
- NORD/LB Asset Management Holding GmbH, Hanover
- Nieba GmbH, Hanover
- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover

The Group furthermore acts as surety for the obligations of the Sparkassenverband Niedersachsen (SVN – Lower Saxony Association of Savings Banks) resulting from the membership of the Association of Savings Banks in the Deutsche Sparkassen- und Giroverband ö.K. (German Association of Savings Banks and Girobanks) and in the DekaBank Deutsche Girozentrale. In addition the Group has assumed joint liability with the other shareholders in DekaBank Deutsche Girozentrale for this bank within the scope of its guarantor function.

NORD/LB and the German federal state of Bremen are joint public owners of Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen. NORD/LB, together with the Sparkassenverband Niedersachsen (SVN) and Landesbank Berlin – Girozentrale, acts as guarantor for the LBS Norddeutsche Landesbausparkasse Berlin-Hannover.

NORD/LB now holds a 100 per cent interest in Deutsche Hypothekenbank (Actien-Gesellschaft). As the owner of the security reserve for landesbanks and giro centres, the bank undertakes to reimburse the Deutsche Sparkassen- und Giroverband e.V. (German Association of Savings Banks and Girobanks) with expenditure including interest and interest lost for supporting measures which cannot be paid from the fund established for Deutsche Hypothekenbank in accordance with the agreement concluded between the German Association of Savings Banks and Girobanks and Deutsche Hypothekenbank AG on 19 December 2008.

NORD/LB had undertaken to release the Bundesverband deutscher Banken e.V. (Association of German Banks) from all losses which were a result of the measures in accordance with § 2 paragraph 2 of the statute of the "Einlagensicherungsfond" (deposit protection fund) for the Deutsche Hypothekenbank (Actien-Gesellschaft). The participation of Deutsche Hypothekenbank (Actien-Gesellschaft) in the German banks' deposit protection fund was terminated as at 31 December 2008. In accordance with § 6 no.8 of the statute of the deposit protection fund NORD/LB may still be liable for commitments previously entered into by Deutsche Hypothekenbank (Actien-Gesellschaft).

With regard to NORD KB Beteiligungsgesellschaft mbH and NORD KB Dachfonds II Beteiligungsgesellschaft mbH (previous year one company) NORD/LB has an obligation to grant partnerships loans totalling approximately € 25.2 million (€ 28.1 million).

NORD/LB and other limited partners also hold a participating interest in Immobilien Development und Beteiligungsgesellschaft Niedersachsen mbH IDB & Co. – Objekt Zietenterrassen – KG. A limited partner released the general partner from its obligations. In this inter se relationship, NORD/LB assumes 50 per cent of the obligations that may result from this declaration of liability.

NORD/LB has released the personally liable partner of a real estate investment fund from its statutory liability.

NORD/LB and the other limited partners in Braunschweig Grund Objektgesellschaft Driebergen mbH & Co. KG have released the general partner from its obligations.

In view of the sale of companies in the NILEG subgroup, NORD/LB guarantees that taxes for the periods of time in which tax audits had not yet been conducted have been fully paid or that adequate respective provisions have been created. In this respect NORD/LB is liable for any additional payable taxes which exceed an amount of € 0.5 million.

In connection with the redemption of shares in FinanzIT GmbH, withdrawing partners NORD/LB, Bremer Landesbank and Landesbank Saar have undertaken to cover the company's risks from the period up to their withdrawal jointly with the remaining FinanzIT partners provided these risks have actually occurred and are not covered by provisions already established.

Concerning the disposal of the investment share in LHI Leasing GmbH, Munich, NORD/LB guarantees the purchaser that any taxes due on and before 31 December 2005 have either been paid or the respective claims as well as provisions for any taxes over and above this amount have been carried as liabilities in the annual financial statements in the period up to 31 December 2005. In this respect NORD/LB is liable for any additional payable taxes which exceed an amount of € 0.1 million.

Call-in obligations for shares and other interests amounted to € 17.5 million at the end of the year (previous year € 22.0 million).

NORD/LB also deposited securities relating to transactions on the EUREX, Frankfurt, or on foreign futures markets to the nominal amount of € 245 million (previous year € 117.5 million) as collateral.

Obligations pertaining to existing rental, lease, guarantee and other similar agreements are within the scope of standard business.

III. Other information

1. Members of the Managing Board

Dr. Gunter Dunkel
(Chairman)

Dr. Jürgen Allerkamp
(until 31 January 2010)

Christoph Schulz
(Deputy Chairman
of the Managing Board)

Dr. Hinrich Holm
(since 1 February 2010)

Eckhard Forst

Dr. Johannes-Jörg Riegler

Martin Halblaub
(until 11 January 2010)

2. Members of the Supervisory Board

Hartmut Möllring
(Chairman)
Minister of Finance, State of Lower Saxony

Thomas Mang
(First Deputy Chairman)
President, Association of
Savings Bank in Lower Saxony

Jens Bullerjahn
(Second Deputy Chairman)
Minister of Finance, State of Saxony-Anhalt

Frank Berg
Chairman of the Managing Board
OstseeSparkasse Rostock

Hermann Bröring
County Officer
Emsland District

Edda Döpke
Bank employee
NORD/LB Hannover
(since 12 December 2009)

Ralf Dörries
Senior Vice President
NORD/LB Hannover

Dr. Michael Frenzel
Chairman of the Managing Board, TUI AG
(until 11 December 2009)

Dr. Josef Bernhard Hentschel
Chairman of the Managing Board
Sparkasse Osnabrück

Sabine Hermsdorf
Vice President
NORD/LB Hannover
(until 11 December 2009)

Frank Hildebrandt
Bank employee
NORD/LB Braunschweig

Dr. Gert Hoffmann
Mayor, City of Braunschweig

Martin Kind
Managing Director
KIND Hörgeräte GmbH&Co. KG

Walter Kleine
Chairman of the Managing Board
Sparkasse Hannover

Manfred Köhler
Chairman of the Managing Board
Salzlandsparkasse
(since 1 February 2009)

Heinrich v. Nathusius
Managing Director
IFA Gruppe

August Nöltker
Union Secretary
ver.di Vereinte Dienstleistungsgewerkschaft
District administration

Freddy Pedersen
Deputy District Manager
United Services Union
ver.di Vereinte Dienstleistungsgewerkschaft

Werner Schäfer
Chairman of the Managing Board
LBS Ostdeutsche Landesbausparkasse AG
(until 31 January 2009)

Ilse Thonagel
Bank employee
Landesförderinstitut
Mecklenburg-Western Pomerania

Mirja Viertelhaus-Koschig
Deputy Chairman of the Managing Board
VIEROLAG
(since 14 December 2009)

3. List of mandates

As at 31 December 2009 Board members and employees of NORD/LB held the following mandates in accordance with § 340a Paragraph 4 No.1 HGB:

Members of the Managing Board of NORD/LB

Name	Company ¹⁾
Dr. Gunter Dunkel	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen Continental AG, Hanover (since 23 April 2009) DekaBank Deutsche Girozentrale, Frankfurt Deutsche Hypothekenbank (Actien-Gesellschaft) Joh. Berenberg, Gossler & Co. KG, Hamburg Norddeutsche Landesbank Luxembourg S.A., Luxembourg Skandifinanz Bank AG, Zurich
Christoph Schulz	Joh. Berenberg, Gossler & Co. KG, Hamburg LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover Norddeutsche Landesbank Luxembourg S.A., Luxembourg Totto Lotto Niedersachsen GmbH, Hanover DnB Nord Bankas AG, Vilnius (until 30 March 2009)
Dr. Jürgen Allerkamp	LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover INDUS Holding AG, Bergisch-Gladbach Neue Dorint GmbH, Köln DnB Nord Banka AG, Riga (until 16 March 2009) DnB Nord Bankas AG, Vilnius (until 30 March 2009) Bank DnB NORD A/S, Copenhagen (until 20 April 2009) Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover (until 14 May 2009)
Eckhard Forst	Bank DnB NORD A/S, Copenhagen DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover Bank DnB Nord Polska AG, Warsaw (until 25 February 2009)
Martin Halblaub	Norddeutsche Landesbank Luxembourg S.A., Luxembourg (until 11 January 2010) NORD/LB Covered Finance Bank, Luxembourg (until 11 January 2010) NORD/LB Kapitalanlagegesellschaft AG, Hanover (until 11 January 2010) (formerly NORDCON Investment Management AG, Hanover)
Dr. Johannes-Jörg Riegler	Bank DnB NORD A/S, Copenhagen Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen Bank DnB Nord Polska AG, Warsaw (until 25 February 2009)

¹⁾ Banks and large corporate entities are on equal terms

Other employees

Name	Company ¹⁾
Heinz-Werner Frings	SWAN Malaysia Sdn. Bhd., Johore Bahru, Malaysia
Dr. Rüdiger Fuhrmann	Niedersächsische Landgesellschaft mbH, Hanover Deutsche Saatveredelung AG (DSV), Lippstadt
Kurt Gliwitzky	NORD/LB Kapitalanlagegesellschaft AG, Hanover (formerly NORDCON Investment Management AG, Hanover)
Wolfgang Göhlich	NORD/LB Covered Finance Bank, Luxembourg (since 20 November 2009)
Klaus Hillenhagen	Toto-Lotto Niedersachsen GmbH, Hanover
Dr. Hinrich Holm	Bank DnB NORD A/S, Copenhagen
Jürgen Machalett	NORD/LB Covered Finance Bank, Luxembourg (since 20 November 2009)
Baldur Lysk	NORD/LB Project Holding Ltd., London (formerly NORD/LB Norddeutsche Securities PLC, London)

¹⁾ Banks and large corporate entities are on equal terms

4. Remuneration and loans to executive bodies

(in € 000)	2009	2008
Emoluments paid to active members of executive bodies		
Board of Management	4,137	4,165
Supervisory Board	349	252
	4,486	4,417
Emoluments paid to former members of the executive bodies and their dependants		
Board of Management	4,483	4,212
Advances payments, loans and contingencies		
Board of Management	808	790
Supervisory Board	157	160

Provisions amounting to € 36,008 thousands (€ 41,450 thousands) were made for pension obligations to former members of governing bodies and their dependants.

5. Auditors' fees

(in € 000)	2009	2008
Audit	4,236	2,886
Other confirmatory/consulting services	1,172	492
Tax consulting services	4	–
Other services	491	267

6. Average number of employees

	Male		Female		Total	
	2009	2008	2009	2008	2009	2008
Employees	1,826	1,720	1,965	1,958	3,791	3,678

The Saxony-Anhalt development bank and the Mecklenburg-Western Pomerania promotion institute account for an additional 583 staff members (538 staff members).

7. Other information

Services provided to third parties

Essential services provided to third parties comprise:

- Administration of assets held in trust
- Administration of custodianship accounts
- Building-loan agreements, investment products, loans and insurance brokerage services
- Procurement of foreign notes and coins and precious metals for affiliated savings banks
- Asset management
- Loan and investment product brokerage services

Derivative transactions – by volume

(in € million)	Nominal values		Market values			
	31 Dec. 2009	31 Dec. 2008	Positive 31 Dec. 2009	Positive 31 Dec. 2008	Negative 31 Dec. 2009	Negative 31 Dec. 2008
Interest rate risks						
Interest rate swaps	195,427	192,002	5,357	5,520	3,945	4,605
FRA's	253	3,336	–	8	1	10
Interest rate options						
purchases	10,040	9,220	865	1,260	–	–
sales	10,295	8,480	–	–	903	1,151
Caps, Floors	8,284	5,887	109	84	87	73
Stock-exchange contracts	2,085	4,924	2	12	1	2
Other forward interest rate transactions	3,093	915	10	2	29	17
Interest rate risks – total –	229,477	224,764	6,343	6,886	4,966	5,858
Currency risks						
Forward exchange contracts	11,176	21,280	170	785	150	703
Currency swaps/ interest rate currency swaps	39,752	26,786	876	1,512	674	686
Currency options						
purchases	228	447	13	33	–	–
sales	203	466	–	–	10	34
Currency risks – total –	51,359	48,979	1,059	2,330	834	1,423
Shares and other price risks						
Share futures contracts	229	–	5	–	–	–
Share swaps	478	655	5	6	12	54
Share options						
purchases	746	713	59	84	–	–
sales	403	523	–	–	172	203
Stock-exchange contracts	163	149	2	3	2	–
Shares and other price risks – total –	2,019	2,040	71	93	186	257
Credit derivatives – total –	5,822	9,728	28	268	62	411
Derivative transactions – total –	288,677	285,511	7,501	9,577	6,048	7,949

Nominal values constitute the gross volume of all purchases and sales.

Market values including interest are shown for all agreements. Positive and negative market values for agreements with the same counterparty were not offset.

Netting processes have not been applied here either.

Derivative transactions – by maturity –

(Nominal values in € million)	Interest rate risks		Currency risks		Shares and other price risk		Credit derivatives	
	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008
Residual terms to maturity								
less than 3 months	16,674	21,535	8,937	16,301	738	161	16	310
less than 1 year	27,953	39,786	4,431	5,405	371	691	478	641
less than 5 years	93,668	76,048	18,758	11,551	502	671	4,391	6,546
more than 5 years	91,181	87,395	19,233	15,722	408	517	938	2,231
Total	229,476	224,764	51,359	48,979	2,019	2,040	5,823	9,728

The breakdown of transaction maturities is based on residual terms. Underlying maturities were applied for interest-rate risk contracts. The contract period was applied for the remaining risks.

Derivative transactions – by counterparties –

(in € million)	Nominal values		Market values			
	31 Dec. 2009	31 Dec. 2008	Positive 31 Dec. 2009	Positive 31 Dec. 2008	Negative 31 Dec. 2009	Negative 31 Dec. 2008
Banks in the OECD	246,854	248,698	5,700	7,359	5,536	7,227
Banks outside the OECD	618	1,097	5	10	12	32
Public institutions in the OECD	8,081	5,823	247	276	109	88
Other counterparties ^{*)}	30,731	29,893	1,531	1,932	376	602
Total	286,284	285,511	7,483	9,577	6,033	7,949

^{*)} including stock exchange contracts

Derivative transactions – by trading transactions –

(in € million)	Nominal values		Market values			
	31 Dec. 2009	31 Dec. 2008	Positive 31 Dec. 2009	Positive 31 Dec. 2008	Negative 31 Dec. 2009	Negative 31 Dec. 2008
Interest rate contracts	203,511	200,089	4,393	4,314	4,126	4,605
Currency contracts	47,188	44,521	823	2,054	800	1,251
Share contracts	191	198	4	7	2	6
Credit derivative contracts	853	4,521	13	168	8	154
Total	251,743	249,329	5,233	6,543	4,936	6,016

Trading transactions are transactions contracted within the scope of trading lines. The results of such transactions are included under net income from trading activities. They serve to mutually hedge derivative trading positions and also to secure trading instruments reflected in the balance sheet.

Deferred taxes

NORD/LB has made provision to the amount of € 30,268 thousands (€ 53,068 thousands).

Repurchase transactions

Securities and other assets were transferred by NORD/LB in genuine repurchase transactions with a carrying amount of € 7,240 million (€ 5,940 million).

8. Cover account

(old stock/issues prior to 19 July 2005)

(in € 000)	31 Dec. 2009	31 Dec. 2008
Mortgage bond coverage		
Liabilities requiring cover		
Mortgage bonds	2,026,692	3,406,183
discharged and cancelled items	3	32
Registered debentures (as security on loans taken up)	<u>–</u>	<u>32,278</u>
	2,026,695	3,438,493
Covering assets		
Loans to customers secured by mortgages	2,487,817	3,259,496
Public issuer securities	–	151,096
Substitute credit institution cover	<u>100,000</u>	<u>225,000</u>
	2,587,817	3,635,592
Surplus cover	561 122	197,099
Municipal cover		
Liabilities requiring cover		
Municipal debentures	11,307,481	13,083,960
discharged and cancelled items	–	4
Registered municipal debentures (to secure loans taken up)	<u>1,356,043</u>	<u>1,553,980</u>
	12,663,524	14,637,944
Covering assets		
Municipal loans		
to financial institutions	4,335,723	6,175,661
to customers	7,393,931	8,099,669
Public issuer securities	983,280	481,571
Fixed deposits from public-sector banks	268	4,689
Substitute credit institution cover	<u>350,000</u>	<u>485,278</u>
	13,063,202	15,246,868
Surplus cover	399,678	608,924

For the purpose of mortgage bond coverage, this “old” stock (cover and issue) in accordance with §51 of the German PfandBG (covered bond act) was encapsulated and shown separately from the new cover register under regulations which applied prior to the coming into force of the PfandBG.

9. NORD/LB cover account in accordance with § 28 Pfandbriefgesetz

Mortgage bonds currently in circulation and guarantee funds:

(in € million)	Nominal	Cash value	Risk cash asset		
			+ 250 bp	– 250 bp	of currency
Mortgage bonds					
Total circulation	1,139 (822)	1,194 (858)	1,104 (843)	1,291 (872)	1,104 n/a
Guarantee fund total	2,469 (1,591)	2,604 (1,656)	2,453 (1,553)	2,766 (1,776)	2,450 n/a
Excess coverage	1,330 (769)	1,410 (798)	1,349 (710)	1,475 (904)	1,346 n/a
Excess coverage in %	117 (94)	118 (93)	122 (84)	114 (104)	122 n/a
Public mortgage bonds					
Total circulation	22,251 (23,993)	23,762 (24,897)	21,622 (23,001)	26,318 (27,199)	22,033 (23,551)
Guarantee fund total	25,822 (25,652)	27,197 (26,238)	24,716 (24,185)	30,287 (28,696)	24,716 (24,185)
Excess coverage	3,571 (1,659)	3,435 (1,341)	3,094 (1,184)	3,969 (1,497)	2,683 (634)
Excess coverage in %	16 (7)	14 (5)	14 (5)	15 (6)	12 (3)
Shipping covered bonds					
Total circulation	400 (500)	401 (463)	394 (450)	405 (477)	394 (450)
Guarantee fund total	1,046 (727)	1,057 (716)	985 (655)	1,122 (661)	864 (590)
Excess coverage	646 (227)	656 (253)	591 (205)	717 (184)	470 (140)
Excess coverage in %	162 (45)	164 (55)	150 (46)	177 (39)	119 (31)

Guarantee funds do not include any derivatives.

Term structure of mortgage bonds currently in circulation and fixed interest-rate periods and guarantee funds:

(in € million)	Residual terms to maturity or fixed interest-rate periods			
	less than 1 year	more than 1 year but less than 5 years	more than 5 years but less than 10 years	more than 10 years
Mortgage bonds	152 (640)	569 (182)	368 (1)	50 (-)
Guarantee fund total	426 (281)	1,120 (452)	886 (783)	37 (76)
Public mortgage bonds	4,653 (5,637)	8,837 (9,792)	5,477 (5,877)	3,284 (2,688)
Guarantee fund total	3,143 (3,370)	7,930 (8,584)	10,805 (11,950)	3,944 (1,748)
Shipping covered bonds	300 (100)	100 (400)	- (-)	- (-)
Guarantee fund total	168 (148)	625 (322)	215 (205)	38 (52)

Receivables applied as security for mortgage bonds according to volume category:

(in € million)	Covering assets	
	31 Dec. 2009	31 Dec. 2008
Mortgage bonds		
Less than € 0.3 million	808	451
More than € 0.3 million and less than € 5 million	428	305
More than € 5 million	<u>1,051</u>	<u>836</u>
	2,287	1,592
Shipping covered bonds (ocean-going vessels only)		
More than € 0.5 million and less than € 5 million	191	38
More than € 5 million	<u>588</u>	<u>689</u>
	779	727

Receivables applied as security for mortgage debentures according to the states in which the land pledged as security is located and according to the type of use:

(in € million)	Covering assets					
	commercial 31 Dec. 2009	commercial 31 Dec. 2008	residential 31 Dec. 2009	residential 31 Dec. 2008	other 31 Dec. 2009	other 31 Dec. 2008
Germany						
Apartments	–	–	160	96	–	–
One-Family-Houses	–	–	487	279	–	–
Apartment Buildings	–	–	372	217	–	–
Office Buildings	587	416	–	–	–	–
Nonresidential Building	102	112	–	–	–	–
Industrial Building	5	3	–	–	–	–
Other commercial real estate	344	289	–	–	–	–
Unfinished and Non-Productive New Buildings	20	20	–	–	–	–
Real Estate	2	1	–	–	–	–
Luxembourg						
Office Buildings	12	53	–	–	–	–
France						
Office Buildings	25	25	–	–	–	–
The Netherlands						
Office Buildings	40	42	–	–	–	–
Austria						
Office Buildings	9	9	–	–	–	–
Poland						
Office Buildings	90	–	–	–	–	–
Spain						
Office Buildings	11	–	–	–	–	–
USA (inck. Puerto Rico)						
Office Buildings	21	–	–	–	–	–

Arrears in payments of at least 90 days relating to receivables applied as security for mortgage debentures amounted to € 414 thousands (€ 38 thousands) for land pledged as security in Germany. No compulsory sales, forced administration procedures or assumptions of land for the purpose of avoiding losses were carried out. Defaults on interest payments to be made amounted to € 997 thousands (€ 720 thousands).

Mortgage repayments made during the accounting period are classified as follows:

(in € million)	Type of use			
	commercial 2009 ¹⁾	commercial 2008	residential 2009 ¹⁾	residential 2008
through amortisation	–	9	–	17
in another manner	–	–	–	4

¹⁾ This information was ceased due to the “Gesetz zur Fortentwicklung des Pfandbriefes” (law for the development of the Pfandbrief) which came into effect in March 2009.

Receivables applied as security for public mortgage bonds according to the type of borrower or the granting office and its location:

(in € million)	County	Regional local authorities	Public local authorities	Other debtors
Germany	115 (96)	4,809 (6,348)	3,662 (3,024)	16,015 (15,281)
Ireland	19 (19)	– (–)	– (–)	– (–)
Greece	– (80)	– (–)	– (–)	80 (–)
Spain	– (–)	89 (95)	10 (10)	– (–)
Italy	50 (25)	– (–)	– (–)	– (–)
Latvia	– (–)	– (–)	44 (42)	– (–)
Hungary	20 (20)	– (–)	– (–)	– (–)
Luxembourg	– (–)	– (–)	– (–)	443 (75)
Austria	88 (–)	– (–)	– (–)	353 (536)
Sweden	25 (–)	– (–)	– (–)	– (–)

There were no arrears in payments of at least 90 days relating to receivables applied as security for public mortgage bonds this year (€ 1,548 thousands).

Receivables applied as security for ship bonds according to states in which the mortgaged ships and ship constructions are registered, classified under types of ships:

(in € million)	Covering assets					
	Maritime navigation 31 Dec. 2009	Maritime navigation 31 Dec. 2008	Inland shipping navigation 31 Dec. 2009	Inland shipping navigation 31 Dec. 2008	Other 31 Dec. 2009	Other 31 Dec. 2008
Germany	601	592	–	–	–	–
Cyprus	178	116	–	–	–	–
Excess Coverage	–	–	–	–	20	19

Other information on ship mortgage receivables in accordance with §28 Paragraph 4 No. 4 of the German Mortgage Bond Act (PfandBG). No compulsory sales, forced administration procedures or assumptions of ships or ship constructions for the purpose of avoiding losses were carried out. Defaults on interest payments to be made to the total € 2,646 thousands (€ 0).

Ship mortgage repayments made during the accounting period are classified as follows:

(in € million)	Type of Vessel			
	Maritime shipping 2009 ^{*)}	Maritime shipping 2008	Inland shipping navigation 2009 ^{*)}	Inland shipping navigation 2008
through amortisation	–	65	–	–
in another manner	–	31	–	–

^{*)} This information was ceased due to the "Gesetz zur Fortentwicklung des Pfandbriefes" (law for the development of the Pfandbrief) which came into effect in March 2009.

10. List of equity holding

The list below shows equity holdings in accordance with §285 Paragraph 11 of the German Commercial Code and participating interests in terms of §340a Paragraph 4 No.2 of the German Commercial Code. This includes all the company in which equity holdings amount to 20 per cent or more provided that they are not insignificant for the presentation of the net assets,

the financial position and the results of operations as well as participating interests in major corporations exceeding five per cent of the voting rights. The basis of consolidation for affiliated companies is specified in accordance with IFRS instructions. The most recent established statement of accounts of the respective company was shown.

No.	Name/registered office	Share of capital held (in %)	Equity ¹⁾ (in € 000)	Profit/Loss (in € 000)
1.	BGG Oldenburg GmbH & Co. KG, Bremen	100.0	4,851	483 (2009)
2.	BLB Consulting GmbH, Bremen	100.0	1,918	440 (2009)
3.	BLB Immobilien GmbH, Bremen	100.0	29,700	– (2009)
4.	BLB Leasing GmbH, Oldenburg	100.0	511	– (2009)
5.	Braunschweig Gesellschaft mit beschränkter Haftung, Braunschweig ²⁾	100.0	53,126	– (2008)
6.	Braunschweig-Beteiligungsgesellschaft mbH, Braunschweig	100.0	8,597	– (2008)
7.	Braunschweig-Informationstechnologie GmbH, Braunschweig	100.0	3,147	– (2009)
8.	Bremische Grundstücks-GmbH, Bremen	100.0	49,672	–6,020 (2009)
9.	Bürohaus Ricklinger Kreisel GmbH & Co. Vermietungs-Kommanditgesellschaft, Hanover	100.0	1,849	462 (2008)
10.	Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover ⁵⁾	100.0	654,771	– 32,151 (2009)
11.	HALOR GmbH, Pöcking	100.0	3,349	–83 (2008)
12.	HERMA Verwaltungs- und Beteiligungsgesellschaft mbH, Hanover	100.0	24,577	2,059 (2008)
13.	NBN Grundstücks- und Verwaltungs GmbH, Hanover	100.0	1,211	–17 (2008)
14.	Nieba GmbH, Hanover ²⁾	100.0	382,200	– (2009)
15.	NORD/FM Norddeutsche Facility-Management GmbH, Hanover ²⁾	100.0	636	– (2009)
16.	NORD/LB Asset Management Holding GmbH, Hanover (formerly NORDCON Asset Management Holding GmbH)	100.0	6,732	–134 (2009)
17.	NORD/LB Covered Finance Bank S.A., Luxembourg ^{5) 6)}	100.0	64,347	6,364 (2009)
18.	NORD/LB G-MTN S.A., Luxembourg	100.0	31	– (2009)
19.	NORD/LB Informationstechnologie GmbH, Hanover ²⁾	100.0	25	– (2009)
20.	NORD/LB Kapitalanlagegesellschaft AG, Hanover ⁵⁾ (formerly NORDCON Investment Management AG)	100.0	5,289	–898 (2009)
21.	NORD/LB RP Investments LLC, Wilmington/USA (in Tsd USD)	100.0	12,105	– 3,387 (2008)
22.	Norddeutsche Investitionen Beteiligungsgesellschaft mbH, Hanover	100.0	16,571	377 (2008)
23.	Norddeutsche Landesbank Luxembourg S.A., Luxembourg ^{5) 6)}	100.0	700,962	10,881 (2009)
24.	Nord-Ostdeutsche Bankbeteiligungsgesellschaft mbH, Hanover ²⁾	100.0	289,520	– (2009)
25.	NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.0	100	2,337 (2009)
26.	Öffentliche Facility Management GmbH, Braunschweig	100.0	25	– (2009)
27.	Öffentliche Facility Management Leben GmbH & Co. KG, Braunschweig	100.0	19,030	683 (2009)

No.	Name/registered office	Share of capital held (in %)	Equity ¹⁾ (in € 000)	Profit/Loss (in € 000)
28.	Öffentliche Facility Management Sach GmbH & Co. KG, Braunschweig	100.0	15,982	240 (2009)
29.	Schiffsbetriebs-Gesellschaft Bremen mbH, Bremen	100.0	1,085	24 (2008)
30.	Skandifinanz Bank AG, Zurich (in Tsd CHF) ^{5) 6)}	100.0	36,013	- 171 (2009)
31.	Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen	100.0	40,672	3,563 (2008)
32.	Vermögensverwaltungsgesellschaft Thiede GmbH, Braunschweig ²⁾	100.0	1,278	- (2008)
33.	Porzellanmanufaktur Fürstenberg GmbH, Fürstenberg a. d. Weser ²⁾	98.0	3,088	- (2008)
34.	City Center Magdeburg I GbR, Magdeburg ⁴⁾	94.0	- 17,891	- 103 (2006)
35.	PANIMA GmbH & Co. Objekte Braunschweig KG, Pullach im Isartal	94.0	7,709	743 (2009)
36.	PANIMA GmbH & Co. Objekt Hannover KG, Pullach im Isartal ⁴⁾	94.0	- 17,647	3 237 (2009)
37.	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen ⁵⁾	92.5	1,276,904	28,000 (2009)
38.	NBN Norddeutsche Beteiligungsgesellschaft für Immobilien in Niedersachsen mbH, Hanover	90.0	1,022	- 2,291 (2008)
39.	Vermögensverwaltungsgesellschaft Thiede GmbH & Co. Grundschulen-Vermietungs-KG, Hanover	79.8	1,790 (1,044)	- 33 (2008)
40.	MALIBO GmbH & Co. Unternehmensbeteiligungs-KG, Munich	77.8	16,103	63 (2009)
41.	Öffentliche Lebensversicherung Braunschweig, Braunschweig	75.0	26,489	668 (2009)
42.	Öffentliche Sachversicherung Braunschweig, Braunschweig	75.0	250,657	5,834 (2009)
43.	Vermögensverwaltungsgesellschaft Thiede GmbH u. Co. Objekt Celle-Altenhagen Vermietungs-KG, Hanover	72.7	1,778 (6 826)	376 (2008)
44.	SGK Servicegesellschaft Kreditmanagement mbH, Frankfurt am Main	66.7	1,802	- 664 (2008)
45.	Medicis Nexus GmbH & Co. KG, Icking	66.0	14,349 (6,376)	- 172 (2008)
46.	SALEG Sachsen-Anhaltinische Landesentwicklungsgesellschaft mbH, Magdeburg	56.6	14,228 (2,277)	469 (2008)
47.	Immobilien Development und Beteiligungsgesellschaft Niedersachsen mbH IDB & Co. – Objekt Zietenterrassen – KG, Göttingen	52.6	2,531 (2,500)	- 115 (2008)
48.	BHS Berliner Hannoversche Software GmbH, Hanover	50.0	1,130	8 (2008)
49.	Brocken Verwaltungs- und Vermietung-GmbH & Co. KG, Wernigerode	50.0	5,874	274 (2008)
50.	Medical Park Hannover GmbH, Hanover	50.0	1,386	238 (2008)
51.	Toto-Lotto Niedersachsen GmbH, Hanover ⁵⁾	49.9	35,701	25,475 (2008)
52.	Bank DnB NORD A/S, Copenhagen / Danmark ^{5) 6)}	49.0	723,646	- 465,478 (2009)
53.	Bremer Spielcasino GmbH & Co. KG, Bremen ³⁾	49.0	-	- -
54.	KreditServices Nord GmbH, Hanover	49.0	4,609	11 (2009)
55.	LHI Leasing GmbH, Pullach im Isartal ⁵⁾	49.0	41,142	631 (2009)
56.	Linovo Productions GmbH & Co. KG, Pöcking ⁴⁾	45.2	- 44,546	3,444 (2008)
57.	LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover ⁵⁾	44.0	310,770	13,600 (2008)

No.	Name/registered office	Share of capital held (in %)	Equity ¹⁾ (in € 000)	Profit/Loss (in € 000)
58.	USPF III Beteiligungsgesellschaft mbH & Co. KG, Düsseldorf	42.9	8,794	– 2,317 (2008)
59.	NORD Holding Unternehmensbeteiligungsgesellschaft mit beschränkter Haftung, Hanover	40.0	86,910	11,283 (2008)
60.	Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung, Hanover	39.8	5,241	1,207 (2008)
61.	Bremer Toto und Lotto GmbH, Bremen	33.3	4,105	575 (2008)
62.	Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.3	27,041	– 209 (2008)
63.	BREBAU GmbH, Bremen ⁵⁾	30.0	59,721	2,774 (2008)
64.	NORD KB Beteiligungsgesellschaft mbH, Hanover	28.7	14,426	21,334 (2008)
65.	NBV Beteiligungs-GmbH, Hamburg	28.6	19,554	1,902 (2008)
66.	DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co. KG, Bremen ⁵⁾	27.5	54,404	14,250 (2008)
67.	Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH, Schwerin	26.0	7,765	659 (2008)
68.	Herrenhausen Verwaltungs GmbH Gastronomie & Co. KG, Hanover	25.0	1,872	– 128 (2008)
69.	Joh. Berenberg, Gossler & Co. KG, Hamburg ⁵⁾	25.0	192,104	47,104 (2008)
70.	INI International Neuroscience Institute Hannover GmbH, Hanover ⁴⁾	22.7	– 7,401	146 (2006)
71.	GSG OLDENBURG Bau- und Wohngesellschaft mbH, Oldenburg ⁵⁾	22.2	57,481	2,883 (2008)
72.	Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin ⁵⁾	20.9	13,877	715 (2008)
73.	Gewobau Gesellschaft für Wohnungsbau Vechta mbH, Vechta	20.5	8,666	1,020 (2008)
74.	Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg ⁵⁾	20.4	9,349	228 (2008)
75.	Öffentliche Versicherung Bremen, Bremen	20.0	5,410	60 (2008)

NORD/LB is a partner with unlimited liability (§ 285 No.11a of the German Commercial Code) in the following company

GLB GmbH & Co. OHG, Frankfurt am Main

Investments in line with § 340a Paragraph 4 Clause 2 German Commercial Code, which are not mentioned in the list of equity holdings

Niedersächsische Bürgschaftsbank (NBB) Gesellschaft mit beschränkter Haftung, Hanover
 Berlin-Hannoversche Hypothekenbank AG, Hanover
 CeWe Color Holding AG, Oldenburg
 euromicron AG, Frankfurt am Main
 HCI HAMMONIA SHIPPING AG, Hamburg
 asknet AG, Karlsruhe

¹⁾ Equity as defined in §§ 266 and 272 HGB; figure in brackets show outstanding capital contributions.

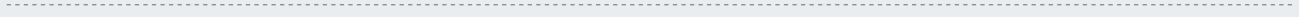
²⁾ Profit and loss assumption agreement concluded with the company.

³⁾ No information given in accordance with § 286 Paragraph 3 Clause 2 of the German Commercial Code.

⁴⁾ The company is not excessively indebted.

⁵⁾ Information in accordance with § 340a Paragraph 4 No. 2 HGB (banks are interpreted as being large corporate entities)

⁶⁾ Company only publishes end-of-year figures in accordance with IAS/IFRS



Declaration by legal representatives

We declare that to the best of our knowledge and in accordance with accounting principles applicable, the annual financial statements provide a true and fair view of the net assets, the financial position and the results of operations of Norddeutsche Landesbank Girozentrale and that the management report presents

a true and fair view of the development of business including the operating result and the state of the landesbank and also describes the crucial risks and rewards of the probable development of the landesbank.

Hanover / Braunschweig / Magdeburg
1 March 2010

Norddeutsche Landesbank Girozentrale

The Managing Board

Dr. Dunkel

Schulz

Forst

Dr. Holm

Dr. Riegler

Audit Opinion

The following is an English translation of the audit opinion, which has been prepared on the basis of the German language version of the Financial Statements and the Management Report. The translation of the Financial Statements, the Management Report, and the audit opinion, are provided for convenience; the respective German versions shall be exclusively valid for all purposes.

“We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Norddeutsche Landesbank Girozentrale, Hannover, Braunschweig and Magdeburg, for the fiscal year from 1 January to 31 December 2009. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and the supplementary articles of bylaws are the responsibility of the Company’s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially

affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary articles of bylaws and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company’s position and suitably presents the opportunities and risks of future development.”

Hanover, 2 March 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Müller-Tronnier
Wirtschaftsprüfer
[German Public Auditor]

Hultsch
Wirtschaftsprüfer
[German Public Auditor]

Report of the Supervisory Board

The Managing Board of the bank regularly informed the Supervisory Board and the committees set up by the Supervisory Board on business developments and on the position of the bank during the year under report. The Supervisory Board 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 statutes and regulations pertaining to these articles. Fundamental issues relating to the business strategy and to operational areas were discussed in detail during several meetings.

The annual financial statements of NORD/LB for the 2009 accounting period were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft who issued joint and unqualified auditors' certification. The auditors also took part in the meeting of the Supervisory Board to discuss the annual financial statements, which was held on 18 March 2010, and reported on the results of their audit.

The Supervisory Board has approved the results of the audit carried out by the auditors; the results of a conclusive examination carried out by the Supervisory Board did not give any cause for objections. In its meeting of 18 March 2010 the Supervisory Board approved of the management report and the annual financial statements as at 31 December 2009; these have hence been adopted.

The Supervisory Board proposes to the Guarantors' meeting that the acts of the Managing Board be ratified and that the profit of NORD/LB for the 2009 accounting period be appropriated as follows:

The following members resigned from the Supervisory Board:

Mr. Werner Schaefer as at 31 January 2009,
Mrs. Sabine Hermdorf as at 11 December 2009 and
Dr. Michael Frenzel as at 11 December 2009.

The following new members were appointed to the Supervisory Board:

Mr. Manfred Köhler as at 1 February 2009,
Mrs. Edda Döpke as at 11 December 2009 and
Mrs. Mirja Viertelhaus-Koschig as at
14 December 2009.

The Supervisory Board thanks the Managing Board of the bank for the trustful cooperation and expresses its appreciation of the work performed in the 2009 year by the Managing Board and by all of the employees of the bank.

Hanover / Braunschweig / Magdeburg
March 2010

Hartmut Möllring
Minister of Finance
State of Lower Saxony

Report of the Guarantors' meeting

In the year under report the Guarantors' meeting performed the duties assigned to it by the state treaty and by the statutes. The Guarantors' meeting resolved on the appropriation of the profit for the year as proposed by the Supervisory Board and ratified the actions of the Managing Board and the Supervisory Board of the bank.

In its meetings in 2009, the Guarantors' meeting resolved on a reallocation of the participatory capital into silent participations in accordance with IFRS. Furthermore a prolongation of participatory capital, a long-term hybrid bond as a replacement for participatory capital and new subordinated capital was resolved.

The following members resigned from the Guarantors' meeting:

Dr. Christian Sundermann as at 3 March 2009 and
Mr. Thomas Schneider as at 13 December 2009.

The following new members were appointed to the Guarantors' meeting:

Dr. Helmut Stegmann as at 12 March 2009 and
Mr. Thomas Brase as at 14 December 2009.

The Guarantors' meeting thanks the Managing Board and the Supervisory Board for work performed.

Hanover / Braunschweig / Magdeburg
March 2010

Thomas Mang
President
Association of Savings Banks in Lower Saxony



Norddeutsche Landesbank Girozentrale

Norddeutsche Landesbank Girozentrale
Friedrichswall 10, D-30159 Hannover, Germany
Telephone +49 (0) 5 11/3 61-0, Fax +49 (0) 5 11/3 61-25 02

Norddeutsche Landesbank Girozentrale Braunschweigische Landessparkasse
NORD/LB Zentrum, Friedrich-Wilhelm-Platz, D-38100 Braunschweig, Germany
Telephone +49 (0) 5 31/4 87-0, Fax +49 (0) 5 31/4 87-77 38

Norddeutsche Landesbank Girozentrale Landesbank für Sachsen-Anhalt
Breiter Weg 7, D-39104 Magdeburg, Germany
Telephone +49 (0) 3 91/5 89-0, Fax +49 (0) 3 91/5 89-17 06

www.nordlb.de
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