Annual Report 2008
Nordea Bank S.A.

International Private Banking & Funds

Nordea Bank S.A. is a part of the leading financial services group in the Nordic and Baltic Sea regions. The group has 10 million clients and 34,000 employees. Being the leading Nordic pan-European banking entity in Luxembourg and Switzerland, Nordea Bank S.A. focuses on international Private Banking, Fund Distribution and Fund Management services. Our 380 employees serve a wide spectrum of international clients in many countries world-wide.

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The Bank has remained profitable for 2008 despite the extreme decline in the financial markets. In line with the market development, the Bank experienced a negative impact from market depreciation in 2008 and assets under management were reduced in general. Both Private Banking and Fund Distribution did however manage to both increase the number of clients and partners and continue their implementation of efficiency programs.

Private Banking

The negative market development had a significant negative effect on assets under management in Private Banking both in Luxembourg and in the Swiss branch. In addition, asset flows were negatively affected by unlimited state guarantees especially in Denmark. However, based on our high quality in Private Banking and the strong position of Nordea Bank the net flow in number of clients was positive during 2008, and is the foundation for further growth when markets normalise. New clients were also received from Glitnir Bank in Luxembourg, which reached an agreement of offering its clients private banking facilities at Nordea.

A large focus area for Private Banking in 2008 was the implementation of a new front-office system that will create more streamlined work processes, and improve efficiency and will ease daily work routines for our front-office staff when fully implemented.

Fund Distribution

In 2008, the general negative market performance resulted in outflows for some of our investment funds, most importantly our value fund range, and the AuM in our Fund Distribution unit declined in 2008. However, due to the launch of a number of interesting new funds, Fund Distribution was able to attract inflows for several products and resist the market trend of significant net redemptions in most quarters of 2008. The global fund platform strategy within the Nordea Group, whereby new Nordea investment funds are launched from our fund platform in Luxembourg, also positively contributed to further streamlining of our production and maintenance of funds.

Towards the end of 2008, the final elements in the new multi-boutique strategy were realised. Most importantly, this means that the product range has been expanded through the insourcing of high-quality investment managers for several asset classes. The new multi-boutique value proposition has been well received in the European fund market and our Fund Distribution organisation is well positioned to capture inflows across their range of funds, when markets recover.

Financial Position

No events have occurred after the balance sheet date that will materially affect the financial position of the Bank as at 31 December 2008.

The Bank remains financially strong with capital and reserves amounting to EUR 272 million at the end of 2008. The profit for the year before depreciation, provisions and tax amounted to EUR 37.5 million.

After deprecation and provisions, the pre-tax profit amounted to EUR 31 million and the net profit for the year was EUR 23.7 million.

Risk Management

Nordea has clearly defined policies and instructions for risk management. Risks in Nordea are measured and reported according to common principles and policies approved by the overall Board and the relevant local Boards.

The aim of risk management within the Bank is to:

- Identify risks
- Measure risks
- Monitor and control risks, risk lines and limits
- Report risks and risk-limit utilisations

Market risks are measured on the Bank's entire portfolio. There are Value-at-Risk (VaR) limits for equity risk, foreign exchange risk and interest rate risk. The VaR measures are supplemented with other risk measures such as sensitivity and stress-test measures. Liquidity risk is measured on a future daily funding gap basis.

The Bank's granting of credit lines, which is a credit risk to the Bank, are based on individual but consolidated assessments of clients' financial situations. Other risk types, such as operational risk and counterparty risk, are also monitored.

In 2008, the Bank's risk management has been further strengthened by continued co-operation with the Nordea Group in projects covering, for example, liquidity risk and capital adequacy (Basel-II, Pillar-II).

Further details about the Bank's risk management policies are provided in Note 30 to the consolidated financial statements. The Bank will continue to focus solely on Private Banking, Fund Management and Fund Distribution, and expects increased growth in its business activities in 2009.

Dividend

At the Annual General Meeting, the Board of Directors will propose a dividend of EUR 24 million.

The members of the Board of Directors are listed on page 41. The Board of Directors wishes to express its sincerest thanks to clients and business associates for their co-operation in 2008, and to the staff for their dedicated and committed efforts.

The Board of Directors

Consolidated income statement
For the year ended 31 December 2008

(EUR '000)	Notes	2008	2007
Operating income			
Interest income	4	192,404	198,076
Interest expense	4	(137,685)	(152,718)
Net interest income		**54,719**	**45,358**
Fee and commission income	5	132,579	227,542
Fee and commission expense	5	(67,242)	(100,652)
Net fee and commission income		**65,337**	**126,890**
Net gains on items at fair value	6	232	14,804
Other operating income		41	307
Total operating income		**120,329**	**187,359**
Operating expenses			
General administrative expenses:			
• Staff costs	7	(51,941)	(56,366)
• Depreciation and amortisation of tangible an intangible assets	16, 17	(3,937)	(3,751)
• Other administrative expenses	8	(29,354)	(26,151)
• Other operating expenses	9	(1,465)	-
Total operating expenses		**(86,697)**	**(86,268)**
Loan losses		(2,576)	-
Disposals of tangible and intangible assets		(46)	915
Operating profit		**31,010**	**102,006**
Income tax expense	10	(7,327)	(29,572)
Profit for the year		**23,683**	**72,434**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated balance sheet
as of 31 December 2008

Assets & liabilities (EUR '000)	Notes	31 Dec 2008	31 Dec 2007
Assets			
Cash and balances with central banks	11	47,595	3,307
Loans and receivables to credit institutions	12	1,482,169	1,086,046
Loans and receivables to the public	12	1,496,809	2,368,995
Interest-bearing securities	13	10,113	10,115
Shares	14	42,563	40,603
Derivatives	15	128,094	42,143
Intangible assets	16	4,707	2,980
Property and equipment	17	15,416	17,081
Other assets	18	7,785	2,454
Prepaid expenses and accrued income	19	13,562	29,764
Total assets		**3,248,813**	**3,603,488**
Liabilities			
Deposits from credit institutions	20	235,850	524,152
Deposits and borrowings from the public	20	2,459,384	2,525,518
Derivatives	15	135,661	75,882
Current tax liabilities		36,553	42,698
Other liabilities	21	11,321	11,140
Accrued expenses and prepaid income	22	31,815	41,279
Deferred tax liabilities	10	13,579	15,278
Provisions	23	-	2,911
Subordinated liabilities	24	52,603	52,408
Total liabilities		**2,976,766**	**3,291,266**
Equity			
Share capital	25	25,000	25,000
Share premium	25	12,246	12,246
Reserves	25	34,032	27,215
Retained earnings		200,769	247,761
Total equity		**272,047**	**312,222**
Total liabilities and equity		**3,248,813**	**3,603,488**
Off-balance sheet items			
Contingent liabilities			
• Guarantees and assets pledged as collateral security		44,662	45,129
• AGDL contingent liability (note 9)		1,049	-
Commitments			
• Unutilized confirmed credits		4,050,044	4,386,287
Fiduciary operations		61,310	163,166
Total off-balance sheet items		**4,157,065**	**4,594,582**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
as of 31 December 2008

Changes in equity (EUR '000)	Share capital	Share premium	Reserves	Retained earnings	Total
At 31 December 2006	**25,000**	**12,246**	**20,638**	**202,994**	**260,878**
IFRS1 adjustments (note 33)	-	-	-	34,808	34,808
Profit for the year	-	-	-	72,434	72,434
Translation differences	-	-	4	-	4
Distributions to equity holders	-	-	-	(56,000)	(56,000)
Shareholders contributions	-	-	98	-	98
Appropriations of profit:					
• Transfer to reserve	-	-	6,475	(6,475)	-
At 31 December 2007	**25,000**	**12,246**	**27,215**	**247,761**	**312,222**
Profit for the year	-	-	-	23,683	23,683
Translation differences	-	-	(6)	-	(6)
Distributions to equity holders	-	-	-	(64,000)	(64,000)
Shareholders contributions	-	-	148	-	148
Appropriations of profit:					
• Transfer to reserve	-	-	6,675	(6,675)	-
At 31 December 2008	**25,000**	**12,246**	**34,032**	**200,769**	**272,047**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated cash flow statement
For the year ended 31 December 2008

Cash flow (EUR '000)	Note	2008	2007
Operating activities			
Operating profit		31,010	102,006
Adjustments for:			
• Depreciation / amortisation		3,937	3,751
• Loan losses		2,576	-
• Unrealised losses on shares and derivatives		12,815	2,989
• Translation difference		(6)	4
• Gain / (loss) on disposals of property and equipment		46	(915)
• Change in accruals and provisions		3,831	6,912
• Income taxes paid		(15,171)	(27,210)
Cash inflow from operating activities before changes in operating assets and liabilities		**39,038**	**87,537**
Changes in operating assets			
Change in deposits by to credit institutions		(232,443)	(261,779)
Change in loans to the public		872,186	(248,818)
Change in shares		(12,998)	(5,789)
Change in derivatives, net		(27,949)	33,347
Change in other assets		(5,331)	753
Changes in operating liabilities			
Change in due to credit institutions		(288,107)	277,383
Change in deposits from the public		(66,134)	(495,842)
Change in other liabilities		181	10,582
Cash inflow/(outflow) from operating activities		**278,443**	**(602,626)**
Investing activities			
Acquisition of property and equipment, own use		(1,727)	(11,011)
Sale of tangible assets		375	8,296
Acquisitions of intangible assets		(3,387)	(3,238)
Sale of intangible assets		692	-
Acquisition / sale other financial fixed assets		-	(10,100)
Cash outflow from investing activities		**(4,047)**	**(16,053)**
Financing activities			
Shareholders contribution		148	98
Dividend paid		(64,000)	(56,000)
Cash outflow from financing activities		**(63,852)**	**(55,902)**
Net increase/(decrease) in cash and cash equivalents		**210,544**	**(674,581)**
Cash and cash equivalents at the beginning of year		683,454	1,358,035
Cash and cash equivalents at the end of year	**31**	**893,998**	**683,454**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

Note 1 General

Corporate matters
Nordea Bank S.A. ("the Bank") was incorporated in Luxembourg on 30 September 1976 as a "société anonyme". The registered office of the Bank is located in 562, Rue de Neudorf, L-2220 Luxembourg.

The Bank is a majority-owned subsidiary of Nordea Bank AB (publ.) ("The Parent Company"), a company incorporated under the laws of Sweden. The members of the Board of Directors are senior executives of companies forming part of the Nordea Group. The business policy and valuation principles, unless prescribed by Luxembourg rules and regulations, are determined and monitored by the Board of Directors in accordance with those applied in the Nordea Group.

The Bank operates both from its Luxembourg head office and from a branch located in Zürich (Switzerland).

The consolidated accounts of Nordea Bank AB (publ.) may be obtained from Nordea, Investor relations, SE-10571 Stockholm. The consolidated financial statements of the Bank as at and for the year ended 31 December 2008 comprise the Bank and its subsidiaries Nordea Investment Funds S.A with registered address 562, rue de Neudorf, L-2220 Luxembourg (ownership interest 99.99%), Dantrust Management Guernsey Limited with registered address Rue du Commerce St. Peter Port, Guernsey (ownership interest 93%), Nordea Trust Company (Isle of Man) Limited with registered address 24A Village Walk, Onchan, Isle of Man, IM3 4EA, British Isles (ownership interest 99.99%) and Nordea Fonds Services GmbH (Germany) with registered address Friedrichstrasse 95, Postfach 159, D-10117 Berlin (ownership interest 100%).

Nordea Bank S.A. and its subsidiaries are hereafter referred to as "the Bank".

Nature of the Bank's business
The statutory objective of the Bank is to undertake all types of banking and financial operations.

Financial statements
These financial statements are presented in EUR, which is the currency of the primary economic environment in which the Bank operates and currency in which its capital is expressed.

The Bank's financial year is the calendar year.

These financial statements were approved for issue by the Board of Directors on 18 February 2009.

Note 2 Summary of significant accounting policies

The accounting policies adopted in respect of the items that are considered material for the results and the financial position of the Bank are stated below.

2.1 Basis of preparation and statement of compliance
The financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU"). Additional information is included in the accompanying financial statements in order to comply with Luxembourg legal requirements. IFRS1, First time adoption of International Financial Reporting Standards, has been applied in preparing these financial statements.

Reconciliations and descriptions of the reclassifications and adjustments from LUX GAAP to IFRS as adopted by the EU on the Bank's balance sheet and income statement are given in note 33.

2.2 Accounting convention
The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, in accordance with accounting principles which conform, in all material respects, with IFRSs as adopted by the EU. The significant accounting policies are described below.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entity controlled by the Company (its subsidiary). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
The results of subsidiary acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with those used by the Bank.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.4 Foreign currency translation

The financial statements are expressed in Euro (EUR '000), which is the functional and presentation currency of the Bank.
For the purpose of presenting consolidated financial statements, the assets and liabilities of the Bank's subsidiaries having different functional and presentation currency than the Bank, are expressed in Euro using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified in equity.

Foreign currency transactions are recorded in the financial statements at the rates of exchange prevailing at the date of transactions or at contracted rates where appropriate. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange prevailing at the balance sheet date. Gains and losses on exchange are dealt with in the income statement.

Exchange differences arising on the settlement of transactions at rates other than those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net gains/losses on items at fair value".

2.5 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.6 Interest income and expense

Interest income and expense are recognised on an accrual basis. Interest income and expense are calculated and recognised based on the effective interest rate method.

2.7 Fee and commission income and expense

The Bank earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue, when services are provided, or in connection with the execution of a significant act. Fees received in connection with performed services are recognised as income in the period these services are provided.

Commission expenses are transaction-based and recognised in the period when the services are received.

Commission fees mainly include asset management commissions, custody fees and commissions from trading activities.

2.8 Net gains/losses on items at fair value

Realised and unrealised gains and losses on financial instruments measured at fair value are recognised in the item "Net gains/losses on items at fair value".

Realised and unrealised gains and losses mainly derive from shares and share-related instruments, interest-related instruments, currency-related instruments and foreign exchange gains/losses.

2.9 Employee Benefits

Defined-contribution plan

The Bank has pension obligations from a defined-contribution plan. The Bank's defined contribution-plan is the main pension scheme and covers all employees of the Bank in Luxembourg and its branch in Switzerland. Defined-contribution plans are not reflected in the balance sheet.

A defined-contribution plan is a post-employment benefit plan, under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligation for contributions to defined-contribution pension plans are recognised as employee benefit expenses in profit and loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined-benefit plan
Contributions to defined-benefit retirement plans are recognised as an expense when employees have rendered services entitling them to the contributions. Calculations on defined-benefit retirement plans are performed by external actuaries and are based on the actuarial assumptions fixed for the Bank's pension plan.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined-benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

2.10 Share-based payment
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Bank's Parent Company has granted the right to its equity instruments directly to the employees of the Bank.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually be vested. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to be vested. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to shareholders contributions.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, at the date the entity obtains the goods or the counterparty renders the service.

2.11 Taxation
Income tax expense represents the sum of the current tax and deferred tax.

Current tax
Corporation tax is charged on the annual taxable profit on the basis of tax legislation and tax rates that are applicable in the Grand Duchy of Luxembourg. Corporation tax for the Bank's branch is calculated based on the tax legislation and tax rates applicable in Switzerland.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible as in accordance with the tax legislation applicable in the Grand Duchy of Luxembourg. The Bank's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

2.12 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and loans on demand at banks.

2.13 Financial assets and financial liabilities

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss”, “held-to-maturity” investments and “loans and receivables”.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial liabilities are classified as either financial liabilities “at fair value through profit and loss” or “other financial liabilities”.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit and loss.

Financial assets and financial liabilities at fair value through profit and loss

Financial assets and financial liabilities are classified as at fair value through profit and loss where the financial asset/financial liability is either held for trading or it is designated as at fair value through profit and loss.

A financial asset/financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Bank manages and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.
- A financial asset/financial liability other than a financial asset/financial liability held for trading may be designated as at fair value through profit and loss upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: recognition and measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit and loss.

Financial assets and financial liabilities at fair value through profit and loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Bonds with fixed maturity dates that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method, less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Impairment of financial assets
Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter Bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The amount of impairment loss is recognised in profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets and financial liabilities
The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire.

2.14 Derivatives
All derivatives are recognised on the balance sheet and measured at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date.

Derivatives with a positive fair value including any accrued interest are recognised as assets in the item "Derivatives". Derivatives with a negative fair value, including any accrued interest, are recognised as liabilities in the item "Derivatives".

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net gains/(losses) on items at fair value".

2.15 Determination of fair value of financial instruments
Financial assets and liabilities classified as "financial assets/liabilities at fair value through profit or loss" and "derivative instruments" are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item "Net gains/losses on items at fair value".

Fair value is defined by IAS 32 and IAS 39 as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. The Bank is using published price quotations to establish fair value for items disclosed under the following balance sheet items:
- Shares;
- Derivatives (listed derivatives).

Fair value of non listed derivatives is determined by using valuation techniques.

Fair value is estimated to be equal to the book value (amortised cost) as its reasonable approximation for loans and receivables, held-to-maturity investments and deposits and borrowings.

2.16 Property and equipment and intangible assets

Property and equipment and intangible assets are stated at cost net of accumulated depreciation/amortisation and are depreciated according to the straight-line method over their estimated useful lives, using the following rates:

Leasehold improvements	2.5%-20%
Motor vehicles	20%
Furniture and equipment	20%
Fixture and fittings	20%
Computer software and hardware	20%

When the carrying amounts of property and equipment and intangible assets exceed their recoverable values, assets are written down, and impairment losses are recorded in the income statement.

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment and intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

All intangible assets are internally developed.

2.17 Impairment of property and equipment and intangible assets

At each balance sheet date, the Bank reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

2.18 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.19 Standards and interpretations not yet adopted

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations adopted by the EU that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2008. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Bank's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 2 *Share-based payment – Vesting Conditions and Cancellations*. Amendments to IFRS 2 are required to be applied from 1 January 2009.

IFRS 3 *Business Combinations* (as revised in 2008) supersedes IFRS 3 Business Combinations (issued in 2004). The revised IFRS 3 is required to be applied from 1 July 2009, but earlier application is permitted.

IFRS 8 *Operating Segments* replaces IAS 14 Segment Reporting. IFRS 8 is required to be applied from 1 January 2009.

IAS 1 *Presentation of Financial Statements* (as revised in 2007) supersedes IAS 1 Presentation of Financial Statements (as revised in 2003 and amended in 2005). The revised IAS 1 introduces new terminology throughout IFRSs and is required to be applied from 1 January 2009, but earlier application is permitted.

IAS 23 *Borrowing Costs* (as revised in 2007) supersedes IAS 23 Borrowing Costs (issued in 1993). The revised IAS 23 is required to be applied from 1 January 2009, but earlier application is permitted.

Amendments to IFRS1 and IAS 27 Consolidated and Separate Financial Statements (as amended in 2008) supersedes IAS 27 Consolidated and Separate Financial Statements (as revised in 2003). The amended IAS 27 is required to be applied from 1 January 2009, but earlier application is permitted.

Amendments to IAS 32 and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation. Amendments to IAS 32 and IAS 31 are required to be applied from 1 January 2009.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged items. The amendments to IAS 39 are effective for annual periods beginning on or after 1 July 2009.

IFRIC 15 Agreements for the Construction of Real Estate. IFRIC 15 is required to be applied from 1 January 2009, but earlier application is permitted.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 is required to be applied for annual periods beginning on or after 1 October 2008, but earlier application is permitted.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Bank.

Note 3 Critical accounting judgments and key sources of estimation uncertainty

The preparations of financial statements in conformity with IFRS as adopted by the EU, requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of off-balance sheet items at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates are based on past experience and assumptions that Management believes are fair and reasonable. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

These critical judgments and estimates are in particular associated with:

(a) the fair value measurement of certain financial instruments (non-listed derivatives)
Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(b) the impairment tests of loans and receivables
The Bank reviews its loan portfolios to assess impairment at least once a year. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable date indicating that there is a decrease in the estimated future cash flows from a loan. Elements considered as evidences of impairment are disclosed in note 12.

(c) useful lives of property and equipment and intangible assets
The Bank reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period in order to determine the depreciation rates.

(d) Provision for claims
All litigation provisions for claims that the Bank is involved with are analysed at each reporting date and adjusted to reflect the current best estimate. When necessary, legal advice is sought and provisions are recorded.

(e) Income taxes
The Bank is subject to income tax in Luxembourg. Estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises tax liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Note 4 Net interest income

Interest income (EUR '000)	**2008**	**2007**
Loans and receivables to credit institutions	56,904	50,314
Loans and receivables to the public	95,145	93,739
Interest-bearing securities (held-to-maturity)	509	17
Other interest income	39,846	54,006
Total interest income	**192,404**	**198,076**

Interest expense (EUR '000)	**2008**	**2007**
Deposits by credit institutions	(20,285)	(11,804)
Deposits and borrowings from the public	(94,585)	(108,102)
Subordinated liabilities	(3,041)	(2,637)
Other interest expenses	(19,774)	(30,175
Total interest expense	**(137,685)**	**(152,718)**

Net interest income	**54,719**	**45,358**

All interest income and expense derives from financial instruments not measured at fair value through profit and loss. Interest income on impaired loans for the year ended 2008 amounts to EUR 127 thousand (2007: nil).

Note 5 Net fee and commission income

Fee and commission income (EUR '000)	2008	2007
Asset Management commissions	18,908	35,143
Custody fees	9,188	6,714
Trading activities	48,810	78,943
Investment management and distribution fees	53,650	104,488
Guarantees	68	74
Other commission income	1,955	2,180
Total	**132,579**	**227,542**

Fee and commission expense (EUR '000)	2008	2007
Trading activities	(14,908)	(19,785)
Payment expense	(1,079)	(1,322)
Advisory fees	(16,645)	(18,123)
Trailer fees	(21,058)	(45,370)
Other fee and commission expense	(13,552)	(16,052)
Total	**(67,242)**	**(100,652)**

Net fee and commission income	**65,337**	**126,890**

Fee and commission income/expense for categories of financial instruments (EUR '000)	2008	2007
Financial instruments at fair value through profit and loss	5,530	5,504
Other	59,807	121,386
Net fee and commission income	**65,337**	**126,890**

Other commission income includes transaction fees, fiduciary deposit fees and other fees.
Other fee and commission expense mainly includes agent fees.

Note 6 Net gains/(losses) on items at fair value

Shares and other share-related instruments (EUR '000)	2008	2007
Realised (losses)/gains	(2,291)	2,805
Unrealised losses	(11,038)	(2,920)

Interest-related instruments (EUR '000)	2008	2007
Realised gains/(losses)	69	(2,280)
Unrealised (losses)/gains	(1,777)	(69)
Currency related instruments	(4,061)	4,753
Unrealised foreign exchange gains	19,330	12,515
Total	**232**	**14,804**

Net gains (losses) arising from investments held for trading amounts to EUR (19,098) thousand (2007: EUR 2,289 thousand).

Note 7 Staff costs

Staff costs (EUR '000)	2008	2007
Wages and salaries	46,329	50,417
Pension costs	623	470
Social insurance contributions	4,077	3,952
Allocation to profit-sharing	137	883
Other staff cost	775	644
Total	**51,941**	**56,366**

Executives include: Head of International Private Banking & Funds, Chief Operating Officer, managing directors and Head of Private Banking. Executives amount to 6 individuals and middle management amounts to 16 individuals in the Bank.

Remuneration of EUR 7,362 thousand has been paid to the senior and middle management (22 persons) in respect of the year ended 31 December 2008 (2007: EUR 8,029 thousand). At 31 December 2008, loans and advances totalling EUR 9 thousand have been granted to the members of the senior and middle management (2007: EUR 64 thousand).

No remuneration was paid to the Board of Directors in the year ended 31 December 2008 and 2007. At 31 December 2008, no loans and advances have been granted to members of the Board of Directors (2007: EUR nil).

As at 31 December 2008, the Bank did not have a commitment relating to pensions on behalf of senior and middle management nor on behalf of Board of Directors members (2007: EUR nil).

Average number of employees	2008	2007
Senior management	6	6
Middle management	16	21
Employees	351	353
Non-clerical staff	6	4
Total	**379**	**384**

Note 8 Other administrative expenses

Other administrative expenses (EUR '000)	2008	2007
Information technology	11,084	9,455
Marketing and representation	2,426	2,514
Postage, telephone and office expenses	1,641	1,650
Rents, premises and real estate	4,777	5,919
Consulting fees	1,778	1,278
Travel expenses	2,163	2,293
Other	5,485	3,042
Total	**29,354**	**26,151**

Information technology expenses relate to IT operations, service expenses and consultant's fees for the Bank.

Other expenses include fees and remuneration to auditors, distributed as follows:

Auditor's expenses (EUR '000)	2008	2007
KPMG Audit S.à.r.l., Luxembourg		
• Auditing assignments	158	172
• Other assignments including audit-related services	78	44
KPMG Advisory S.à.r.l./KPMG Tax S.à.r.l.		
• Other fees	214	373
Total	**450**	**589**

Note 9 Other operating expenses

In accordance with the law of 5 April 1993 as amended by the law of 11 June 1997, the sole object of the AGDL ("Association pour la Garantie des Dépôts, Luxembourg") is the establishment of a mutual guarantee scheme covering deposits made by customers of member credit institutions ("the Guarantee"). The customers covered by the Guarantee include all depositors who are physical persons, whatever their nationality or country of residence. Also covered by the Guarantee are small companies constituted under the law of a Member State of the European Union, whose size is such that they would be permitted to draw up abbreviated accounts pursuant to Article 215 of the law of 10 August 1915 on commercial companies, as amended.

With respect to each member, the Guarantee is limited to a maximum amount per customer of EUR 20,000 (twenty thousand) or its foreign currency equivalent. No depositor can receive more than this sum, regardless of the number of accounts or deposits held in the sole or joint name of the depositor with the same credit institution. The Law of July 27, 2000 stipulates that banks must also belong to an investment guarantee scheme. This additional Guarantee covers the reimbursement of claims resulting from investment transactions up to the amount of EUR 20,000 (twenty thousand).

The total amount of the Guarantees which will in no case exceed EUR 40,000 (forty thousand) per customer – EUR 20,000 deposit guarantee and EUR 20,000 investor compensation – represents an absolute figure and cannot be increased by any interest, charges or any other amount.

The Bank has a contingent liability in relation to AGDL payments which are a result of certain banks going into administration during 2008.

During 2008 the Bank has made AGDL payments amounting to EUR 1,465 thousand and has a remaining EUR 1,049 thousand contingent liability as of 31 December 2008 in this respect.

Note 10 Income tax expense

Income tax expense (EUR ‘000)	2008	2007
Current tax	8,931	28,984
Deferred tax	(1,699)	531
Other direct taxes	95	57
Total	**7,327**	**29,572**

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates is set out below:

Current tax (EUR ‘000)	2008	2007
Profit before tax	31,010	102,006
Tax calculated at a tax rate of 22.88%	7,095	23,339
Municipal business tax at a tax rate of 6.75%	2,093	6,885
Effect of different tax rates in other countries	(425)	(509)
Reduction in tax rate (deferred tax)	(493)	-
Other direct taxes	95	57
Tax-exempt income	(1,038)	(200)
Total	**7,327**	**29,572**

Deferred tax

Deferred tax expense (EUR ‘000)	2008	2007
Deferred tax due to temporary differences	(1,699)	531
	(1,699)	**531**

Deferred tax liabilities (EUR ‘000)	2008	2007
Deferred tax liabilities due to temporary differences	13,579	15,278
	13,579	**15,278**

Deferred tax liabilities (EUR ‘000)	2008	2007
Derecognition of non-qualifying intangible assets	(199)	(387)
Recognition of qualifying tangible assets	727	707
Securities measured at fair value	3	75
Derivative measured at fair value	(1,326)	1,127
Operating lease not recognised in accordance with IAS 17	57	60
Derecognition of provision	10,238	9,469
Release of special items with reserve quota portion	4,079	4,227
Total	**13,579**	**15,278**

There is no deferred tax relating to temporary differences associated with investments in group undertakings.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Note 11 Cash and balances with central banks

Cash and balances with central banks (EUR '000)	31 Dec 2008	31 Dec 2007
Mandatory reserve deposit with central banks	46,617	2,413
Cash in hand	978	894
Total	**47,595**	**3,307**

Deposits placed with the central bank in amount of EUR 46,617 thousand represent minimum reserves that approximate to 2% of the Bank's deposits and debt certificates maturing within two years.

Compliance with the reserve requirement is determined on the basis of the institutions' average daily reserve holdings over the maintenance period, thus reserves of credit institutions can vary from one day to another following their treasury management, the money market or their expectations in of interest rates.

Note 12 Loans and receivables

Loans and receivables (EUR '000)	31 Dec 2008	31 Dec 2007
To credit institutions		
• Repayable on demand	846,403	680,147
• Repayable on non demand	635,766	405,899
	1,482,169	1,086,046
To public		
• Repayable on demand	314,455	359,193
• Repayable on non demand	1,182,354	2,009,802
	1,496,809	2,368,995
Total	**2,978,978**	**3,455,041**

Loans and receivables, not impaired (EUR '000)	31 Dec 2008	31 Dec 2007
Loans and receivables, not impaired:	2,976,154	3,455,041
Out of which: past due loans	27,083	-
Impaired loans and receivables		
• performing	2,824	-
Total	**2,978,978**	**3,455,041**
Allowances and write-offs for individually assessed impaired loans		
• performing	(2,576)	-
	(2,576)	**-**

Included in the Bank's loans and receivables are loans with the carrying amount of EUR 27,083 thousand (2007: nil) which are past due at the reporting date but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Reconciliation of allowances accounts for impaired loans (EUR '000)	31 Dec 2008	31 Dec 2007
Opening balance at 1 January 2008	-	-
Provisions	2,552	-
Loans written off	24	-
Closing balance at 31 December 2008	**2,576**	**-**

Loans and receivables to public (EUR '000)	31 Dec 2008	31 Dec 2007
Secured	1,402,691	2,170,784
Unsecured	94,118	198,211
	1,496,809	**2,368,995**

In determining the recoverability of a loans and receivables, the Bank considers any change in the credit quality of the loans and receivables from the date credit was initially granted up to the reporting date. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for impaired loans.

Included in the allowance for impairment loans are individually impaired receivables with a balance of EUR 2,552 thousand (2007: nil) which represent overdrawn current accounts. The impairment recognised represents the difference between the carrying amount of these receivables and the present value of the expected future cash flows.

Maturity information of loans and receivables (EUR '000)	**Credit institutions**		**Public**	
Remaining maturity (book value)	**31 Dec 2008**	**31 Dec 2007**	**31 Dec 2008**	**31 Dec 2007**
Payable on demand	846,404	680,147	314,455	359,193
Up to 3 months	475,431	404,665	837,254	1,448,728
3-12 months	157,250	1,234	47,807	311,864
1-5 years	3,084	-	25,574	10,318
More than 5 years	-	-	271,719	238,892
Total	**1,482,169**	**1,086,046**	**1,496,809**	**2,368,995**

Maturity information of past due but not impaired loans (EUR '000)	**Public**	
Remaining maturity (book value)	**31 Dec 2008**	**31 Dec 2007**
1-5 years	4,418	-
More than 5 years	22,665	-
Total	**27,083**	**-**

Collateral held for past due and impaired loans (EUR '000)	**31 Dec 2008**	**31 Dec 2007**
Collateral for past due loans:		
• Mortgage	34,029	-
• Insurance policies	13,071	-
Collateral for impaired loans:		
• Shares	1,178	-
• Bonds	31	-
Total	**48,309**	**-**

Note 13 Interest-bearing securities

Interest-bearing securities (EUR '000)	**31 Dec 2008**	**31 Dec 2007**
Held-to-maturity investment	10,113	10,115
	10,113	**10,115**

Security in amount of EUR 10,113 thousand represents the bond issued by Nordea Bank AB (publ). The bond bears floating rate of 3 month EURIBOR and matures on 20 June 2013. The bond is stated at amortised cost.

Note 14 Shares

Shares (EUR '000)	31 Dec 2008	31 Dec 2007
Shares held for trading	42,563	40,603
	42,563	**40,603**

Shares (EUR '000)	31 Dec 2008	31 Dec 2007
Listed shares	41,122	38,343
Unlisted shares	1,441	2,260
	42,563	**40,603**

The investments included above represent investments in securities to seeding funds. The Bank subscribes the seed money to allow the fund to have a minimum capital base at the launch. After a period of time, the fund receives net inflows enough to redeem the seed money to the Bank.

These securities have no fixed maturity or coupon rate. The fair values of listed securities are based on quoted market prices.

Note 15 Derivatives

	Fair value		
Derivatives held for trading (EUR '000) 31 December 2008	**Positive**	**Negative**	**Total nominal amount**
Interest rate derivatives			
Futures	3,990	5,980	2,202,015
Swaps	143	-	3,355
Options	6,678	6,678	37,661
Total	**10,811**	**12,658**	**2,243,031**
Equity derivatives			
Options	30,128	30,128	486,805
Total	**30,128**	**30,128**	**486,805**
Foreign exchange derivatives			
Currency forwards	83,484	84,511	3,044,692
Options	3,461	8,163	595,954
Other	210	201	41,546
Total	**87,155**	**92,875**	**3,682,192**
Total derivatives held for trading	**128,094**	**135,661**	**6,412,028**

Remaining maturity (book value, EUR '000) 31 December 2008	Positive	Negative
Up to 3 months	84,559	95,585
3-12 months	28,469	25,010
1-5 years	15,066	15,066
Total	**128,094**	**135,661**

Derivatives held for trading (EUR '000) 31 December 2007	Fair value Positive	Fair value Negative	Total nominal amount
Interest rate derivatives			
Futures	930	183	174,414
Swaps	-	69	3,352
Options	337	337	13,636
Total	**1,267**	**589**	**191,402**
Equity derivatives			
Futures	3,269	3,269	404,496
Options	14,689	14,689	803,374
Total	**17,958**	**17,958**	**1,207,870**
Foreign exchange derivatives			
Swaps	4,315	43,619	3,580,866
Currency forwards	10,894	8,722	638,408
Options	7,482	4,807	1,488,497
Other	227	187	101,032
Total	**22,918**	**57,335**	**5,808,803**
Total derivatives held for trading	**42,143**	**75,882**	**7,208,075**

Remaining maturity (book value) (EUR '000) 31 December 2007	Fair value Positive	Fair value Negative
Up to 3 months	21,642	49,496
3-12 months	11,487	17,289
1-5 years	9,014	9,028
More than 5 years	-	69
Total	**42,143**	**75,882**

Note 16 Intangible assets

Intangible assets (EUR '000)	Total
Acquisition cost	
At 1 January 2008	3,238
Additions	3,387
Disposals	(1,147)
At 31 December 2008	5,478
Amortisation	
At 1 January 2008	258
Charge for the year	968
Disposals	(455)
At 31 December 2008	771
Net book values	
At 31 December 2008	**4,707**
At 31 December 2007	**2,980**

Note 17 Property and equipment

Property and equipment (EUR '000)	Leasehold improvements	Computer hardware	Motor vehicles	Fixtures	Total
Cost					
At 1 January 2008	13,331	4,839	4,267	289	22,726
Additions	393	50	1,243	41	1,727
Disposals	-	(100)	(1,053)	-	(1,153)
At 31 December 2008	**13,724**	**4,789**	**4,457**	**330**	**23,300**
Depreciation					
At 1 January 2008	1,139	2,678	1,545	283	5,647
Charge for the year	1,400	731	832	8	2,969
Disposals	-	(31)	(701)	-	(732)
At 31 December 2008	**2,539**	**3,378**	**1,676**	**291**	**7,884**
Net book values					
At 31 December 2008	**11,185**	**1,411**	**2,781**	**39**	**15,416**
At 31 December 2007	**12,192**	**2,161**	**2,722**	**6**	**17,081**

Note 18 Other assets

Other assets (EUR '000)	31 Dec 2008	31 Dec 2007
Receivables on securities settlement	1,186	696
Retirement benefit assets	38	46
Cash items in the process of collection	4,603	139
Other	1,958	1,573
Total	**7,785**	**2,454**

All other assets are current except for the retirement benefit assets.

Retirement benefit assets (EUR '000)	31 Dec 2008	31 Dec 2007
Present value of the obligation	(244)	(243)
Fair value of plan assets	282	289
Total	**38**	**46**

Retirement benefit assets result from a defined-benefit plan that was a pre-existing pension scheme transferred to the bank during the mergers between the Bank and MeritaNordbanken Luxembourg S.A. on 22 June 2000. As of 31 December 2008, the number of people belonging to the scheme is 3 (2007: 3).

The total net pension cost related to the defined-benefit plan recognised in the Bank's income statement for the year is EUR 35 thousand (2007: EUR 24 thousand).

Note 19 Prepaid expenses and accrued income

Prepaid expenses and accrued income (EUR '000)	31 Dec 2008	31 Dec 2007
Accrued interest income	14	16
Prepaid interest expenses	566	206
Other accrued income	11,228	27,939
Prepaid expenses	1,754	1,603
Total	**13,562**	**29,764**

All "Prepaid expenses and accrued income" are current.

Note 20 Deposits and borrowings

Deposits and borrowings (EUR '000)	31 Dec 2008	31 Dec 2007
From credit institutions		
• Repayable on demand	25,496	56,868
• Repayable on non demand	210,354	467,284
	235,850	**524,152**
From public		
• Repayable on demand	1,165,289	1,329,221
• Repayable on non demand	1,294,095	1,196,297
	2,459,384	**2,525,518**
Total	**2,695,234**	**3,049,670**

	Credit institutions		Public	
Maturity information (EUR '000)	**31 Dec 2008**	**31 Dec 2007**	**31 Dec 2008**	**31 Dec 2007**
Remaining maturity (book value)				
Payable on demand	25,496	56,868	1,165,289	1,329,221
Up to 3 months	201,267	462,465	1,082,511	1,171,436
3-12 months	6,004	4,819	208,229	17,508
1-5 years	3,083	-	3,355	7,353
Total	**235,850**	**524,152**	**2,459,384**	**2,525,518**

Note 21 Other liabilities

Other liabilities (EUR '000)	31 Dec 2008	31 Dec 2007
Liabilities on securities settlement proceeds	42	170
VAT payable	6,821	4,915
Accounts payable	3,064	4,636
Other	1,394	1,419
Total	**11,321**	**11,140**

Note 22 Accrued expenses and prepaid income

Accrued expenses and prepaid income (EUR '000)	31 Dec 2008	31 Dec 2007
Accrued interest payable	544	16
Other accrued expenses	31,271	41,263
Total	**31,815**	**41,279**

Note 23 Provisions

Provisions (EUR '000)	31 Dec 2008	31 Dec 2007
At beginning of year	2,911	2,487
New provisions made	961	650
Provisions utilized	(2,683)	-
Reversals	(1,189)	(226)
Total	**-**	**2,911**

Litigation provisions are analysed at each reporting date and adjusted to reflect the current best estimate. When necessary, legal advice is sought and provisions are recorded. In prior years, the Bank has recognised a provision in respect of the court cases that were open at the time. During 2008, the last court case was closed and settlement reached, and therefore the remaining provision has been reversed.

Note 24 Subordinated liabilities

The Bank has incurred charges of EUR 3,041 thousand (2007: EUR 2,637 thousand) during the year, corresponding to 6 months' LIBOR + 1% p.a., with respect to its subordinated liability amounting to EUR 51,129 issued on 15 July 1992. The subordinated liability is for an indefinite period. This liability is towards the Nordea Bank AB.

The subordinated liability will be repaid only with prior notice of five (5) years and one (1) day, in one lump sum with all interest accrued to the date of repayment. This has to be approved by CSSF.

Note 25 Equity

a) Share capital and share premium

As at 31 December 2008, the Bank's subscribed and paid-up capital amounts to EUR 25,000 thousand (2007: EUR 25,000 thousand), represented by 1,000,000 shares of EUR 25 each.

At 31 December 2008, the Bank's share premium amounts to EUR 12,246 thousand (2007: EUR 12,246 thousand).

b) Reserves

In accordance with Luxembourg law, the Bank appropriated to reserves an amount equivalent to at least 5% of the annual net profit until such reserve equals 10% of the share capital ("Statement of changes in equity"). Distribution of the reserve is restricted by Luxembourg Law.

As at 31 December 2008, the total amount of net this reserve included in other reserves is EUR 2,625 thousand (2007: EUR 2,625 thousand).

Included in reserves at 31 December 2008 is an amount of EUR 5,975 which relates to the creation of a non-distributable reserve equal to five times net worth tax.

If the amount of the reserve is not maintained (for a reason other than a change in capital) for a five year period, the Bank's liability to income tax will be increased by one-fifth of the amount of the reduction for the year in which the reduction took place.

As at 31 December 2008, the total amount of net worth tax reserve included in other reserves is EUR 31,161 thousand (2007: EUR 30,461 thousand).

Note 26 Related party transactions

The Bank entered into transactions with the Parent Company, affiliated entities, and the key management personnel within the normal banking practice.

The balance sheet includes the following amounts resulting from the transactions with related parties:

	Parent company		Affiliated entities	
Related party transactions (EUR '000)	**31 Dec 2008**	**31 Dec 2007**	**31 Dec 2008**	**31 Dec 2007**
Assets				
Loans and receivables	396,000	452,430	1,021,918	483,686
Interest-bearing securities	10,113	10,115	-	-
Derivatives	-	69	34,330	18,947
Other assets	834	1,161	4,393	1,415
Total assets	**406,947**	**463,775**	**1,060,641**	**504,048**
Liabilities				
Deposits	-	-	433,492	524,016
Subordinated liabilities	52,603	52,408	-	-
Derivatives	7,312	5,005	38,293	31,671
Other liabilities	-	-	550	504
Total liabilities	**59,915**	**57,413**	**472,335**	**556,191**

Key management personnel have loans and receivables in amount of EUR 9 thousands outstanding as of 31 December 2008 (2007: EUR 60 thousand).

	Parent company		Affiliated entities	
Interest income and expense (EUR '000)	**2008**	**2007**	**2008**	**2007**
Interest income	12,271	9,004	30,516	33,102
Interest expense	(583)	(2,894)	(15,813)	(12,137)
Commission income	-	-	-	-
Net gains/(losses) on items at fair value	-	-	(4,517)	(15,276)
Other expenses	(1)	(171)	(52)	(85)
Net interest income and expense	**11,687**	**5,939**	**10,134**	**5,604**

There were no income or expense generated in relation to balances of key management personnel as of 31 December 2008 (2007: nil).

Compensation to key management personnel are specified in Note 7.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel
The remuneration of the key management personnel of the Bank is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

Remuneration of key management personnel (EUR '000)	31 Dec 2008	31 Dec 2007
Short-term employee benefits	2,710	2,796
Post-employment benefits	83	61
Total	**2,793**	**2,857**

Note 27 Classification of financial instruments

A = Loans and receivables
B = Held to maturity
C = Held for trading
D = Designated at fair value through profit & loss
E = Non-financial assets
F = Other financial liabilities
G = Non-financial liabilities

Assets, 31 Dec 2008 (EUR '000)	A	B	C	D	E	Total
Cash and balances with central banks	47,595	-	-	-	-	47,595
Loans and receivables to credit institutions	1,482,169	-	-	-	-	1,482,169
Loans and receivables to the public	1,496,809	-	-	-	-	1,496,809
Interest-bearing securities	-	10,113	-	-	-	10,113
Shares	-	-	-	42,563	-	42,563
Derivatives	-	-	128,094	-	-	128,094
Intangible assets	-	-	-	-	4,707	4,707
Property and equipment	-	-	-	-	15,416	15,416
Other assets	-	-	-	-	7,785	7,785
Prepaid expenses and accrued income	-	-	-	-	13,562	13,562
Total	**3,026,573**	**10,113**	**128,094**	**42,563**	**41,470**	**3,248,813**

Liabilities, 31 Dec 2008 (EUR '000)	C	F	G	Total
Deposits by credit institutions	-	235,850	-	235,850
Deposits and borrowings from the public	-	2,459,384	-	2,459,384
Derivatives	135,661	-	-	135,661
Current tax liabilities	-	-	36,553	36,553
Other liabilities	-	-	11,321	11,321
Accrued expenses and prepaid income	-	-	31,815	31,815
Deferred tax liabilities	-	-	13,579	13,579
Subordinated liabilities	-	52,603	-	52,603
Total	**135,661**	**2,747,837**	**93,268**	**2,976,766**

Assets, 31 Dec 2007 (EUR '000)	A	B	C	D	E	Total
Cash and balances with central banks	3,307	-	-	-	-	3,307
Loans and receivables to credit institutions	1,086,046	-	-	-	-	1,086,046
Loans and receivables to the public	2,368,995	-	-	-	-	2,368,995
Interest-bearing securities	-	10,115	-	-	-	10,115
Shares	-	-	-	40,603	-	40,603
Derivatives	-	-	42,143	-	-	42,143
Intangible assets	-	-	-	-	2,980	2,980
Property and equipment	-	-	-	-	17,081	17,081
Other assets	-	-	-	-	2,454	2,454
Prepaid expenses and accrued income	-	-	-	-	29,764	29,764
Total	**3,458,348**	**10,115**	**42,143**	**40,603**	**52,279**	**3,603,488**

Liabilities, 31 Dec 2007 (EUR '000)	C	F	G	Total
Deposits by credit institutions	-	524,152	-	524,152
Deposits and borrowings from the public	-	2,525,518	-	2,525,518
Derivatives	75,882	-	-	75,882
Current tax liabilities	-	-	42,698	42,698
Other liabilities	-	-	11,140	11,140
Accrued expenses and prepaid income	-	-	41,279	41,279
Deferred tax liabilities	-	-	15,278	15,278
Provisions	-	-	2,911	2,911
Subordinated liabilities	-	52,408	-	52,408
Total	**75,882**	**3,102,078**	**113,306**	**3,291,266**

Note 28 Assets and liabilities at fair value

	31 Dec 2008		31 Dec 2007	
Assets (EUR '000)	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and balances with central banks	47,595	47,595	3,307	3,307
Loans and receivables to credit institutions	1,482,169	1,482,169	1,086,046	1,086,046
Loans and receivables to the public	1,496,809	1,497,311	2,368,995	2,369,509
Interest-bearing securities	10,113	10,113	10,115	10,115
Shares	42,563	42,563	40,603	40,603
Derivatives	128,094	128,094	42,143	42,143
Intangible assets	4,707	4,707	2,980	2,980
Property and equipment	15,416	15,416	17,081	17,081
Other assets	7,785	7,785	2,454	2,454
Prepaid expenses and accrued income	13,562	13,562	29,764	29,764
Total	**3,248,813**	**3,249,315**	**3,603,488**	**3,604,002**

	31 Dec 2008		31 Dec 2007	
Liabilities (EUR '000)	**Book value**	**Fair value**	**Book value**	**Fair value**
Deposits from credit institutions	235,850	235,850	524,152	524,152
Deposits and borrowings from the public	2,459,384	2,459,384	2,525,518	2,525,518
Derivatives	135,661	135,661	75,882	75,882
Current tax liabilities	36,553	36,553	42,698	42,698
Other liabilities	11,321	11,321	11,140	11,140
Accrued expenses and prepaid income	31,815	31,815	41,279	41,279
Deferred tax liabilities	13,579	13,579	15,278	15,278
Provisions	-	-	2,911	2,911
Subordinated liabilities	52,603	52,603	52,408	52,408
Total	**2,976,766**	**2,976,766**	**3,291,266**	**3,291,266**

Estimation of fair value for assets and liabilities

Financial assets and financial liabilities in the balance sheet are generally measured at fair value, with the exception of loans and receivables, held-to-maturity investments and deposits and borrowings.

Fair value is estimated to be equal to the book value (amortised cost) as its reasonable approximation for loans and receivables, held-to-maturity investments and deposits and borrowings.

Loans and receivables mainly consist of investment loans whose rollover period is up to 3 months and mortgage loans with a rollover period of one year. Fair value of investment loans is considered to approximate its book value due to short maturity and low volatility in interest rates. Fair value of mortgage loans differs from its book value due to a longer period of rollover and higher volatility in interest rates.

Fair value is estimated to be equal to the carrying amount for short-term financial assets and financial liabilities including cash and balances with central banks. The carrying amount is a reasonable approximation of fair value due to limited credit risk and short time to maturity.

Note 29 Foreign currency risk

The Management of the Bank, within the framework of the approved investment policy, sets the limits on all currencies positions at the Bank. These positions are monitored daily through the Investment and Currency department, which reports matters to senior Management to ensure maintaining positions within the approved limits.

Net position of major currencies at the Bank (EUR '000)

31 December 2008	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Cash, loans and receivables to credit institutions	615,782	491,213	206,035	208,049	7,254	1,431	1,529,764
Loans and receivables to the public	451,573	68,193	89,115	8,578	63,010	816,340	1,496,809
Interest-bearing securities	10,113	-	-	-	-	-	10,113
Other assets	106,485	1,693	1,523	922	602	100,902	212,127
Total assets	**1,173,840**	**561,099**	**296,673**	**217,549**	**70,866**	**928,786**	**3,248,813**
Liabilities and equity							
Deposits from credit institutions	6,220	46	11	4	205,963	23,606	235,850
Deposits and borrowings from the public	1,008,427	521,100	259,691	147,511	264,689	257,966	2,459,384
Subordinated liabilities	52,603	-	-	-	-	-	52,603
Other liabilities and equity	402,496	935	1,606	293	425	95,221	500,976
Total liabilities and equity	**1,469,746**	**522,081**	**261,308**	**147,808**	**471,077**	**376,793**	**3,248,813**
Net position, currencies	**(295,906)**	**39,018**	**35,365**	**69,741**	**(400,211)**	**551,993**	**-**

Net position of major currencies at the Bank (EUR '000)

31 December 2007	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Cash, loans and receivables to credit institutions	295,841	514,903	47,850	3,066	11,441	216,252	1,089,353
Loans and receivables to the public	832,199	103,954	135,173	16,939	83,424	1,197,306	2,368,995
Interest-bearing securities	10,115	-	-	-	-	-	10,115
Other assets	134,765	-	238	-	-	22	135,025
Total assets	**1,272,920**	**618,857**	**183,261**	**20,005**	**94,865**	**1,413,580**	**3,603,488**
Liabilities and equity							
Deposits from credit institutions	153,667	87,041	29,819	37,273	91,089	125,263	524,152
Deposits and borrowings from the public	817,068	530,042	367,446	121,067	316,792	373,103	2,525,518
Provisions	2,911	-	-	-	-	-	2,911
Subordinated liabilities	52,408	-	-	-	-	-	52,408
Other liabilities and equity	497,625		767	-	-	107	498,499
Total liabilities and equity	**1,523,679**	**617,083**	**398,032**	**158,340**	**407,881**	**498,473**	**3,603,488**
Net position, currencies	**(250,759)**	**1,774**	**(214,771)**	**(138,335)**	**(313,016)**	**915,107**	**-**

Note 30 Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts.

Cash and cash equivalents (EUR '000)	2008	2007
Cash in hand and balances with central banks (note 11)	47,595	3,307
Loans and receivables on demand to credit institutions (note 12)	846,403	680,147
Total cash and cash equivalents	**893,998**	**683,454**

Note 31 Financial Risk Management

During the normal course of business, the Bank is exposed to market risk (interest rate risk, equity risk, and foreign exchange risk), liquidity risk, credit risk (counterparty risk, settlement risk) and operational risk. These risks are monitored and managed through internal risk reports which analyse exposure by degree and magnitude of risks. The aim of risk management within the Bank is to identify, measure, monitor and control risks and closely follow risk lines and limits, report risks and follow up on risks. The Bank's policy applied for risk management is described below:

a) Market risk

The market risk is the risk of loss in market value of Nordea's positions with market risk exposure as a result of movements in market factors related to interest rates, equity prices and foreign exchange rates. The Bank's consolidated market risks are assessed from a euro-based currency perspective.

Value at Risk ("VaR") is the main measure of market risk in Nordea for normal market conditions. VaR estimates the loss in market value that could be expected in rare events in a normal market environment for deep and liquid financial markets.

The VaR models are based on the last one-year historical changes in market prices and rates, a holding period of ten banking days and a probability of 99%. Nordea uses historical simulation based on the so-called expected tail loss approach, using the average of the 3 (or a lower number) most adverse simulation results as an estimate of VaR, and therefore label it tVaR (tail VaR).

The time horizon presupposes that the Bank can fully unwind or hedge its positions (even in adverse situations) under normal market conditions. In practice, this assumption may not be true for all positions.

tVaR figures are calculated for each type of risk and as total tVaR (across risk categories) for the Bank.

The purpose of the implemented market risk control is to ensure that risks the Bank is exposed to be effectively monitored. The control is carried out by Risk Management on a business daily-basis according to the Bank's risk policy.

The Group has set up the systems and models needed for calculating the market risk. The Bank's end-of-day transactions and positions bearing market risk are sent electronically to the Group's market risk system at night. Market risk figures are calculated and results are returned to the Bank the following morning. Risk figures are calculated on the basis of Group models, parameters and prices.

Risk Management has access to an intranet reporting interface. Any risk figures received daily from the Group's system are controlled, validated and approved against the actual limits granted to the Bank via the Bank's overall market risk instructions.

b) Credit risk

Credit risk arises when the inability of the contractual parties to settle their obligation could result in the decrease of the amount of future cash inflows from receivables at the date of the balance sheet.

The credit risks in the Bank stem mainly from various forms of lending to the public (mainly personal customers) and also from guarantees. Furthermore, credit risk includes counterparty risk, transfer risk and settlement risk.

The credit risk from guarantees arises from the potential claims on customers for which the Bank has issued guarantees.

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of the credit risk to the Bank's credit committee. Credit department, reporting to the credit committee is responsible for the management of the Bank's credit risk including:

- following credit policies;
- establishing the authorisation signature for the approval and renewal;
- reviewing and assessing credit risk;
- limit concentration and exposure to counterparties.

The general monitoring of credits is done through a risk exposure system inherent to the core banking system. The potential overdraft and/or insufficient excess cover of any exposure is followed continuously by the account managers.

Credit risk exposure (EUR '000) (Excluding cash in hand and balances with central bank)	31 Dec 2008	31 Dec 2007
Loans and receivables to credit institutions	1,482,169	1,086,046
Loans and receivables to the public	1,496,809	2,368,995
Unutilized confirmed credits	4,050,044	4,386,287
Guarantees	44,662	45,129

Loans and receivables to the public (EUR '000)	31 Dec 2008	31 Dec 2007
Guaranteed loans	268,939	443,122
Investment loans	581,063	1,252,016
Mortgage loans	332,471	325,637
Other	314,336	348,220
Total	**1,496,809**	**2,368,995**

The Bank has loan agreements, most of which have been entered into with private individuals.

The collateral held as a security for the above-mentioned credit exposures mainly consists of pledged deposits, pledged securities and guarantees issued from third parties, as well as mortgage interests over property.

Geographical risk

Mortgage loans
The Bank grants mortgage loans for residential purposes to Private Banking clients with residential properties situated in the United Kingdom, France, Monaco and Spain.

Since 2006, a mortgage loan programme has been established for retail clients from Nordea branches in Denmark, Finland, Norway and Sweden.

Further, mortgage loans bear multicurrency risk as these loans are granted in different currencies.

Mortgage loans by location (EUR '000)	2008	2007
France	144,534	138,896
Spain	99,747	96,925
United Kingdom	85,823	85,862
Portugal	1,200	2,614
Other	1,167	1,340
Total	**332,471**	**325,637**

Guaranteed loans
The Bank grants loans denominated in foreign currencies mainly to Danish companies and private customers. These loans are initiated by Nordea Bank Denmark A/S, Danish provincial Banks, Danish savings Banks and Danish insurance companies, which give their guarantees for these loans to the Bank. The risk on these loans is limited due to the guarantees received from Nordea Bank Denmark A/S and the Danish provincial and savings Banks and insurance companies. Furthermore, Nordea Bank Denmark A/S acts as an ultimate guarantor should any Danish provincial or savings Bank default on its guarantees.

Investment loans
Under this scheme, clients may take up a loan of up to 5 times their initial net asset value deposited with the Bank. The assets, including the assets acquired by the loan proceeds, are deposited with the Bank and are pledged as collateral for the loan. Hence, investment loans bear no geographical risk.

Warning signals for investment loans

To ensure a proper follow-up on credit exposures, limits are set ("intervention limit" and "realisation limit"). If the intervention limit (cover ratio below 50%) is breached, the Bank is entitled to demand additional security to establish the security margin. If the realisation limit (cover ratio below 25%) is breached the Bank is entitled, but not obliged, to sell all or part of the securities pledged and to reduce the exposure by the sales proceeds and/or to close any open positions of derivatives.

Both of these limits are stipulated in agreements with the client, these agreements being the facility letter and security agreement, which have to be signed before any drawings can be made under the facility.

Past due but not impaired loans and investment debt securities

Past due but not impaired loans and investment debt securities, other than those carried at fair value though profit and loss, are those for which contractual interest or principal payment are past due but the Bank believes that impairment is not appropriate on the basis of the level if security/collateral available and/or stage of collection of amounts owed to the Bank.

Collateral permitted to be sold or repledged in the absence of default by the owner of the collateral:

EUR '000	31 Dec 2008	31 Dec 2007
Bonds	1,935,258	1,942,616
Shares	2,073,111	5,067,396
Other assets	1,441,171	2,270,551
Total	**5,449,540**	**9,280,563**

Security in the amount of EUR 5,449,540 thousand (2007: EUR 9,280,563 thousand) is held as collateral for protection of facilities granted to clients. These facilities represent investment facilities granted to clients to invest in securities and derivatives. Under the terms of the facility agreement, should the security margin fall to or below 50% and 25%, subject to written notice to the client of 5 days and 3 days respectively, the Bank is entitled to sell all or part of the pledged assets sufficient to restore the security margin to 100%.

During the year, the Bank did not sell any pledged securities (2007: EUR nil).

Allowances for impairment
The Bank establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan and investment debt security portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures. Assets carried at fair value through profit and loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Write-off policy
The Bank writes off a loan or advances, and any related allowances for impairment losses, when its Credit Department determines that the loan or advance is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to repay the entire exposure. For smaller balance standardised loans, write-off decisions are generally based on a product-specific past due status.

c) Liquidity risk
The liquidity risk relates to the losses that the Bank may suffer from the possible weakness to fulfill its obligations mainly as regards to the repayment of deposits and the granting of advances. To deal with the liquidity risk, the Bank closely monitors the origin of deposits and their expiry date and complies with the liquidity regulations of the Central Bank of Luxembourg.

A daily report giving the overall liquidity gap (Liquidity Gap per day) for each day in the following month and a monthly analysis for the following 6 months is produced. The "Liquidity-Gap per day" report is reviewed on a daily basis by Risk Management Department to ensure that the limits are respected. The liquidity gap report per currency is sent by e-mail every business day to the Nordea Group Treasury Department (which aggregate liquidity risk for the Nordea Group). As of 31 December 2008 the liquidity gap was 499 million, which is below the Bank's permitted liquidity gap limit for two weeks of 1.2 billion.

By reviewing the report and the individual currency mismatch positions, the liquidity of the Bank is effectively managed and controlled. Deals can be made to cover the larger open positions that exist in the short term, thereby reducing the need for large amounts of funding in each currency.

d) Exchange rate risk
The exchange rate risk is the risk that the value of the financial assets will fluctuate as a result of foreign exchange rate movements. This risk is controlled by adhering to approved currency risk limits, (VaR and FX option risk limits), monitored by the Bank's market risk system ("MARS") and the daily controls performed by the Risk Management Department.

Risk Management compares, on a daily basis, currency-positions in the market risk system with currency-position values calculated in the Bank's internal booking system. Larger deviations per currency amounts are investigated and an explanation report is established.

In case of any limit being exceeded Risk Management will investigate, and explanation reports for any correction will be established. Any line excess is reported to the Head of Unit concerned, and corrective measures are taken.

The Bank implements a limit on maximum loss on currency options that is based on reports from the Bank's internal system used for trading currency options. Risk Management checks these reports to control whether the risk of loss on currency options is within the granted limit.

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness, and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior Management. This responsibility is supported by the development of the Bank's overall policies for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance, where this is effective.

Compliance with the Bank's policies is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate.

f) Interest rate risk

Interest rate risk is the potential impact on the Bank's earnings and net asset values arising from changes in interest rates. Interest rate risk arises when the Bank's principal and interest cash flows (including final maturity), both on- and off-balance sheet, have mismatched re-pricing dates, or there is a mismatch of floating versus fixed interests.

The Bank has a measurement system for interest rate risk that incorporates each of these risk items. The system for linear risk is based on VaR on the interest rate risk ladders from all interest-bearing items, and will thereby cover the usual yield curve and basic risk. The non-linear risk coming from option risk is based on scenario simulation.

The interest sensitivity ladder is calculated for a given currency by choosing predefined ladder points on the yield curve (1D, 1W, 1M, 2M etc. usually 14 points) and calculating the sensitivity to that yield curve point.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower, and all other variables were held constant, the Bank's:

- profit for the year ended 31 December 2008 would decrease/increase by EUR 909 thousands (2007: decrease/increase by EUR 670 thousands).

Market risks are determined on a portfolio basis. Measures and limits are established for exchange and interest rate risk on the basis of Value at Risk (VaR). The VaR-measure reflects a 1%, absolute value, probability that a potential loss due to a market risk will exceed risk measure over a ten-day period. At 31 December 2008, overall VaR- measures were:

Exchange rate risk:	EUR 425 (2007: 240)
Interest rate risk:	EUR 717 (2007: 600)

g) Litigation risk

Litigation risk is the risk of financial loss, interruption of the Bank's operations or any other under sizable situation that arises from the possibility of non-execution or violation of legal contracts and, consequentially, of lawsuits. The risk is restricted by contracts used by the Bank to execute its operations.

h) Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Bank's operations (whether true or false) may result in a reduction of its clientele, a reduction in revenue and an increase in legal cases against the Bank. The Bank applies procedures to minimize this risk through the training and professional development of its employees, by initiating marketing activities directed to maintain the positive reputation of the Bank and publishing the positive performance and financial position of the Bank.

i) Other risks

The general economic environment prevailing internationally may affect the Bank's operations to a great extent. Concepts such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country, and any variation in these and the economic environment in general may create chain reactions in all areas, thus also affecting the Bank.

Note 32 Capital Management

The Bank's policy is to accumulate all available free equity at the Parent Company. Allocating excess capital to the Parent Company enables Nordea to use its capital more efficiently.

Nordea actively manages regulatory capital requirements as outlined in the Capital Requirements Directive (CRD). From 2007 through 2009, the CRD applies transition rules to Basel I capital in an effort to ease into the new regulations. As a result, Nordea manages two versions of regulatory capital – including and excluding the transition rules.

In conformity with the CSSF Circular 06/273, representing provisions of Basel II, as from 1 January 2008, the Bank is required to maintain eligible own funds at least equal to the amount of its overall capital requirements. In this respect, the Bank is required to calculate a capital adequacy ratio designed to ensure that banks set aside sufficient own funds to cover their exposures to credit risk, dilution risk, operational risk, foreign exchange risk, commodity risk and risk related to trading-book activities. The capital adequacy ratio compares eligible own funds to the overall capital requirement for the risks concerned.

Credit institutions are required at all times to possess sufficient own funds to meet their overall capital requirement on a standalone and, where applicable, on a consolidated basis. Eligible own funds, constituting the numerator of the ratio, include original own funds, additional own funds and superadditional own funds. The minimum required level of this ratio is 8%.

As of 31 December 2007, the Bank had to comply with CSSF circulars 2000/10 and 93/104, representing provisions of Basel I. In conformity with Circular CSSF 2000/10, the Bank's own total funds must equal at least 8% of the sum of its weighted assets, foreign exchange risk, interest rate risk and counter party risk.

As of 31 December 2008, the solvency ratio was 16.59% (2007: 14.65%). The Bank has complied with capital requirements throughout the whole financial period.

Note 33 Explanation of transition to IFRS

This is the first year that the Bank has presented its consolidated financial statements under IFRS. The following disclosures are required in the year of transition. The last consolidated financial statements under Luxembourg GAAP were for the year ended 31 December 2007 and the date of transition to IFRSs were therefore 1 January 2007.

The Bank has adopted IFRS later than its Parent Company. In accordance with IFRS1, the Bank has opted to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs.

The reconciliations of equity as of 1 January 2007 and 31 December 2007, and reconciliation of profit for the year ended 2007 are presented below. Under previous GAAP a cash flow statement was not required to be disclosed in the financial statements and therefore a reconciliation of the cash flow statement is not presented in these financial statements, as permitted by IFRSs.

	1 January 2007				31 December 2007			
	Previous Gaap	Effect of transition to IFRS	IFRS	Note	Previous Gaap (Restated)*	Effect of transition to IFRS	IFRS	Note
Assets								
Cash and balances with central banks	3,061	-	3,061		3,307	-	3,307	
Loans and receivables to credit institutions	1,494,709	4,385	1,499,094	**	1,079,066	6,980	1,086,046	**
Loans and receivables to the public	2,105,723	14,454	2,120,177	**	2,341,786	27,209	2,368,995	**
Interest-bearing securities	-		-		10,152	(37)	10,115	
Shares	34,215	3,519	37,734	c	40,068	535	40,603	c
Derivatives		40,755	40,755	d		42,143	42,143	d
Investment in subsidiaries	1,103	(1,103)	-		1,012	(1,012)	-	
Intangibles assets		-	-	a	-	2,980	2,980	a
Property and equipment	13,954	2,941	16,895	b	18,969	(1,888)	17,081	b
Other assets	23,399	(20,192)	3,207		22,958	(20,504)	2,454	
Prepaid expenses and accrued income	55,366	(7,155)	48,211		57,027	(27,263)	29,764	
Total assets	**3,731,530**	**37,604**	**3,769,134**		**3,574,345**	**29,143**	**3,603,488**	
Liabilities								
Deposits from credit institutions	397,335	(149,287)	248,048	**	522,621	1,531	524,152	**
Deposits and borrowings from the public	2,874,349	147,011	3,021,360	**	2,521,025	4,493	2,525,518	**
Derivatives		41,078	41,078	d	-	75,882	75,882	d
Current tax liabilities	33,596	7,271	40,867			42,698	42,698	*
Other liabilities	28,956	(28,398)	558		32,123	(20,983)	11,140	
Accrued expenses and prepaid income	62,181	(9,006)	53,175	e	102,146	(60,867)	41,279	e
Deferred tax liabilities		14,747	14,747	f	-	15,278	15,278	f
Provisions	13,352	(10,866)	2,486	g	56,261	(53,350)	2,911	g
Subordinated liabilities	51,129	-	51,129		51,129	1,279	52,408	
Special items with reserve quota portion	9,754	(9,754)	-	h	14,266	(14,266)	-	h
Total liabilities	**3,470,652**	**2,796**	**3,473,448**		**3,299,571**	**8,305**	**3,291,266**	
Equity								
Subscribed capital	25,000	-	25,000		25,000	-	25,000	
Share premium	12,246	-	12,246		12,246	-	12,246	
Reserves	93,894	(73,256)	20,638		100,369	(73,154)	27,215	
Profit brought forward	60,068	104,214	164,282		67,262	108,065	175,327	
Profit for the financial year	69,670	3,850	73,520		69,897	2,537	72,434	*
Total equity	**260,878**	**34,808**	**295,686**		**274,774**	**37,448**	**312,222**	
Total liabilities and equity	**3,731,530**	**37,604**	**3,769,134**		**3,574,345**	**29,143**	**3,603,488**	

Total equity (EUR '000)	Note	01 Jan 2007	31 Dec 2007
Total equity previous GAAP		**260,878**	**275,821**
Correction of an error related to previous years (note *)		-	(1,047)
Total equity previous GAAP (restated)		**260,878**	**274,774**
IFRS adjustments			
Derecognition of non-qualifying intangible assets (acquisition cost)	a)	(4,484)	(1,306)
Recognition of qualifying tangible assets	b)	7,269	2,385
Securities measured at market value	c)	3,291	252
Derivatives measured at market value	d)	2,516	3,804
Operating lease not recognised in accordance with IAS 17	e)	-	200
Deferred tax liabilities	f)	(14,747)	(15,278)
Derecognition of provisions	g)	30,138	31,959
Release of special items with reserve quote portion	h)	9,754	14,266
Effect of recognition of subsidiaries previously not recognised	i)	1,071	1,068
Total IFRS adjustments to equity		**34,808**	**37,350**
Reclassification for shareholders contribution		-	98
Total equity IFRS		**295,686**	**312,222**

* The income tax provision was miscalculated for an amount of EUR 1,047 thousand.

** Represents reclassifications made in order to align LUX GAAP with IFRS presentation.

Notes to the reconciliation of equity

a) In accordance with previous GAAP, all development expenditure was capitalised. As not all of these capitalised expenditures meet the specified criteria as set out in IAS 38, the net amounts of EUR 4,484 thousand as of 1 January 2007 and EUR 1,306 thousand as of 31 December 2007 have to be derecognised.

b) Due to differing recognition criteria for tangible assets in previous GAAP compared with IFRS, and also in relation to the applicable estimated useful life, certain assets have to be derecognised under IFRS, or accumulated depreciation has to be eliminated.

Furthermore, tax requirements influenced the depreciation of vehicles in previous GAAP whereas under IFRS depreciation only the expected useful life is considered. Therefore, the profit on disposal increases by EUR 839 thousand for 2007.

c) Under LUX GAAP, "shares" are presented at the lower of cost or market. Under IFRS, "shares" are classified as held for trading and recognised at fair value though profit and loss and are carried at their fair value. The gain resulting from the revaluations at fair value (EUR 3,291 thousand and EUR 252 thousand as of 1 January 2007 and 31 December 2007 respectively) is recognised, net of deferred taxes, in "Reserves".

d) Under LUX GAAP, "derivatives" are presented on balance sheet at cost plus net unrealised loss. Under IFRS, "derivatives" are presented at fair value on balance sheet. Net fair value derivatives result in an unrealised gain of EUR 2,516 thousand as of 1 January 2007 comprising assets of EUR 17,342 thousand and liabilities of EUR 14,916 thousand. As of 31 December 2007 the fair value of derivatives was EUR 3,804 thousand comprising assets of EUR 4,467 thousand and liabilities of EUR 663 thousand. The fair value recognition amounts to EUR 1,910 thousand and is presented in the net gain/(losses) on items at fair value.

e) Operating lease recognition differs between previous GAAP and IFRS mainly in amortization treatment. In order to comply with IFRS, the effect was to decrease operating lease liabilities as at 31 December 2007 and decrease operating lease charges, for the year ended 31 December 2007 by an amount of EUR 200 thousand.

f) The above changes increased the deferred tax liability as follow:

Deferred tax liabilities (EUR '000)	Notes	31 Dec 2007
Derecognition of non-qualifying intangible assets	a)	(387)
Recognition of qualifying tangible assets	b)	707
Securities measured at market value	c)	75
Derivative measured at market value	d)	1,127
Operative lease not recognised in accordance with IAS 17	e)	60
Derecognition of provision	g)	9,469
Release of special items with reserve quote portion	h)	4,227
Total		**15,278**

g) In accordance with the previous GAAP the following provisions have been recognised that are not in accordance with IFRS and therefore they have been derecognised in these financial statements.

Provisions not in accordance with IFRS (EUR '000)	01 Jan 2007	31 Dec 2007
Provision for derivatives	1,106	914
AGDL provision	5,260	5,739
Other provision	4,500	4,500
Lump sum provision	19,272	20,806
Total	**30,138**	**31,959**

In accordance with IFRS, derivative financial instruments are recognised at fair value and therefore provisions are not allowed to be recognised in this respect.

On 25 September 1989, all credit institutions in the Luxembourg banking sector became members of the non-profit making association "Association pour la Garantie des Dépôts, Luxembourg" ("AGDL"). Under previous GAAP, the Bank set up a provision in recognition of the potential liabilities under the Guarantee within the limits set out in the Grand Ducal Regulation. Provision for potential liabilities is not allowed under IFRS and therefore provisions in amount of EUR 5,260 thousand and EUR 5,739 thousand have been derecognised as at 1 January 2007 and 31 December 2007. Further, the AGDL provision charge in the amount of EUR 479 thousand has been derecognised for the year ended 31 December 2007.

Further, the AGDL provision charge in the amount of EUR 479 thousand has been derecognised for the year ended 31 December 2007.

The provision in the amount of EUR 4,500 thousand relates to a provision to cover any potential loss in connection with the investment funds under administration at the Bank, which is not an eligible provision under IFRS. The corresponding amounts have been released as of 1 January 2007 and 31 December 2007.

Lump sum provision does not meet the criteria for provision under IFRS. The effect of derecognition amounts to EUR 19,272 thousand and EUR 20,806 thousand as of 1 January 2007 and 31 December 2007, respectively. Further, the provision charge in the amount of EUR 1,534 thousand has been derecognised for the year ended 2007.

h) In accordance with the Luxembourg law of 23 July 1983, the Bank has neutralized, in the annual accounts, unrealised exchange gains on the investment of its equity in currencies other than the euro – formerly Luxembourg francs – and realised gains on the disposal of buildings. These neutralised gains, amounting to EUR 9,754 thousand as of 1 January 2007 (EUR 14,266 thousand as of 31 December 2007) have been recorded under this section in accordance with Luxembourg regulations.

i) The Bank has four subsidiaries. In accordance with previous GAAP only one subsidiary was fully consolidated. As of 1 January 2007 the effect of recognising all subsidiaries, as in accordance with IFRS requirements, is EUR 1,071 thousand (EUR 1,068 thousand as of 31 December 2007).

Reconciliation of profit for 2007 is presented as follows:

Reconciliation of profit for 2007 (EUR '000)	Note	Previous GAAP (Restated)	IFRS Reclassi-fication	Effect of transition to IFRS	IFRS
Operating income					
Interest receivable and similar income		202,708	(4,632)	-	198,076
Interest payable and similar charges		(156,990)	4,192	80	(152,718)
Net interest income		**45,718**		**-**	**45,358**
Commissions receivable		224,136	1,000	2,406	227,542
Commissions payable		(99,071)	(1,511)	(70)	(100,652)
Net fee and commission income		**125,065**			**126,890**
Net gains on items at fair value	d)	16,714	-	(1,910)	14,804
Other operating income		5,545	(5,238)	-	307
Net operating income		**193,042**			**187,359**
Operating expenses					
Staff costs		(54,549)	(284)	(1,533)	(56,366)
Depreciation/amortisation of tangible and intangible assets	a), b)	(5,655)	-	1,904	(3,751)
Other administrative expenses	e)	(25,901)	352	(603)	(26,151)
Other operating expenses	g)	(1,956)	1,478	478	-
Total operating expenses		**(88,061)**			**(86,268)**
Operating profit		**104,981**			**101,091**
Provision for loans and advances	g)	(1,534)	-	1,534	-
Allocation to "Special items with reserve quota portion"		(4,513)	4,513	-	-
Profit from disposal of tangible and intangible assets	b)	-	130	785	915
Net profit before tax		**98,934**			**102,006**
Income tax expenses	f)	(29,038)	-	(534)	(29,572)
Net profit for the year		**69,896**	**-**	**2,538**	**72,434**

Directors

At 31 December 2008

Gunn Wærsted, Chairman	Head of Capital Markets & Savings Member of Nordea Group Executive Management	Nordea Bank AB (publ)
Jhon Mortensen	Head of International Private Banking & Funds	Nordea Bank S.A.
Henrik Priergaard	Head of Nordic Private Banking, Nordea Capital Markets & Savings	Nordea Bank Denmark A/S
Allan Polack	Head of Savings Products & Asset Management	Nordea Investment Management AB Denmark, Branch of Nordea Investment Management AB, Sweden
Johan Sidenmark	Head of Nordea Life & Pensions	Nordea Livförsäkring Sverige AB
Jeroen van der Molen	Legal Counsel	Nordea Bank S.A.

Auditor's report

To the board of directors,
Nordea Bank S.A.
562, rue de Neudorf
L-2220 Luxembourg

Report of the reviseur d'entreprises

Report on the financial statements
Following our appointment by the Board of Directors, we have audited the accompanying financial statements of Nordea Bank S.A., which comprise the balance sheet as at December 31, 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Responsibility of the Réviseur d'Entreprises
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the réviseur d'entreprises, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of Nordea Bank S.A. as of December 31, 2008, and of its financial performance and its cash flows for the year then ended December 31, 2008 in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements
The management report, which is the responsibility of the Board of Directors, is consistent with the financial statements.

Luxembourg, February 18, 2009

KPMG Audit S.à r.l.
Réviseurs d'Entreprises

J. Li D.Wallace

4/2009 Nordea Bank S.A. R.C.S. Luxembourg no. B 14157

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