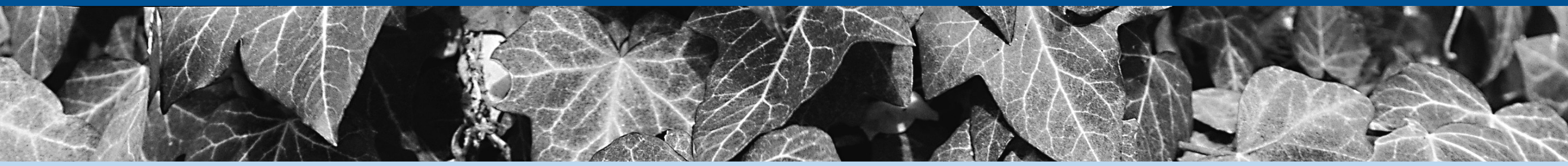
Annual Report 2007.



Baden-Württemberg
L-Finance N.V.

A subsidiary of Landesbank Baden-Württemberg

Contents.

In this Annual Report, references to the "Company" or the "Lender" are to Baden-Württemberg L-Finance, Hoofddorp, and the references to "LBBW" are to Landesbank Baden-Württemberg.

Message from the Supervisory Board.

The composition of the Supervisory Board remained unchanged during the year ended 31 December 2007 and is not due for review until 2009.

In discharging its functions the Supervisory Board of the Company held three meetings during the year, in each of which it reviewed the Company's operations. The Supervisory Board received the written and verbal reports required by law from external auditors, as well as reports from the Company's management, and was satisfied with their content. The Supervisory Board is pleased that, not withstanding the difficult market conditions in the year under review, the Company's performance remained financially sound and compliant with relevant regulations.

As of January 1, 2007, supervisory arrangements for financial institutions and markets in The Netherlands were completely overhauled. Whereas previously each type of financial activity was regulated under a sector-based act (notably the act on the Supervision of the Credit System 1992, Act on the Supervision of the Insurance Industry 1993, act on the Supervision of the Securities Trade 1994 and Act on the Supervision of Collective Investment Schemes) a single act now covers all financial institutions on a cross-sector basis (Wet op Financieel Toezicht – WFT: Act on Financial Supervision). There is also extensive secondary legislation, including regulations made by the Minister of Finance, the Dutch central Bank and the Authority for the Financial Markets.

The WFT integrates and harmonizes existing rules, without amending the law substantially. However, the reforms include liberalisation of the licensing regime particularly for investment firms established in the US, Australia and Switzerland, which, under certain conditions may provide certain cross-border services or establish a branch in the Netherlands, without the need for a licence from the Dutch Authority for the Financial Markets (the AFM). This will make access to the market in The Netherlands less costly in terms of time and money and add to the competitiveness of the Dutch Market.

The concerns about global imbalances in saving and spending highlighted last year we found to be well founded in what has been a rough year for the capital markets. However the Company's systems were able to cope with the shocks that affected markets from June onward and continue to keep it good standing, We wish our stakeholders a prosperous 2008 despite the turbulence in the market.

You're sincerely,

J. H. Welsch W. D. Ihle

Message from the Management Board.

Our report on Baden-Württemberg L-Finance for the year ended 2007 comes with our traditional greeting to those who follow us on a regular basis, as well as those researching the Company for the first time.

The Company continues its policy of not refunding bonds on maturity and focusing on the management of outstanding issues and loans in line with best practice and market conditions.

Market conditions dominated the news in 2007, with phrases such as 'financial stability issues' and 'credit crunch concerns' becoming by-words for the uncertainty that characterised the market outlook for much of the year. The origins of the crisis are now known to lie in US mortgage companies, which made vast numbers of inappropriate loans, mostly to clients with poor credit histories. These debts were then securitised and sold on, first to financial institutions, and then to pension funds and hedge funds. With the location of these bad debts still a matter of conjecture, banks remain reluctant to lend each other and non-bank investors are sceptical about the robustness of the financial sector more generally.

Despite official injections of hundred of billions of dollars and euros, interest rates on inter-bank lending are still unusually high and banks are reluctant to lend to individuals and companies. Billions of dollars worth of short-term debt falls due in the early part of 2008, meaning there is no immediate prospect of philosophy, and thought it was been little effected by these events, the Company is keeping watch on market developments.

During this period under review there were three meetings of the Management Board, the membership of which remained unchanged. The Management Board reported to the Supervisory Board informally and in three formal Supervisory Board meetings held during the year.

The Company sees the present situation as an opportunity for rebalancing the economy, correcting the dependence on consumer spending and cheap credit. With the prospect of an increase in household savings, based on higher interest rates, comes the prospect of more long-term investment. A soft landing in the US, coupled with a gradual reduction in the value of the dollar, would also help rebalance the world economy. With its portfolios robustly balanced and hedged, however, the Company remains largely unaffected and with the capability to act in a timely and decisive manner if this becomes necessary.

Details of the year's activity will be found in the rest if this report.

You're sincerely,

C. A. Rosekrans M. U. Reiser

Baden-Württemberg L-Finance.

Overview of the Activities of the Company.

Supporting LBBW's Funding
The Company's sole role is to support Landesbank Baden-Württemberg, and thus, the State of Baden-Württemberg, by raising money on favourable terms in the international capital markets. The Company must also manage balances and payments resulting from issues made to ensure that they are received, paid and placed on deposit in secure and timely fashion.

This role requires the Company to be able to issue at any time in any relevant market, and obtain an adequate risk-adjusted return on deposits.

Summary of Bonds issues.

(As at December 31, 2007)

You can follow the performance of issues by Baden-Württemberg L-Finance N.V. as follows:

CCY	Coupon	Nominal	Period	ISIN	Bloomberg Ticker
DEM	0	1 000 000 000	Jul 16 1992 / 12	DE0004072855	LBW 7/16/12
DEM	6.5	1 500 000 000	Sep 15, 1993 / 08	DE0004116306	LBW 6 1/2 09/15/08
DEM	6.5	750 000 000	Feb 7 , 1994 / 08	DE0004116306	LBW 6 1/2 09/15/08
DEM	5.375	1 000 000 000	Feb 5, 1998 / 10	DE0001971802	LBW 5 3/8 02/05/10
EURO	5.375	1 000 000 000	Feb 12, 1998 / 08	DE0001974558	LBW 5 3/8 04/25/08
FRF	6.125	3 000 000 000	Feb 6, 1997 / 09	FR0000109175	LBW 6 1/8 02/06/09
FRF	5.375	3 000 000 000	Feb 5, 1998 / 10	XS0083633072	LBW 5 3/8 02/05/10
USD	5.75	1 000 000 000	Feb 25, 1998 / 08	US056508AB06	LBW 5 3/4 02/25/08

Developments in 2007.

Issuing activity
Also in 2006 the Company has focused on the management of its outstanding issues and the administration of loans previously granted.

Overall, the Company repaid two FRF issues of FRF 2 bn (EUR 305 mn) and one ESP issue 20 bn (EUR 120 mn).

Developments associated with monetary union
Also in 2007 the EURO raised markedly against the USD in which the Company has an issue and made a loan.

Management Report.

Legal form

Baden-Württemberg L-Finance N.V. was established on 12 April 1988. On 1 January 1999 it became a full subsidiary of Landesbank Baden-Württemberg.

The authorised capital of the Company is EUR 100,000. Of the authorised share capital EUR 50,000 is issued and fully paid up. The share premium is EUR 50,000.

Activities

Since its incorporation the Company has been active as a finance company. In accordance with the Dutch regulations for finance companies, at least 95 % of the proceeds of its bond issues are on-lent to the parent company. As a finance Company it has issued mainly larger volume bonds in a range of currencies which are listed and traded on various stock exchanges.

Overview

In the year under review the Company undertook no new transactions. All outstanding issues are guaranteed by the parent company and rated AAA, Aaa, AAA by Standard & Poor's, Moody's and Fitch/IBCA respectively. During 2007 the Company repaid three issues, with original nominal value of ESP 20 bn and FRF 2 bn on maturity. At year-end the Company managed 8 bonds.

Total assets

The balance sheet total of the Company decreased by approximately EUR 0.5 bn to EUR 4.8 bn. (2006: EUR 5.3 bn respectively). The rate of decrease was 9%. Claims on the parent company declined by EUR 0.5 bn (2006: decrease of EUR 1 bn). The decrease is solely attributable to the fact that three loans in the portfolio of liabilities matured during the course of 2007.

Earnings

Due to the repayment of bond issues, and in line with the volume outstanding, interest earnings decreased by EUR 0.5 mn or 5 % (2006: decrease of 11 %). Amortisation of the deferred bond issue charges and annual bond issue expenses decreased for the same reason. The Company's general expenses decreased by EUR 0.03 mn or 12 %.

Capital

During this financial year the shareholder decided to distribute a dividend of EUR 4.2 mn out of the profit of the year 2006. The capital position of the Company rose in 2007 to EUR 2.8 mn (2006: EUR 2.3 mn). In order to cover all liabilities the parent company has issued a Letter of Comfort in favour of the Company in 2001, which was amended in 2004.

Future outlook

The Company is continuing looking for windows of opportunity in the capital markets.

Hoofddorp, 8 February 2008

C.A. Rosekrans M.U. Reiser

Balance Sheet.
Before appropriation of the profit.
(Expressed in EUR)

Fixed assets	Notes	December 31, 2007	December 31, 2006
Tangible fixed assets			
Office equipment	5	992	1 323
Financial fixed assets			
Loans to group Company	6	1 786 020 405	4 668 525 372
Current Assets			
Short-term loans to group Company	7	2 830 493 784	425 100 455
Interest receivable from group Company	8	149 299 808	153 660 680
Other assets	9	4 172 928	9 426 985
Cash at bank and in hand	10	10 461 213	10 504 604
		2 994 427 733	598 692 724
Total Assets		**4 780 449 130**	**5 267 219 419**

Shareholder's equity and liabilities.

	Notes	December 31, 2007	December 31, 2006
Shareholder's equity	11		
Share capital		50 000	50 000
Share premium		50 000	50 000
Retained earnings		2 686 153	2 195 169
Result for the year		4 790 289	4 690 984
		7 576 442	6 986 153
Long-term liabilities			
Bonds payable	12	1 792 119 324	4 675 426 441
Other payables and accrued expenses	13	493 894	461 938
		1 792 613 218	4 675 888 379
Current liabilities			
Bonds payable in one year	14	2 830 493 784	425 100 455
Interest payable on bonds	15	144 869 649	149 051 482
Other payables and accrued expenses	16	4 896 037	10 192 950
		2 980 259 470	584 344 887
Total Liabilities		**4 780 449 130**	**5 267 219 419**

Profit and Loss Account.

(Expressed in EUR)

	Notes	January 1 to December 31, 2007	January 1 to December 31, 2006
Financial income and (–) expenses			
Interest income from group Company	19		
EUR		257 279 076	267 693 401
USD		42 473 069	46 377 046
		299 752 145	314 070 447
Interest expense on bonds issued:	19		
EUR		– 249 498 154	– 259 633 854
USD		– 41 426 436	– 45 032 765
		– 290 924 590	– 304 666 619
Interest income from third parties:	20	397 370	281 602
Total financial income and expenses		9 224 925	9 685 430
Commission and Guarantee expenses	21		
Guarantee expenses			
EUR		– 2 162 394	– 2 308 372
USD		– 358 665	– 391 632
		– 2 521 059	– 2 700 004
Exchange differences		1 305	– 6 136
Result in financial income and charges		**6 705 171**	**6 979 290**
Sundry bond issue expenses	22	– 55 968	– 64 283
General expenses	23	– 222 070	– 252 999
Result from ordinary activities			
before taxation		**6 427 133**	**6 662 008**
Taxation	24	– 1 636 844	– 1 971 024
Result after taxation		**4 790 289**	**4 690 984**

Cash Flow Statement.

(Expresses in EUR'000)

	January 1 to December 31, 2007	January 1 to December 31, 2006
Cash flow from operating activities		
Operating result (profit before taxation)	6 427	6 662
Adjustment in respect of:		
Depreciation	0	1
Changes in working capital:		
Decrease current assets	30 300	76 403
Decrease current liabilities	– 30 936	– 75 815
	– 636	588
Cash flow from ordinary activities:		
Corporation income tax paid	– 1 653	– 2 281
Cash flow from investment activities:		
Redemption of loans	– 500 271	– 974 423
Cash flow from financing activities:		
Dividend paid	– 4 200	– 5 300
Redemption of long-term liabilities	500 226	974 702
	496 026	969 402
Increase or (-) decrease in cash and cash equivalents	**– 107**	**– 51**

Notes to the Financial Statements.

1. General

Activities
Since its incorporation the Company has been active as a finance company. In accordance with the Dutch regulations for finance companies, at least 95 % of the proceeds of its bonds are on-lent to the parent company.

As a finance company it has issued mainly larger volume bonds in a range of currencies which are listed and traded on various stock exchanges.

Structure
Since 1 January 1999 the Company became a full subsidiary of Landesbank Baden-Württemberg in Stuttgart, Karlsruhe and Mannheim in Germany. The annual accounts of the Company are included in the consolidated annual accounts of Landesbank Baden-Württemberg Group.

All outstanding issues are guaranteed by the parent company and rated AAA, Aaa, AAA by Standard & Poor's, Moody's and Fitch/IBCA respectively.

2. Principles of valuation of assets and liabilities

General
The annual accounts have been prepared in accordance with the provisions of Part 9, Book 2 of the Netherlands Civil Code and in accordance with guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standard Board. The annual accounts are denominated in euro.

In general, assets and liabilities are stated at the amounts at which they were acquired. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet, profit and loss account include references to the notes.

Foreign currencies
Functional currency
Items in the annual accounts denominated in foreign currencies are translated into Euro at the spot rate of exchange prevailing at balance sheet date in line with the rates of exchanges used by the parent company: USD 1.4704 = EUR 1, DEM 1.95583 = EUR 1, FRF 6.55957 = EUR 1).

Transactions, receivables and liabilities
Results denominated in foreign currencies are translated into euro at the spot rate of exchange prevailing on the transaction date, in line with the rates of exchanges used by the parent company.

Foreign exchange differences are taken to the profit and loss account under ‘Exchange differences’.

Tangible fixed assets
The Company's capital expenditure is stated at cost less straight-line depreciation over the estimated economic life. Purchases of small capital items are charged to depreciation at once.

Financial fixed assets
The assets disclosed under financial fixed assets are stated at their fair value of the amount owed, which normally consists of its face value less discounted interest on loan to group company.

Current assets
Other receivables disclosed include short-term loans to group company they are stated at their fair value. Other assets disclosed discount on bonds, issuance costs bonds and premium on loans which are depreciated on straight-line basis over the maturity of the loans and the bonds. Cash at bank and in hand represents bank balances and deposits with a maturity of less than 3 months.

Long-term liabilities
The liabilities disclosed under long-term liabilities are stated at the fair value of the amount owed.

3. Principles for determination of result
Personal remuneration

Regular payments
Salaries and social charges are taken to the profit and loss account when due, and in accordance with employment contracts and obligations.

Pensions
The Company has pension schemes which are defined contribution schemes. For its defined contribution schemes the Company pays contributions to an insurance company.
The Company has no other obligation in connection with these defined pension schemes.

Financial income and expense
Interest income and expenses are recognised on a pro-rata basis. When recognising the interest charges, the transaction cost on loans received is taken into account.

4. Financial instruments

Currency risk
The Company operates mainly in the European Union.
The currency risk for the Company concern the position in USD.

Management of the Company has determined that the currency risk only exist for the net income from the USD loan and bond.

Interest rate risk
The Company runs interest risk on the short-term deposits. The interest margin between the outstanding loans and bonds are fixed therefore the Company does not run an interest rate risk.

Credit risk
The Company does not have any significant credit risk.

5. Tangible fixed assets

	Computer EUR	Equipment EUR	Total EUR
Balance 1 January 2007	118 197	46 239	164 436
Accumulated depreciation	118 197	44 916	163 113
Book value	0	1 323	1 323
Depreciation 2007	0	-331	– 331
Balance 31 December 2007	**0**	**992**	**992**
Amortisation rates:	33.1/3%	20%	

Office equipment relates to equipment at the Company's office at Marktlaan 1–3 in Hoofddorp, near Schiphol Airport.

6. Financial fixed assets

	Discount interest on loan EUR	Loans group Company EUR	Total loans EUR
Loans to group Company:			
Zero DEM 1 000 000 000 16 Jul 1992 – 16 Jul 2012	– 177 999 719	511 291 881	333 292 162
DEM 1 5000 000 000 15 Sep 1993 – 15 Sep 2008	0	766 937 822	766 937 822
DEM 750 000 000 7 Feb 1994 – 15 Sep 2008	0	383 468 911	383 468 911
DEM 1 000 000 000 5 Feb 1998 – 5 Feb 2010	0	511 291 881	511 291 881
USD 1 000 000 000 25 Feb 1998 – 25 Feb 2008	0	758 840 492	758 840 492
FRF 3 000 000 000 6 Feb 1997 – 6 Feb 2009	0	457 347 052	457 347 052
FRF 3 000 000 000 5 Feb 1997 – 5 Feb 2010	0	457 347 052	457 347 052
EUR 1 000 000 000 12 Feb 1998 – 25 Apr 2008	0	1 000 000 000	1 000 000 000
Balance as at 1 January 2007	**– 177 999 719**	**4 846 525 091**	**4 668 525 372**
Movements 2007:			
To short-term loans to group company	0	– 2 830 493 784	– 2 830 493 784
To profit and loss account	26 742 258	0	26 742 258
Exchange difference to profit and loss account	0	– 78 753 441	– 78 753 441
Balance as at 31 December 2007	**– 151 257 461**	**1 937 277 866**	**1 786 020 405**

The average interest on all outstanding loans is 6.27%.

In accordance with regulations of the Dutch Central Bank, more than 95% of the proceeds of bonds issues are used for investment in group Companies.

The loans have been made to Landesbank Baden-Württemberg.

The loans were granted at a discount or at a premium.

They stated in the balance sheet at their nominal values.

For the zero loan the discounted interest is deducted.

7. Short-term loans to group Company

	Loans group Company EUR
FRF 1 000 000 000 11 Dec 1996 – 11 Jan 2007	152 449 017
ESP 20 000 000 000 23 Oct 1997 – 23 Oct 2007	120 202 421
FRF 1 000 000 000 19 Nov 1997 – 19 Nov 2007	152 449 017
Balance as at 1 January 2007	**425 100 455**
Movements 2007:	
Short-term loans to group Company matured in 2007	– 425 100 455
Short-term loans to group Company maturing in 2008:	
DEM 1 500 000 000 15 Sep 1993 – 15 Sep 2008	766 937 822
DEM 750 000 000 7 Feb 1994 – 15 Sep 2008	383 468 911
USD 1 000 000 000 25 Feb 1998 – 25 Feb 2008	680 087 051
EUR 1 000 000 000 12 Feb 1998 – 25 Apr 2008	1 000 000 000
Balance as at 31 December 2007	**2 830 493 784**

Per original currency

	2007		2006	
	CCY	EUR	CCY	EUR
DEM	4 250 000 000	2 172 990 495	4 250 000 000	2 172 990 495
FRF	6 000 000 000	914 694 104	8 000 000 000	1 219 592 138
EUR	1 000 000 000	1 000 000 000	1 000 000 000	1 000 000 000
ESP	0	0	20 000 000 000	120 202 421
USD	1 000 000 000	680 087 051	1 000 000 000	758 840 492
Balance as per 31 December		**4 767 771 650**		**5 271 625 546**

8. Interest receivable from group Company

	31 December 2007 EUR	31 December 2006 EUR
This represents the interest receivable from Landesbank Baden-Württemberg on the loans stated in Note 6 and 7	149 299 808	153 660 680

All loans have a fixed interest rate and the interest is payable annually in arrear.

9. Other assets

	31 December 2007		31 December 2006	
	Total EUR	Term > 1 year EUR	Total EUR	Term > 1 year EUR
Discount on bonds, issuance costs bonds and premium on loans	4 065 771	1 193 144	9 363 729	5 297 957
Interest receivable third parties	56 853	0	27 926	0
Corporation tax	42 072	0	26 041	0
Prepaid expenses	8 232	0	9 289	0
Balance as at 31 December	**4 172 928**	**1 193 144**	**9 426 985**	**5 297 957**

The loans and bonds included in the Notes 6, 7, 12, and 14 have been issued at a premium or a discount and have been subject to issue costs at the date of issue.

The net amounts of these premiums (or discounts) and issuance costs have been capitalised and recognised in the profit and loss account on a straight-line basis over the period of maturity. Interest receivable from third parties refers to interest receivable as mentioned in Note 20 to these accounts.

Corporation tax refers to a receivable from the authorities in respect to corporation tax 2006 and 2007.

10. Cash at bank

	31 December 2007 EUR	31 December 2006 EUR
Cash at bank and in hand	10 461 213	10 504 604
Includes short-time deposits	10 352 000	10 200 000

At balance sheet date the Company has 5 short-term deposits with a maximum tenor of 2 months.

The average interest on these short-term deposits is 4,312%.

11. Shareholder's equity

The authorised capital, consisting of 20 ordinary shares with a nominal value of EUR 5,000 each, amounts to EUR 100,000.

The nominal issued and paid up capital amounts to EUR 50,000.

There is a share premium of EUR 50,000.

The movements during the financial year are as follows:

	31 December 2006 EUR	Dividend distribution EUR	Movement 2007 EUR	31 December 2007 EUR
Share capital	50 000	0	0	50 000
Share premium	50 000	0	0	50 000
Retained earnings	2 195 169	0	490 984	2 686 153
Result for the year	4 690 984	–4 200 000	4 299 305	4 790 289
	6 986 153	–4 200 000	4 790 289	7 576 442

According to article 26 of the Articles of Association the profit shall be at the disposal of the General Meeting of Shareholders.

It is the intention that the profit will be distributed to the Shareholder.

In order to cover all liabilities the parent company issues a Letter of Comfort in favour of the Company.

12. Bonds payable

	Discount interest on bonds EUR	Bonds EUR	Total bonds EUR
Bonds issued			
Zero DEM 1,000,000,000 16 Jul 1992 – 16 Jul 2012	–171 098 650	511 291 881	340 193 231
6.1/2 % DEM 1,5000,000,000 15 Sep 1993 – 15 Sep 2008	0	766 937 822	766 937 822
6.1/2 % DEM 750,000,000 7 Feb 1994 – 15 Sep 2008	0	383 468 911	383 468 911
5.3/8 % DEM 1,000,000,000 5 Feb 1998 – 5 Feb 2010	0	511 291 881	511 291 881
5.3/4 % USD 1,000,000,000 25 Feb 1998 – 25 Feb 2008	0	758 840 492	758.840.492
6.1/8 % FRF 3,000,000,000 6 Feb 1997 – 6 Feb 2009	0	457 347 052	457 347 052
5.3/8 % FRF 3,000,000,000 5 Feb 1997 – 5 Feb 2010	0	457 347 052	457 347 052
5.3/8 % EUR 1,000,000,000 12 Feb 1998 – 25 Apr 2008	0	1 000 000 000	1 000 000 000
Balance as at 1 January 2007	**–171 098 650**	**4 846 525 091**	**4 675 426 441**
Movements 2007:			
To Profit and loss account	25 940 108	0	25 940 108
To current liabilities	0	–2 830 493 784	–2 830 493 784
Exchange difference to profit and loss account	0	–78 753 441	–78 753 441
Balance as at 31 December 2007	**–145 158 542**	**1 937 277 866**	**1 792 119 324**

13. Other payables and accrued expenses

	31 December 2007	31 December 2006
Other liabilities i.e. paying agency commissions	493 894	461 938

14. Bonds payable in one year

	Bonds EUR
4.1/8 % / CNO TEC-10 FRF 1,000,000,000 11 Dec 1996 – 11 Jan 2007	152 449 017
5.1/2 % ESP 20,000,000,000 23 Oct 1997 – 23 Oct 2007	120 202 421
CNO TEC-10 FRF 1,000,000,000 19 Nov 1997 – 19 Nov 2007	152 449 017
Balance as at 1 January 2007	**425 100 455**
Movements 2007:	
Short-term bonds matured in 2007	– 425 100 455
Short-term bonds maturing in 2008:	
6.1/2 % DEM 1,500,000,000 15 Sep 1993 – 15 Sep 2008	766 937 822
6.1/2 % DEM 750,000,000 7 Feb 1994 – 15 Sep 2008	383 468 911
5.3/4 % USD 1,000,000,000 25 Feb 1998 – 25 Feb 2008	680 087 051
5.3/8 % EUR 1,000,000,000 12 Feb 1998 – 25 Apr 2008	1 000 000 000
Balance as at 31 December 2007	**2 830 493 784**

Per original currency

	2007		2006	
	CCY	EUR	CCY	EUR
DEM	4 250 000 000	2 172 990 495	4 250 000 000	2 172 990 495
FRF	6 000 000 000	914 694 104	8 000 000 000	1 219 592 138
EUR	1 000 000 000	1 000 000 000	1 000 000 000	1 000 000 000
ESP	0	0	20 000 000 000	120 202 421
USD	1 000 000 000	680 087 051	1 000 000 000	758 840 492
Balance as at 31 December		**4 767 771 650**		**5 271 625 546**

During 2007 the Company did not issue new bonds.

15. Interest payable on bonds

	31 December 2007 EUR	31 December 2006 EUR
All issues have a fixed rate of exchange and the interest is payable annually in arrear	144 869 649	149 051 482

16. Other payables and accrued expenses

	31 December 2007 EUR	31 December 2006 EUR
Other liabilities i.e. premium bonds and discounts on loans	3 389 356	8 641 935
Guarantee commission	1 392 238	1 442 850
Wage tax and social security contribution	7 407	6 244
Other liabilities i.e. accrued expenses and suppliers	107 036	101 921
Balance as at 31 December	**4 896 037**	**10 192 950**

The loans and bonds included in the Notes 6, 7, 12 and 14 have been issued at a premium or a discount. The net amounts of these premiums or discounts have been capitalised and recognised in the profit and loss account on a straight-line basis over the period of maturity.

17. Indemnities granted
The parent company has issued a Letter of Comfort in favour of the Company to cover all their liabilities.
A right of liens has not been vested as at 31 December 2007.

18. Commitments not included in the balance sheet
On behalf of the Company a guarantee has been given for the rent of the office.

19. Interest income and expenses
The interest income and expenses from group Company and bonds issued reflects the margin of the Company.

20. Interest income out of third parties.
Interest income from third parties reflects mainly the interest out of placements.

21. Commission and guarantee expenses
The amounts reported are representing the guarantee commission the Company paid to the parent company for their guarantee on capital and interest on the bonds which the Company has issued.

22. Sundry bond issue expenses
This reflects the annual expenses for the bonds issued by the Company.

23. General expenses
All expenses not related to other headings reported under the profit and loss account are reported here.

24. Taxation
Corporation tax
The Company is governed by the tax regulations of the Dutch tax authorities.

Dividend withholding tax
The Company takes the position that based on the Directive of the European Community; no withholding tax is due on dividends paid by the Company.
As of 1994, this position has been reflected in the tax returns concerned.

25. Staff numbers

	31 December 2007	31 December 2006
The Company has, other than its directors, total employees	0	0

26. Directors

	31 December 2007	31 December 2006
	EUR	EUR
The remuneration of the Directors and Supervisory Board is	85 054	84 182

The Company has two directors and two Supervisory Board members.

Hoofddorp, 8 February 2008

C. A. Rosekrans M. U. Reiser

Auditors' Report.

Report on the financial statements.

We have audited the accompanying financial statements 2007 of Baden-Württemberg L Finance N.V., Hoofddorp as set out on pages 7 to 15 which comprise the balance sheet as at 31 December 2007, the profit and loss account for the year then ended and the notes.

The directors' responsibility
The directors of the company are responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires 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 auditor's judgment, 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 auditor considers internal control relevant to the company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 Baden-Württemberg L-Finance N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements.

Pursuant to the legal requirements under 2:393 sub 5 part e of the Dutch Civil Code, we report, to the extent of our competence, that the Management Board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 21 May 2008

PricewaterhouseCoopers Accounts N.V.

H.F.M. Gertsen RA

Supplementary Information.

Supplementary Information to the Accounts as at December 31, 2007.

Article 26 (2) of the Articles of Association provides that profits may be disposed of at the general meeting of shareholders, who may apply it in whole or in part to the creation of, and/or allocation to, one or more special reserve funds, and/or for payment of dividends.

Proposed appropriation of profit.

The management proposed to distribute an amount of EUR 4,300,000 from the profit of the year 2007.

Post-balance sheet events.

No other major post-balance sheet events have occurred to date.

Five Years in Figures.

(1 = EUR 1,000)

Balance Sheet

	2007	2006	2005	2004	2003
Assets					
Tangible fixed assets	1	1	1	2	4
Financial fixed assets					
Loans to group Company	1 786 020	4 668 525	5 154 981	5 914 659	7 125 346
Current Assets					
Short-term loans to group Company	2 830 494	425 100	892 414	1 134 504	2 178 731
Interest receivable from group Company	149 300	153 660	205 679	241 365	343 617
Other assets	4 173	9 427	14 904	22 116	29 814
Cash at bank and hand	10 461	10 505	10 803	9 424	9 765
	2 994 428	598 692	1 123 800	1 407 409	2 561 927
Total assets	**4 780 449**	**5 267 218**	**6 278 782**	**7 322 070**	**9 687 277**
Liabilities					
Shareholders' equity	7 576	6 986	7 595	7 294	9 836
Long-term liabilities					
Bonds payable	1 792 119	4 675 426	5 162 536	5 922 736	7 133 830
Other payables and accrued expenses	494	462	430	398	366
	1 792 613	4 675 888	5 162 966	5 923 134	7 134 196
Current liabilities					
Bonds payable in one year	2 830 494	425 100	892 414	1 134 504	2 178 731
Interest payable on bonds	144 870	149 051	199 436	234 100	332 944
Other payables and accrued expenses	4 896	10 193	16 371	23 038	31 570
	2 980 260	584 344	1 108 221	1 391 642	2 543 245
Total liabilities	**4 780 449**	**5 267 218**	**6 278 782**	**7 322 070**	**9 687 277**

Profit and Loss

	2007	2006	2005	2004	2003
Interest income from group Company	299 752	314 070	408 149	464 420	642 845
Interest expense on bonds issued	– 290 924	– 304 667	– 396 056	– 450 804	– 623 906
Interest income from third parties	397	282	232	200	332
	9 225	9 685	12 325	13 816	19 271
Commission and guarantee expenses	– 2 521	– 2 700	– 3 427	– 3 855	– 5 351
Exchange differences	1	-6	– 19	– 67	318
Result financial income and charges	6 705	6 979	8 879	9 894	14 238
Sundry bond expenses	– 56	– 64	– 91	– 404	– 57
General expenses	– 222	– 253	– 237	– 244	– 236
Result in ordinary activities before taxation	6 427	6 662	8 551	9 246	13 945
Taxation	– 1 637	– 1 971	– 2 693	– 3 189	– 4 810
Result after taxation	**4 790**	**4 691**	**5 858**	**6 057**	**9 135**

Publisher's Information.

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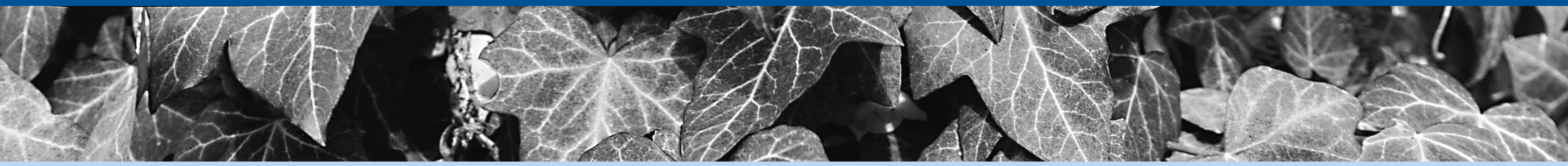

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Baden-Württemberg
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