

Norddeutsche Landesbank Luxembourg S.A.



Consolidated Interim Report  
for the Period ending 30 June 2010  
(unaudited)

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## Summary of Key Data

Performance	30.06.10 EUR Million	31.12.09 EUR Million	Increase/Decrease	
			EUR Million	Percentage
Loans and Advances to Banks	5,826.4	7,102.7	- 1,276.2	- 18
Loans and Advances to Customers	5,687.3	6,063.9	- 376.6	- 6
Risk Provisions	- 194.5	- 220.6	26.1	- 12
Financial Assets	10,208.2	9,959.5	248.7	2
Other Assets	1,255.4	811.3	444.0	55
<b>Balance Sheet Total Assets</b>	<b>22,782.8</b>	<b>23,716.8</b>	<b>- 933.9</b>	<b>- 4</b>
Liabilities to Banks	11,747.2	12,853.9	- 1,106.7	- 9
Liabilities to Customers	3,970.4	4,362.9	- 392.5	- 9
Securitised Liabilities	4,772.5	4,880.4	- 107.9	- 2
Other Liabilities	1,675.8	911.5	764.4	84
Reported Equity	616.8	708.1	- 91.3	- 13
<b>Balance Sheet Total Liabilities</b>	<b>22,782.8</b>	<b>23,716.8</b>	<b>- 933.9</b>	<b>- 4</b>
Profit/Loss Performance	1st half year 2010 KEUR	1st half year 2009 KEUR	Increase/Decrease	
			KEUR	Percentage
Net Interest Income	65,038	91,478	- 26,440	- 29
Net Commission Income	- 12,572	7,256	- 19,828	> 100
Profit/Loss from financial Assets	1,526	1,241	285	23
Other Profit/Loss	- 1,008	- 1,654	646	- 39
<b>arnings before Costs</b>	<b>52,984</b>	<b>98,321</b>	<b>- 45,337</b>	<b>- 46</b>
Administrative Expenses	- 16,739	- 15,286	- 1,454	10
Cost/Income Ratio (Percent) *	31.6 %	15.5 %	16.0 %	> 100
RoRaC/RoE (Percent)	23.8 %	12.3 %	11.5 %	93
Profit/Loss from Valuation Changes and Risk Provisions	- 11,243	- 59,020	47,777	- 81
Taxes	- 1,217	- 4,827	3,611	- 75
<b>Earnings after Taxes</b>	<b>23,784</b>	<b>19,188</b>	<b>4,596</b>	<b>24</b>
Regulatory Figures	30.06.10 EUR Million	31.12.09 EUR Million	Increase/Decrease	
			EUR Million	Percentage
Risk-Weighted Asset Values	5,447.1	5,309.2	137.9	3
Core Capital	647.0	746.3	- 99.2	- 13
Equity Capital	748.9	833.0	- 84.2	- 10
Core Capital Ratio	11.9 %	14.1 %	- 2.2 %	- 15
Overall Coefficient	13.7 %	15.7 %	- 1.9 %	- 12
Number of Employees	30.06.10	31.12.09	Increase/Decrease	
			Total	Percentage
	163	159	4	3

\* The Cost/Income Ratio (CIR) is the Quotient of administrative Expenses to Profit/Loss before Costs



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**S.W.I.F.T.**

NOLALULL

**Supervision**

Commission de Surveillance du Secteur Financier

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**E-mail**

[Info@nordlb.lu](mailto:Info@nordlb.lu)

**Trade and Companies Register**

B 10405

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## Members of the Supervisory Board

**Dr. Gunter Dunkel**

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

**Martin Halblaub**

Member of the Board of Directors  
NORD/LB Norddeutsche Landesbank Girozentrale  
(until 11 January 2010)

**Dr. Stephan-Andreas Kaulvers**

Chairman of the Board of Directors  
Bremer Landesbank

**Walter Kleine**

Chairman of the Board of Directors  
Sparkasse Hannover

**Christoph Schulz**

Member of the Board of Directors  
NORD/LB Norddeutsche Landesbank Girozentrale



## Board of Directors

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

Harry Rosenbaum

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

Christian Veit

**Member of the Board of Directors/  
Head of Financial Markets**

Thorsten Schmidt

(since 1 July 2010)

## Organisation

**Treasury**

Thorsten Schmidt

(until 30 June 2010)

**Credit Investments & Solutions**

Olaf Alexander Priess

**Private Banking**

Markus Linnert

**Corporate Banking**

Guido Leixner

(since 1 June 2010)

**Accounting**

Peter Heumüller

**Controlling**

Roman Lux

**Credit Risk Management**

Maik Mittelberg

**IT**

Romain Wantz

**Operation Services**

Rita Kranz

**Organisation and Project Management**

Frank Seeberger

**Administration**

David Gunson

**Human Resources**

Christian Ehrismann

**Corporate Development**

Melanie Maier

**Internal Audit**

Jürgen Werner

(since 1 June 2010)

**Legal/Compliance**

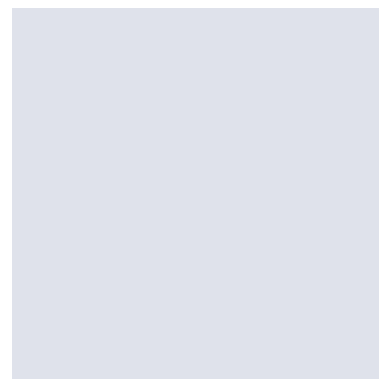
Dr. Ursula Hohenadel



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

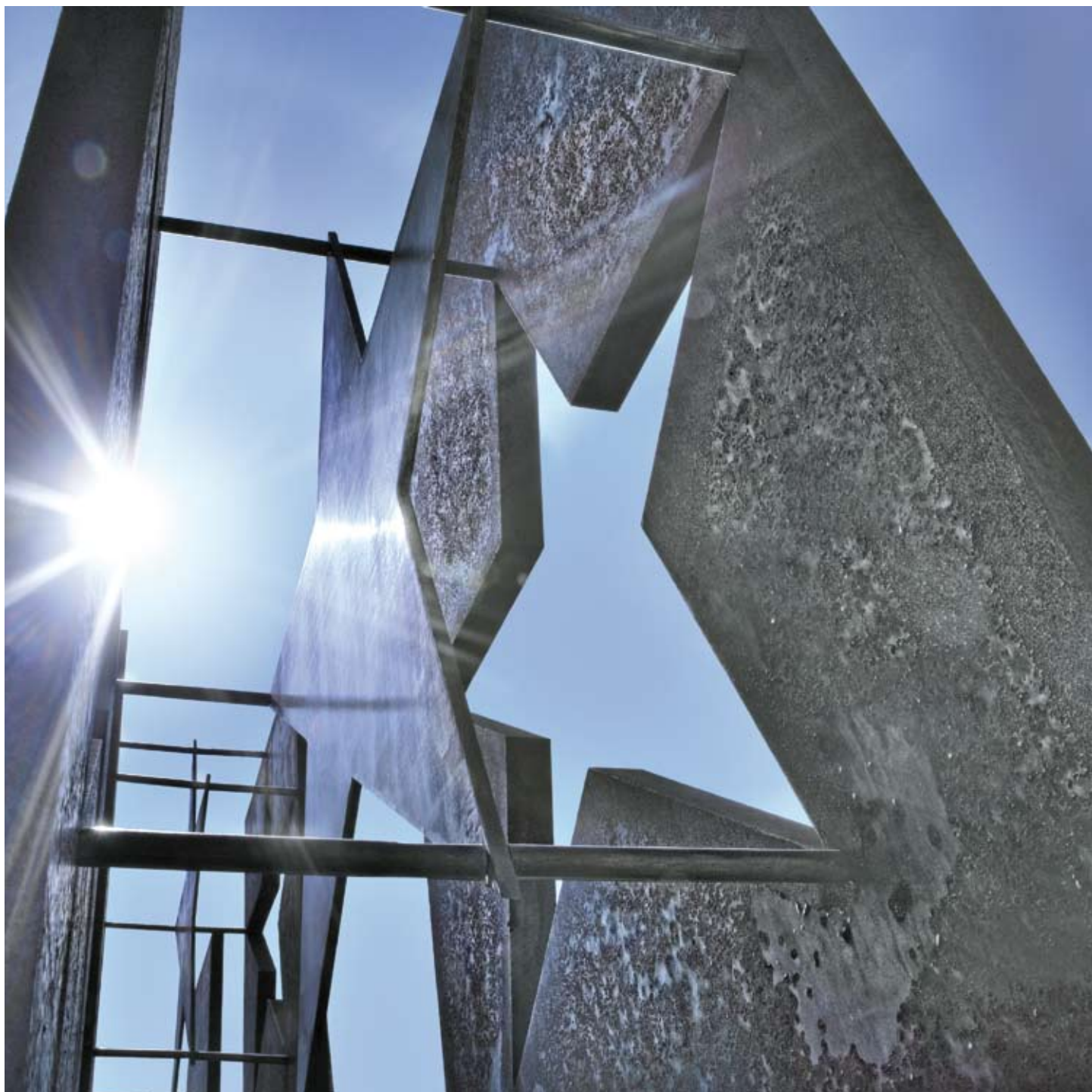


**Deputy Chairman of the Board  
of Directors/  
Chief Financial-/Risk-/Operations  
Officer**  
Christian Veit



**Member of the Board of Directors/  
Head of Financial Markets**  
Thorsten Schmidt





## The Group

Norddeutsche Landesbank Luxembourg S.A., Luxembourg (hereinafter “NORD/LB Luxembourg” or for short “the Bank” or “the Group”) is the parent company of a group which includes NORD/LB Covered Finance Bank S.A., Luxembourg (hereinafter: NORD/LB CFB) and Skandifinanz Bank AG, Zürich/Switzerland (hereinafter: Skandifinanz). NORD/LB Luxembourg holds 100% of the shares in both of these banks.

NORD/LB Luxembourg itself is a wholly-owned subsidiary of Norddeutsche Landesbank Girozentrale, Hanover (hereinafter: NORD/LB), and its consolidated financial statement is included in the consolidated financial statement of NORD/LB.

NORD/LB Luxembourg is active in the business sectors of trading, Corporate Banking and Private Banking. The object of NORD/LB Covered Finance Bank S.A. is to conduct the business of a covered bond bank (Pfandbriefbank) so far as permitted under the law of the Grand Duchy of Luxembourg. The main activities of Skandifinanz Bank AG are forfeiting and other trade-related financial transactions, as well as international Private Banking.

This report relates to the consolidated annual financial statements of NORD/LB Luxembourg.



## International economic Development

### First Half-Year of 2010

The economic recovery in Germany, which set in subsequent to the deepest slump since the birth of the Federal Republic (real GDP 2009: – 4,7 %), accelerated noticeably in the middle of 2010. In the first three months of this year the gross domestic product (GDP) only grew moderately by 0.5 %, after price, calendar and seasonal adjustments, compared to the previous quarter. The main reason for the relatively weak start to the year was the extraordinarily harsh winter, which meant that production in the construction sector in particular had to be cut back significantly. As a result production in the main construction trades decreased in January in comparison to the previous month and after seasonal adjustment by 14.2 % – the largest percentage drop in one month since January 1997.

When the thaw set in there were catch-up effects from March onwards which contributed to the noticeable acceleration of the economic recovery in the spring quarter. As well as the catch-up effects caused by the bad weather, the German economy – and in particular the manufacturing sector – was able to profit from the recovery in the global economy and international trade because of its strong international competitive position. The global economy, which is rallying again, is very robust and has not let itself be thrown off course so far by the national debt crisis that flared up in the past half year. With these positive terms of reference it was possible to increase overall economic performance by 2.2 % in real terms in the months of April to June in comparison to the first quarter – that is the strongest rise in the reunified Germany. The annual rate has thereby risen significantly over three per cent again for the first time since the onset of the crisis. As well as exports, investments in equipment and buildings have contributed most to propping up this growth. Private consumption was, however, also able to finally overcome its weak period after the expiry of the environmental premium and continued to recover over the course of the year.

The positive development of the employment market is also indicative of this, as it has been largely untouched by the crisis, in contrast to many other countries. While in the Eurozone the unemployment rate remained at 10 % in June (ILO definition), it sank to 7.0 % in Germany – the lowest figure since January 1993. Even in the case of the highly

regarded unemployment rate in the statistical definition of the Federal Employment Agency (Bundesagentur für Arbeit) a fall to 7.6 %, seasonally adjusted, was recorded in July 2010. The number of unemployed fell to 3.192 million and was thereby below the level of the previous year by more than 250 thousand. The positive development was also supported by the intensive use of cyclical short time working, though the use being made of this instrument is decreasing continuously.

Moreover it is due to the economic stimulus packages that the consequences of the economic and financial crisis remained limited. A drastic rise in the national deficit has to be reported, however, as a result. In order to limit new borrowings and to adhere to the new debt rules (debt brake), which commit to a gradual consolidation course from as early as 2011, the federal government has passed an austerity package. On the other hand one of the biggest endurance tests for the German economy may well prove to be the austerity policies that are being followed simultaneously across almost the whole Eurozone, which furthermore are significantly more restrictive in many countries than in Germany. Overall a moderate slow-down is to be expected from the fiscal policies, but no strangling of the economic upturn.

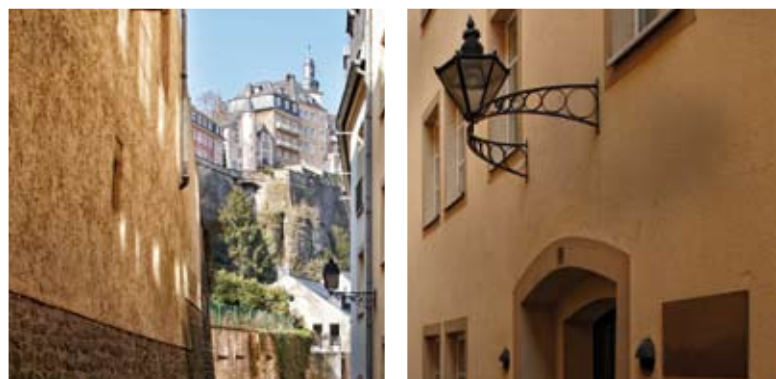
Against the backdrop of the global economic recovery, the crude oil price, which had fallen below the level of 40 USD/barrel at times in the past year, fluctuated in the first half-year within a band of approximately 68 to just below 90 USD/barrel. Recently the crude oil price was hovering close to the current yearly average around the 80 USD/barrel mark. Inflation is running at a moderate level towards the middle of the year both in Germany and in the Eurozone. The pronounced influence of the base effects caused by the oil price at the beginning of the year has declined significantly since then. In July the annual rate of the Harmonised Index of Consumer Prices (HICP) in Germany was at 1.2 % while the inflation rate in the Eurozone was slightly higher at 1.7 %. Capacity utilisation, which is still low in historical terms, and low wage dynamics for the foreseeable future are indicative of a continued slow-down of the inflation trend.

The Financial Markets were again characterised by a high level of nervousness in the first half of 2010, with the focus now being fixed more strongly on the development of the national debt in countries within the Eurozone. The trigger for the distortions on the markets for national bonds were worries about the creditworthiness of Greece. During the previous year the Greek government had already had to undertake a significant correction of the deficit and debt/GDP ratio for 2009 and 2010 due to budget figures having been

manipulated. According to Eurostat the country's national debt rose in 2009 to over 115 % of the gross domestic product, the deficit ratio was 13.6 % of GDP last year. From the end of 2009 Greek government bonds came under increasing pressure, especially as the corresponding securities were significantly downgraded several times by rating agencies. As a result of increasing fears of a default or restructuring, the yield curve of Greek government bonds inverted, despite a continuing historically low ECB interest rate of 1.0 %. On 7 May the spread to German government bonds in the ten-year sector rose to just under 1000 basis points. The yields on two-year Greek government bonds rose temporarily to over 18 %.

As a result of this dramatic development and because of the fear that other countries of the Eurozone could be infected by it, the countries of the Eurozone and the European Commission put together a crisis package in conjunction with the IMF to rescue beleaguered member states with a total volume of EUR 750 billion. This package was flanked by measures by the European Central Bank. To this end the previously announced and already commenced path to a gradual departure from the unconventional liquidity measures was left. Moreover the ECB decided to buy European government bonds through the Eurosystem. With the purchase of government bonds, which was not uncontroversial, the ECB aimed, according to its own statements to secure liquidity on these markets and the transmission mechanism of monetary policy. The Eurosystem purchased government bonds to the value of around EUR 60 billion by the end of July, but fully absorbed the additionally created liquidity again through counter transactions. The purchases were practically halted over the course of July because the ECB obviously saw no need for further intervention, at least for the time being. Since the beginning of July a certain amount of calming and normalisation has been detected on the financial and money markets. Thus the first longer term refinancing business with twelve month maturity expired practically without a sound. Even the stress test for the 91 biggest European banks ran successfully overall and strengthened trust in the stability of the financial sector. There were no changes in the base rate: the European Central Bank (ECB) has left the base rate at the historical low of 1.0 % since May 2009.

In the first half-year the most important stock markets were not able to carry the price rise of the previous year forward. The German share index (DAX) did perform positively, also as a result of good economic signals. It was able to recover gradually after an interim decline under the 5,500 points mark and reached its current high for the year at 6,387



points on 6 August 2010. The market distortions associated with the Euro debt crisis did not pass by the stock markets without a trace, however. Within two weeks the DAX lost around 10 % at the peak. German government bonds were sought as a safer haven in comparison to many other national securities, so the yields from ten-year federal bonds fell to a new all-time low of around 2.5 % at the beginning of June. US American Treasuries with a ten-year term to maturity brought a return of only 2.8 % at the beginning of August. The yield structure curve continues to be very steep as a result of this performance. In Germany the bond spread rose between ten and two year federal bonds at the beginning of September to over 230 basis points. The pronounced steepness of the yield structure curve since the massive interest rate reductions of the central banks has recently reduced. The spread between ten and two year bonds fell in the USA from over 290 basis points in February to around 230 basis points at the beginning of August. In Germany the spread narrowed by a good half percentage point from over 235 basis points in May to around 180 basis points at the beginning of August.

## Forecasts and other Statements on anticipated Developments

After the very dynamic appearance of the economic recovery in Germany towards the middle of the year the thrust of the German economy will decline again slightly by the end of the year. Some of the performance of the two very robust quarters to the middle of the year is due to catch-up effects caused by the bad weather and the stock cycle – special effects that are not lasting. Within the Eurozone Germany is currently the driving force of the growth, individual countries such as Greece must expect a greatly subdued economic performance. Overall the gross domestic product will grow in 2010 by around 3.5 % in real terms in Germany, and in the Eurozone by a good 1.5 %. In Germany exports

will recover strongly in parallel to the performance of world trade and net exports will be an important pillar of the upturn. Investments in equipment can also recover part of the sharp decline seen in the crisis year 2009. Private consumption may well be able to recover somewhat during the year but will still have a subdued effect over the whole of 2010. The European Central Bank will not pursue a course of moderately higher interest rates until the middle of the coming year due to the only moderate economic recovery across the Eurozone and still subdued inflation trend.

While in the USA the dynamics have reduced slightly again during the first half-year after the strong fourth quarter of 2009, the economy will still grow by a good three per cent over the whole of 2010. Therefore, the US national economy will achieve its pre-crisis level a lot faster than many other leading industrial nations. However, the performance of both the real estate and employment markets is still fragile at the moment, which is why the US central bank, the Fed, is not going to implement any base rate increases this year. It is to be expected that the Financial Markets will remain volatile over the course of the year and the investors' appetite for risk will only return slowly. Moreover, there remains a risk of setbacks for the performance of the whole economy, even though we think that a renewed dip into recession in the forecast period is very unlikely. With this backdrop the yields of government bonds (benchmark yields) on both sides of the Atlantic will only rise slightly to the end of the year.

## Development of Business Sectors

### Trade Banking (NORD/LB Luxembourg)

#### Treasury

Liquidity, interest rate and currency risk management fall within the responsibilities of the Treasury unit. At the centre of this is the Bank's liquidity supply for the refinancing of reported business and interest rate transformation. The Treasury Unit is an integral component of the Group's funding and uses its international connections for this purpose, especially the access to the primary liquidity of the Swiss National Bank and the active participation in the Swiss repo market.

In terms of this business balance sheet the Bank has a wide range of products available to it. As well as the classical call and term deposit transactions and the repo business the Bank primarily invests in commercial papers and in securities from first class issuers. A focus on the covered money market business and a further improvement in the quality of the security portfolio are reflected in a lower RWA commitment of the lending induced by Treasury.

Refinancing in lending business is widely spread. Sources of refinancing include money market and term deposits from banks and institutional investors, trust deposits, own issue of commercial papers (ECP and USCP), repo transactions (bilateral and tripartite) and open market transactions of the European Central Bank and the Swiss National Bank. A wide international counterparty basis and business activities in foreign currencies ensure a wide diversification of the funding activities. For long-term refinancing the Bank uses its EMTN programme, under which benchmark bonds and private placements had been issued by the balance sheet date. The additional unsecured funding required with over 24 months maturity is guaranteed as a rule by NORD/LB.

In its derivatives business the Treasury Unit concentrates on interest rate swaps, forward exchange contracts including currency swaps and interest rate futures. The Bank does not enter into any appreciable risks pertaining to complex derivative products.

The ongoing market crisis, which has developed in terms of its evolution from a liquidity crisis (2008), via a credit cri-

sis (2009) into a sovereign debt crisis (2010) continues to influence the functionality of the money market. By focusing strategically on the optimisation of collateral management, the expansion of secured business and the ongoing optimisation of the instruments needed for liquidity risk management, the Treasury Unit is well-placed, even in the current market environment. It was possible to ensure the Bank's liquidity supply at all times. As well as this, it was possible to generate a contribution to earnings way above plan through an actively driven maturity transformation on the basis of the flows from the customer business and an integrated trading approach.

The Treasury Unit will be confronted with foreseeable, massive changes in the framework conditions of the regulatory authorities in the coming years. It will be a matter of following the developments and trends and then deflecting effects on the business sector in good time and positioning itself looking forward. From where we stand today there are already signs that the resultant operational cost of implementation in connection with a more restrictive regulatory environment will have a subduing effect on the income potential of the sector.

## Credit Investments & Solutions

The Bank pursues a conservative, value-stabilising investment strategy in this business sector. The Bank does not enter into any appreciable risks pertaining to complex derivative products. It concentrates mainly on the criteria of safety, liquidity and earnings and therefore only allows the purchase of securities from OECD countries with an investment grade rating. At the same time the regional focus is on Europe. The Bank regularly reviews and adapts its investment strategy to changed requirements.

As a result of the after-effects of the turbulence on the capital market the investment strategy is currently still passive. The focus is on the reduction of the volume that was achieved through targeted sales from the portfolios and through the abandonment of reinvestment of mature securities. While the valuation of the current portfolio has slid back into the negative, largely due to the Greek crisis in the spring, a recovery is expected by the end of the year.

The quality of the portfolio is still high. There are scattered commitments with sub-investment grade ratings, attributable to rating migrations.

The investment business is complemented by the "Solu-

tions" sector. The expertise from the investment business supports this business sector greatly. The aim beyond this is the active exploitation of the specific benefits of the location in Luxembourg in terms of the Group. In 2009 the division was already able to cooperate on two structured transactions for the NORD/LB Group, through which it was possible to generate the first commission income. In 2010 however it has not been possible to complete any transactions, but the Bank does expect further business potential from this sector.

## Private Banking (NORD/LB Luxembourg)

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

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

Within the scope of asset management, investors choose between "personal asset management", which is tailored to customers' preferences and can look back over a 10-year success story, and "fund asset management", whereby investors profit from the strategies of excellent fund managers worldwide.

Following approval in Luxembourg as an insurance broker in 2009 the brokering of insurance contracts has been successfully included in the range of services offered in the first half-year of 2010.

The financing of investment property was also included for the first time in the Private Banking sector's product range in the first half-year of 2010. With this additional range it will be possible to respond even more individually and in more depth to the special fields of interest of wealthy customers in future.

The retail fund conceived in 2009 based on inflation protection and constant growth in value, which is supervised by the Bank as fund manager, was also able to enjoy brisk demand from customers in the first six months of 2010.

The fact that it was again possible to expand the customer volumes handled by the Private Banking division must also be highlighted positively. At the same time individual han-

ding of customers in connection with an open product architecture was in the foreground.

On the customer side, the first half-year of 2010 was again characterised by a rather strengthened involvement in the stock markets. At the same time, however, customers preferred to invest in risk-cushioned products rather than directly investing in shares.

## Corporate Banking (NORD/LB Luxembourg)

The Corporate Banking sector of NORD/LB Luxembourg is focused on the allied lending business with NORD/LB. There has been successful and trusting cooperation here over many years, in particular with the value drivers corporate customers, structured finance and real estate (Deutsche Hypo).

At the centre of this are loan processing and management, including the facility agent function, and the implementation of customer-specific product and service requirements.

In addition to this core business internally induced foreign currency loans are issued, predominantly to associated savings banks (customer loans under the guarantee of the respective negotiating savings bank). As well as this, we support the lending business of both subsidiaries NORD/LB CFB and Skandifinanz by granting bank guarantees.

Within the scope of our business model we pursue a sustained conservative risk policy and at the same time control our credit risks actively with reference to asset class specific risk clusters.

We systematically counteract ongoing challenging economic framework conditions by sharpening our business profile. Thus, we strive to achieve a strict specialisation in keeping with the Group strategy. Together with our customers (NORD/LB's value drivers), we have identified starting points to extend the depth of our services and expand the service/product portfolio, especially the expansion of the agency competency. In parallel with this we want to offer more financial solutions in the working capital field in future in cooperation with NORD/LB.

The central flanking measures, which are worth mentioning here, include in particular an increase in staff in lending

management in line with requirements, thereby securing a sustained high quality of service and a focus on lean, objective lending processes.

Core sources of earnings are predominantly the matched-term interest margin and the commission earnings from the allied lending business. In a market environment that continues to be demanding we see a stable earnings and portfolio performance for 2010.

## NORD/LB Covered Finance Bank

### Treasury (CFB)

#### Liquidity Management and Issuing Activities

Liquidity management falls under the responsibility of the Treasury division of NORD/LB CFB within the scope of refinancing reported business transactions and issuing activities, in particular in the form of Lettres de Gage Publiques (Luxembourg covered bonds).

Refinancing in the lending business deals with short-term maturities involving securities repurchase agreements and money market transactions, whereas long-term refinancing is dominated by Lettres de Gage Publiques in various maturity bands (up to 30 years) and currencies (EUR, CHF, JPY, NOK, USD). In general, NORD/LB CFB always cooperates closely with other Group companies in its refinancing activities. While NORD/LB CFB, once again, did not engage in any market transactions involving unsecured senior debt in the period under report, it is continuing to pursue its established Lettres de Gage Publiques investment business.

The Bank actively maintains communication with investors by providing information on its website [www.nordlbcfb.lu](http://www.nordlbcfb.lu) about the performance of the cover pool and the Bank and by making itself available to potential investors for one-on-one meetings. In the first half-year of 2010 such meetings were again held with a large number of investors together with important issuing houses in countries including Finland, the Netherlands and Germany.

#### Control of Interest Rate Risks

Taking interest rate risks is not a core business objective of NORD/LB CFB. The Bank therefore uses a micro-hedge approach to hedging interest rate risks, aided by interest rate/currency swaps. The purpose of this hedging strategy, which has been used since the Bank was formed, is to establish effective hedging relationships that also meet the



strict criteria laid down by the International Financial Reporting Standards (IFRS).

## Public Finance (CFB)

### Financing of municipal Undertakings in Germany

The Bank takes advantage of the Luxembourg covered bond law, which makes coverage of dues from municipal undertakings (public utility companies, water supply, air and sea ports, etc.) possible. This customer segment is of particular importance for the NORD/LB Group because as a principal bank with public ownership structure it is particularly interested in securing the credit supply of municipal undertakings. The NORD/LB Group has a crucial unique selling point in this customer segment in the form of NORD/LB CFB. As the first and only regional bank, it is in a position to offer the municipal undertakings customer group, which is eminently important for the provision of public services, a financing partner tuned into their needs. The Luxembourg covered bond privilege, coupled with the particular expertise of a group that is native to the public sector, opens up optimal financing conditions to municipal undertakings. The Public Finance department conducts the direct customer lending business with municipal undertakings in Germany. For this purpose the department has corporate customer advisors who are experienced in this special sector, and who look after and acquire existing customers and new customers directly or via the corporate customer sections of the NORD/LB Group based in Germany. Consequently the share of directly acquired customer business with municipal undertakings in Germany is being expanded.

### Financing of Savings Banks and other public financial Institutions

The possibility of covering loans and advances to public financial institutions and savings banks is another benefit of the Luxembourg covered bond law. This means that the NORD/LB Group has an additional source of refinancing available in its function as the central institution for 56 savings banks in the three federal states of Lower Saxony, Mecklenburg-Vorpommern and Saxony-Anhalt, which will be extremely valuable especially in times of increased liquidity risks.

### International public Financing and Replacement Cover Business

With the aim of risk optimisation and diversification, the Bank also acquires international municipal lending business and other assets eligible for investment in the cover

pool via banks and investment companies that operate internationally, as well as direct customer business.

### Cover Pool

The quality of the first-rate cover pool held by NORD/LB CFB as security for the issued Lettres de Gage is unchanged. The maxim for the management of this portfolio is to gain and retain investors' trust in Lettres de Gage Publiques. NORD/LB CFB announces changes in the portfolio by publishing the cover pool according to credit rating class and geographical distribution on a monthly basis on the website [www.nordlbcfb.lu](http://www.nordlbcfb.lu).

As a rule, the Luxembourg covered bond legislation allows the coverage of dues from countries which belong to the OECD, the European Union or the EEA.

As a 100% subsidiary of a German regional bank, NORD/LB CFB places particular emphasis on Germany for the lending business with municipal undertakings and savings banks. The lending business that it originates autonomously at present and until further notice is transacted mainly with German parties.

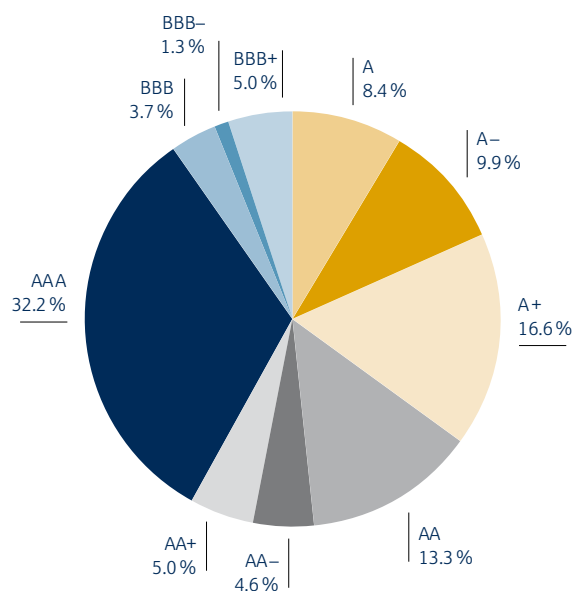
For the purposes of risk diversification transactions that have not been originated autonomously (capital market transactions) can also be and are made in the other twenty OECD countries outside Germany, as long as they fulfil the strict investment grade rating of the investment guidelines.

The Bank has no commitments in the EU Baltic states (Estonia, Latvia, Lithuania), Greece, Iceland, Mexico or Turkey. As a result of the economic situation, which is particularly difficult at this time, the Bank will not enter into any new commitments in these countries until further notice.

In addition, the Bank will not undertake any more new commitments until further notice in Eastern Europe (with the exception of Slovenia), Ireland or the USA. A resumption of investments in these countries will depend on the improvement of the economic situation in the individual economies.

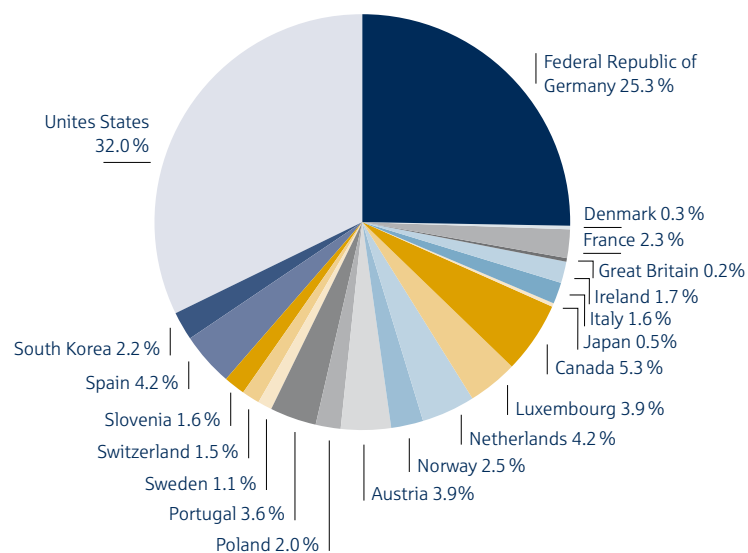
The following information relates to the cover pool before consolidation.

At the reporting date, 30.06.10, the cover pool's credit rating structure was as follows:



Rating	%	%	%
AAA	32.2		55.1
AA	22.8	90.0	
A	34.9		
BBB	10.0		

In geographical terms, NORD/LB CFB's cover pool, which has borrowers from 20 different OECD countries, is one of the best diversified portfolios in the European covered bond market.



Region	%
Europe	59.8
North Amerika	37.4
Asia	2.8
Other	0

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

Cover Calculation	Cover Pool (EUR Million)		Issues (EUR Million)		Under(-)/Over(+) Cover (EUR Million)	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009	30.06.2010	31.12.2009
<b>Total</b>	<b>4,598.4</b>	<b>4,459.2</b>	<b>3,891.9</b>	<b>3,928.4</b>	<b>+ 706.5</b>	<b>+ 530.8</b>

### Rating

The rating agency Standard & Poor's has reorganised its rating model for covered bonds in the last 18 months and in particular strengthened the weighting of the liquidity congruence and the importance of the ratings of the issuing banks. In December 2009 this led to a change in the CreditWatch to "negative" or "developing" for all covered bonds – including the Lettres de Gage Publiques of NORD/LB CFB – to the tune of EUR 1.46 billion. After checking the cover pool in line with the new criteria, NORD/LB CFB was the first Luxembourg covered bond bank to be awarded the best grade of AAA by Standard & Poor's in April 2010 for the Lettres de Gage Publiques issued by it.

### Outlook

In line with its strategy, the Bank will also be leveraging opportunities presented by the financial centres of Luxembourg and Switzerland and the Bank's reputation amongst international business and trade partners, and will continue to successively develop its business segments.

### Skandifinanz

The ramifications of the fraud case in the export financing business help shape both the earnings in the first half-year and also the later performance of Skandifinanz Bank AG. After the disclosure of the suspicion of fraud the maximum assumed loss of EUR 133.8 million had already been processed in financial year 2009.

The targeted earnings for the first half-year shows a pleasing picture in the interest income in the cooperation business with NORD/LB, in the self-induced loans the earnings remained below plan partly as a result of the reduced new business.

At the moment Skandifinanz Bank AG is in a consolidation phase, which also comprises the review of the business activities and their future direction.

The criminal process and measures for recovery of compensation claims have been instigated.

## Earnings

The Group's interim financial statements to 30 June 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as implemented by the EU.

The Bank was able to achieve a satisfactory operating result in the first half-year of 2010. Earnings before taxes rose compared to the previous year by EUR 1.0 million to EUR 25.0 million.

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

Items on the income statement changed as follows for the period under report:

	01.01.–30.06.2010 (KEUR)	01.01.–30.06.2009 (KEUR)	Increase/Decrease <sup>*)</sup>
Net Interest Income	65,038	91,478	– 26,440
Loan Loss Provisions	– 9,470	– 69,783	60,313
Net Commission Income	– 12,572	7,256	– 19,828
Profit/Loss from financial Instruments stated at Fair Value through Profit or Loss, including Hedge Accounting	– 1,773	10,763	– 12,536
Other operating Profit/Loss	– 1,008	– 1,654	646
Administrative Expenses	– 16,739	– 15,286	– 1,454
Profit/Loss from financial Assets	1,526	1,241	285
<b>Earnings before Income Taxes</b>	<b>25,001</b>	<b>24,015</b>	<b>986</b>
Income Taxes	– 1,217	– 4,827	3,611
<b>Profit for the Year</b>	<b>23,784</b>	<b>19,188</b>	<b>4,596</b>

<sup>\*)</sup> The prefix in the Increase/Decrease column indicates effects on the results.

Compared to the previous year, net interest income decreased by EUR 26.4 million to EUR 65.0 million.

It was possible to keep loan loss provisions well below the level of the previous year despite the nervous economic situation in financial year 2010 as a result of security measures. In comparison to the previous year the expenditure on loan loss provisions fell by EUR 60.3 million to EUR 9.5 million.

Net commission income fell against the comparative period by EUR 19.8 million to EUR –12.6 million. The costs for the security measures stated above were a particularly decisive factor here.

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

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

In the period under report, the Group recorded earnings of EUR 25.0 million before taxes and an annual net income of EUR 23.8 million after taxes.

The individual items making up the result are as follows:

## Net Interest Income

	01.01.–30.06.2010 (KEUR)	01.01.–30.06.2009 (KEUR)	Increase/Decrease <sup>*)</sup>
Interest Income	401,190	647,756	– 246,565
Interest Expense	– 336,152	– 556,277	220,125
<b>Net Interest Income</b>	<b>65,038</b>	<b>91,478</b>	<b>–26,440</b>

<sup>\*)</sup> The prefix in the Increase/Decrease column indicates effects on the results.

Interest income and interest expense both recorded clear falls in this financial year in comparison to the previous year. This is due partly to changes in the way the balance sheet is structured between balance sheet dates and partly to market interest rate cuts.

## Loan Loss Provisions

The tense economic climate is increasing the need to establish risk provisions for individual borrowers.

## Net Commission Income

	01.01.–30.06.2010 (KEUR)	01.01.–30.06.2009 (KEUR)	Increase/Decrease <sup>*)</sup>
Commission Income	16,556	21,496	– 4,940
Commission Expense	– 29,129	– 14,241	– 14,888
<b>Net Commission Income</b>	<b>–12,572</b>	<b>7,256</b>	<b>–19,828</b>

<sup>\*)</sup> The prefix in the Increase/Decrease column indicates effects on the results.

Net commission income only includes income and expense from banking.



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

	01.01.–30.06.2010 (KEUR)	01.01.–30.06.2009 (KEUR)	Increase/Decrease <sup>*)</sup>
Trading Profit/Loss	– 400	8,359	– 8,759
Profit/Loss from designated financial Instruments	– 179	1,695	– 1,875
Profit/Loss from Hedge Accounting	– 1,194	708	– 1,902
<b>Profit/Loss from financial Instruments stated at Fair Value through Profit or Loss, including Hedge Accounting</b>	<b>– 1,773</b>	<b>10,763</b>	<b>– 12,536</b>

<sup>\*)</sup> The prefix in the Increase/Decrease column indicates effects on the results.

Trading profit/loss mainly comprises the profit/loss from derivative transactions which do not meet the restrictive criteria for Hedge Accounting. The opposing valuation changes relating to underlying transactions cannot therefore be offset.

## Other operating Profit/Loss

	01.01.–30.06.2010 (KEUR)	01.01.–30.06.2009 (KEUR)	Increase/Decrease <sup>*)</sup>
Other operating Income	359	355	3
Other operating Expenses	– 1,367	– 2,010	642
<b>Other operating Profit/Loss</b>	<b>– 1,008</b>	<b>– 1,654</b>	<b>646</b>

<sup>\*)</sup> The prefix in the Increase/Decrease column indicates effects on the results.

The other operating loss is predominantly related to the internal cost allocation to NORD/LB.

## Administrative Expenses

	01.01.–30.06.2010 (KEUR)	01.01.–30.06.2009 (KEUR)	Increase/Decrease <sup>*)</sup>
Wages and Salaries	7,080	6,724	356
Social Security Contributions and Expenses for Pension Provision	1,100	1,437	– 338
<b>Staff Expenses</b>	<b>8,180</b>	<b>8,162</b>	<b>19</b>
<b>Other administrative Expenses</b>	<b>8,382</b>	<b>6,311</b>	<b>2,071</b>
<b>Depreciation and Value Adjustments</b>	<b>178</b>	<b>814</b>	<b>– 636</b>
<b>Administrative Expenses</b>	<b>16,739</b>	<b>15,286</b>	<b>1,454</b>

<sup>\*)</sup> The prefix in the Increase/Decrease column indicates effects on the results.

Administrative expenses, including depreciation, increased by a total of EUR 1.5 million to EUR 16.8 million. In comparison to the previous year the other administrative expenses are EUR 2.1 million higher. This is caused by the rental costs for the bank building sold in the last financial year among other things. This is offset by the reduction in costs for depreciation.

## Profit/Loss from financial Assets

The profit/loss from financial assets during the past two financial years was derived from the disposal of financial instruments.

## Income Taxes

	01.01.–30.06.2010 (KEUR)	01.01.–30.06.2009 (KEUR)	Increase/Decrease <sup>*)</sup>
Current Taxes	3,380	5,019	– 1,639
Deferred Taxes	– 2,163	– 192	– 1,972
<b>Income Taxes</b>	<b>1,217</b>	<b>4,827</b>	<b>– 3,611</b>

<sup>\*)</sup> The prefix in the Increase/Decrease column indicates effects on the results.

## Schedule of Assets and financial Data

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/Decrease (EUR Million)
Loans and Advances to Banks	5,826	7,103	– 1,276
Loans and Advances to Customers	5,687	6,064	– 377
Risk Provisions	– 194	– 221	26
Financial Assets at Fair Value through Profit or Loss	749	316	433
Financial Assets	10,208	9,959	249
Equity-accounted Investments	0	0	0
Other Assets	507	495	11
<b>Total Assets</b>	<b>22,783</b>	<b>23,717</b>	<b>–934</b>
Liabilities to Banks	11,747	12,854	– 1,107
Liabilities to Customers	3,970	4,363	– 392
Securitised Liabilities	4,773	4,880	– 108
Financial Liabilities at Fair Value through Profit or Loss	614	224	390
Provisions	8	12	–4
Other Liabilities	1,054	675	378
Equity Balance including Minority Interest	617	708	– 91
<b>Total Equity and Liabilities</b>	<b>22,783</b>	<b>23,717</b>	<b>–934</b>

The balance sheet total decreased by EUR 0.9 billion to EUR 22.8 billion as compared to the 31 December 2009 reporting date.

The inter-bank and customer business shows a decline on the assets and liabilities sides on the reporting date. The securitised liabilities likewise show a decline.

The financial assets and liabilities at Fair Value through

profit or loss primarily include derivative hedging transactions that do not meet the restrictive conditions of Hedge Accounting. Valuation adjustments lead to a balance sheet extension in comparison to 31 December 2009.

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

## Risk Report

The risk report of the NORD/LB Luxembourg Group for the period ending 30 June 2010 was prepared on the basis of IFRS 7. The Bank does not enter into any appreciable risks pertaining to complex structured derivatives.

### Scope

The risk reporting embraces the companies within the basis for consolidation.

Any special risks will be described in detail in a qualitative report and independent of the materiality analysis results pertaining to the quantitative risk analysis report.

### Overall Bank Management

#### Fundamentals of Capital Control and Risk Control

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

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

#### Risk Strategies

The Group's risk policy is characterised by responsible and proactive handling of risks. Accordingly a risk strategy was passed for the Group that must be reviewed annually and discussed in detail with the supervisory bodies. The core element of these strategies is the risk-bearing capacity model, which is used as a basis to specify risk propensity and allocate risk capital. The risk-bearing capacity model thereby defines the limits within which risks may be taken.

Risk strategies always aim at achieving an optimal method of controlling and monitoring all the relevant types of risk and at achieving a transparent presentation of these risks to the management, the supervisory bodies and other third parties with a justified interest. The risk strategies integrated into the overall risk control contain measures and instruments which are described in more detail in the risk manual.

The Group's risk strategies, which are part of a uniform risk-bearing capacity model used across the entire Group, are aimed at ensuring the future risk bearing capacity of the Group and its individual companies on the basis of actual situations and by taking into account all planned business activities.

In this context, the Group, at the operational level, has the tools needed to control, monitor, and communicate risks. These fundamentally standardised tools are described in detail in the Group's working guidelines and the parent company's risk manual.

#### Risk-bearing Capacity

The risk-bearing capacity model (RBC model) forms the methodical basis for monitoring adherence to the risk strategies within the NORD/LB Group. Adherence is monitored by the Controlling division of NORD/LB Luxembourg at both the Group level and the level of the individual institutions. In the case of Skandifinanz compilation and monitoring is taking place on a decentralised basis for the time being. The RBC is surrendered to the Controlling division of NORD/LB Luxembourg for auditing and made available within the scope of the Group report together with the RBC report of NORD/LB Luxembourg and NORD/LB CFB to the Board of Directors of NORD/LB Luxembourg on a quarterly basis.

The objective of the model is the aggregated presentation of risk-bearing capacity (RBC) at both the level of the individual institutions and the Group as a whole. Undertaking the monitoring and reporting process on a regular basis ensures that the bodies of the Group's companies are promptly informed of the risk-bearing capacity situation. This model serves to secure risk-oriented corporate management.

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

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

When calculating risk potential, risks are divided into credit, investment, market price, liquidity and operational risks, with credit risk being by far the most significant.

The RBC model was conceived by the Group's parent company NORD/LB GZ in close coordination with Bremer Landesbank and NORD/LB Luxembourg. The identity of the basic methods and presentation in all Group companies enables aggregation to a Group value, whereby the values are added together conservatively on the side of the risk potentials of market price, liquidity and operational risks, while on the side of the risk capital and credit and participation risks a consolidation is performed. This Group value for the NORD/LB Luxembourg Group is determined for the ICAAP on a biannual basis.

The quotients arising from risk capital and risk potential, the level of risk coverage, serve as a benchmark for determining the risk-bearing capacity. In order to ensure that the supply of capital was adequate at Group level, the ICAAP was first used to specify that the level of risk cover at individual institution level was not to fall below the 125 percent mark. This figure ensures that the regulatory requirement of an adequate supply of equity capital is met and that capital distribution is optimised with regard to generating the target yields.

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

The individual institution reports on the risk-bearing capacity (RBC reports) which are prepared and delivered on a quarterly basis by Controlling constitute the main instrument for risk reporting at overall bank level to the Board of Directors and the supervisory bodies. As well as this the RBC calculation is a permanent component of regular meetings of the supervisory or administrative boards of the individual institutions.

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

In EUR Million	Risk-bearing Capacity 30.06.2010		Risk-bearing Capacity 31.12.2009	
Risk Capital	742.3	100.0 %	811.0	100.0 %
Credit Risks	338.0	45.5 %	520.0	64.1 %
Investment Risks	0.0	0.0 %	0.0	0.0 %
Market Price Risks	31.4	4.2 %	19.3	2.4 %
Liquidity Risks	6.4	0.9 %	20.2	2.5 %
Operational Risks	19.2	2.6 %	10.4	1.3 %
Risk Potential Total	394.9	53.2 %	569.9	70.3 %
Excess Coverage	347.4	46.8 %	241.1	29.7 %
Risk Cover Rate		188.0 %		142.3 %

The risk cover rate was 188.0 % as at 30 June 2010 (previous year 142.3 %).

The cause of the reduction in the credit risk potentials in the ICAAP is primarily the offsetting of the trusts' securities

(cash security or a German town as guarantee) at NORD/LB Luxembourg. These were not taken into account adequately until now (no connection to the CMS-interface).

When compiling the RBC for the period ending 30 June 2010

the imputed own capital on the liabilities side was no longer taken into account in the case of the market price risks in contrast to the comparative reporting date. This leads to a rise in the risk potentials at the absolute level. The risk potentials from market price risks continue to be at a low level as a result of restrictive handling when entering into risks. The positions in the trading book of NORD/LB Luxembourg are all closed.

The risk potential for liquidity risks has fallen considerably. This is a result on the one hand of the very deliberate liquidity risk control, which is characterised by a defensive strategy when entering into liquidity gaps. On the other hand, it was possible to achieve a reduction in liquidity risk potential by reorganising the contents of the cover pool and the free inventory of NORD/LB CFB.

In addition to the report on risk-bearing capacity the Board of Directors of NORD/LB Luxembourg is informed about the risks associated with covered bond business on a quarterly basis in a separate report.

## Structure and Organisation of Risk Control

The responsibility for risk control is borne by NORD/LB Luxembourg's Board of Directors, which also decides the risk strategy for the Group.

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

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

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

## Credit Risk

Credit risk is an element of borrower's default risk. It defines the risk of loss involved when a borrower defaults or when the credit rating of such a borrower deteriorates.

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

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

## Credit Risk – Control

Early identification and recognition of critical situations forms the basis for the effective management of credit risks. For this reason, a number of processes, systems and instructions are in place, for portfolios and for individual borrowers, and these correlate to form a system for the early recognition and effective management of risks or the initiation of measures to limit those risks. The organisational units Corporate Banking (lending front office), Credit Risk Management (lending back office), Controlling, Public Finance, Treasury and Credit Investments & Solutions (CIS) are particularly involved in this system. New products, markets or distribution channels in the Bank's lending business are introduced within the scope of a new product process (NPP). A risk-related organisational structure, as well as the functions, responsibilities and authorisation of the divisions that deal with risk processes, are clearly defined at employee level. In accordance with the requirements of the Luxembourg bank supervisory authorities and the German minimum requirements for risk management (MaRisk), lending business processes are characterised by a clear organisational separation of the front and back office, right up to Board level.

The Group's risk management is based on the principles used by NORD/LB and is continuously updated according to commercial and regulatory criteria and if necessary adapted to the specific characteristics of each institution. The portfolio is independently monitored by NORD/LB Luxembourg's Controlling division.

For this purpose the Bank's Controlling division draws up a quarterly borrower's default risk report as part of the management information system for the Board of Directors and the heads of the Corporate Banking, Credit Risk Management and Credit Investments & Solutions divisions in order to make existing risks or risk concentrations transparent in good time and to take any measures that may be necessary. This also includes an aggregated presentation of the counterparty risks of the subsidiaries.

The borrower's default risk report contains a detailed and comprehensive presentation and analysis of the Group's borrower's default risk at overall portfolio level according to various aspects. The borrower's default risk report also features a stress test. The exposure observed comprises all assets, including contingent liabilities and commitments, derivatives and repos. The borrower's default risk report is based on the data from the regulatory reporting process. The determination of borrower's default risks is carried out on the basis of Basel II: 1. At the same time the Bank uses the IRB base rate. The data needed for the preparation of the report on the subsidiaries included in the consolidation is summarised on the basis of the data provided by NORD/LB CFB and Skandifinanz and monitored within the scope of the borrower's default risk analysis.

As well as the Credit Risk Watchlist (monitoring borrowers with bad creditworthiness), the Controlling division also compiles a so-called borrower's default risk notification on a monthly basis as another instrument for controlling and monitoring NORD/LB Luxembourg's credit risks in order to make existing risks or risk concentrations transparent in good time.

## Credit Risk – Measurement

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

Unexpected loss is quantified on a Group-wide basis using

a credit risk model for four different confidence levels and a timeframe of one year. In cooperation with the responsible organisational units of NORD/LB a modified system for measuring, monitoring and controlling the credit and default risks in the form of a credit risk model (Credit Risk+) was introduced for NORD/LB Luxembourg in the year under report. The Credit Risk+ model takes into account strong correlations between sectors, countries and borrowers and therefore represents a significant methodical advance.

The calculation for Skandifinanz and NORD/LB CFB initially continues to be based on the Gordy Model, which is used by the Basel Committee on Banking Supervision for the modelling of capital adequacy within the framework of Basel II. The Gordy Model determines the contributions made by individual borrowers and investment companies to the unexpected loss at portfolio level, which are added together to give an unexpected loss for the overall portfolio. The probabilities of default (PDs) resulting from the internal rating procedure and the loss given default (LGD) relating to specific transactions are applied here.

The methods and procedures for quantifying risk are coordinated within the Group's companies, in order to ensure a standardised approach within the Group. The risks for NORD/LB Luxembourg and NORD/LB CFB are managed and controlled on an ongoing basis by the Controlling division of NORD/LB Luxembourg. The risk management and controlling for Skandifinanz is done on a decentralised basis by employees of Skandifinanz. The reports for Skandifinanz are made available to the Controlling division of NORD/LB Luxembourg for monitoring and inclusion in the Group reports.

## Credit Risk – Development in 2010

The Group uses a management approach for reporting its risks, which means that its internal and external risk reports are always based on the same terms, methods and data. The classes to be formed in accordance with IFRS 7 for the presentation of credit risk are accordingly defined in keeping with those of the risk-bearing capacity report that is submitted to the Board of Directors of NORD/LB GZ and the supervisory boards on a quarterly basis.

The credit exposure dimension plays a significant role in the context of credit risk control. This figure shows all of the transactions bearing credit risks concluded with counterparties. Credit exposure is calculated on the basis of credit utilisation (in case of guarantees, the nominal value, and in



the case of securities, the carrying amount) and the credit equivalent resulting from derivatives (including add-ons and on consideration of netting). Irrevocable loan commitments are included for each individual institution at 68 % in the credit exposure, while revocable loan commitments and securities are not taken into account.

### Analysis of Credit Exposure

The Group's credit exposure as of 30 June 2010 is EUR 23.1 billion (previous year EUR 24.9 billion). Classification is equiv-

alent to the standard IFD rating scale agreed upon by the banks, savings banks, and associations included in the Initiative Finanzstandort Deutschland (IFD, initiative to promote Germany as a financial and business centre). This has been designed to improve the comparability of the various rating levels of the individual financial institutions. The rating classes of the 18 step DSGV rating master scale used by NORD/LB GZ on a standardised Group basis can be transferred directly into the IFD categories.

The following table shows the rating structure of the Group's overall credit exposure (existing and new business), divided into product types and comparing the total to the structure for the previous year.

Rating Structure <sup>1) 2)</sup> EUR Million	Loans <sup>3)</sup>	Securities <sup>4)</sup> 30.06.2010	Derivatives <sup>5)</sup>	Other <sup>6)</sup>	30.06.2010	Total 31.12.2009
Very good to good	8,418	10,045	482	102	19,047	20,776
Good/Satisfactory	1,282	530	0	0	1,812	1,849
Still good/Adequate	311	68	1	2	382	568
Increased Risk	867	57	0	0	924	786
High Risk	199	0	0	0	199	294
Very high Risk	239	0	3	0	243	204
Default (=NPL)	428	21	0	5	455	399
<b>Total</b>	<b>11,746</b>	<b>10,721</b>	<b>487</b>	<b>109</b>	<b>23,061</b>	<b>24,877</b>

1) Classification in accordance with IFD rating categories

2) Differences in amount are rounding differences

3) Includes loans taken up or loan commitments, securities, guarantees and other non-derivative off-balance-sheet assets, whereby in compliance with the RBC report, the irrevocable loan commitments are included at 72 % and revocable ones at 0 %

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

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

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

The predominant part of the total exposure (82.6 %, previous year 83.5 %) is recorded in the rating category "very good to good". The proportion of this rating, the best rating

category, in the total exposure continues to be very high due to the large volume of business conducted with financing institutions and public administrative offices.

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

Sectors <sup>1) 2)</sup> EUR Million	Loans <sup>3)</sup>	Securities <sup>4)</sup> 30.06.2010	Derivatives <sup>5)</sup>	Other <sup>6)</sup>	30.06.2010	Total 31.12.2009
Finance Institutions/ Insurance Companies	6,589	6,846	481	102	14,018	15,995
Service Industries/Others	1,790	3,571	1	2	5,364	4,712
Of which: Property and Housing	592	0	0	0	592	557
Of which: Public Administration	231	3,234	0	0	3,465	550
Transport/Communication	470	96	0	0	566	536
Of which: Shipping	21	0	0	0	21	8
Of which: Aviation	61	38	0	0	99	2
Manufacturing Industry	1,636	0	3	1	1,641	1,864
Energy- and Water Supplies and Mining	661	82	0	0	743	744
Trade, Maintenance and Repairs	310	0	0	0	310	361
Agriculture, Forestry and Fishing	1	0	0	0	1	33
Construction Industry	160	35	0	3	198	186
Other	129	91	1	0	221	446
<b>Total</b>	<b>11,746</b>	<b>10,721</b>	<b>487</b>	<b>109</b>	<b>23,061</b>	<b>24,877</b>

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

The table shows that business with financing institutions/ insurance companies, which to date have always been relatively low risk, accounts for a total of 60.8% and thus still constitutes a considerable proportion of the total exposure. If service industries are included, the proportion of total ex-

posure is approx. 84.0%. The Group's credit risk is primarily associated with its commercial credit transactions, which comprise special financing and other corporate clients.

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

Regions <sup>1) 2)</sup> EUR Million	Loans <sup>3)</sup>	Securities <sup>4)</sup>	Derivatives <sup>5)</sup>	Other <sup>6)</sup>	Total	
					30.06.2010	31.12.2009
Euro Countries	7,896	7,040	269	40	15,246	16,934
Remaining Western Europe	968	696	211	32	1,908	2,314
Eastern Europe	322	465	0	0	787	868
North America	1,656	2,031	3	35	3,726	3,570
Latin America	44	82	0	0	127	147
Middle East/Africa	31	0	0	0	31	21
Asia	811	279	2	0	1,092	963
Other	18	127	1	1	146	61
<b>Total</b>	<b>11,746</b>	<b>10,721</b>	<b>487</b>	<b>109</b>	<b>23,061</b>	<b>24,877</b>

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

This shows that the Group's country risk also tends to be of low significance. Western Europe, with a high proportion of 74.4 % of exposure, is by far still the Group's most important business region.

### Non-Performing Loans (NPL)

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

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

The Group's risk provision amounts to EUR 194.3 million at the reporting date and includes individual value adjustments in the sum of EUR 178.0 million as well as portfolio-based provisions in the sum of EUR 16.3 million. Of this EUR 92.5 million is attributable to Icelandic commitments and

EUR 15.6 million to two borrowers in the energy sector. The remaining EUR 69.9 million of individual value adjustments are offset against claims from two borrowers from the USA and three from Germany. As well as this there are provisions in the total sum of EUR 2.2 million for one borrower from the USA to cover expected costs.

### Credit Risk – Outlook

The Group principally applies the IRB Foundation Approach (IRBA) when calculating the capital adequacy of borrowers' default risks.

The NORD/LB Group implemented a newly drafted credit risk model for the quantification and control of credit and investment risks in 2009. In 2010 the model will be expanded to include other relevant stress tests. The implementation of the Credit Risk+ model has not yet been completed in NORD/LB CFB and will be implemented within the scope of the new risk-bearing capacity calculation.

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

## Investment Risk

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

### Investment Risk – Control

#### Strategy

The Group's investment strategy is primarily aimed at securing and improving its own market position. The acquisition of participating interests is thus also a part of NORD/LB Luxembourg's business policy. Participating interests with no relation to the banking industry are not part of the focus of the business model.

The duties of the investment committee that has existed since 2008 were transferred to the expanded sub-group board of directors in the first quarter of 2010. Representatives of the primary participating interests are members of this body as well as the members of the Board of Directors of NORD/LB Luxembourg. Through this formalised exchange of information investment risks become transparent, which enables the efficient control of these risks at the various levels of the Group's parent company.

Investment control was handed organisationally to the Controlling division which, in cooperation with other divisions, and the Business Development division in particular, is responsible for monitoring investment risk and providing the necessary information to the control units.

NORD/LB Luxembourg's investments are constantly monitored by evaluating the reports that are issued over the course of the year, the interim and annual accounts and the audit reports of external auditors. Investments are controlled by representatives of NORD/LB Luxembourg on the basis of operative mandates in the companies or by undertaking supervisory board functions.

### Investment Risk – Measurement

Investment risks are integrated into NORD/LB Luxembourg's risk control with reference to the quantified risk potential in accordance with the type of risk. The risk potential is quantified on the basis of the respective carrying amount of the investment and the allocated probability of default.

### Investment Risk – Development in 2010

There have been no notable changes in the investment portfolio or its risk weighting assigned by the Bank in the first half-year of 2010.

One particular event that is to be highlighted is the offence reported in February 2010 by Skandifinanz Bank AG against a longstanding business partner in the export financing business. It had been noticed that pre-financed trading transactions in the total sum of EUR 133.8 million were fictitious. The resultant loss was absorbed by Skandifinanz Bank AG itself with funds from the NORD/LB Group; business continued without any restrictions for customers. The measures taken, after the suspicion of fraud arose, for clearing up the loss event and making claims for recovery and compensation continue to be pursued emphatically.

## Market Price Risk

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

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

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

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

### Market Price Risk – Control

#### Strategy

In terms of the control of market price risks the Group's ac-

tivities concentrate on selected markets, customers and product segments. Their position on the money, currency and capital markets should comply with the significance and size of the Bank.

With regard to the interest rate risk the objective is to operate maturity transformation and to participate in general market developments – within the scope of the risk limits. Significant credit spread risks also result from strategic investments in maturity-congruent refinanced securities and credit derivatives. A buy & hold strategy is essentially pursued for these positions. Therefore these transactions are always shown in the investment book.

### Organisational Units

The control process for market price risks involves all divisions that handle positions bearing market price risks and which account for profits and losses resulting from shifts in the markets. Risk monitoring is carried out by the Bank's Controlling division.

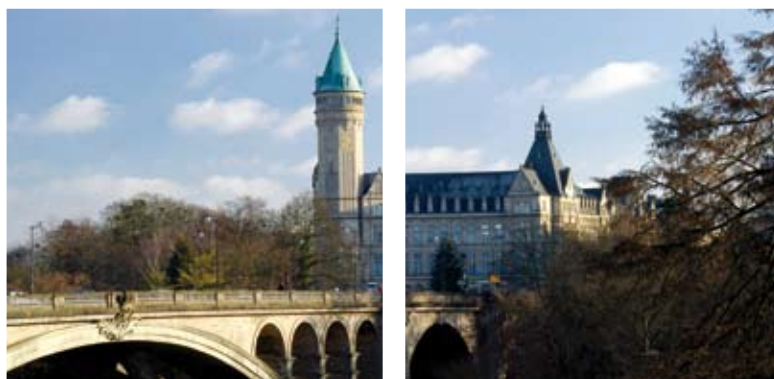
In accordance with national requirements and the German MaRisk, the Controlling division is independent of the divisions responsible for market price risk management, both functionally and organisationally. It performs various monitoring, limiting and reporting duties for the Group.

### Market Price Risk – Management and Monitoring

Value-at-risk (VaR) methods are employed for managing and monitoring the interest rate risks of NORD/LB Luxembourg and NORD/LB CFB (except for credit spread). Skandifinanz calculates the interest rate change risk on the basis of a strictly limited set of scenarios, which is suited to the size of the institution.

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

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



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

The forecast values of the value-at-risk model are checked using extensive backtesting analyses in the individual institutions. This involves the comparison of the daily change in value of the respective portfolios with the value-at-risk of the previous day. A so-called backtesting outlier occurs if the negative change in value observed exceeds the value-at-risk. The number of outliers at overall bank level and in the trading and investments books of NORD/LB Luxembourg and at overall bank level in NORD/LB CFB were all within the green range of the Basel traffic light approach.

As part of the daily stress test analyses, the effects of extreme market changes on the Group's risk position are examined as well as the value-at-risk. Various stress scenarios were defined for each of the risk categories interest rate risk, currency risk and volatility risk as well as for the credit spread risk. These scenarios correspond to those of the Group as long as they are relevant to the respective institution.

In addition the value-at-risk for NORD/LB Luxembourg and NORD/LB CFB is calculated on the basis of the regulatory parameters in each case (confidence level of 99 % and holding period of 10 days and factor 5). The market price risks of Skandifinanz are measured and monitored with a scenario parameter approach, which represents a reasonable approach for this institution.

### Market Price Risks – Reporting

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

## Market Price Risks – Development in 2010

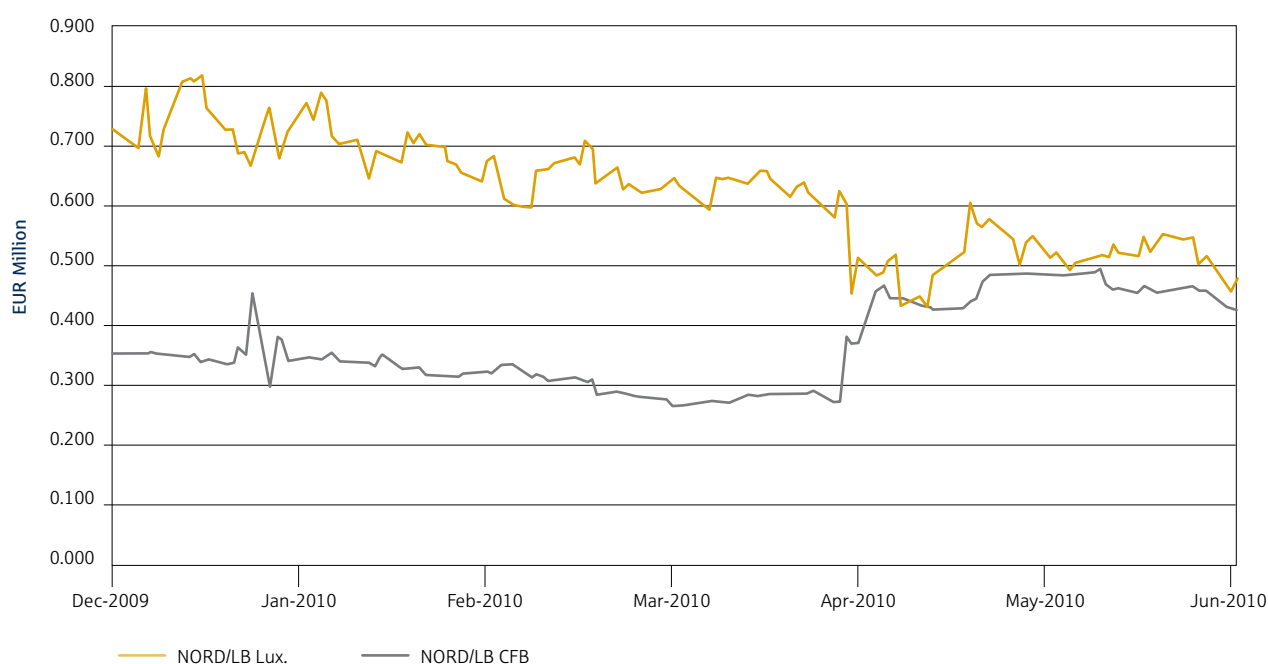
The Group's market price risks which are illustrated in the following table, continued to be at a low level overall in the year under report:

The utilisation rate of the market price risk limits (value-at-risk limits) in NORD/LB Luxembourg ran at an average of 12.5 % in the first half-year (previous year 15.7 %), the maximum utilisation was 16.3 % (24.6 %) and the minimum 8.6 % (9.9 %). The average utilisation in NORD/LB Luxembourg is still at a low level and is a consequence of a deliberate reduction in the interest rate risk in terms of the

general crisis in the Financial Markets. All positions in the trading book are closed as of 30 June 2010. The value-at-risk calculated on a daily basis (confidence level of 95 % and holding period of 1 day) was EUR 0.478 million in NORD/LB Luxembourg on 30 June 2010.

In the case of NORD/LB CFB the average was 36.6 % (previous year 60.3 %). The rise in the VaR in the 2nd quarter results from the conclusion of two Payer IRS within the scope of active/passive control. The value-at-risk calculated on a daily basis (confidence level of 95 % and holding period of 1 day) was EUR 0.426 million in NORD/LB CFB on 30 June 2010.

## Value-at-Risk (95 %, 1 Day)



Not included are the credit spread risks of each investment book as detailed above.

As regards the interest rate risks in the investment book, the effects of a standardised interest rate shock of +130/-190

basis points (Skandifinanz under regulatory provisions +100, internally +200 basis points) are also analysed in accordance with the requirements of SolvV. The result is below the regulatory threshold value, which provides for a maximum proportion of 20 % of authorised equity capital.



## Market Price Risks – Outlook

A credit spread value-at-risk model is being developed in cooperation with the parent company on the basis of historical simulation. This model is to be implemented in the second half-year of 2010 for NORD/LB Luxembourg and NORD/LB CFB. This will improve the risk appropriate control with the results also being taken into account in the RBC model.

## Liquidity Risk

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

## Liquidity Risk – Control

### Strategy

The Group's liquidity risk strategy was reviewed at the beginning of the year and adapted to the recommendations on efficient liquidity risk control published by the CEBS (Committee of European Banking Supervisors) and the requirements derived therefrom on the part of the Luxembourg regulatory body and the Central Bank as well as the requirements in accordance with MaRisk. The focus is essentially on the control of the classical liquidity risk and the control of the refinancing risk.

### Organisational Units

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

The Controlling division of NORD/LB Luxembourg plays a key role in the introduction and improvement of internal procedures for measuring, limiting and monitoring liquidity risks and takes on a control function in the calculation of the refinancing risk and the determination and monitoring of the classical liquidity risk.

## Liquidity Risk – Management and Measurement

The Group splits liquidity control into classical liquidity risk and refinancing risk.

### Classical liquidity Risk:

The classical liquidity risk is defined as the danger that the Bank can no longer fulfil its short term payment obligations

due to market disturbances induced by external parties or because of unexpected events in the lending or investment business. The aim is to limit the classical liquidity risk by holding sufficient liquid assets in reserve. The observation is focused on the next twelve months.

The classical liquidity risk is measured with reference to liquidity stress tests (LST), which are generated on a daily basis at sub-group level. This process involves a distinction being drawn between one dynamic scenario and three static ones.

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

The static scenarios are divided into:

#### a) Market wide Liquidity Disruption

On the Financial Markets there is a strong Financial Market induced liquidity bottleneck which stops inter-bank and customer business. This is significant for the Bank in the main trading currencies, which are listed by the competency delegation Financial Markets. This scenario is based on the assumption that the central banks are ready to act and intervene helpfully in the Financial Market.

#### b) NORD/LB Credit Event

NORD/LB's creditworthiness is downgraded or NORD/LB is the subject of negative headlines or rumours. This has a considerable impact on the Bank's liquidity situation. The basis for this scenario is currently the loss of the short term ratings A1/P1.

#### c) Market wide Credit Event

This event is defined as an international financial crisis, triggered by individual banks or branches and causing a liquidity crisis in the banking world.

Within the scope of the classical liquidity risk the daily business is managed with reference to the dynamic scenario. For this purpose "distance to illiquidity" is determined as a factor which shall not be fallen short of. Adherence to this key figure is to be reported daily to the Bank's Board of Directors and the Risk Controlling/Liquidity Risk division at NORD/LB.

The distance to illiquidity is highlighted in the following traffic light colours in the dynamic scenario:

- Green phase: distance to illiquidity  $\geq 180$  days
- Amber phase: distance to illiquidity  $\geq 90$  days and  $< 180$  days

- Red phase: distance to illiquidity < 90 days

In order to prevent arriving at the “red phase” a further control mechanism is to be implemented during the “amber phase” which lasts 90 days. The following procedure is foreseen:

- **„distance to illiquidity“  $\geq 150$  days and  $< 180$  days:** increased alertness and reporting to the Board of Directors of the arrival at the amber phase.
- **„distance to illiquidity“  $\geq 120$  days and  $< 150$  days:** If the 150 day threshold is not met on three consecutive working days the following steps are taken: Treasury presents an analysis of the factors responsible for arriving at the level and works out an action plan to counteract it. The action plan is validated by Risk Controlling for its achievability (simulation of the effects on the distance to illiquidity by the planned transactions).
- **„distance to illiquidity“  $< 120$  days:** implementation of the action plan.

This procedure only relates to the dynamic scenario initially.

### Refinancing Risk

The refinancing risk is defined as the potential falls in profit which would arise for the Bank as a result of the worsening of its own refinancing conditions. This refers to positions on both the money and capital markets. A period of between intraday and indefinite maturity is taken into account.

The refinancing risk is measured at NORD/LB Luxembourg on a daily basis and at NORD/LB CFB and Skandifinanz on a weekly basis.

Volume structure limits are set for the individual maturity bands within the scope of the management of the refinancing risk, which limit the refinancing risk accordingly. The volume structure limits are defined at individual institution level. The Bank uses these limits to record a risk appetite in relation to discrepancies.

### Liquidity Risk – Reporting

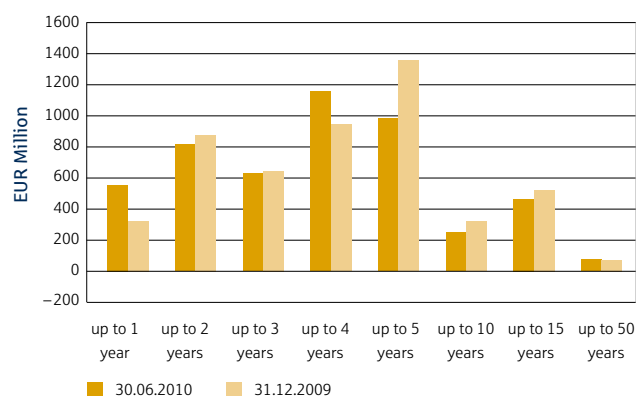
Each Board of Directors is informed on a daily or weekly basis about the liquidity risk situation of the individual institutions. Furthermore a comprehensive daily report on the classical liquidity risk is generated at Group level.

### Liquidity Risk – Development in 2010

The Financial Market is still in a very tense mood during the course of 2010. The Group’s availability of liquid funds was guaranteed at all times and improved in comparison to the previous year.

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

### Cumulative Outflow of Liquidity (NORD/LB Luxembourg Group)



There was compliance with the methods prescribed for the internal control of liquidity during the year under report; likewise the regulatory requirements were always met throughout the financial year. At the same time NORD/LB Luxembourg achieved a structural improvement in the liquidity progress review by taking up liquidity in the short and long term.

NORD/LB Luxembourg holds itself responsible for the control of liquidity maturity for the Group. The keeping of liquidity stocks was reduced in the liquidity maturity balance sheet. Overall the Group optimised its liquidity maturity balance sheet substantially.

### Liquidity Risk – Outlook

By managing its liquidity risk to an extent beyond that required by regulatory provisions, the Group ensures that it is always in a position to meet its payment obligations on time and can take up refinancing funds at reasonable conditions on the market.

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

Close observation of the markets and active liquidity management ensured that the Bank had a sufficient supply of liquidity during the first half of the year. We do not expect any further substantial increases in liquidity risk in the second half-year.

In the second half-year of 2010 the methods and risk measuring procedures will be further optimised. Within the scope of the group-wide liquidity management project, methods for liquidity risks in foreign currencies are also being improved.

## Operational Risk

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

### Operational Risk – Control

#### Strategy

The main objective is to avoid operational risks to the extent that it is economically viable. The Group understands this to mean that it should protect itself against operational risks, provided that the cost of the protection does not exceed the cost of the risks that may occur.

#### Organisational Units

Members of the respective Boards of Directors, Controlling, Internal Audit and all other divisions are involved in the process of controlling operational risks. The Board stipulates the basic method of handling operational risks, taking into consideration the risk situation for the Bank as a whole. Within the defined framework conditions, the responsibility for controlling operational risks is decentralised and is borne by the individual divisions. Controlling is responsible for the central monitoring of operational risks and the independent reporting of these risks. This division is also responsible, in cooperation with the Group's parent company, for specifying the methods to be applied, for properly implementing centralised methods, and for coordinating the implementation of decentralised methods.



### Operational Risk – Management

Safety and contingency concepts have been put in place for the purpose of protecting persons and tangible assets; among other things they regulate the use of buildings, the procurement of replacement operating and office equipment, and the supply of energy. The top priority is maintaining the health of employees. Therefore, the safety officer is responsible for promoting and enforcing health protection and occupational safety.

In the IT division, instructions on procedures, alternative capacities and backups ensure that the IT infrastructure is adequately stable. Safety concepts and contingency plans supplement the pre-emptive measures in order to prevent loss or damage resulting from the failure, tampering or manipulation of systems and information.

Process-related and structural organisational risks are countered with well-organised structures and procedures. Regular interaction between all of the divisions involved in the process of controlling operational risks is continuously guaranteed.

The Group has appropriate insurance protection. The Legal Department is to be consulted with regard to securing legal risks, for example when legal steps are to be initiated and when contracts are concluded.

Natural disasters and terrorist attacks are defined as force majeure. These risks are handled with contingency concepts and a disaster recovery centre.

## Operational Risk – Measurement

The Group has been collecting data on loss events arising from operational risks since the start of 2005, and has classified these events according to cause and effect. There is no "insignificant" level, although a simplified reporting process is applied for gross losses of less than EUR 1000. Data in the loss databank provides the basis for analyses in support of risk management and in the future will be an important foundation for creating a statistical-mathematical risk model.

The collected loss events are incorporated into the data consortium DakOR initiated by the Bundesverband Öffentlicher Banken Deutschlands e.V. (VÖB). NORD/LB uses the loss events reported by the consortium to improve the database of the advanced measurement model for operational risks, which is still in the development stage (advanced measurement approach – AMA).

The collection of loss events relating to the past is added to the future components with the aid of the self-assessment methods carried out in the Group on an annual basis. Expert appraisals provide detailed insight into the risk situation of the Bank's individual divisions, so that relevant measures can be derived if necessary. The self-assessment is conducted using a list of generic questions concerning both qualitative and quantitative issues and individual scenarios.

## Operational Risk – Reporting

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

## Operational Risk – Development in 2010

The value-at-risk calculation that was shown for the first time in 2007 as a control dimension for operational risks in the internal risk-bearing capacity concept was significantly improved in 2008. This means that external data from the DakOR consortium is now included in the internal model alongside internal data and scenario analyses, and correlation effects were also considered for the first time. A loss distribution approach is implemented here in which elements of extreme value theory are used; a Gauss Copula function is used to model dependencies at the frequency level. It was also possible to increase the granularity of the

model. By making improvements that are very much in line with the requirements of SolvV, the fundamental conditions for introducing an advanced measurement approach (AMA) are fulfilled.

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

Loss Event Databank Net Loss as a Percentage of the total Amount of Loss		
Category	2010	2009
External Influences	100.0	4.1
Internal Procedures	0.0	4.6
Staff	0.0	91.3
Technology	0.0	0.0

## Operational Risk – Outlook for 2010

NORD/LB Luxembourg, in close cooperation with NORD/LB, continues to endeavour to apply an advanced measurement approach (AMA) for operational risk. In addition, the internal model is to be made more complete in order to meet AMA requirements in accordance with SolvV. Steps being taken include the fine-tuning of the management of operational risk on the basis of the internal model and the further expansion of the control of measures in op-risk management. To improve the internal control system the operational risk control methods are to be made increasingly process-oriented. Extensive improvements to the methods and processes that have already been implemented are planned for 2010. Furthermore the development and implementation of early warning indicators are being worked on as well as a transformation of self-assessment to risk assessment. Audit results and data from the loss event databank are to be included in this alongside the components from self-assessment.

## Other Risks

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

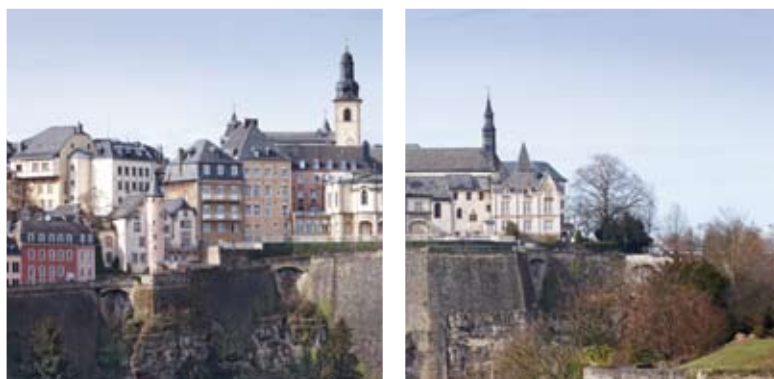
## Summary and Outlook

The Group has accounted for all known risks by employing precautionary measures. The appropriate tools have been implemented in order to identify risks promptly.

The core element of the risk strategy is the risk-bearing capacity model (RBC model). The willingness to take risk is determined on the basis of the risk strategy and risk-bearing capacity; developments are regularly monitored using the RBC model.

In the RBC model the available risk capital is compared to the summarised credit, investment, market price, liquidity and operational risks in each individual institution on a quarterly basis. The volume of risk capital involved is defined in three stages, to be utilised successively to cover unforeseen losses which may arise in the event of an (unforeseen) occurrence of risk. A group RBC is generated biannually within the scope of the risk report for the ICAAP. Control is done via the RBC of the respective individual institution.

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



In the first half-year of 2010 NORD/LB Luxembourg and its autonomous subsidiaries, which are subject to a duty to report, fulfilled the regulatory provisions on equity and liquidity at all times. Likewise the Group took account of the provisions relating to large credit limits in accordance with Luxembourg and German law in the first half-year of 2010.

The methods and processes that are currently used to control significant risks are subject to ongoing verification and are refined as necessary. The improvements relating to particular types of risk which were specifically targeted in the second half-year of 2010 are described in the relevant sections.

## Personnel Report

### Number of Employees

The number of personnel at the Bank has changed as follows as compared to the last day of the previous fiscal year:

Reporting Date	30.06.2010	31.12.2009	Absolute Change	Increase/ Decrease (%)
NORD/LB Luxembourg	142	139	3	2
Skandifinanz	13	13	0	0
NORD/LB CFB	8	7	1	14
<b>Total Number of Employees</b>	<b>163</b>	<b>159</b>	<b>4</b>	<b>0</b>

The back office, organisational and management functions of NORD/LB CFB are performed by either NORD/LB Luxembourg or NORD/LB on the basis of non-gratuitous contracts for services.

### Personnel Changes

Mr Martin Halblaub, Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, left the Supervisory Boards of NORD/LB Luxembourg and NORD/LB CFB on 11 January 2010.

Mr Thorsten Schmidt, Director of Treasury at NORD/LB Luxembourg was appointed to the Board of Directors of NORD/LB Luxembourg by the Supervisory Board with effect from 1 July 2010.







For computational reasons, the following tables may contain rounding differences. The Notes that follow are an integral component of the interim financial statement.

## Consolidated Income Statement

For the reporting period from 1 January to 30 June 2010:

	Notes	01.01. – 30.06.2010 (KEUR)	01.01. – 30.06.2009 (KEUR)
<b>Net Interest Income</b>	<b>6</b>	<b>65,038</b>	<b>91,478</b>
Interest Income		401,190	647,756
Interest Expense		336,152	556,277
<b>Loan Loss Provisions</b>	<b>7</b>	<b>-9,470</b>	<b>-69,783</b>
<b>Net Commission Income</b>	<b>8</b>	<b>-12,572</b>	<b>7,256</b>
Commission Income		16,556	21,496
Commission Expense		29,129	14,241
<b>Profit/Loss from financial Instruments at Fair Value through Profit or Loss</b>	<b>9</b>	<b>-579</b>	<b>10,055</b>
Trading Profit/Loss		-400	8,359
Profit/Loss from the Fair Value Option		-179	1,695
<b>Profit/Loss from Hedge Accounting</b>	<b>10</b>	<b>-1,194</b>	<b>708</b>
<b>Profit/Loss from financial Assets</b>	<b>11</b>	<b>1,526</b>	<b>1,241</b>
<b>Administrative Expenses</b>	<b>12</b>	<b>16,739</b>	<b>15,286</b>
Staff Expenses		8,180	8,162
Other administrative Expenses		8,382	6,311
Depreciation of Property, Plant and Equipment		90	167
Depreciation on intangible Assets		87	646
<b>Other operating Profit/Loss</b>	<b>13</b>	<b>-1,008</b>	<b>-1,654</b>
<b>Earnings before Taxes (EBT)</b>		<b>25,001</b>	<b>24,015</b>
<b>Income Taxes</b>	<b>14</b>	<b>1,217</b>	<b>4,827</b>
<b>Profit for the Year</b>		<b>23,784</b>	<b>19,188</b>
Of which: attributable to Shareholders		23,784	19,188

## Statement of Income and Expense recognised within the Group

Total income for the period under report comprises income and expense recognised in the income statement and directly in equity.

	01.01. – 30.06.2010 (KEUR)	01.01. – 30.06.2009 (KEUR)
<b>Profit for the Year</b>	<b>23,784</b>	<b>19,188</b>
Increase/Decrease from Available-for-Sale (AfS) financial Instruments	–25,469	20,887
Of which unrealised Profit/Losses	–26,995	19,058
Of which Reclassifications on the Grounds of Profit/Loss Realisation	1,526	1,829
Insurance math. Profit/Loss in Performance related Pension Provisions	0	0
Deferred Taxes	7,284	–6,903
Exchange Rate Differences of foreign Business Units	4,230	1,522
<b>Profit/Loss recognised directly in Equity</b>	<b>–13,955</b>	<b>15,506</b>
<b>Total Income for the Period</b>	<b>9,829</b>	<b>34,694</b>
Of which: attributable to Shareholders	9,829	34,694

## Consolidated Balance Sheet

Assets	Notes	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)
Cash Reserve	15	51.0	207.4
Loans and Advances to Banks	16	5,826.4	7,102.7
Loans and Advances to Customers	17	5,687.3	6,063.9
Risk Provisions	18	-194.5	-220.6
Financial Assets at Fair Value through Profit or Loss	19	748.6	316.0
Derivatives – Fair Values from Hedge Accounting	20	358.3	217.1
Financial Assets	21	10,208.2	9,959.5
Property, Plant and Equipment	22	49.1	33.7
Intangible Assets	23	1.6	0.3
Income Tax Assets		41.3	31.9
Other Assets		5.5	4.9
<b>Total Assets</b>		<b>22,782.8</b>	<b>23,716.8</b>

Equity and Liabilities	Notes	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)
Liabilities to Banks	24	11,747.2	12,853.9
Liabilities to Customers	25	3,970.4	4,362.9
Securitised Liabilities	26	4,772.5	4,880.4
Financial Liabilities at Fair Value through Profit or Loss	27	613.8	224.1
Fair Values from Hedge Accounting	28	885.9	536.1
Provisions	29	8.4	12.1
Income Tax Liabilities		14.1	9.3
Other Liabilities	30	51.7	43.1
Subordinated Capital	31	101.9	86.8
<b>Equity</b>		<b>616.8</b>	<b>708.1</b>
Issued Capital		205.0	205.0
Capital Reserves		0.0	0.0
Revenue Reserves		462.6	540.0
Revaluation Reserve		-55.6	-37.4
Currency Translation Reserve		4.8	0.6
<b>Total Equity and Liabilities</b>		<b>22,782.8</b>	<b>23,716.8</b>

## Abridged Consolidated Cash Flow Statement

	2010 (EUR Million)	2009 (EUR Million)
Cash and Cash Equivalents as of 1 January	207.4	96.2
Cash Flow from operating Activities	-173.4	446.7
Cash Flow from investment Activities	116.7	-385.8
Cash Flow from financing Activities	-99.7	-13.6
Cash Flow Total	-156.3	47.3
Effects of Exchange Rate Differences and Valuation Changes and Changes in the Basis of Consolidation	0.0	0.0
Cash and Cash Equivalents as of 30 June	51.0	143.5



## Statement of Changes in Equity

EUR Million	Issued Capital	Capital Reserves	Revenue Reserves	Revaluation Reserves	Currency Translation Reserve	Equity
<b>Equity at 01.01.09</b>	<b>205.0</b>	<b>0.0</b>	<b>567.0</b>	<b>- 80.9</b>	<b>1.2</b>	<b>692.2</b>
Profit for the Year – Distribution	–	–	–	–	–	–
Profit for the Year – carried forward	–	–	- 7.5	–	–	- 7.5
Increase/Decrease from AfS Financial Instruments	–	–	–	43.5	–	43.5
Increase/Decrease from Capital Receipts and Payments	–	–	- 18.8	–	–	- 18.8
Currency Translation	–	–	–	–	- 0.6	- 0.6
Consolidation Effects and other Capital Changes	–	–	- 0.8	–	–	- 0.8
<b>Equity at 31.12.2009</b>	<b>205.0</b>	<b>0.0</b>	<b>540.0</b>	<b>- 37.4</b>	<b>0.6</b>	<b>708.1</b>
Distribution	–	–	–	–	–	–
Profit for the Year	–	–	23.8	–	–	23.8
Increase/Decrease from AfS Financial Instruments	–	–	–	- 18.2	–	- 18.2
Increase/Decrease from Capital Receipts and Payments	–	–	- 100.0	–	–	- 100.0
Currency Translation	–	–	–	–	4.2	4.2
Consolidation Effects and other Capital Changes	0.0	–	- 1.1	–	–	- 1.1
<b>Equity at 30.06.10</b>	<b>205.0</b>	<b>0.0</b>	<b>462.6</b>	<b>- 55.6</b>	<b>4.8</b>	<b>616.8</b>





# Accounting Policies

## (1) Principles for the Preparation of the financial Statements

The Group's interim financial statement to 30 June 2010 was prepared on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). In particular, IAS 34 was applied in order to meet the requirements for an interim financial statement.

The interim financial statement comprises the Group's income statement, the statement of income and expense recognised within the Group, the consolidated balance sheet, the abridged consolidated cash flow statement, the statement of changes in equity, and selected explanatory information provided in the notes. Segment reporting is carried out within the scope of the notes. Risk reporting in accordance with IFRS 7 is essentially carried out in the separate report on the risks and rewards of future development (risk report) as part of the management report.

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

## (2) Applied Accounting Policies

The accounting policies applied to the interim financial statement are based on those of the consolidated annual financial statements for the period ended 31 December 2009. The financial assets and liabilities at Fair Value are

determined in the consolidated interim financial statement in accordance with the fair value hierarchy at 31 December 2009. In the interim financial statement there are no significant changes with regard to the distribution of volumes and numbers of financial assets and liabilities valued according to Level 1, Level 2 and Level 3.

As at 30 June 2010 the changes from the annual improvements project 2009 and the amended standard IFRS 3 Business Combinations (rev. 2008) and IAS 27 Consolidated and Separate Financial Statements (rev. 2008) were taken into account.

There are no significant effects on the accounting, valuation and presentation of the consolidated interim financial statement resulting from the application of the aforementioned changes.

## (3) Basis of Consolidation

Two subsidiaries (including special purpose entities in accordance with SIC-12), in which NORD/LB Luxembourg holds more than 50% of the voting rights directly or indirectly or can otherwise exercise a controlling influence, are included in the consolidated financial statement along with NORD/LB Luxembourg as parent company.

### Subsidiaries included:

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

## Segment Reporting

### Classification by Business Segment

Segment reporting is done in accordance with IFRS 8. It serves to provide information about the Bank's business segments and is carried out in agreement with the Bank's business model on the basis of the internal reporting process. The segments are defined as customer or product groups that are in line with the Bank's organisational structures.

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

#### **Savings Bank Network**

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

#### **Private Banking**

Business with wealthy private customers is shown under this item.

#### **Financial Markets**

This includes in particular all sectors of the Group involved in investment banking including Treasury and Strategic Investments of NORD/LB Luxembourg as well as Public Finance and Treasury of NORD/LB CFB.

#### **Structured Finance**

This includes the business of Skandifinanz Bank AG, Zürich. The main activities of Skandifinanz are forfeiting, other trade-related financial transactions and international Private Banking. All the business activities of Skandifinanz are shown in the business sector Structured Finance in coordination with NORD/LB.

#### **Group Cooperation**

This segment shows the lending business transferred by the Group.

#### **Bank Controlling/Other**

This segment contains other positions and bridging positions.

### Classification by Region

Classification by geographical segment focuses on the counterparty's home country. Expenses and income are determined in relation to the segment's assets and liabilities.

## (4) Classification by Business Segment

EUR Million	Savings Bank Network	Private Banking	Financial Markets	Structured Finance	Group Cooperation	Bank Controlling/ Other	Total
<b>Net Interest Income</b>	<b>0.9</b>	<b>0.7</b>	<b>28.2</b>	<b>-0.6</b>	<b>34.5</b>	<b>1.3</b>	<b>65.0</b>
do. 30 June 2009	0.9	0.9	40.0	2.4	39.1	8.3	91.5
<b>Loan Loss Provisions</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.6</b>	<b>0.0</b>	<b>-8.8</b>	<b>0.0</b>	<b>-9.5</b>
do. 30 June 2009	0.0	0.0	-2.7	0.0	-67.1	0.0	-69.8
<b>Net Interest Income after Loan Loss Provisions</b>	<b>0.9</b>	<b>0.7</b>	<b>27.6</b>	<b>-0.6</b>	<b>25.7</b>	<b>1.3</b>	<b>55.6</b>
do. 30 June 2009	0.9	0.9	37.3	2.4	-28.0	8.3	21.8
<b>Net Commission Income</b>	<b>-0.8</b>	<b>4.5</b>	<b>-1.0</b>	<b>0.5</b>	<b>-15.4</b>	<b>-0.4</b>	<b>-12.6</b>
do. 30 June 2009	-0.7	3.5	-0.8	0.4	4.9	0.0	7.3
<b>Profit/Loss from financial Instruments at Fair Value through Profit or Loss</b>	<b>0.0</b>	<b>0.0</b>	<b>-15.6</b>	<b>0.7</b>	<b>0.0</b>	<b>14.3</b>	<b>-0.6</b>
do. 30 June 2009	0.0	0.0	-10.0	0.1	0.0	0.0	10.1
<b>Profit/Loss from Hedge Accounting</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.6</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.6</b>	<b>-1.2</b>
do. 30 June 2009	0.0	0.0	0.0	0.0	0.0	0.7	0.7
<b>Profit/Loss from financial Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>3.5</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.0</b>	<b>1.5</b>
do. 30 June 2009	0.0	0.0	1.2	0.0	0.0	0.0	1.2
<b>Total Revenue</b>	<b>0.2</b>	<b>5.1</b>	<b>13.9</b>	<b>0.6</b>	<b>10.3</b>	<b>12.7</b>	<b>42.7</b>
do. 30 June 2009	0.2	4.4	47.7	2.8	-23.1	9.0	41.0
<b>Administrative Expenses</b>	<b>0.1</b>	<b>3.6</b>	<b>5.0</b>	<b>1.5</b>	<b>1.5</b>	<b>5.1</b>	<b>16.7</b>
do. 30 June 2009	0.1	3.8	5.6	1.0	1.5	3.3	15.3
<b>Operating Profit/Loss</b>	<b>0.1</b>	<b>1.5</b>	<b>8.9</b>	<b>-0.9</b>	<b>8.8</b>	<b>7.6</b>	<b>26.0</b>
do. 30 June 2009	0.1	0.5	42.2	1.8	-24.6	5.7	25.7
<b>Other Income/Expenses</b>	<b>0.0</b>	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.9</b>	<b>-1.0</b>
do. 30 June 2009	0.0	0.0	0.3	0.0	0.0	-2.0	-1.7
<b>Operating Profit/Loss before Taxes</b>	<b>0.1</b>	<b>1.5</b>	<b>9.8</b>	<b>-0.9</b>	<b>8.8</b>	<b>5.7</b>	<b>25.0</b>
do. 30 June 2009	0.1	0.5	42.4	1.8	-24.6	3.7	24.0
<b>Segment Assets</b>	<b>358.0</b>	<b>41.0</b>	<b>15,535.8</b>	<b>63.2</b>	<b>5,073.0</b>	<b>1,711.8</b>	<b>22,782.8</b>
do. 31 December 2009	342.0	56.0	16,494.3	318.8	5,559.0	946.7	23,716.8
<b>Segment Liabilities</b>	<b>0.0</b>	<b>246.0</b>	<b>24,941.0</b>	<b>120.1</b>	<b>0.0</b>	<b>-2,524.3</b>	<b>22,782.8</b>
do. 31 December 2009	0.0	238.0	22,723.3	280.2	0.0	475.3	23,716.8

## Further Segment Information:

EUR Million	Savings Bank Network	Private Banking	Financial Markets	Structured Finance	Group Cooperation	Bank Controlling/ Other	Total
<b>Property, Plant and Equipment, net</b>	<b>0.1</b>	<b>16.7</b>	<b>11.9</b>	<b>0.0</b>	<b>3.5</b>	<b>16.8</b>	<b>49.1</b>
do. 31 December 2009	0.1	3.0	13.5	0.0	2.9	14.3	33.7
<b>Depreciation of Property, Plant and Equipment, current Year</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>-0.1</b>
do. 30 June 2009	0.0	0.0	-0.1	0.0	0.0	0.0	-0.2
<b>Intangible Assets, net</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.2</b>	<b>1.3</b>	<b>1.6</b>
do. 31 December 2009	0.0	0.0	0.1	0.0	0.2	0.0	0.3
<b>Depreciation of intangible Assets, current Year</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>-0.1</b>
do. 30 June 2009	0.0	-0.1	-0.1	0.0	-0.4	0.0	-0.6
<b>Value Adjustments on financial Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
do. 30 June 2009	0.0	0.0	-2.6	0.0	0.0	0.0	-2.6

## (5) Classification by geographical Segment

EUR Million	Germany	Luxembourg	Switzerland	Rest of Europe	USA	Rest of America	Other Countries	Total
<b>Operating Profit/Loss before Taxes</b>	<b>8.0</b>	<b>3.9</b>	<b>0.8</b>	<b>7.7</b>	<b>2.4</b>	<b>0.3</b>	<b>1.9</b>	<b>25.0</b>
do. 30 June 2009	8.7	3.0	0.8	7.2	2.4	0.4	1.5	24.0
<b>Segment Assets</b>	<b>8,020.5</b>	<b>718.7</b>	<b>152.4</b>	<b>8,450.5</b>	<b>3,185.8</b>	<b>470.0</b>	<b>1,784.9</b>	<b>22,782.8</b>
do. 31 December 2009	8,960.0	960.0	189.2	9,132.7	2,896.4	455.2	1,123.4	23,716.8
<b>Segment Liabilities</b>	<b>7,527.0</b>	<b>7,219.1</b>	<b>2,569.2</b>	<b>4,966.4</b>	<b>24.5</b>	<b>134.9</b>	<b>341.7</b>	<b>22,782.8</b>
do. 31 December 2009	8,189.9	6,443.3	3,260.1	5,281.6	155.4	26.9	359.6	23,716.8
Further Segment Information:								
<b>Property, Plant and Equipment, net</b>	<b>0.0</b>	<b>49.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>49.1</b>
do. 31 December 2009	0.0	33.7	0.0	0.0	0.0	0.0	0.0	33.7
<b>Intangible Assets, net</b>	<b>0.0</b>	<b>1.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.6</b>
do. 31 December 2009	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.3



## Notes to the Income Statement

### (6) Net Interest Income

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

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

	01.01. – 30.06.2010 (KEUR)	01.01. – 30.06.2009 (KEUR)	Increase/ Decrease (%)
<b>Interest Income</b>	<b>401,190</b>	<b>647,756</b>	<b>-38</b>
Interest Income from Lending and Money Market Transactions	145,978	230,033	-37
Interest Income from fixed Income and Book Entry Securities	135,073	203,021	-33
Current Income	0	9,370	-100
From Shares and other variable Yield Securities	0	0	-
From participating Interests	0	9,370	-100
Interest Income from Hedge Derivatives	120,139	205,331	-41
Other Interest Income and similar Income	0	0	-
<b>Interest Expense</b>	<b>-336,152</b>	<b>-556,277</b>	<b>-40</b>
Interest Expense from lending and Money Market Transactions	-94,748	-179,055	-47
Interest Expense from securitised Liabilities	-58,815	-104,897	-44
Interest Expense from subordinated Capital	-291	-4,931	-94
Interest Expense from Hedge Derivatives	-180,627	-267,394	-32
Interest Expense for Provisions and Liabilities	0	0	-
Other Interest Expense and similar Expense	-1,670	0	-
<b>Total</b>	<b>65,038</b>	<b>91,478</b>	<b>-29</b>

## (7) Loan Loss Provisions

	01.01. – 30.06.2010 (KEUR)	01.01. – 30.06.2009 (KEUR)	Increase/ Decrease (%)
<b>Income from Loan Loss Provisions</b>	<b>13,017</b>	<b>0</b>	<b>–</b>
Reduction in Provisions for Claims	2,845	0	–
Reductions in portfolio-based Provisions for Receivables	9,797	0	–
Reversal of Provisions in Lending Business	376	0	–
Additions to Receivables written off	0	0	–
<b>Loan Loss Provision Expense</b>	<b>22,488</b>	<b>69,783</b>	<b>–68</b>
Allocations to Provisions for Claims	21,854	63,707	–66
Allocation to portfolio-based Provisions for Claims	634	1,866	–66
Allocation to Provisions for Lending Business	0	4,210	–100
Direct write-offs of Claims	0	0	–
<b>Total</b>	<b>–9,470</b>	<b>–69,783</b>	<b>–86</b>

The allocation to provisions for claims relates to the increase and new formation of Provisions for loans at risk from default.

## (8) Net commission Income

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

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

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

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

	01.01. – 30.06.2010 (KEUR)	01.01. – 30.06.2009 (KEUR)	Increase/ Decrease (%)
<b>Commission Income</b>	<b>16,556</b>	<b>21,496</b>	<b>–23</b>
From Security and Custody Transactions	2,116	2,387	–11
From Brokerage Transactions	1,018	918	11
From Lending and Guarantee Transactions	12,321	17,635	–30
Other Commission Income	1,102	557	98
<b>Commission Expense</b>	<b>29,129</b>	<b>14,241</b>	<b>&gt; 100</b>
From arranged Lending Business	17,506	11,819	48
From other Lending and Guarantee Business	10,454	1,187	> 100
Other Commission Expense	1,169	1,234	–5
<b>Total</b>	<b>–12,572</b>	<b>7,256</b>	<b>&gt; 100</b>

The fall in commission earnings in comparison to the previous year is due to the lower income from the lending and guarantee business as well as increasing expenses for arranged lending and guarantees. The commission expense in the first half-year of 2010 includes subsequent payments for previous years.

## (9) Profit/Loss from financial Instruments at Fair Value through Profit or Loss

	01.01. – 30.06.2010 (KEUR)	01.01. – 30.06.2009 (KEUR)	Increase/ Decrease (%)
<b>Trading Profit/Loss</b>	<b>– 400</b>	<b>8,59</b>	<b>&gt; 100</b>
Realised Profit/Loss	– 430	1,719	> 100
From debt Securities and other fixed Interest Securities	0	0	–
From Shares and other variable Yield Securities	0	0	–
From Derivatives	– 430	1,719	> 100
From other Trading Transactions	0	0	–
Measurement Gains/Losses	– 7,632	3,952	> 100
From debt Securities and other fixed Interest Securities	0	0	–
From Shares and other variable Yield Securities	0	0	–
From Derivatives	– 7,632	3,952	> 100
From other trading Transactions	0	0	–
Foreign exchange Profit/Loss	2,862	2,544	13
Other Profit/Loss	4,800	145	> 100
<b>Profit/Loss from the Fair Value Option</b>	<b>– 179</b>	<b>1,695</b>	<b>&gt; 100</b>
Realised Profit/Loss	0	0	–
From debt Securities and other fixed Interest Securities	0	0	–
From Shares and other variable Yield Securities	0	0	–
Other Transactions	0	0	–
Measurement Gains/Losses	– 179	1,695	> 100
From debt Securities and other fixed Interest Securities	– 179	1,695	> 100
From Shares and other variable Yield Securities	0	0	–
Other Transactions	0	0	–
Other Profit/Loss	0	0	–
<b>Total</b>	<b>– 579</b>	<b>10,055</b>	<b>&gt; 100</b>

Trading profit/loss includes the measurement gains/losses from trading activities (defined as unrealised expense and income from fair value measurement) as well as the realised profit/loss (defined as the difference between disposal proceeds and carrying amount at the last reporting date).

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

## (10) Profit/Loss from Hedge Accounting

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

	01.01. – 30.06.2010 (KEUR)	01.01. – 30.06.2009 (KEUR)	Increase/ Decrease (%)
<b>Profit/Loss from Micro Fair Value Hedge Transactions</b>	<b>– 1,194</b>	<b>708</b>	<b>&gt; 100</b>
From hedged underlying Transactions	155,737	– 177,476	> 100
From Derivatives used as hedging Instruments	– 156,932	178,184	> 100
<b>Profit/Loss from Portfolio Fair Value Hedge Transactions</b>	<b>0</b>	<b>0</b>	<b>–</b>
From hedged underlying Transactions	0	0	–
From Derivatives used as hedging Instruments	0	0	–
<b>Total</b>	<b>– 1,194</b>	<b>708</b>	<b>&gt; 100</b>

## (11) Profit/Loss from financial Assets

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

	01.01. – 30.06.2010 (KEUR)	01.01. – 30.06.2009 (KEUR)	Increase/ Decrease (%)
<b>Profit/Loss from financial Assets classified as LaR</b>	<b>0</b>	<b>– 588</b>	<b>– 100</b>
<b>Profit/Loss from financial Assets classified as AfS (no Joint Ownership)</b>	<b>1,526</b>	<b>1,829</b>	<b>– 17</b>
Profit/Loss from Disposal	1,526	1,829	– 17
Of debt Securities and other fixed Interest Securities	1,526	1,829	– 17
Of Shares and other variable Yield Securities	0	0	–
Of other financial Assets	0	0	–
Profit/Loss from Value Adjustments for	0		
Debt Securities and other fixed Interest Securities	0	0	–
Variable Yield Securities	0	0	–
<b>Profit/Loss from affiliated Companies</b>	<b>0</b>	<b>0</b>	<b>–</b>
<b>Profit/Loss from Joint Ventures and associated Companies</b>	<b>0</b>	<b>0</b>	<b>–</b>
<b>Profit/Loss from other participating Interests</b>	<b>0</b>	<b>0</b>	<b>–</b>
<b>Total</b>	<b>1,526</b>	<b>1,241</b>	<b>23</b>

## (12) Administrative Expenses

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

	01.01. – 30.06.2010 (KEUR)	01.01. – 30.06.2009 (KEUR)	Increase/ Decrease (%)
<b>Staff Expenses</b>	<b>8,180</b>	<b>8,162</b>	<b>0</b>
Wages and Salaries	7,080	6,724	5
Social Security Contributions	736	686	7
Expenses for Pension Provision	342	751	-55
Other Staff Expenses	22	0	-
<b>Other administrative Expenses</b>	<b>8,382</b>	<b>6,311</b>	<b>33</b>
Expense for operating and office Equipment and IT	3,682	2,166	70
Legal, Audit, Survey and professional Fees	1,021	822	24
Other administrative Expenses	3,678	3,323	11
<b>Depreciation and Impairments</b>	<b>178</b>	<b>814</b>	<b>-78</b>
Depreciation of Property, Plant and Equipment	90	167	-46
Depreciation on intangible Assets	87	646	-86
Impairments	0	0	-
<b>Total</b>	<b>16,739</b>	<b>15,286</b>	<b>10</b>

## (13) Other operating Profit/Loss

	01.01. – 30.06.2010 (KEUR)	01.01. – 30.06.2009 (KEUR)	Increase/ Decrease (%)
<b>Other operating Income</b>	<b>359</b>	<b>355</b>	<b>-1</b>
From the Reversal of Provisions	159	0	-
Other Income	200	355	-44
<b>Other operating Expenses</b>	<b>1,367</b>	<b>2,010</b>	<b>-32</b>
From the Allocation of Provisions	0	0	-
Other Expenses	1,367	2,010	-32
<b>Total</b>	<b>-1,008</b>	<b>-1,654</b>	<b>-39</b>

**(14) Income Taxes**

	01.01. – 30.06.2010 (KEUR)	01.01. – 30.06.2009 (KEUR)	Increase/ Decrease (%)
Current Income Taxes	3,380	5,019	– 33
Deferred Taxes	– 2,163	– 192	> 100
<b>Total</b>	<b>1,217</b>	<b>4,827</b>	<b>– 75</b>

The income taxes in the interim financial statement were calculated on the basis of the expected tax rate for the whole year. The underlying tax rate is based on the corporation and trade tax burdens applicable in Luxembourg in 2009/2010 on the reporting date in the sum of 28.59 %.

The current taxes in the first half-year of 2010 include rebates from the tax authorities for assessed previous years.



## Notes to the Balance Sheet

### (15) Cash Reserve

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Cash	0.9	1.0	-5
Balances with Central Banks	50.1	206.4	-76
<b>Total</b>	<b>51.0</b>	<b>207.4</b>	<b>-75</b>

### (16) Loans and Advances to Banks

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
<b>Receivables from Money Market Transactions</b>	<b>3,812.2</b>	<b>4,765.2</b>	<b>-20</b>
Luxembourg Banks	12.6	591.6	-98
Foreign Banks	3,799.7	4,173.6	-9
<b>Other Receivables</b>	<b>2,014.2</b>	<b>2,337.5</b>	<b>-14</b>
Luxembourg Banks	8.8	8.5	3
Due on Demand	4.8	4.5	6
Deferred	4.0	4.0	1
Foreign Banks	2,005.4	2,329.0	-14
Due on Demand	41.3	104.3	-60
Deferred	1,964.1	2,224.7	-12
<b>Total</b>	<b>5,826.4</b>	<b>7,102.7</b>	<b>-18</b>

## (17) Loans and Advances to Customers

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
<b>Receivables from Money Market Transactions</b>	<b>0.0</b>	<b>0.0</b>	<b>–</b>
Luxembourg Customers	0.0	0.0	–
Foreign Customers	0.0	0.0	–
<b>Other Receivables</b>	<b>5,687.3</b>	<b>6,063.9</b>	<b>–6</b>
Luxembourg Customers	76.2	458.5	–83
Due on Demand	1.0	0.8	19
Deferred	75.3	457.7	–84
Foreign Customers	5,611.1	5,605.4	0
Due on Demand	13.4	233.2	–94
Deferred	5,597.7	5,372.2	4
<b>Total</b>	<b>5,687.3</b>	<b>6,063.9</b>	<b>–6</b>

## (18) Risk Provisions

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
<b>Individual Value Adjustments for Receivables</b>	<b>–178.1</b>	<b>–195.0</b>	<b>–9</b>
Foreign Banks	–78.6	–72.4	9
Luxembourg Customers	0.0	0.0	–
Foreign Customers	–99.5	–122.7	–19
<b>Portfolio-based Provisions for Receivables</b>	<b>–16.4</b>	<b>–25.5</b>	<b>–36</b>
<b>Total</b>	<b>–194.5</b>	<b>–220.6</b>	<b>–12</b>

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

	Specific Value Adjustments (EUR Million)	Portfolio-based Provisions (EUR Million)	Provisions in Lending Business (EUR Million)	Total (EUR Million)
<b>31.12.2009</b>	<b>195.0</b>	<b>25.5</b>	<b>5.6</b>	<b>226.2</b>
Allocations	21.9	0.6	0.0	22.5
Reductions	2.8	9.8	0.4	13.0
Utilisation	41.0	0.0	3.6	44.6
Effects from Currency Translations, Unwinding and other Changes	5.1	0.0	0.6	5.7
<b>30.06.2010</b>	<b>178.1</b>	<b>16.4</b>	<b>2.2</b>	<b>196.6</b>

## (19) Financial Assets at Fair Value through Profit or Loss

This item includes trading assets (HfT) and financial assets designated at Fair Value (dFV). Trading activities comprise trading in debt securities and other fixed interest securities, shares, and other variable yield securities, as well as derivatives that are not used in Hedge Accounting.

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
<b>Trading Assets</b>	<b>667.5</b>	<b>240.2</b>	<b>&gt; 100</b>
Debt Securities and other fixed Interest Securities	0.0	0.0	–
Shares and other variable Yield Securities	0.0	0.0	–
<b>Positive Fair Values from Derivatives in Connection with:</b>	<b>667.5</b>	<b>240.2</b>	<b>&gt; 100</b>
Interest Rate Risks	70.9	69.0	3
Currency Risks	596.5	171.2	> 100
Share and other Price Risks	0.0	0.0	–
Trading Portfolio Claims	0.0	0.0	–
<b>Financial Assets designated at Fair Value</b>	<b>81.1</b>	<b>75.8</b>	<b>7</b>
Loans and Advances to Banks and Customers	0.0	0.0	–
Debt securities and other fixed Interest Securities	81.1	75.8	7
Shares and other variable Yield Securities	0.0	0.0	–
<b>Total</b>	<b>748.6</b>	<b>316.0</b>	<b>&gt; 100</b>

## (20) Fair Values from Hedge Accounting

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

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Positive Fair Values from allocated Micro Fair Value Hedge Derivatives	358.3	217.1	65
Fair Values from Derivatives in Portfolio Fair Value Hedge Accounting	0.0	0.0	–
<b>Total</b>	<b>358.3</b>	<b>217.1</b>	<b>65</b>

## (21) Financial Assets

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

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
<b>Financial Assets classified as LaR</b>	<b>3,663.3</b>	<b>3,381.0</b>	<b>8</b>
<b>Financial Assets classified as AfS</b>	<b>6,544.9</b>	<b>6,578.4</b>	<b>-1</b>
<b>Debt Securities and other fixed Interest Securities</b>	<b>6,524.6</b>	<b>6,558.4</b>	<b>-1</b>
Money Market Papers	70.3	57.6	22
From public Issuers	0.0	0.0	-
From other Issuers	70.3	57.6	22
Bonds and debt Securities	6,454.3	6,500.7	-1
From public Issuers	1,012.9	650.3	56
From other Issuers	5,441.3	5,850.4	-7
<b>Shares and other variable Yield Securities</b>	<b>20.3</b>	<b>20.1</b>	<b>1</b>
<b>Shares in Companies</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
<b>Total</b>	<b>10,208.2</b>	<b>9,959.5</b>	<b>2</b>

The Bank made use of the options under IAS 39.50E and reclassified 18 securities designated as AfS (bonds and debt securities) as LaR in 2008. The reclassification was done at Fair Value in the sum of EUR 620.3 million. The results from the reclassified securities, which were recognised in equity as not affecting profit or loss, amounted at the time of the reclassification to EUR -13.2 million. The pro rata reduction of this item is in accordance with IAS 39.54 in relation to net interest income. The effective interest rate for each security was determined for this purpose. Those interest rates ranged between 2.53 % and 6.46 %.

Without reclassification the results from these securities which were recognised in equity as not affecting profit or loss would have fallen to EUR -29.0 million on the reporting date (previous year EUR -18.6 million).

## (22) Property, Plant and Equipment

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Land and Buildings	23.0	23.0	0
Operating and Office Equipment	0.6	0.4	45
Property under Construction	25.6	10.3	> 100
Other Property, Plant and Equipment	0.0	0.0	-
<b>Total</b>	<b>49.1</b>	<b>33.7</b>	<b>46</b>

## (23) Intangible Assets

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Software	1.6	0.3	> 100
Acquired for Consideration	1.6	0.3	> 100
Self-produced	0.0	0.0	–
Intangible Assets under Development	0.0	0.0	–
Other	0.0	0.0	–
<b>Total</b>	<b>1.6</b>	<b>0.3</b>	<b>&gt; 100</b>

The Group continues to use fully depreciated software.

## (24) Liabilities to Banks

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
<b>Deposits from other Banks</b>	<b>2,601.3</b>	<b>3,444.1</b>	<b>–24</b>
Luxembourg Banks	0.0	503.8	–100
Foreign Banks	2,601.3	2,940.3	–12
<b>Liabilities arising from Money Market Transactions</b>	<b>9,143.1</b>	<b>9,409.6</b>	<b>–3</b>
Luxembourg Banks	1,178.4	348.4	> 100
Foreign Banks	7,964.7	9,061.2	–12
<b>Other Liabilities</b>	<b>2.8</b>	<b>0.2</b>	<b>&gt; 100</b>
Luxembourg Banks	0.6	0.1	> 100
Due on Demand	0.6	0.1	> 100
Deferred	0.0	0.0	–
Foreign Banks	2.2	0.1	> 100
Due on Demand	2.2	0.1	> 100
Deferred	0.0	0.0	–
<b>Total</b>	<b>11,747.2</b>	<b>12,853.9</b>	<b>–9</b>

## (25) Liabilities to Customers

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
<b>Savings Deposits</b>	<b>0.0</b>	<b>0.0</b>	<b>–</b>
<b>Liabilities arising from Money Market Transactions</b>	<b>3,388.2</b>	<b>3,877.8</b>	<b>–13</b>
Luxembourg Customers	209.3	25.4	> 100
Foreign Customers	3,179.0	3,852.4	–17
<b>Other liabilities</b>	<b>582.2</b>	<b>485.1</b>	<b>20</b>
Luxembourg Customers	37.2	56.9	–35
Due on Demand	34.6	54.3	–36
Deferred	2.6	2.6	–1
Foreign Customers	545.0	428.2	27
Due on Demand	101.7	60.8	67
Deferred	443.3	367.3	21
<b>Total</b>	<b>3,970.4</b>	<b>4,362.9</b>	<b>–9</b>

## (26) Securitised Liabilities

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Issued debt Securities	4,084.7	4,377.0	–7
Money Market Papers/Commercial Papers	687.8	503.4	37
Other securitised Liabilities	0.0	0.0	–
<b>Total</b>	<b>4,772.5</b>	<b>4,880.4</b>	<b>–2</b>

## (27) Financial Liabilities at Fair Value through Profit or Loss

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

Trading liabilities comprise negative fair values from derivative financial instruments that are not used within the scope of Hedge Accounting and short sale delivery obligations.

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

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
<b>Trading Liabilities</b>	<b>613.8</b>	<b>224.1</b>	<b>&gt; 100</b>
Negative Fair Values from Derivatives in Connection with:	613.8	224.1	> 100
Interest Rate Risks	107.9	89.3	21
Currency Risks	506.0	134.8	> 100
Share and other Price Risks	0.0	0.0	–
Credit Derivatives	0.0	0.0	–
Short Sale Delivery Obligations	0.0	0.0	–
<b>Financial Liabilities designated at Fair Value</b>	<b>0.0</b>	<b>0.0</b>	<b>–</b>
Liabilities to Banks and Customers	0.0	0.0	–
Securitised Liabilities	0.0	0.0	–
<b>Total</b>	<b>613.8</b>	<b>224.1</b>	<b>&gt; 100</b>

## (28) Fair Values from Hedge Accounting

This item comprises negative fair values from hedging instruments arising from hedging relationships.

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Negative Fair Values from allocated Micro Fair Value Hedge Derivatives	885.9	536.1	65
Fair Values in Portfolio Fair Value Hedge Accounting	0.0	0.0	–
Fair Values in Cash Flow Hedge Accounting	0.0	0.0	–
<b>Total</b>	<b>885.9</b>	<b>536.1</b>	<b>65</b>



## (29) Provisions

Provisions are broken down as follows:

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
<b>Provisions for Pensions and similar Obligations</b>	<b>1.3</b>	<b>1.3</b>	<b>0</b>
Other Provisions	7.1	10.8	-35
Provisions in Lending Business	2.2	5.6	-60
Restructuring Provisions	0.5	0.5	0
Provisions for threatened Losses	0.0	0.0	-
Provisions for uncertain Liabilities	4.4	4.8	-8
Insurance Business Provisions	0.0	0.0	-
<b>Total</b>	<b>8.4</b>	<b>12.1</b>	<b>-31</b>

## (30) Other Liabilities

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Liabilities from outstanding Invoices	5.8	6.4	-9
Liabilities from Contributions	0.0	0.0	-
Liabilities from short term Remuneration of Workers	2.3	2.3	-2
Accruals and deferred Income	21.3	12.9	65
Liabilities from payable Taxes and social Security Contributions	1.4	2.0	-31
Other Liabilities	20.9	19.4	7
<b>Total</b>	<b>51.7</b>	<b>43.1</b>	<b>20</b>

### (31) Subordinated Capital

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

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)	Increase/ Decrease (%)
Subordinated Liabilities	101.9	86.8	17
Profit Participation Capital	0.0	0.0	–
Contributions from silent Partners	0.0	0.0	–
<b>Total</b>	<b>101.9</b>	<b>86.8</b>	<b>17</b>

### (32) Notes to the Statement of Changes in Equity

The subscribed capital of NORD/LB Luxembourg amounted to EUR 205 million at the balance sheet date and comprises 820,000 registered no-par value shares. The subscribed capital is fully paid up. No changes occurred over the course of the first-half of the financial year.

The individual components of the equity and their performance in the years 2009 and the first half-year of 2010 can be seen in the statement of changes in equity.

The revenue reserves comprise the amounts accumulated in previous reporting years and allocations to reserves and profit /loss carried forward from the profit for the year. The negative differences (badwill) determined as part of the first-time consolidation are deducted from the revenue reserves.

On 19 February 2010 EUR 100.0 million was paid out to the shareholder from the revenue reserves.

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

## Other Disclosures

### (33) Derivative financial Instruments

The Group uses derivative financial instruments for hedging purposes as part of asset/liability management.

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

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

The composition of the derivative portfolio is as follows:

EUR Million	Nominal Values 30.06.2010	Nominal Values 31.12.2009	Market Values positive 30.06.2010	Market Values positive 31.12.2009	Market Values negative 30.06.2010	Market Values negative 31.12.2009
Interest Rate Risks	12,841.2	16,474.9	429.2	230.6	993.8	564.5
Currency Risks	13,765.5	14,247.8	596.5	226.7	506.0	195.8
Share and other Price Risks	0.0	0.0	0.0	0.0	0.0	0.0
Credit Derivatives	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>26,606.7</b>	<b>30,722.8</b>	<b>1,025.8</b>	<b>457.3</b>	<b>1,499.8</b>	<b>760.3</b>

### (34) Basic regulatory Data

The risk-weighted asset values and the regulatory equity are based on the rules and requirements set out in the German Solvency Regulation and IFRS.

#### Risk-Weighted Asset Values

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)
Risk Assets	5,376.6	5,132.5
Market Risk Positions	70.5	176.7
<b>Total</b>	<b>5,447.1</b>	<b>5,309.2</b>

**Regulatory Equity**

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)
Contributed Capital	205.0	205.0
Other Reserves	443.6	541.6
Special Item for general Banking Risks (in Accordance with Section 63 of the Law dated 17 June 1992)	0.0	0.0
Remaining Components	-1.6	-0.3
<b>Core Capital</b>	<b>647.0</b>	<b>746.3</b>
Capital Contributions from silent Partners (upper tier 2 Capital)	0.0	0.0
Subordinated debt Securities (recognisable Part, upper tier 2 Capital)	101.9	86.8
<b>Supplementary Capital</b>	<b>101.9</b>	<b>86.8</b>
Items deductible from Core (tier 1) and supplementary (tier 2) Capital	0.0	0.0
<b>Liable Equity</b>	<b>748.9</b>	<b>833.0</b>
Tier three Funds	0.0	0.0
<b>Equity Capital</b>	<b>748.9</b>	<b>833.0</b>

Revaluation reserves are not taken into account in regulatory equity. The Bank exercised its right to choose accordingly.

**Minimum Capital Ratios**

The Bank complied at all times with the regulatory minimum capital ratios in 2009 and during the first half-year of 2010. At the respective balance sheet dates, the Bank had the following ratios:

	30.06.2010	31.12.2009
Overall Coefficient	13.7 %	15.7 %
Core Capital Ratio	11.9 %	14.1 %

### (35) Contingent Liabilities and other Obligations

	30.06.2010 (EUR Million)	31.12.2009 (EUR Million)
Contingent Liabilities	691.6	713.0
Contingent Liabilities under rediscounted Bills of Exchange	0.0	0.0
Liabilities from Guarantees and other Indemnity Agreements	691.6	713.0
Irrevocable Credit Commitments	1,768.4	1,782.3
<b>Total</b>	<b>2,459.9</b>	<b>2,495.3</b>

### (36) Events after the Balance Sheet Date

The Supervisory Board appointed the Director of the Treasury division, Mr Thorsten Schmidt, to the Board of Directors of NORD/LB Luxembourg with effect from 1 July 2010.

### (37) Related Party Disclosures

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

Natural persons who are regarded as related parties in accordance with IAS 24 are members of the Board of Directors and the Supervisory Board of NORD/LB Luxembourg as parent company and their close family members.

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

The full extent of the transactions with related parties and entities is detailed below.

At 30 June 2010:

Disclosures (KEUR)	Shareholders	Persons in Key Positions	Other Related Parties
Outstanding Loans and Advances			
To Banks	1,307,353	0	305,095
To Customers	0	429	0
Other unsettled Assets	254,594	0	0
<b>Total Assets</b>	<b>1,561,947</b>	<b>429</b>	<b>305,095</b>
Outstanding Liabilities			
To Banks	3,523,338	0	225,596
To Customers	0	0	0
Other unsettled Liabilities	697,906	119	7,934
<b>Total Equity and Liabilities</b>	<b>4,221,244</b>	<b>119</b>	<b>233,529</b>
<b>Guarantees/Sureties granted</b>	<b>0</b>	<b>0</b>	<b>0</b>

1 January – 30 June 2010:

Disclosures (KEUR)	Shareholders	Persons in Key Positions	Other Related Parties
Interest Expense	99,990	0	1.873
Interest Income	48,812	8	463
Other Income and Expense	–96,434	–1,830	–4,528
<b>Total Contributions to Income</b>	<b>–147,613</b>	<b>–1,821</b>	<b>–5,938</b>

At 31 December 2009:

KEUR	Shareholders	Persons in Key Roles	Other Related Parties
Outstanding Loans and Advances			
To Banks	1,055,957	0	0
To Customers	0	420	0
Other Assets	997	0	1,686
<b>Total Assets</b>	<b>1,056,955</b>	<b>420</b>	<b>1,686</b>
Outstanding Liabilities			
To Banks	4,530,853	0	0
To Customers	0	0	0
Other Liabilities	145,214	173	0
<b>Total Equity and Liabilities</b>	<b>4,676,067</b>	<b>173</b>	<b>0</b>
<b>Guarantees/Sureties granted</b>	<b>0</b>	<b>0</b>	<b>0</b>

1 January – 30 June 2009:

Disclosures (KEUR)	Shareholders	Persons in Key Positions	Other Related Parties
Interest Expense	99,927	0	1,543
Interest Income	15,537	47	65
Other Income and Expense	8,730	–1,067	0
<b>Total Contributions to Income</b>	<b>–75,659</b>	<b>–1,020</b>	<b>–1,477</b>



## (38) Members of Executive Bodies

### Supervisory Board

- Dr. Gunter Dunkel, Chairman of the Supervisory Board of Norddeutsche Landesbank Luxembourg S.A. Luxembourg; Chairman of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover
- Martin Halblaub, Member of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale (until 11 January 2010)
- Dr. Stephan-Andreas Kaulvers, Chairman of the Board of Directors of Bremer Landesbank
- Walter Kleine, Chairman of the Board of Directors of Sparkasse Hannover, Hanover
- Christoph Schulz, Deputy Chairman of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

### Members of Board of Directors

- Harry Rosenbaum, Luxembourg (Chairman)
- Christian Veit, Luxembourg (Deputy Chairman)
- Thorsten Schmidt, Irrel (since 1 July 2010)





## Responsibility Statement

We confirm to the best of our knowledge that the consolidated interim financial statement for the period ended 30 June 2010, prepared in accordance with the applicable accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit/loss of the Bank, and that the management report includes a fair review of the development and performance of the business and the position of the Bank, as well as a description of the main opportunities and risks associated with the expected development of the Bank.

Luxembourg, 30 August 2010  
Norddeutsche Landesbank Luxembourg S.A.

Harry Rosenbaum

Christian Veit

Thorsten Schmidt



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