Norddeutsche Landesbank Luxembourg S.A.

Consolidated Interim Report
for the Period ending 30 June 2011 (unaudited)

NORD/LB
Luxembourg

Summary of Key Data

Performance	30.06.11 EUR Million	31.12.10 EUR Million	Increase/Decrease EUR Million	%
Loans and Advances to Banks	2,896.8	4,094.5	– 1,197.7	– 29
Loans and Advances to Customers	4,464.6	5,065.9	– 601.3	– 12
Risk Provisions	– 98.3	– 191.1	92.8	– 49
Financial Assets	10,220.1	10,251.9	– 31.8	0
Other Assets	803.1	972.7	– 169.7	– 17
Balance Sheet Total – Assets	**18,286.2**	**20,193.9**	**– 1,907.7**	**– 9**
Liabilities to Banks	8,890.3	10,204.1	– 1,313.8	– 13
Liabilities to Customers	3,819.1	3,750.6	68.5	2
Securitised Liabilities	4,026.1	4,477.3	– 451.2	– 10
Other Liabilities	946.4	1,096.1	– 149.7	– 14
Reported Equity	604.3	665.9	– 61.6	– 9
Balance Sheet Total – Liabilities	**18,286.2**	**20,193.9**	**– 1,907.7**	**– 9**

Profit/Loss Performance	1st half Year 2011 KEUR	1st half Year 2010 KEUR	Increase/Decrease KEUR	%
Net Interest Income	54,944	65,038	– 10,095	– 16
Net Commission Income	– 4,774	– 12,572	7,798	– 62
Profit/Loss from Financial Assets	2,405	1,526	879	58
Other Profit/Loss	– 4,076	– 1,008	– 3,068	> 100
Earnings before Costs	**48,498**	**52,984**	**– 4,486**	**– 8**
Administrative Expenses	– 20,052	– 16,739	– 3,313	20
Profit/Loss from Changes in Valuation and Risk Provision	– 2,975	– 11,243	8,268	– 74
Taxes	– 8,138	– 1,217	– 6,921	> 100
Earnings after Taxes	**17,333**	**23,784**	**– 6,451**	**– 27**

Key Economic Data	1st half Year 2011	1st half Year 2010	Increase/Decrease	
Cost-Income-Ratio in % *)	41.3 %	31.6 %	9.8 %	31
RoRaC in % **)	11.1 %	23.8 %	– 12.7 %	– 53

*) The Cost-Income-Ratio (CIR) is equal to the quotients from administrative expenses and the earnings before costs
**) The RoRaC is equal to the quotients from the earnings before taxes and the maximum value from limit for tied-up capital or tied-up capital

Regulatory Law Key Figures	30.06.11 EUR Million	31.12.10 EUR Million	Increase/Decrease EUR Million	%
Risk-weighted Asset Values	4,363.6	4,655.7	– 292.1	– 6
Core Capital	664.6	675.9	– 11.3	– 2
Equity Capital	742.8	769.5	– 26.7	– 3
Core Capital Ratio	15.2 %	14.5 %	0.7 %	5
Overall Coefficient	17.0 %	16.5 %	0.5 %	3

Changes in Employee Numbers	30.06.11	30.06.10	Increase/Decrease Total	%
Number of Employees	177	163	14	9

330
320
340
350
N
10
20

Contents

Organisational Structure

Interim Report

11 The Group
12 International Economic Development
15 Development of Business Sectors
20 Earnings
24 Schedule of Assets and Financial Data
25 Risk Report
43 Personnel Report
44 Supplementary Report
44 Statements relating to the Future

Interim Financial Statement

46 Consolidated Income Statement
47 Overall Profit and Loss Account
48 Consolidated Balance Sheet
49 Abridged consolidated Cash Flow Statement
50 Consolidated Statement of Changes in Equity

Abridged Notes

55 Accounting Policies
57 Segment Reporting
60 Notes to the Group Profit and Loss Account
67 Notes to the Consolidated Balance Sheet
80 Other Disclosures

Responsibility Statement

89 Responsibility Statement

Consolidated Interim Report
for the Period ending 30 June 2011 (unaudited)

Norddeutsche Landesbank Luxembourg S.A.
7, rue Lou Hemmer
L-1748 Luxembourg-Findel
R.C.S. Luxembourg B 10405

This Annual report is a translation of the original German version. In all matters of interpretation the original German version shall prevail.

Consolidated Interim Report for the period ending 30 June 2011 (unaudited)

NORD/LB Luxembourg

Members of the Supervisory Board

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

Christoph Schulz
Deputy Chairman of the Board of Directors
NORD/LB Norddeutsche Landesbank Girozentrale

Ulrike Brouzi
General Manager
NORD/LB Norddeutsche Landesbank Girozentrale

Dr. Johannes-Jörg Riegler
Member of the Board of Directors
NORD/LB Norddeutsche Landesbank Girozentrale
(since 1 January 2011)

Walter Kleine
Chairman of the Board of Directors
Sparkasse Hannover

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
Thorsten Schmidt

Organisation

Accounting
Peter Heumüller

Administration
David Gunson

Business Development & Credit Solutions
Olaf-Alexander Priess

Controlling
Roman Lux

Corporate Banking
Guido Leixner

Corporate Development
Melanie Maier

Credit Risk Management
Maik Mittelberg

Financial Markets
Thomas Keith

Human Resources
Christian Ehrismann

Internal Audit
Jürgen Werner

IT
Romain Wantz

Legal/Compliance
Dr. Ursula Hohenadel

Operation Services
Rita Kranz

Organisation and Project Management
Frank Seeberger

Private Banking
Markus Linnert

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
Thorsten Schmidt

Consolidated Interim Report for the period ending 30 June 2011 (unaudited)

NORD/LB Luxembourg

The Group

Norddeutsche Landesbank Luxembourg S.A., Luxembourg, (hereinafter referred to as "NORD/LB Luxembourg" or, for short, "the Bank" or "the Group") is the parent company of a group of companies that includes NORD/LB Covered Finance Bank S.A., Luxembourg (referred to hereafter as NORD/LB CFB) and Skandifinanz AG, Zürich, Switzerland (hereinafter referred to as: Skandifinanz). NORD/LB Luxembourg holds 100 % of the shares of each of the two companies.

NORD/LB Luxembourg has issued a letter of comfort for NORD/LB CFB (see Annual Report 2010).

NORD/LB Luxembourg itself is a wholly-owned subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (referred to hereafter as NORD/LB for short), and its Consolidated Financial Statement is included in the Consolidated Financial Statement of NORD/LB. The Consolidated Financial Statements of NORD/LB can be viewed on the Internet at www.nordlb.de.

The purpose of NORD/LB Luxembourg lies in the business sectors Financial Markets, Corporate – as well as Private Banking. In the middle of June 2011 NORD/LB Luxembourg finished the strategic project "new premises" and moved its registered office close to the airport (7, rue Lou Hemmer, L-1748 Luxembourg).

The corporate purpose of NORD/LB Covered Finance Bank S.A. is to conduct any transactions, which are permissible for a covered finance bank according to the laws of the Grand Duchy of Luxembourg. Skandifinanz Bank AG was renamed Skandifinanz AG with effect from January 2011. The first half-year of 2011 was characterised by a further decrease in the business activities.

This report relates to the consolidated interim accounts of NORD/LB Luxembourg in compliance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

International Economic Development

First Half-Year of 2011

In the first half-year of 2011 the economic recovery in Germany continued. In the first quarter the seasonally adjusted real gross domestic product (GDP) rose by 1.5 % against the previous quarter. This development was facilitated by the particularly mild weather, so that the usual spring revival in the construction sector was brought forward. The high dynamics could not be sustained as long as the middle of the year. Thus the growth path of manufacturing levelled off since the recovery effects after the deep recession of 2009 have come to an end for the most part.

Even if the export trade also delivered a growth contribution of 0.5 percentage points again in the first quarter, it can be ascertained that the powers of growth are visibly relocating to the domestic economy. Especially the low level of interest rates speaks for a sustained brisk investment activity, above all in technical equipment. Both the robust production of investment goods until recently and the continued rise in domestic sales of technical equipment indicate a sustained growth of investments in technical equipment. According to our forecast the investments in technical equipment will grow at a two-digit annual rate in the current year. While recovery effects will still also play an important role here, more and more companies are obviously being forced to ramp up their capacities and undertake expansion investments in order to satisfy the growing demand with a capacity utilisation that is again significantly above the long-term average at currently 86.8 %.

In the case of construction investments there were considerable distortions at the beginning of the year due to the adverse weather conditions, so that the potential for the past quarter was restricted. Nevertheless, construction production did hold out well up until May, which is why the business climate in the main construction trades continues to be very positive. Above all residential construction continues to profit from the historically low mortgage interest rates. On the other hand the spring was rather patchy for private consumption; retail sales especially showed a weak performance. Care must however be taken when interpreting this, not just because of the fundamentally high susceptibility of the set of statistics to revision, but also because of possible distortions arising from the EHEC crisis. Nevertheless, the number of new car registrations in May also fell for the first time in comparison to the previous year. Despite these rather muted conditions for the spring the high consumer confidence and good business climate in retail represent a high growth in private consumption. The available income will moreover continue to be able to profit from the positive developments in the employment market.

In the light of the robust economic trend the situation in the German employment market has improved recently. In June 2011 2.893 million people were registered as unemployed, 255 thousand less than in the same month of the previous year. This is equivalent to an unemployment rate of 7.0 %, seasonally adjusted, which is the lowest level in the reunited Germany. The non-seasonally-adjusted unemployment rate, which the public focuses on to a greater extent, fell to 6.9 %. The number of those in employment reached 40.93 million in May, which is also a record since the reunification.

The crude oil price rose at the beginning of the year against the background of the global economic upturn and under the impression of the unrest in the Arab world to a good USD 125 per barrel for Brent by the middle of April. The oil price distanced itself from these high levels at the beginning of May, but it will still be over USD 100 per barrel on a yearly average according to our forecast. Inflation sped up as a result of the rising energy and raw material prices both in Germany and in the Eurozone in the first quarter. By the middle of the year the inflationary pressure did lessen a little because of the falling crude oil price. In June the annual rate of the harmonised consumer price index (HVPI) was at 2.4 % and in the Eurozone 2.7 %, which was still significantly above the target mark of the ECB of below, but near 2 %.

Against this background the European Central Bank (ECB) abandoned its very expansive monetary policy course, which lasted just under two years, and raised the tender rate by 25 base points in both April and July to currently 1.5 %. Because of the sustained high inflationary pressure on the upstream price levels of imports and producers' prices, no all-clear signal can yet be given, even though the interest steps have obviously helped to stem the inflation expectations. We are anticipating an annual average inflation rate of 2.5 % in the Eurozone; in Germany it may well be slightly below that.

In the first half-year of 2011 the financial markets were rocked again and again by the euro debt crisis. Even the agreement reached at the end of March between the heads of state and government of the euro states for a permanent rescue mechanism (European Stability Mechanism, ESM) could do nothing to change the marked nervousness of the

markets. After Portugal was the third country to have to apply for aid from the euro community, the announcement that several euro states had missed their deficit targets in 2010, including Portugal and Greece, led to new doubts about the debt sustainability of individual crisis states. In particular Greece has come into the sights of the capital markets increasingly again because of the foreseeable swelling of the debt ratio to over 150 % of GDP. While the troika of the EU Commission, ECB and International Monetary Fund (IMF) affirmed progress in Greece in their latest report within the scope of the review of the economic adjustment programme, at the same time an additional financial requirement was however ascertained, since a refinancing via the capital market may well be impossible in the longer term. The additional savings and privatisation package, which was demanded as a condition for further aid, was resolved by the Greek parliament at the end of June.

Investors and European politicians were, however, still discussing various options for solving how a way out of the oppressive burden of debt might look for Greece. In this process variants of debt rescheduling or restructuring of the Greek national debt were discussed as well as the possibilities of a sustainable solution of the debt crisis in the Eurozone. The political demand for an involvement of private investors in the burdens as part of an approach to the solution has exacerbated the situation on the capital market still further in connection with the sustained uncertainty about the actual structure of such an involvement. The withdrawal of investors from other government bonds of the Eurozone (with the exception of German federal bonds) is reflected in the clear yield mark-ups of the states concerned. Recently some unfortunate remarks by Berlusconi and his economic and finance minister Tremonti about the consolidation plans of the Italian government led to a contamination of Italian and Spanish government bonds. The yields on ten-year Italian government bonds peaked above the mark of 6 %. These market reactions were less an expression of a suddenly changed estimation of the fundamental data of Italy, but more of a reflection of the growing doubts of the markets in the ability of the European politicians to solve the debt crisis permanently.

In view of the exacerbation of the debt crisis the heads of state and government of the Eurozone met on 21 July 2011 for an extraordinary summit in Brussels, in which a package of measures was resolved. Greece is accordingly receiving a new credit package worth EUR 109 billion from the euro states, in which the IMF is also to participate. In addition to this the conditions relating to the refinancing costs of the EFSF (European Financial Stability Facility) are set to fall,

and are currently around 3.5 %. The terms of new loans are being extended from 15 to 30 years, of which ten years are to be years of grace; but also the terms of already existing loan agreements are being extended. On top of this comes a voluntary involvement of private investors, who will be paying an estimated net amount in the sum of EUR 37 billion according to the first statement from the EU Commission. Alongside some economic and fiscal policy declarations of intent, the rights of the stabilisation instruments EFSF and ESM to intervene were also significantly expanded. In our view the politicians may well have bought valuable time with these resolutions, but which must be used intensively for consultations about the institutional sets of rules to finally overcome the debt crisis.

The debt crisis did not pass by the stock market without a trace either. As a result of the positive economic development, the German share index (DAX) rose in the first half-year initially above the mark of 7,500 points for a while and on 2 May marked its yearly high to date of 7,528 points (closing prices). With the exacerbation of the debit crisis this level could not be maintained and the German leading index moved sideways in a volatile market environment. German government bonds remained sought after as a safer haven in the environment of the ever escalating euro debt crisis, so that the yields of ten-year federal bonds have fallen significantly below the mark of 3 % again after an interim yearly high of 3.5 % at the end of June. US American Treasuries with the same remaining term also sank below this mark as of June and were listed just a few base points above German bonds. The change in interest rate undertaken by the ECB in contrast to the Federal Reserve led to a flatter yield structure curve in Germany in comparison to the USA. The yield gap between ten and two year federal bonds amounted to just 128 base points on 19 May, while the yield structure curve in the USA showed 270 base points at the end of June.

Forecasts and other Statements on the anticipated Developments

The German economy will not be able to retain the overall high speed of growth of the first half-year in the rest of the year. The recently published hard economic indicators of order books, industrial production and retail sales are proof of a dynamic that had already slowed down by the middle of the year. The early indicators based on surveys deliver a mixed picture overall. While the economic expectations of the ZEW (Centre for European Economic Research) and the purchasing manager index for the processing industry and the service sector recently signalled a stronger cooling off, the decreases have been lower so far in the case of the Ifo business climate index and Economic Sentiment.

Since the survey results in June and July may well have been influenced by the high degree of uncertainty as a result of the euro debt crisis, we do not anticipate a long sustained weak phase. Nevertheless, a relaxation of the financial market tensions should be achieved soon in order to fend off stronger effects in the real economy. In the whole of 2011 the gross domestic product will grow by around 3.5 % as in the previous year. The upturn will be supported increasingly by domestic demand, but the high growth in the emerging markets and flourishing world trade may well also support the demand for German investment goods further. Private consumption is growing in 2011 more strongly than it has for years, which is being made possible primarily by the improvement in the employment market situation and the associated growth in income. Consumer confidence has developed accordingly positively until recently. The stable income expectations in conjunction with the still very low mortgage interest level will also support the growth in residential construction investments in 2011 too. The low interest rate moreover offers a favourable environment for investments in technical equipment. In view of a high capacity utilisation, companies are increasingly prepared to undertake expansion investments.

In the Eurozone the overall economic development will continue to run very heterogeneously; the economic recovery will however continue at a moderate speed. Overall the gross domestic product in the Eurozone will remain significantly behind the growth rate of the economic locomotive Germany once again at around 2 %.

The prospects for the economy in the USA continue to be positive despite a recently rather disappointing development. Following clear declines in the most important early indicators, the important ISM PMI for the processing industry increased again significantly in June contrary to expectations. The expansive monetary policy will remain an economic prop for the time being. We anticipate that the US central bank will not introduce any more changes in interest rates this year. On the other hand the hints by the boss of the Federal Reserve, Ben Bernanke, in the meantime with regard to a possible third purchasing programme (QE3) may well not be followed by actions.

The development of the financial market remains highly volatile in this year. The biggest risk to the stability of the financial markets and therefore also for the global economy comes from the euro debt crisis. This risk is not necessarily restricted to the countries in the Eurozone. The debt sustainability of other highly indebted countries could also be assessed increasingly sceptically by the market players and the rating agencies. Other risks for the overall economic development could come from further rises in raw material and energy prices. The yields of German government bonds with ten years to maturity will only rise slightly over the course of the year, whereby federal bonds may well be sought after as a safer haven again and again in the case of renewed financial market tensions. In the second half-year only a slight further tightening of monetary policy by the ECB is to be expected, which will however lead to a rise in yield at the short end of the interest structure curve, but at the same time restrict inflation expectations. We anticipate that the ECB will raise the tender rate to 1.75 % by the end of the year.

Development of Business Sectors

Financial Markets NORD/LB Luxembourg

The trading sector of Norddeutsche Landesbank Luxembourg S.A. restructured itself at the beginning of financial year 2011. The new structure enforces the stronger focus on client-orientated business. The two groups "Client Relationship Management" and "Corporate Sales" are new here. The classic internal service functions close to trading are bundled together in "ALM/Treasury". In addition there is "Credit Solutions" as location-specific service components. Credit Investments is no longer operated by the Bank, the existing portfolio is being successively dismantled.

Client Relationship Management (CRM)
The target groups are exclusively institutional clients in Switzerland, the Benelux states and Lichtenstein. CRM functions as the central contact for the clients and arranges business transactions from the whole of the product range established within the NORD/LB Group.

New strategic clients are being won for the NORD/LB Group through these new business initiatives, starting from the network that already exists. This is an addition to the activities of "Relationship Management Institutional Clients" in NORD/LB, Hanover.

Corporate Sales (CS)
These initiatives are also being developed. As well as the acquisition of new clients the use of cross selling potentials are being focussed on.

CS is a product specialist for interest rate and currency management and offers determination of potential and the generation of individual solution proposals for the clients. Existing client relations in NORD/LB's corporate client sector are initially being built upon in the support region "West 1". Like CRM, CS also offers both products of the sub-group of NORD/LB Luxembourg and those of NORD/LB.

ALM/Treasury
ALM/Treasury is a service provider for the Bank and solutions provider for all questions regarding liquidity supply and interest rate and foreign exchange management. The sector is substantially responsible for the management of the balance sheet, purchases and sells securities for the purpose of managing liquidity and interest rate risks and generates an additional contribution to the results within the framework of risk limits set by the Board of Directors through an active management of client flows. At the centre is the securing of the liquidity supply of the sub-group at all times. ALM/Treasury is an integral component of the funding of the Group and uses its international connections to this end, in particular via access to primary liquidity of the Swiss National Bank and the active participation in the Swiss repo market. The Group is involved in the committees and coordination processes, which span the institution. A broad diversification of the refinancing sources for the lending business and a high flexibility with regard to currencies, maturities and redemption structures is guaranteed. Deposits from Banks and institutional investors serve to do this as do various issue programmes (ECP, USCP, EMTN), open market transactions and internal group funding for maturity bands over 24 months. Moreover, the Bank is active in the repo business, in order to increase the share of covered lending business.

In order to control the interest rate risks, the Bank also uses the trading book, primarily through derivatives. In the case of derivatives there is a concentration on interest rate swaps, currency futures including currency swaps and futures. The Bank does not enter into any appreciable risks pertaining to complex derivative products.

Credit Solutions
In the "Solutions" sector the benefits of the location are used in targeted fashion, in order to offer pragmatic, reliable solutions for the design and administration of structural transactions (especially for the NORD/LB Group). The high density of experts (lawyers, securitisation companies, advisors in international tax and relevant regulatory subjects) among others is of advantage here as well as the favourable regulatory environment, which allows quicker reaction times in conjunction with the proximity of the regulatory authorities (e.g. in the case of founding SPV's, approval of complex, structured transactions, etc.).

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.

In terms of asset management, the investors choose between "individual asset management" tailored to customer preferences, which is based on a successful 10-year history and "fund asset management", in which the investors profit from the strategies of superb fund managers globally.

In addition to the above, Bank is also active as an approved insurance broker in Luxembourg. In this context, the Bank arranges insurance contracts in which the investment and risk mentality of the customers are accommodated in regard to the cover values. The Bank also acts as asset manager for the insurance company.

The design and launch of public funds for its own Private Banking clientele and for the clientele of the other Private Banking units in the Group is also part of the Bank's range of services. The funds are supported by the Bank as Fund Manager and Initiator; the custodian bank and investment company activities are outsourced to a service provider. The group-wide marketing of the Fund is accommodated by representatives of NORD/LB Hanover and Bremer Landesbank being integrated via an investment committee, which makes recommendations in the asset allocation of the Funds.

On the customer side the first half-year of 2011 was characterised by a muted approach on the capital and stock markets. The uncertainties in relation to the further economic development in the Eurozone and the USA and the ongoing discussions on the further development of the pension markets, in particular including government bonds here, led to rather reticent investment behaviour among the clientele. As in the previous year a risk-buffered investment in certificates evolved as a focus of the investments.

It was possible to increase the results in Private Banking in comparison to the previous year. This is due to a significant expansion of the Assets under Management in comparison to the previous year.

Corporate Banking NORD/LB Luxembourg

The Corporate Banking sector comprises the two fields of cooperative lending and savings-bank guaranteed lending.

Within the "Cooperative lending business" sector there is a long-term successful and trusting cooperation, in particular with the value drivers corporate clients. Within the scope of the cooperation model the aforementioned market unit is responsible for the acquisition of business. At the centre of the activities of the Bank are comprehensive services for the assets business. On the products side the classical credit universe in all of the popular currencies is reflected. The range of services includes the whole spectrum of loan serving and management, including assumption of the facility agent function. The aspiration in this is to be recognised as an efficient quality service provider in the credit servicing sector especially with standard products but also in structured transactions.

Core sources of income are predominantly the lending terms contribution and the earnings from commission from the cooperative loan business.

The lending business represents an important pillar of income for the Bank as a classic field of business. The depressing business development is being countered actively by various initiatives.

The Bank therefore strives to achieve specialisation in keeping with the Group strategy. Together with the customers (market sectors, incl. respective market service sectors within the NORD/LB Group), starting points for the expansion of the depth of services and the extension of the service/product range were identified. At the same time the strategic focus is on achieving clear product and service responsibilities within the Group. The broadening of the agency competence (keyword: documentation agent) should also be mentioned here, as well as the further expansion of the existing section "Purchasing of Accounts Receivable" (accounts receivable from trade debtors), which is already concentrated in Luxembourg.

In addition to this core business within the business sector "Affiliated Business", foreign currency loans are issued primarily to associated savings banks (customer loans under guarantee of the respective agent savings bank). Here the Bank creates added value through the promotion of the affiliation principle and by contributing its strengths in the foreign currency refinancing sector. This business is to be expanded further in future.

NORD/LB CFB

Treasury

Liquidity Management and Issuing Activities
Liquidity management in terms of the refinancing of the balance sheet business and issuing activities, in particular in the form of Lettres de Gage Publiques (Luxembourg public covered bonds), fall within the responsibility of the Treasury sector of NORD/LB CFB.

The new issue business of the Bank in Lettres de Gage Publiques again concentrated mainly on mid to long term maturities and in foreign currencies in the first half-year. Thus Lettres de Gage Publiques were chiefly placed in CHF, NOK and EUR with international investors. The constant exchange of information with investors and the expansion of Investor Relations activities is a central point of the communications strategy of NORD/LB CFB.

Within the scope of a regular review, the ratings issued by Standard & Poor's and FITCH Ratings for long-term senior unsecured ratings issued by NORD/LB CFB (S&P A-/Negative/A-2; FITCH-Ratings A/Stable/F1) as well as the rating for Lettres de Gage Publiques by Standard & Poor's (AAA/Negative) were confirmed in February.

Control of Interest Rate Risks
The hedging of interest rate risks is carried out on the basis of a micro-hedge approach with the help of interest rate and interest rate exchange swaps. The purpose of this hedging strategy, which has been used since the Bank was founded, is to establish effective hedging relationships that also meet the strict criteria laid down by the International Financial Reporting Standards (IFRS).

Public Finance

Financing of municipal Undertakings in Germany
The Bank is using the benefits of the Luxembourg covered bond law, which enables the covering of accounts receivable from municipal undertakings (public utilities, water supply, air and sea ports, etc.). This customer segment is of special importance to the NORD/LB Group, which, as a principal bank with public ownership structure, is particularly interested in ensuring the credit supply to municipal undertakings. The NORD/LB Group has a decisive unique selling point in this market segment with 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 attuned into their needs.

The Luxembourg covered bond privilege, in conjunction with the special expertise of a group at home in the public sector, opens up optimal financing conditions for municipal undertakings.

The Public Finance department operates the direct customer lending business with municipal undertakings in Germany. It has at its disposal experienced corporate customer advisors, who support existing customers and acquire new ones directly or through the corporate customer sections of NORD/LB in Hanover. The share of directly acquired corporate business with municipal undertakings in Germany is thereby further expanded consistently.

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. With this the NORD/LB Group has an additional refinancing source at its disposal in its function as the central bank for savings banks in the three federal states of Lower Saxony, Mecklenburg-Western Pomerania and Saxony-Anhalt.

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 Bank again focussed on a stronger concentration on German and other Western European borrowers in the first half-year of 2011, so that now significantly more than half of the cover pool is attributable to Western European borrowers. The reduction strategy for the USA share of the cover pool will be retained so that this share will continue to shrink over the course of time and in future will take on a less important role. The Bank has no commitments in Estonia, Latvia, Lithuania, Greece, Iceland, Mexico or Turkey. Because of the difficult economic situation, the Bank is not currently planning any new commitments in these countries either. As well as this the Bank will not be making any new commitments in Eastern Europe (with the exception of Slovenia), Ireland and the USA (with the exception of business that is 100 % guaranteed by the US central government), until further notice.

A continuation of investments in these countries will depend on the further development of the economic situation in the individual economies.

The following information relates to the cover pool before consolidation.

On the reporting date of 30.06.2011, the credit rating structure of the cover pool was as follows:

Rating	in %	in %	in %
AAA	27.6		
AA	25.6		53.2
A	33.9	87.1	
BBB	12.9		

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	in %
Europe	67.7
North America	29.8
Asia	2.5
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)	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010	30.06.2011	31.12.2010
Total	4,297.8	4,598.4	3,545.3	3,891.9	+752.5	+706.5

Rating
This cover pool has provided the basis of the Bank's first-rate assessments from two rating agencies. In 2010 the rating agency Standard & Poor's also confirmed the best rating grade AAA for the Lettres de Gage Publiques issued by NORD/LB CFB even after the reorganisation of their rating model. The rating remained in place even when the rating of NORD/LB by Standard & Poor's was changed to "unsolicited" in January 2011.

The quality of the cover pool is additionally confirmed by a second AAA-rating from the agency FITCH-Ratings.

Skandifinanz

Within the scope of the systematic coming to terms with the fraud case in the export financing business in 2009, the business activities were reduced in the first half-year of 2011 substantially to a limited security investment portfolio in the sum of EUR 47 million.

Outlook

With the completion of the new bank building and the relocation to near the airport, the Bank has completed the first part of strategic infrastructure projects. The review and renewal of the IT system landscape running in parallel will continue into the second half of the year 2012.

In the core businesses of Private Banking, Corporate Banking, Financial Markets and Public Finance, the Group will continue to offer its clients and business partner's professional and reliable services in the future.

For the business sector Financial Markets the focus on the client business and the efficient control of the liquidity supply for the Bank is key. Projects within the scope of the changes in the regulatory environment, in particular in connection with the new liquidity key figures (LCR/NSFR), represent another central area of activity, which will shape the business year.

In the second half-year of 2011 the Private Banking sector is anticipating continued volatile capital markets. The trend towards rising interest rates is nevertheless uninterrupted so that the duration in the customer deposits will reduce further. Short maturities and risk-buffered capital investments will dominate the investment focus of a large part of the clientele in the second half-year too.

In the lending business the Bank is expecting pressure on the volumes and the level of margins. Targeted countermeasures have already been introduced. The central starting point is an increasing specialisation in connection with the increase in quantities with a simultaneous reduction in the average batch sizes. The addition of other business fields is being reviewed.

In terms of the NORD/LB CFB bond activities the Group will concentrate on the issue of Lettres de Gage Publiques (public covered Luxembourg bonds) in the future as well. The focus will continue to be on the refinancing of the public lending business complementary to the other business activities in the affiliated group of NORD/LB.

Skandifinanz AG will be handed back its banking licence – subject to the consent of the Swiss Federal banking supervision – in the third quarter of 2011.

The satisfactory operating result of the first half-year will be perpetuated in the second half-year according to the view of the Board.

Earnings

The interim Consolidated Financial Statements of the Group to 30.06.2011 were prepared in compliance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

The Bank achieved a satisfactory operating result in the first half-year of 2011. The profit/loss before tax rose in comparison to the previous year by EUR 0.5 million to EUR 25.5 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.–30.06.2011 (KEUR)	01.01.–30.06.2010 (KEUR)	Increase/Decrease*) (KEUR)
Net Interest Income	54,944	65,038	– 10,095
Risk Provision in the Lending Business	– 260	– 9,470	9,210
Commission Expenses/Net Income	– 4,774	– 12,572	7,798
Profit/Loss from Financial Instruments stated at Fair Value through Profit or Loss, including Hedge Accounting	– 2,715	– 1,773	– 941
Other operating Profit/Loss	– 4,076	– 1,008	– 3,068
Administrative Expenses	– 20,052	– 16,739	– 3,313
Profit/Loss from Financial Assets	2,405	1,526	879
Group Profit/Loss before Income Taxes	**25,471**	**25,001**	**470**
Income Taxes	– 8,138	– 1,217	– 6,921
Group Profit/Loss for the Year	**17,333**	**23,784**	**– 6,451**

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

Net interest income fell in comparison with the previous year by EUR 10.1 million to EUR 54.9 million.

The risk provisions were able to be kept at a level below that of the previous year in the reporting year 2011 because of hedging activities, despite the tense economic situation. In comparison to the previous year the expenses for risk provision fell by EUR 9.2 million to EUR 0.3 million.

The profit/loss from commission rose in contrast to the comparative period by EUR 7.8 million to EUR – 4.8 million. The decline in expenses from the lending and guarantee business in particular was responsible for this.

Profit/loss from financial instruments stated at Fair Value through Profit or Loss 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 is below the comparative value. Administrative expenses rose in comparison to the previous year. The income from financial assets was due to the sale of securities.

Before taxes the Group is reporting a profit in the sum of EUR 25.5 million, after taxes there remains a net income for the year of EUR 17.3 million.

The individual items making up the result are as follows:

Net Interest Income

	01.01.–30.06.2011 (KEUR)	01.01.–30.06.2010 (KEUR)	Increase/Decrease*) (KEUR)
Interest Income	391,842	401,190	– 9,348
Interest Expense	– 336,899	– 336,152	–747
Net Interest Income	**54,944**	**65,038**	**–10,095**

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

The profit/loss from interest has fallen in the reporting year in comparison with the previous year. This is due on the one hand to balance sheet structural changes between the reporting dates and on the other caused by reductions in market prices.

Risk Provision in the Lending Business

Income and expenses from the risk provision balance each other out to the greatest extent during the period under report.

Net Commission Income

	01.01.–30.06.2011 (KEUR)	01.01.–30.06.2010 (KEUR)	Increase/Decrease*) (KEUR)
Commission Income	13,476	16,556	– 3,081
Commission Expense	– 18,250	– 29,129	10,879
Net Commission Income	**– 4,774**	**– 12,572**	**7,798**

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

Net commission income only includes income and expense from Banking. In particular the fall in expenses from the lending and guarantees business was significant for the positive development. This includes expenses from margin splitting in the case of mediatory transactions.

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

	01.01.–30.06.2011 (KEUR)	01.01.–30.06.2010 (KEUR)	Increase/Decrease*) (KEUR)
Trading Profit/Loss	– 3,025	– 400	– 2,625
Profit/Loss from initial Recording of Financial Instruments designated at Fair Value through Profit or Loss	– 678	– 179	– 499
Profit/Loss from Hedge Accounting	989	– 1,194	2,183
Profit/Loss from Financial Instruments stated at Fair Value through Profit or Loss, including Hedge Accounting	**– 2,715**	**– 1,773**	**– 941**

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

The trading profit/loss includes primarily the profit/loss from derivative transactions, which do not satisfy the restrictive criteria of Hedge Accounting. Opposing valuation changes in underlying transactions can therefore not be offset.

Other operating Profit/Loss

	01.01.–30.06.2011 (KEUR)	01.01.–30.06.2010 (KEUR)	Increase/Decrease*) (KEUR)
Other operating Income	498	359	139
Other operating Expenses	– 4,574	– 1,367	– 3,207
Other operating Profit/Loss	**– 4,076**	**– 1,008**	**– 3,068**

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

The other profit/loss results predominantly from accounting for services with NORD/LB and from expenses for wealth tax.

Administrative Expenses

	01.01.–30.06.2011 (KEUR)	01.01.–30.06.2010 (KEUR)	Increase/Decrease*) (KEUR)
Wages and Salaries	9,242	7,080	2,162
Other Staff Expenses	1,516	1,100	416
Staff Expenses	**10,758**	**8,180**	**2,578**
Other administrative Expenses	**9,061**	**8,382**	**679**
Depreciation and Value Adjustments	**233**	**178**	**56**
Administrative Expenses	**20,052**	**16,739**	**3,313**

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

Administrative expenses, including depreciation, increased by a total of EUR 3.3 million to EUR 20.1 million. The expansion of the personnel especially in the second half of 2010 leads to a fundamental rise in personnel expenses.

Profit/Loss from Financial Assets

	01.01.–30.06.2011 (KEUR)	01.01.–30.06.2010 (KEUR)	Increase/Decrease*) (KEUR)
Profit/Loss from Financial Assets classified as LaR	– 1,211	0	– 1,211
Profit/Loss from Financial Assets classified as AfS (without participating Interests)	3,616	1,526	2,089
Profit/Loss from affiliated Companies	0	0	0
Profit/Loss from Joint Ventures and associated Companies	0	0	0
Profit/Loss from other participating Interests	0	0	0
Profit/Loss from Financial Assets	**2,405**	**1,526**	**879**

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

The profit/loss from financial assets results in both reported years from the disposal of financial instruments.

Income Taxes

	01.01.–30.06.2011 (KEUR)	01.01.–30.06.2010 (KEUR)	Increase/Decrease*) (KEUR)
Current Taxes	– 358	3,380	– 3,738
Deferred Taxes	8,495	– 2,163	10,659
Income Taxes	**8,138**	**1,217**	**6,921**

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

Schedule of Assets and Financial Data

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/Decrease (EUR Million)
Loans and Advances to Banks	2,896.8	4,094.5	– 1,197.7
Loans and Advances to Customers	4,464.6	5,065.9	– 601.3
Risk Provisions	– 98.3	– 191.1	92.8
Financial Assets at Fair Value through Profit or Loss	357.7	425.5	– 67.8
Financial Assets	10,220.1	10,251.9	– 31.8
Other Assets	445.4	547.2	– 101.8
Total Assets	**18,286.2**	**20,193.9**	**– 1,907.7**
Liabilities to Banks	8,890.3	10,204.1	– 1,313.8
Liabilities to Customers	3,819.1	3,750.6	68.5
Securitised Liabilities	4,026.1	4,477.3	– 451.2
Financial Liabilities at Fair Value through Profit or Loss	145.8	220.6	– 74.7
Provisions	14.4	15.2	– 0.8
Other Liabilities	786.1	860.3	– 74.2
Reported Equity	604.3	665.9	– 61.6
Total Equity and Liabilities	**18,286.2**	**20,193.9**	**– 1,907.7**

The balance sheet total decreased by EUR 1.9 billion to EUR 18.3 billion as compared to the 31 December 2010 reporting date.

In the balance sheet structure, the fall mainly affected the interbank business. The loans and advances to banks and liabilities to banks fell by EUR 1.2 billion and EUR 1.3 billion respectively. The securitised liabilities likewise show a fall of EUR 0.5 billion.

The financial assets and liabilities at Fair Value through Profit or Loss include predominantly derivative security transactions, which do not meet the restrictive conditions of Hedge Accounting. Changes in valuation lead to a reduction on the balance sheet in comparison with 31 December 2010.

The reported equity of the banking group is EUR 61.6 million below the comparative value at 31 December 2010.

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

Risk Report

The risk report of NORD/LB Luxembourg Group to 30 June. 2011 was prepared on the basis of IFRS 7. The Bank does not enter into any noteworthy risks from complex structured derivatives.

Overall Bank Management

Principles of Risk Management

Banking business is inextricably linked to the conscious entering into of 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. The identification, analysis, measurement, management and monitoring of these risks is a basic prerequisite for the sustainable success of the business.

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 its operating requirements. Proper business organisation includes the specification of strategies on the basis of procedures for ascertaining and securing risk-bearing capacity, which comprises both risks and the capital available for covering these risks. For the Bank these statutory requirements are firmly established in Luxembourg law as well as German law.

In order to identify risks the NORD/LB Luxembourg Group has implemented a multi-level process to derive an overall risk profile, which defines the risk types relevant for the Group and to make the further distinction between significant and insignificant risks. Of primary importance in this connection are all relevant risk types which could significantly impair the capital adequacy, earnings position, liquidity position or the achievement of strategic goals of the NORD/LB Luxembourg Group.

Furthermore the following risks are also deemed to be significant: credit risk, participation risk, market price risk, liquidity risk and operational risk. In addition, the following risks are deemed to be relevant: business and strategic risk, reputational risk, syndication risk, model risk and real estate risk. Appropriate precautions were taken for all identified risks. The overall risk profile is checked at least once a year in relation to events (risk stocktaking) and adjusted if necessary.

A further need for adaptation results from the third revision of MaRisk published on 15 December 2010. To this end the NORD/LB Luxembourg Group has carried out an analysis of the need for action as its first step. Subsequent to that a project was implemented, which is commissioned with the implementation of the necessary measures.

Risk Management Strategies

The business policy of the NORD/LB Luxembourg Group is consciously conservative in its direction. Accordingly, NORD/LB Luxembourg's main principle is to responsibly handle risks. The risk strategy formulated accordingly is in keeping with the business model, the business strategy and the specifications of the Group risk strategy and is reviewed at least once a year. It contains statements on the principles of risk policy and the organisation of risk management, as well as risk sub-strategies relating to the significant risk categories specific to the Bank.

The core element of the risk strategies is the risk-bearing capacity model (RBC model), on the basis of which the risk appetite is defined and the allocation of the risk capital to the significant risk categories is undertaken.

For the NORD/LB Luxembourg Group a conservative definition set, under which in normal circumstances up to 80 % of the economic risk cover amount (status quo of the RBC model) may be covered by risk potential. The pillars of economic capital adequacy should thereby exhibit a minimum cover rate of 125 %.

The maximum allocation of risk capital to the significant risk categories is likewise done within the scope of the risk strategy. The large part of the cover volume is allocated to credit risks and reflects the focus of the NORD/LB Luxembourg Group which lies in the customer-orientated lending business.

The risk strategy was reviewed in 2010 and adapted and discussed in detail with the regulatory bodies after passing by the extended sub-group board. The focuses of the review that was undertaken lay on the integration of the overall risk profile and the improved RBC model into the risk strategy. The regular review of the risk strategy in 2011 is scheduled to take place in the second half of 2011.

The risk strategy aims for optimum management of all significant risk categories and their transparent depiction to

the company management, the supervisory bodies and other third parties with justified interests. Based on this, the NORD/LB Luxembourg Group has a large number of other instruments on an operational level, which guarantee sufficient transparency regarding the risk situation and the required limitation and portfolio diversification which can be monitored and controlled. These instruments are described in detail in the risk handbook of the NORD/LB Group and the documents based thereon and the written fixed regulations of the NORD/LB Luxembourg Group.

Risk-Bearing Capacity

The risk-bearing capacity model (RBC model) forms the methodical basis for monitoring compliance with the risk strategy of the NORD/LB Luxembourg Group. Adherence to the model is monitored both at Group and the individual institution's level for NORD/LB Luxembourg and NORD/LB CFB by the Controlling department of NORD/LB Luxembourg. In the case of Skandifinanz, the compilation and monitoring is initially carried out on a decentralised basis. Subsequently, the risk-bearing capacity report is passed on to the Controlling department of NORD/LB Luxembourg for checking and made available to the management of NORD/LB Luxembourg within the scope of the Group reporting process.

The aim of the model is the aggregated representation of the risk-bearing capacity (RBC) both at individual institute and group level in terms of a comparison of the risk potential and risk capital resulting from the significant risks. Through the regular monitoring and reporting process it is ensured that the competent governing bodies of the group companies are informed promptly 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 comprises the three perspectives of going concern, economic capital adequacy and regulatory capital adequacy, in each of which the total of the significant risks (risk potential) is compared with the defined risk capital. The economic and regulatory capital adequacies are both further broken down into the perspectives of status quo and under stress.

The first perspective is represented by the Going Concern Case, which assumes the continuation of the business and functions as an early warning. The risk capital compared to the risks is based on free capital stock under supervisory law beyond a set total key figure. In addition, effects affecting risk capital effects are taken into account during the year within the scope of a dynamisation process.

The second and third perspectives each take account of a higher confidence level of 99.9 % on the risk potential side. For the economic capital adequacy, economically calculated risk potentials are used, and for the regulatory capital adequacy, the risk potentials calculated according to regulatory. The capital side is based both in the economic and the regulatory adequacy check on equity and near-equity components, which are to be taken into account according to regulatory rules on capital stock. In the economic perspective, a dynamisation process for effects affecting risk capital during the year is carried out as in the going concern case.

The column capital adequacy (status quo) is primarily considered for the evidence of the adequacy of the equity necessary under banking regulations (ICAAP). The regulatory capital adequacy in the status quo is to be complied with as a strict secondary condition; the going concern case serves as an early warning level. The derivation of strategic limits from the risk-bearing capacity perspective arises from the going concern case taking into account the risk capital allocation undertaken in the risk strategy.

When determining the risk-bearing capacity, risk concentrations are also taken into account, both within a risk category and across risk categories. Concentrations within a risk category mainly relate to credit risks as the most important risk category of the NORD/LB Luxembourg Group. These are integrated into the RBC model via the internal credit risk model and flow into the economic risk potentials.

Concentrations across risk categories are taken into account via the stress test. When selecting the stress scenarios, business and risk focuses of the NORD/LB Group are consciously drawn on as selection guidelines. Amongst others, this includes selecting sectors, segments, regions and customers that have a decisive influence on the risk situation of the Group. These risk concentrations are regularly determined, reported and monitored with targeted stress tests in the context of risk-bearing capacity.

The relevant scenarios are merged at NORD/LB Group level and are to be applied as a standard across all individual companies, in order to ensure comparability between the banks and to ensure that it is possible to aggregate them into group values.

The quarterly reports prepared by Controlling on the risk-bearing capacity (RBC reports) constitute the main instrument for risk reporting to the Board and the supervisory bodies at overall Bank level. These are used to regularly check compliance with the specifications of the risk strategy regarding the appetite for risk and allocation of the risk capital to the primary risk categories. Furthermore, the Bank's risk-bearing capacity is always assessed during the Bank's regular Supervisory Board meetings.

The utilisation of the existing risk capital with risk potential in the economic capital adequacy can be seen from the following table:

EUR Million	Risk-Bearing Capacity 30.06.2011		Risk-Bearing Capacity 31.12.2010	
Risk Capital	**761.4**	**100.0 %**	**790.0**	**100.0 %**
Credit Risks	249.5	32.8 %	327.3	41.4%
Investment Risks	0.0	0.0 %	0.0	0.0 %
Market Price Risks	41.5	5.4 %	35.9	4.5 %
Liquidity Risks	12.3	1.6 %	20.8	2.6 %
Operational Risks	11.0	1.4 %	11.3	1.4 %
Total Risk Potential	**314.3**	**41.3 %**	**395.3**	**50.0 %**
Over Cover	**447.1**	**58.7 %**	**394.7**	**50.0 %**
Level of Risk Cover		**242.3 %**		**199.8 %**

The level of risk coverage was 242.3 % as at 30 June 2011.

The considerable fall in credit and liquidity risks results from methodological and technical improvements in the calculation of risk.

The market price risks rise because of stronger trading activities in the first half-year of 2011.

Risk Management Structure and Organisation

Responsibility for risk management lies with the extended sub-group board of the NORD/LB Luxembourg Group, which also specifies the Group's risk strategy. After resolution of the risk strategy by the extended sub-group board of the NORD/LB Luxembourg Group, this is reported to the Supervisory Board of NORD/LB Luxembourg and discussed with it in detail. Responsibility for the development and monitoring of the risk strategy lies with the Chief Risk Officer (CRO) of NORD/LB Luxembourg. This includes the monitoring of all significant risks including risk reporting.

Risk management will be subjected to continuous review and improvement. Risk is managed using standard group methods at both individual and group levels. Any adjustments that might be necessary comprise regulatory requirements, organisational measures, improvement of procedures of risk quantification and the ongoing updating of relevant parameters. Risk-orientated and process-independent audits of the effectiveness and appropriateness of the risk management are likewise duties of the Internal Audit department. The aims of the internal audit department also include making a contribution to the securing of the effectiveness, efficiency and orderliness of the business activities. It also facilitates the optimisation of business processes as well as the controlling and monitoring of procedures.

Within the scope of the ongoing improvement of the group-wide monitoring instruments, the Internal Audit departments of NORD/LB and the NORD/LB Luxembourg Group work closely together using a standardised group audit policy and evaluation matrix for the findings of audits. Cross-institutional competence centres were also set up in this regard, in order to develop complex specialised subjects and conduct audits in the banks.

The Compliance division of NORD/LB Luxembourg is responsible for identifying and assessing the compliance risks within the NORD/LB Luxembourg Group. It is responsible for ensuring that the requirements with respect to the ICAAP, in particular those arising from Circular CSSF 07/301 and its addenda circulars, are fulfilled in full conformity by the individual banks. The Group's Compliance Charter describes which tasks and responsibilities were defined.

The handling of new products, new markets, new distribution channels, new services and their variations is regulated within the scope of the New Product Processes (NPP).

The essential aim of the NPPs is for all potential risks for the NORD/LB Luxembourg Group to be identified, analysed and evaluated prior to the business being taken up. Associated with this are the integration of all necessary audit areas and documentation of new business activities, their treatment in the overall operational process, the decisions to establish business and any appropriate associated restrictions.

All processes and responsibilities, which are of relevance for the risk management process of the Group, are documented in the risk handbook of the NORD/LB Group and in the working directives of the NORD/LB Luxembourg Group.

Credit Risk

Credit risk is a component of counterparty risk and is subdivided into classical credit risk and counterparty risk in trading. The classical credit risk describes the risk of a loss occurring because of the failure or decline in creditworthiness of a borrower. The counterparty risk in trading describes the risk of a loss occurring because of the failure or decline in creditworthiness of a borrower or contractual partner in trading transactions. This is sub-divided into the default risk in trading, replacement, settlement and issuer risks.

As well as the original credit risk there is also the country risk in the case of cross-border capital services (transfer risk). This includes the risk of a loss occurring because of overriding state restraints, despite the ability and willingness of the counterparty to fulfil its payment obligations.

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 following organisational units in particular are involved in this system:

- NORD/LB Luxembourg: Corporate Banking (lending market sector), Credit Risk Management (lending market consequences), Controlling, Financial Markets, Business Development & Credit Solutions
- of NORD/LB CFB: Public Finance (lending market sector) and Treasury, of
- NORD/LB: Credit Risk Management (lending market consequences).

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, is clearly defined at employee level. In accordance with the requirements of the Luxembourg bank supervisory authorities, 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 continually improved in accordance with operational and regulatory criteria and adjusted where appropriate to the specific characteristics of the Bank. The independent monitoring of the portfolio in relation to strategic and operational standards will be performed by NORD/LB Luxembourg's Controlling Department.

To this end, the Controlling department of NORD/LB Luxembourg compiles a quarterly counterparty risk report as part of the management information system for the members of the credit risk committee, in order to make existing risks or risk concentrations transparent at an early stage and to introduce necessary measures where applicable. The report also includes an aggregated illustration of counterparty risks of the subsidiaries with respect to standardised group control.

The counterparty risk report includes a detailed and comprehensive illustration and analysis of the counterparty risk of the respective individual banks at overall portfolio level according to various aspects. The counterparty risk report also features a stress test. The exposure considered comprises the whole of the assets, including possible liabilities and commitments as well as derivatives and repo transactions. The counterparty risk report is based on the data from the regulatory reporting process. The calculation of counterparty default risks is carried out on the basis of Pillar 1 of Basel II (IRB Basic Approach). The information from the subsidiaries that is needed in terms of reporting is prepared by NORD/LB CFB and Skandifinanz and monitored in terms of counterparty risk analysis.

The Controlling division of NORD/LB Luxembourg compiles a so-called counterparty risk notification as another instrument for controlling and monitoring the credit risks on a monthly basis as well as the credit risk watch list.

Credit Risks – Measurement

Credit risks are quantified on the basis of the risk figures Expected Loss and Unexpected Loss. Expected Loss is determined on the basis of one-year default probabilities taking into account recovery rates or resultant loss ratios.

The unexpected loss for the credit risk is quantified across the Group with the aid of an economic credit risk model for different confidence levels and a time horizon of one year. The credit risk model used by the NORD/LB Group incorporates correlations and concentrations into the risk assessment.

The credit risk model determines the unexpected loss at the level of the overall portfolio. The model used for NORD/LB Luxembourg and NORD/LB CFB is based on the basic model of CreditRisk+. It involves representing systematic sector influences on the distribution of loss using correlated sector variables. The estimate of the Probability of Default – PD draws on the internal rating procedure. The loss quotas (Loss Given Default – LGD) are defined specific to the transactions.

The calculation for Skandifinanz initially continues to be the Gordy model, which is drawn on by the Basel Committee for Banking Supervision for modelling capital adequacy within the scope of Basel II. The Gordy model determines the contributions of the individual borrowers and investments to unexpected losses at portfolio level, which are consolidated by addition into an unexpected loss to the overall portfolio. This model uses the probabilities of default (PDs) resulting from the internal rating procedure and the loss given default (LGD) relating to specific transactions.

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 ongoing risk management and controlling is done for NORD/LB Luxembourg and NORD/LB CFB by the Controlling department of NORD/LB Luxembourg. Skandifinanz's risks are managed and controlled separately by Skandifinanz staff. The reports of Skandifinanz are provided to the Controlling department of NORD/LB Luxembourg for monitoring and inclusion in the Group reports.

Credit Risk – Development in the first Half-Year of 2011

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 categories to be formed in accordance with IFRS 7.6 for the portrayal of the credit risk are accordingly in keeping with those of the reports on the risk-bearing capacity submitted quarterly to the extended sub-group board and the regulatory bodies.

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. The basis for the calculation of the credit exposure is the drawdowns (in the case of guarantees the nominal value, in the case of securities the book value according to IFRS), and the credit equivalents from derivatives (including add-on and taking into account netting). Irrevocable commitments to lend are included in the calculation of credit exposure at 61 % and revocable commitments at 5 %, while guarantees received remain unconsidered.

Analysis of Credit Exposure

The credit exposure as per 30 June 2011 is EUR 22.1 billion (previous year EUR 20.1 billion). The rise in exposure is essentially due to the method of its determination being adapted within the scope of the technical renewal of the interface to NORD/LB. As per 30 June 2011 financial securities are no longer deducted directly in the exposure, but rather are entered via the parameter "LGD after securitisation" in the credit risk calculation. The exposure is therefore reported more conservatively on the basis of gross values.

This means that in the case of repurchase agreements the bond given to repurchase is on the one hand displayed as credit exposure with the issuer and on the other hand as a credit exposure with the counterparty. The exposure account is therefore carried out more conservatively on the basis of gross values.

The NORD/LB Luxembourg Group uses an internal model to classify the credit exposure. The central component of this is the standard IFD rating scale, which the banks, savings banks and associations have agreed upon who have joined up in the Initiative Finanzstandort Deutschland (IFD – Initiative of the Financial Centre Germany). This has been designed to improve the comparability of the various rating levels of the individual financial institutions. The Group's standard 18-tier DSGV rating master scale of rating categories can be transferred directly into the IFD categories.

The following table shows the rating structure of the whole credit exposure – divided into product categories and the totals compared with the structure of the previous year:

Rating Structure [1) 2)] EUR Million	Loans [3)]	Securities [4)]	Derivatives [5)]	Other [6)]	Total 30.06.2011	Total 31.12.2010
	30.06.2011					
Very good to good	8,275	10,069	402	34	**18,780**	**16,632**
Good/Satisfactory	1,044	653	1	2	**1,700**	**1,503**
Still good/Adequate	255	79	0	1	**335**	**419**
Increased Risk	718	74	0	1	**794**	**846**
High Risk	94	27	0	0	**122**	**215**
Very high Risk	128	0	0	0	**128**	**217**
Default (=NPL)	272	5	0	0	**277**	**307**
Total	**10,788**	**10,906**	**403**	**39**	**22,136**	**20,138**

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, the irrevocable credit commitments are included at 61 % and revocable ones at 5 %, as in the internal reporting
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 majority of total exposure (84.8 %) is in the "very good to good" rating category. 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 [1) 2)] EUR Million	Loans [3)]	Securities [4)]	Derivatives [5)]	Other [6)]	Total	
	30.06.2011				30.06.2011	31.12.2010
Financial Institutes/Insurers	6,390	6,732	402	0	**13,524**	**11,800**
Service Industrie/Others	1,465	3,688	0	0	**5,154**	**4,933**
Of wich: Real Estate an Residential	589	0	0	0	589	**559**
Of which: Public Administration	207	3,530	0	0	3,737	**3,272**
Transport/Communication	424	162	0	0	**586**	**553**
Of which: Shipping	13	0	0	0	**13**	**14**
Of which: Aviation	0	0	0	0	**0**	**0**
Manufacturing Industry	1,274	0	0	39	**1,312**	**1,365**
Energy- and Water Supplies and Mining	802	324	0	0	**1,125**	**1,065**
Trade, Maintenance and Repairs	199	0	0	0	**199**	**325**
Agriculture, Forestry and Fishing	1	0	0	0	**1**	**1**
Construction Industry	83	0	0	0	**83**	**93**
Other	151	0	1	0	**152**	**4**
Total	**10,788**	**10,906**	**403**	**39**	**22,136**	**20,138**

1) Allocation in alignment with the internal reporting in accordance with economic criteria
2) to 6) see previous table on the rating structure

The table shows that the business with financial institutions/insurers with good creditworthiness with an overall proportion of 61.1 % continues to make up a significant share of the overall exposure. When the service sector is included the proportion of the total exposure is 84.4 %.

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

Regions [1) 2)] EUR Million	Loans [3)]	Securities [4)]	Derivatives [5)]	Other [6)]	Total	
	30.06.2011				30.06.2011	31.12.2010
Euro Countries	6,877	7,244	98	39	**14,257**	**14,278**
Of which: Germany	5,992	225	81	0	**6,298**	**8,759**
Remaining Europe	2,628	1,291	283	0	**4,202**	**2,289**
North America	780	1,648	22	0	**2,450**	**2,659**
Latin America	28	68	0	0	**96**	**114**
Middle East/Africa	33	0	0	0	**33**	**30**
Asia	439	143	0	0	**582**	**593**
Other	3	513	0	0	**516**	**176**
Total	**10,788**	**10,906**	**403**	**39**	**22,136**	**20,138**

1) Allocation in alignment with the internal reporting accordance with economic criteria
2) to 6) see previous table on the rating structure

The Group invests almost exclusively in economically strong regions. The country risk tends to be of low importance due to the good country ratings. The Eurozone, with a high proportion (64.4 %) of loans, continues to be the most important business region by far.

The differences between the totals of credit exposure according to internal reports and book values result from the definition of the credit exposure for internal purposes based on the regulatory reporting and from different balance sheet and evaluation methods.

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 is accounted for by means of portfolio-based provisions for impairments which have already occurred, but were not known at the reporting date.

The risk provision of the Group amounts to EUR 106.1 million on the reporting date and as well as portfolio loss provisions in the sum of EUR 14.8 million, contains individual loss provisions in the sum of EUR 83.4 million, of which EUR 44.6 million is attributable to Icelandic commitments, and a further EUR 4.4 million were established for a Greek government bond. For three borrowers from the processing industry sector there are individual loss provisions of EUR 22.5 million as well as provisions of EUR 7.1 million. The remaining individual loss provisions totalling EUR 12.1 million are attributable to three borrowers from different sectors In addition, provisions over EUR 0,8 million were created for off-balance sheet risks.

Credit Risk – Outlook

In the second half-year 2011, measures are planned in close cooperation with the NORD/LB Group for the further optimisation of the models for quantifying and controlling credit risks. As well as further developing the economic credit risk model, the loss data collection for the validation of the components LGD and Credit Conversion Factor (CCF) will also be further expanded.

Participation Risk

Participation risk likewise is a component of counterparty risk. It describes the risk that losses may arise by providing equity to third parties. On top of this, participation risk also includes the risk of a potential loss because of other financial obligations, if it has not been taken into account in other risks.

As well as the original participation risk, there is the country risk in the case of international capital services (transfer risk). This includes the risk of a loss occurring because of overriding state restraints, despite the ability and willingness of the counterparty to fulfil its payment obligations.

Strategy
The Group's investment strategy is primarily aimed at securing and improving its own market position. The investments serve the targeted strengthening of the universal banking activities.

Controlling and monitoring of risks arising from entering into investments takes place in the extended sub-group board of the NORD/LB Luxembourg Group. The investment controlling department resides in the Controlling division of NORD/LB Luxembourg from an organisational point of view, which in cooperation with other divisions, particularly the company development division, monitors the investment risk and is to supply the controlling units with the necessary information. Alongside this the internal auditors of NORD/LB Luxembourg are integrated into the monitoring of the investments in their function as the Group auditors.

Monitoring is performed by analysing the reports drawn up during the year, the interim and annual financial statements and the audit reports prepared by the external auditors. The Group implements the control impulses through the posting of representatives from NORD/LB Luxembourg into operational mandates of the companies and by exercising its administrative board function. Moreover the Bank has established group-wide committees in which the topics relevant for control are discussed.

Participation Risk – Measurement

The risks from investments are integrated into the risk control of NORD/LB Luxembourg with reference to the quantified risk potential per risk category. 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 the first Half-Year of 2011

The breakdown of the investment portfolio remained unchanged in the first half-year of 2011.

As a result of a loss event in 2009 at the subsidiary bank Skandifinanz, the governing bodies at the Swiss bank decided 2010 to suspend any new business and to reduce business activities both in Private Banking and in Trade Financing. This resolution was enforced in January 2011 with the restriction of the corporate purpose in the articles of association of Skandifinanz Bank AG and implemented in the first half-year of 2011. Moreover the company has been renamed Skandifinanz AG since 7 January 2011.

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, currency risk, volatility risk and credit spread 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.

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.

The volatility risk describes the risk that the value of an option position might react to because of potential price changes resulting from market movements of the volatilities used for the valuation of the option, and these changes could lead to a reduction in value of the position.

The credit spread risk denotes potential price changes, which arise if the credit spread applicable to the respective issuer, borrower or reference debtors, which is used in terms of the market valuation of the position, changes.

Market Price Risk – Management

Strategy
The activities associated with market price risks at the NORD/LB Luxembourg Group are concentrated on selected markets, customers and product segments. Their positioning in the money, currency and capital markets should reflect the importance and size of the Group.

As regards interest risk the aim of the Group is to operate maturity transformations and to participate in the general market developments within the scope of the risk limits it has set. As well as this credit spread risks result from the securities used for interest rate and liquidity control purposes. The trading book of NORD/LB Luxembourg only has a subordinate importance in the period under report.

Organisational Units
All divisions that manage market price risk bearing positions and bear gains and losses arising from market changes are included in the process of controlling market price risks. The monitoring of the risks is done by the Controlling department of NORD/LB Luxembourg.

In accordance with national requirements and the German MaRisk, the Controlling division operates independently of the divisions responsible for market price risk management, in terms of both function and organisation. It performs various monitoring, limiting, and reporting activities for the Group.

Market Price Risk – Management and Monitoring

A consistent Value-at-Risk procedure is used within the NORD/LB Group for the management and monitoring of market price risks of NORD/LB Luxembourg and NORD/LB CFB. The credit spread risks of the liquidity reserve and the trading book are integrated into this. Skandifinanz calculates the interest rate change risk on the basis of a strictly limited scenario approach which is appropriate for the size of the Bank.

The Value-at-Risk key figures are determined on a daily basis using the method of historical simulation. A unilateral confidence level of 95 % and a holding period of one trading day are applied throughout the Group. The analysis is based on historical changes to risk factors over the last twelve months. The models take account of direct and indirect correlation effects between risk factors, types of risk, currencies and sub-portfolios.

Within the scope of the daily control a limit was set for the Value-at-Risk value, which is derived from the going-concern perspective of the risk-bearing capacity. Any possible losses in the trading book and the banking book are directly added to the loss limits and lead to a reduction of the Value-at-Risk limits following the principle of self-consumption.

The prediction quality of the Value-at-Risk model is verified with comprehensive backtesting analyses. 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 in the trading and bank books were both in the green region in accordance with the Basel traffic light approach at overall Bank level.

The effects of extreme changes on the markets on the risk position of the Bank are determined on a daily basis in addition to the Value-at-Risk. For each of the risk types interest rate, currency, credit spread, and volatility risks, various stress scenarios were defined, which approximately reflect the highest changes of the respective risk factors, which were observed in the last five to ten years over a period of ten trading days.

The Value-at-Risk for NORD/LB Luxembourg and NORD/LB CFB is additionally each calculated on the basis of the regulatory parameters (confidence level 99 % and holding time of ten days).

As well as this interest rate sensitivities are calculated on a daily basis. These are reported in the daily report in aggregated form for each currency at the level of the individual portfolios, for the various product types and in maturity bands.

In order to refine the internal controls a credit spread Value-at-Risk was implemented at NORD/LB Luxembourg and NORD/LB CFB level over the course of the first half of the year, which also takes into account the credit spread risks of the assets. A unilateral confidence level of 95 % and a holding time of 130 days are used in the process. The limitation of the liquidity reserve following the principle of self-consumption arises from the aforementioned standard group Value-at-Risk control. The non-self-consuming limits for the credit spread Value-at-Risk for the assets are derived from the stress scenarios of the risk-bearing capacity.

In addition, the credit spread risks are determined via a standard group scenario analysis and limited separately.

Market Price Risk – 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 Risk – Development in the first Half-Year of 2011

The following graph shows the development of the market price risks in NORD/LB Luxembourg and NORD/LB CFB in the first half-year of 2011 on the basis of the Value-at-Risk at a confidence level of 95% and holding time of one day. Even after the integration of the credit spread risks of the liquidity reserve and of the trading book in the first quarter of 2011 the market price risks could be maintained at a low level overall:

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

The utilisation of the Value-at-Risk at NORD/LB Luxembourg was on average 17.1 % in the first half-year of 2011 (12.6 % as per 31 December 2010), the maximum utilisation was 23.9 % and the minimum utilisation was 11.4 %. The Value-at-Risk that is calculated on a daily basis was EUR 1.30 million at NORD/LB Luxembourg on 30 June 2011 (EUR 0.62 million as per 31 December 2010). On the reporting date the interest rate risks were recorded at EUR 0.44 million, foreign currency risks at EUR 0.49 million and credit spread risks at EUR 1.12 million.

The utilisation of the Value-at-Risk at NORD/LB CFB as a half-yearly average was 20.5 % (29.7 % as per 31 December 2010); the maximum utilisation was 27.2 % and the minimum utilisation was 13.6 %. The Value-at-Risk calculated on a daily basis (confidence level of 95% and holding time of one day) was EUR 0.10 million on 30 June 2011 (EUR 0.17 million as per 31 December 2010) in NORD/LB CFB. The shares in the overall risk made up of interest rate and foreign currency risks were EUR 0.08 million and EUR 0.04 million respectively on the reporting date. Since there were no items in the liquidity reserve the share from credit spread risks was equal to zero.

As at 30 June 2011 the interest sensitivities (NORD/LB Luxembourg and NORD/LB CFB aggregated) are as follows:

Sensitivities (Interest Rates) „Present Value of a Basis Point“ (PVBP) per Portfolio and Currency																		as at 30.06.2011 (KEUR)
Currencies	AUD	CAD	CHF	CZK	DKK	EUR	GBP	HKD	HUF	JPY	NOK	NZD	PLN	SEK	TRY	USD	ZAR	Total
Whole Bank	+0	+0	+11	+0	+0	–150	+0	+0	+0	+3	–0	+0	+0	–0	+0	–9	+0	–145

Additionally with regard to the interest rate risks in the investment book, the effects of a standardised interest rate shock of +130 or –190 basis points is analysed in accordance with the requirements of SolvV on a monthly basis. The result continues to be far below the regulatory threshold, which provides for a maximum proportion of 20 % of authorised equity capital.

The credit spread risk via the standard group scenario analysis (holding time ten days) in the period under report can be seen from the following graph:

Credit Spread Risk (normal Scenario)

The utilisation of the credit spread risk via the Group's standardised scenario analysis (holding time ten days) at NORD/LB Luxembourg was on average 32.5 % (38.1 % as per 31 December 2010), the maximum utilisation was 42.6 % and the minimum utilisation was 26.3 %. As per 30 June 2011 the credit spread risk via the standard group scenario analysis was EUR 12.87 million (EUR 15.26 million as per 31 December 2010).

The credit spread risk via the Group's standardised scenario analysis (holding time ten days) at NORD/LB CFB has been limited for the whole portfolio since 31 March 2011. Up to this point in time only the AFS portfolio was limited. The utilisation was an average of 66.9 % after 31 March 2011, the maximum utilisation at 71.5 % and the minimum utilisation at 60.7 %. As per 30 June 2011 the credit spread risk via the standard group scenario analysis was EUR 46.00 million (EUR 43.17 million as per 31 December 2010).

The credit spread Value-at-Risk procedure used for the purposes of internal control in NORD/LB Luxembourg and NORD/LB CFB, which also takes into account the asset

positions, was introduced on 15 June 2011. As per 30 June 2011 the credit spread Value-at-Risk (95 %, holding time 130 days) at NORD/LB Luxembourg was EUR 42.49 million. This is equivalent to a limit utilisation of 42.5 %. The credit spread Value-at-Risk (95 %, holding time 130 days) at NORD/LB CFB was EUR 72.82 million as per 30 June 2011. This is equivalent to a limit utilisation of 69.4 %.

Market Price Risk – Outlook

We anticipate a moderate increase in the market price risks for the year 2011.

Liquidity Risk

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

The principles of the liquidity control and liquidity control in emergencies are defined in the respective working instructions, in the risk handbook and in the methodology handbook of the NORD/LB Group. As well as this the Global Group Liquidity Policy (GGLP) describes the strategic guidelines to ensure sufficient liquidity in the NORD/LB Group. The measures for liquidity control in emergencies and crisis situations are described in the GGLP Concept (NORD/LB Group) and in the Contingency Funding Plan (NORD/LB Luxembourg Group).

Liquidity Risk – Control

Strategy
The liquidity risk strategy of the NORD/LB Luxembourg Group focuses on the recommendations regarding efficient liquidity risk control published by the CEBS, the requirements of the Luxembourg regulatory authorities and the central bank derived therefrom and the requirements in accordance with MaRisk. To this end the Bank implemented a liquidity strategy, liquidity policy and Contingency Funding Plan, which take these requirements into account and are incorporated into the systems of the NORD/LB Luxembourg Group. Ensuring liquidity at all times represents a strategic necessity for the Group.

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 organisational unit ALM / Treasury.

The Controlling division of NORD/LB Luxembourg assumes the controlling functions for the calculation of the refinancing risks and the determination and monitoring of the classical liquidity risk and is involved to a great extent in the introduction and improvement of internal procedures to measure, limit and monitor liquidity risks.

Liquidity Risk – Management and Measurement

The Group differentiates between the following characteristics of liquidity risk within the scope of liquidity management:

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 the so-called liquidity stress tests (LST), which are generated on a daily basis at Group level.

For this purpose all liquidity payment flows of the Bank are taken into consideration. At the same time a distinction is made between fixed payments on the one hand and variable / unforeseeable payment flows on the other hand. The amount and maturity of the fixed flows are known at the time of reporting, so-called deterministic flows. The focus is on the modelling of the payment flows that are variable in time and amount in the various scenarios. The selected products are divided into outflows and inflows. The process takes into account, amongst others, outside induced market distortions in the models, and the effects of unexpected events in the lending or deposit businesses.

A distinction is made in the scenarios between one dynamic and three static scenarios.

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

The static scenarios are split into:

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.

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.

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. The meeting of this core figure is to be reported to the Bank's Board of Directors and NORD/LB's Risk Controlling/Liquidity Risk department on a daily basis.

In order to monitor the liquidity risk appetite and risk tolerance using the "Distance-to-Illiquidity", which is calculated at Group level, the Group has defined the following limits:

- risk appetite: 180 days
- risk tolerance: 60 days

These limits are integrated into a group-wide defined traffic light control system of the dynamic scenarios.

There is an escalation process, which ranges from preventative measures when falling below the risk appetite through to triggering the emergency plan when falling below the risk tolerance.

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.

Liquidity risk limits (in the form of volume structure limits and cash-equivalent liquidity risk costs) limit the risk of the effects of a negative result from the change in the liquidity spread related to an open liquidity risk position. In the calculation of the amount of the liquidity risk limits, the factors ensuring sufficient liquidity, risk-bearing capacity of the Bank and the use of the opportunities for a contribution to profit from the Bank's typical source of profit "liquidity spread" are taken into account. The trading division receives the framework for trading that is necessary for achieving its objectives via the liquidity risk limits.

The Bank uses these limits to record a risk appetite in relation to discrepancies.

Market Liquidity Risk
Market liquidity risk defines the potential losses that the Bank will have to bear if it needs to conclude transactions under conditions which are not in line with the fair market value due to a lack of liquidity in individual market segments. Market liquidity risks can result in the first instance from security positions in the investment books.

The holding of securities essentially serves to support liquidity and hedging management in terms of collateral management.

Market liquidity risks are accounted for implicitly by means of distinguishing securities in the liquidity progress review in accordance with their market liquidity. This is undertaken on the basis of the liquidity category concept in operation (consistently across the Group) by classification into various security categories. The illustration in the liquidity maturity balance sheet is undertaken depending on the liquidity category.

Liquidity Risk – Reporting

The liquidity risk situation in the classical liquidity risk is determined daily within the scope of the tight control of the NORD/LB Luxembourg Group and in the refinancing risk for NORD/LB Luxembourg and Skandifinanz daily and for NORD/LB CFB weekly and the respective trading Board of Directors is informed of it accordingly. Any possible overruns in volume structure limits of the refinancing liquidity risk or an amber or red traffic light switch in the classical liquidity risk are reported to the full Board of Directors.

In addition liquidity maturity balance sheets, based on the refinancing liquidity risk, are made available by the Controlling division of NORD/LB Luxembourg for the monthly committee meetings at Bank and Group level.

As well as this, the full board is informed about the essential liquidity key figures within the scope of the daily reports.

Within the scope of the monitoring of the refinancing structure, a concentration report is compiled, which contains the analysis of the funding. As well as the liabilities side (balance sheet) the concentrations of off-balance sheet obligations are also reported quarterly. A report is made to the respective Board on an annual basis. The evaluations are consolidated into a group concentration report at Group level.

Liquidity Risk – Development in the first Half-Year of 2011

The financial market continues to be in a very tense mood over the course of the first half-year of 2011. The liquidity availability of the NORD/LB Luxembourg Group was secured at all times and has improved in comparison to 31 December 2010.

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

Scedule of Liquidity Flows

The statutory provisions were met in the first half-year of 2011.

In order to depict and control the liquidity flows accurately, a security classification system was introduced via a methodical improvement, which groups together the whole security stocks into various classes according to the assessment of their convertibility into cash. The change in cumulative outflows results predominantly from the introduction of this new logic and is therefore only comparable with the previous year's outflows to a certain extent.

Liquidity Risk – Outlook

With the control of the liquidity risk, which goes beyond the regulatory framework, it is ensured that the Group is always in a position to fulfil its payment obligations on time and that the Group can take up refinancing funds on the market at favourable conditions.

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

Through attentive observation of the markets and active liquidity control, it was ensured at all times throughout the

period under report that the Group is equipped with adequate liquidity. No substantial increase in the liquidity risks is anticipated for the further course of the year 2011.

In the further course of the year 2011 the methods and risk measurement processes will be optimised further. An essential component of this is the implementation of the significantly increased requirements of management announced by the international regulatory authorities as a reaction to the financial market crisis, and the external reporting with regard to liquidity risks. As regards the methodical improvement and implementation of the improved and/or still to be improved methods and models, the Bank is actively involved in a group-wide liquidity management project.

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
There are operational risks in every business activity. The aim is therefore to avoid them – so far as is economically reasonable. The economic consideration that must be made here follows the basic idea of protection against operational risks, so that the costs of protection do not exceed the risk costs that may occur.

Organisational Units
The Board of Directors, the person in charge of Op risks, internal auditors 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. The person in charge of Op risks is responsible for central monitoring and independent reporting on operational 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. The Internal Audit division is in charge of independently auditing the proper and correct implementation and execution of methods and procedures.

Operational Risk – Management

Safety concepts and contingency concepts have been put in place for the purpose of protecting persons and tangible assets; among other things they regulate the 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 person in charge of safety, for example, is responsible for the promotion of health and safety at work.

The management of operational risks is supported by a methodical framework for risk assessment. Escalation processes are defined in order to introduce timely targeted measures.

Through a continuous analysis of loss events, risk indicators and scenarios, the causes of risks are to be identified and risk concentrations avoided. The suitability and effectiveness of the internal management system (IMS) is checked at regular intervals (IMS control loop) in terms of risks. Depending on the occasion, suitable countermeasures are taken. Emergency plans serve to limit damage in the event of unexpected extreme events. 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 Bank is sufficiently insured. 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 planning and a disaster recovery centre.

Operational Risk – Measurement

Since the middle of 2005 the NORD/LB Luxembourg Group has been compiling data on loss events arising from operational risks and 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 1,000. The data for the loss event database provides the starting point for analyses to support risk management and form an essential building block for a statistical and mathematical risk model.

The compilation of loss events is entered into the DakOR data consortium initiated by the German Federal Association of Public Sector Banks (Bundesverband Öffentlicher Banken Deutschlands e. V., or VÖB). NORD/LB uses the loss events supplied by the consortium to improve the basis of the data of the advanced measurement approach for operational risks (Advanced Measurement Approach – AMA), which is being implemented.

With the aid of the annual risk assessment method carried out in the Group, the past-related collection of loss events is supplemented with the future components. 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 method was totally reviewed in the year under report and replaces the self-assessment carried out until then.

Operational Risk – Reporting

Within the scope of this continuing risk management process the results from the collection of loss events, risk assessment, risk indicators and the internal model are analysed and communicated to the Board on a quarterly basis and the competent divisions on occasion, however at least once a year. All results are included in the quarterly RBC report.

Operational Risk – Development in the first Half-Year of 2011

In the year under report the self-assessment was concluded for the most part through the further improved method of risk assessment comprising the components risk map, quality issue-based self-assessment and deeper scenario analyses. Based on objective information and a much simplified qualitative self-assessment, a risk map is developed,

on the basis of which risk-orientated scenarios are assessed by experts from the parts of the business concerned. The analysis of whole-bank scenarios and risk concentrations and the carrying out of stress tests were further improved as a result. The results are included in the internal model, with which an increase in accuracy of measurements is associated and a stronger procedural view of the operational risks of the Bank becomes possible.

The internal model was applied across the Group for the first time in the period ended 31 December 2010. To this end, the previous model was extended, subjected to a detailed revalidation and expanded to include an allocation procedure. With the expansion of this model, conditions were finally created that allow a group-wide application of an AMA. It was possible to complete the group-wide standardised implementation of all the methods to a large extent. Thus uniformity of risk management and granularisation of the control impulses derived from the model were achieved.

Amounts qualifying for recognition in terms of operational risk were determined using the standard SolvV approach.

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

Loss Event Database
Net Loss as a Percentage of the total Amount of Loss

	2011	2010
External Influences	0	100
Internal Procedures	99	0
Staff	1	0
Technology	0	0

Operational Risk – Outlook for 2012

In 2012, the NORD/LB Group is seeking regulatory approval of the advanced measurement approach for operational risk. The preliminary work is almost finished; the application is planned for the first quarter of 2012. 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 are planned for the methods and processes already implemented.

Other Risks

Apart from the credit, participation, market price, liquidity and operational risks already illustrated, there are no risks identified as significant. The relevant risks of the Group, which were identified as insignificant, are however integrated into a risk buffer in the management of risk-bearing capacity.

Summary and Outlook

The Group taken account of 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 contrasted with the credit, participation, market price, liquidity and operational risks combined in the risk potential respectively on a quarterly basis. The quotients calculated in the RBC model show that the risks were covered at all times in the period under report. According to the estimation of the Group, there are no risks threatening its existence. In the first half-year of 2011 NORD/LB Luxembourg and its subsidiaries, which are subject to their own duty to report, constantly met the applicable regulatory provisions on equity and liquidity. Likewise, the Group complied with the regulations on large credit limits in accordance with Luxembourg and German laws in the past year under report. The methods and processes that are currently used to control significant risks are subject to ongoing verification and are refined as necessary.

Personnel Report

Number of Employees

The number of personnel in the Group has changed as follows as compared to 30 June and 31 December 2010:

Reporting Date	30.06.2011	31.12.2010	Absolute Change	Increase/ Decrease (%)	30.06.2010	Absolute Change	Increase/ Decrease (%)
NORD/LB Luxembourg	162	157	5	3	142	20	14
Skandifinanz	6	7	– 1	– 14	13	– 7	– 54
NORD/LB CFB	9	9	0	0	8	1	13
Total Number of Employees	**177**	**173**	**4**	**2**	**163**	**14**	**9**

Market consequence, organisational and administrative functions are performed on the basis of agency contracts by the parent company, NORD/LB Luxembourg or the Group parent NORD/LB except for the functions of internal management, compliance and trust assistance.

Personnel Changes

Dr. Johannes-Jörg Riegler, Member of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, was elected to Supervisory Board of NORD/LB Luxembourg with effect from 1 January 2011.

Supplementary Report

In the Bank's portfolio exists a bond from the greek central government (nominal EUR 25 million) The Bank will take part in the survival package for Greece (IFF-model) and is currently analyzing the four presented conversion options.

Statements relating to the Future

This report contains statements relating to the future. They can be recognised through terms such as "expect", "intend", "plan", "seek", "estimate" and relate to current plans and estimates. The statements contain uncertainties, since a large number of factors that have an effect on the business lie outside the Group's sphere of influence. These include primarily the development of the financial markets and the changes in interest rates and market prices. The actual results and developments can differ considerably from the statements made today. The Group accepts no responsibility and neither does it intend to update the future-related statements or to correct them if developments are other than expected.

The Board of Directors

31. August 2011

Consolidated Interim Report for the period ending 30 June 2011 (unaudited)

NORD/LB Luxembourg

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 period under report from 1 January 30 June 2011:

	Notes	01.01. – 30.06.2011 (KEUR)	01.01. – 30.06.2010 (KEUR)
Net Interest Income and current Income	**6**	**54,944**	**65,038**
Net Interest Income and current Income		391,842	401,190
Interest Expense		336,899	336,152
Risk Provision in Lending Business	**7**	**– 260**	**– 9,470**
Net Commission Income	**8**	**– 4,774**	**– 12,572**
Commission Income		13,476	16,556
Commission Expense		18,250	29,129
Profit/Loss from Financial Instruments at Fair Value through Profit or Loss	**9**	**– 3,703**	**– 579**
Trading Profit/Loss		– 3,025	– 400
Profit/Loss from the Fair Value Option		– 678	– 179
Profit/Loss from Hedge Accounting	**10**	**989**	**– 1,194**
Profit/Loss from Financial Assets	**11**	**2,405**	**1,526**
Administrative Expenses	**12**	**20,052**	**16,739**
Staff Expenses		10,758	8,180
Other administrative Expenses		9,061	8,382
Depreciation of Property, Plant and Equipment		140	90
Depreciation on intangible Assets		93	87
Other operating Profit/Loss	**13**	**– 4,076**	**– 1,008**
Earnings before Taxes (EBT)		**25,471**	**25,001**
Income Taxes	**14**	**8,138**	**1,217**
Consolidated Net Income for the Year		**17,333**	**23,784**
Of which are attributable to Shareholders		17,333	23,784
Of which are attributable to non-controlling Shares		0	0

Overall Profit
and Loss Account

The total income for the period under report from 1 January to 30 June 2011 consists of the revenues and expenses in the income statement and directly in the equity.

	01.01. – 30.06.2011 (KEUR)	01.01. – 30.06.2010 (KEUR)
Consolidated Net Income for the Year	**17,333**	**23,784**
Increase/Decrease from Available-for-Sale (AfS) Financial Instruments	– 56,021	– 25,469
Of which unrealised Profit/Losses	– 55,713	– 26,995
Of which Reclassifications on the Grounds of Profit/Loss Realisation	– 308	1,526
Actuarial Gains / Losses for defined Benefit Provisions for Pensions	0	0
Deferred Taxes	16,134	7,284
Translation Differences of foreign Business Units	989	4,230
Profit/Loss recognised directly in Equity	**– 38,898**	**– 13,955**
Total Income for the Period under Report	**– 21,566**	**9,829**
Of which: attributable to Shareholders	– 21,566	9,829
Of which: attributable to non-controlling Shares	0	0

Consolidated Balance Sheet

For the period ended on the reporting date 30 June 2011:

Securities Portfolio at Market Value	Notes	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)
Cash Reserve	15	12.3	98.5
Loans and Advances to Banks	16	2,896.8	4,094.5
Loans and Advances to Customers	17	4,464.6	5,065.9
Risk Provisions	18	– 98.3	– 191.1
Financial Assets at Fair Value through Profit or Loss	19	357.7	425.5
Derivatives – Fair Values from Hedge Accounting	20	286.0	318.1
Financial Assets	21	10,220.1	10,251.9
Property, Plant and Equipment	22	76.7	60.6
Intangible Assets	23	7.7	5.2
Income Tax Assets		57.5	61.0
Other Assets		5.4	3.8
Total Assets		**18,286.2**	**20,193.9**

Equity and Liabilities	Notes	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)
Liabilities to Banks	24	8,890.3	10,204.1
Liabilities to Customers	25	3,819.1	3,750.6
Securitised Liabilities	26	4,026.1	4,477.3
Financial Liabilities at Fair Value through Profit or Loss	27	145.8	220.6
Derivatives – Fair Values from Hedge Accounting	28	655.1	715.6
Provisions	29	14.4	15.2
Income Tax Liabilities		5.6	6.9
Other Liabilities	30	38.9	44.3
Subordinated Capital	31	86.5	93.6
Equity	32		
Issued Capital		205.0	205.0
Capital Reserves		0.0	0.0
Revenue Reserves		477.8	500.5
Revaluation Reserve		– 85.3	– 45.4
Currency Translation Reserve		6.8	5.8
Equity attributable to Shareholders		**604.3**	**665.9**
Shares without controlling Influence		0.0	0.0
		604.3	**665.9**
Total Equity and Liabilities		**18,286.2**	**20,193.9**

Abridged consolidated Cash Flow Statement

For the period under report from 1 January to 30 June 2011 (comparative period 1 January to 31 December 2010):

	2011 (EUR Million)	2010 (EUR Million)
Cash and Cash Equivalents at 1 January 2011 / 1 January 2010	**98.5**	**207.4**
Cash Flow from operating Activities	253.7	207.5
Cash Flow from investment Activities	– 299.8	– 213.2
Cash Flow from financing Activities	– 40.2	– 103.1
Cash Flow Total	**– 86.3**	**– 108.9**
Effects of Exchange Rate Differences and Valuation Changes and Changes in the Basis of Consolidation	0.0	0.0
Cash and Cash Equivalents at 30 June 2011 / 31 December 2010	**12.3**	**98.5**

Consolidated Statement of Changes in Equity

For the period under report from 01 January to 30 June 2011 (comparative period 1 January to 30 June 2010):

EUR Million	Issued Capital	Capital Reserves	Revenue Reserves	Revaluation Reserves	Currency Translation Reserve	Equity before shares without controlling influence	Shares without controlling influence	Equity
Equity as at 01.01.2010	**205.0**	**0.0**	**540.0**	**–37.4**	**0.6**	**708.1**	**0.0**	**708.1**
Distribution	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the Year	0.0	0.0	23.8	0.0	0.0	23.8	0.0	23.8
Profit/Loss recognised directly in Equity	0.0	0.0	0.0	– 18.2	0.0	– 18.2	0.0	– 18.2
Increase/Decrease from Capital Receipts and Payments	0.0	0.0	– 100.0	0.0	0.0	– 100.0	0.0	– 100.0
Currency Translation	0.0	0.0	0.0	0.0	4.2	4.2	0.0	4.2
Consolidation Effects and other Capital Changes	0.0	0.0	– 1.1	0.0	0.0	– 1.1	0.0	– 1.1
Equity as at 30.06.2010	**205.0**	**0.0**	**462.6**	**– 55.6**	**4.8**	**616.8**	**0.0**	**616.8**
Equity as at 01.01.2011	**205.0**	**0.0**	**500.5**	**– 45.4**	**5.8**	**665.9**	**0.0**	**665.9**
Distribution	0.0	0.0	– 40.0	0.0	0.0	– 40.0	0.0	– 40.0
Profit for the Year	0.0	0.0	17.3	0.0	0.0	17.3	0.0	17.3
Profit/Loss recognised directly in Equity	0.0	0.0	0.0	– 39.9	0.0	– 39.9	0.0	– 39.9
Increase/Decrease from Capital Receipts and Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency Translation	0.0	0.0	0.0	0.0	1.0	1.0	0.0	1.0
Consolidation Effects and other Capital Changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity as at 30.06.2011	**205.0**	**0.0**	**477.8**	**– 85.3**	**6.8**	**604.3**	**0.0**	**604.3**

	In 2011 relating to Year under Report 2010	In 2010 relating to Year under Report 2009
Dividends (EUR)	0.00	5,500,000.00
Number of Shares	720,000	620,000
Dividends per Share (EUR)	0.00	8.87

Abridged Notes

NORD/LB
Luxembourg

Abridged Notes

55 Accounting Policies

55 (1) Principles for the Preparation of the Financial Statements
55 (2) Applied Accounting Policies
56 (3) Basis of Consolidation

57 Segment Reporting

58 (4) Classification by Business Segment
59 (5) Segmentation by geographical Characteristics

60 Notes to the Group Profit and Loss Account

60 (6) Interest Income and current Income
61 (7) Loan Loss Provisions
61 (8) Net Commission Income
63 (9) Profit/Loss from Financial Instruments at Fair Value through Profit or Loss
64 (10) Profit/Loss from Hedge Accounting
64 (11) Profit/Loss from Financial Assets
65 (12) Administrative Expenses
65 (13) Other operating Profit/Loss
66 (14) Income Taxes

67 Notes to the Consolidated Balance Sheet

67 (15) Cash Reserve
67 (16) Loans and Advances to Banks
68 (17) Loans and Advances to Customers
68 (18) Risk Provisions
70 (19) Financial Assets at Fair Value through Profit or Loss
70 (20) Fair Values from Hedge Accounting
71 (21) Financial Assets
73 (22) Property, Plant and Equipment
74 (23) Intangible Assets
76 (24) Liabilities to Banks
76 (25) Liabilities to Customers
77 (26) Securitised Liabilities
77 (27) Financial Liabilities at Fair Value through Profit or Loss
78 (28) Fair Values from Hedge Accounting
78 (29) Provisions
78 (30) Other Liabilities
79 (31) Subordinated Capital

80 Other Disclosures

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

80 **Notes to Financial Instruments**
80 (33) Fair Value Hierarchy
82 (34) Derivative Financial Instruments

83 **Other Notes**
83 (35) Regulatory Information
84 (36) Contingent Liabilities and other Obligations
84 (37) Events after the Balance Sheet Date
84 (38) Related Party Disclosures
87 (39) Members of Executive Bodies

Consolidated Interim Report for the period ending 30 June 2011 (unaudited)

NORD/LB Luxembourg

Accounting Policies

(1) Principles for the Preparation of the Financial Statements

The interim financial statements of the Group to 30 June 2011 were 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 agreement with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) applicable in the EU. In particular, IAS 34 was applied in order to meet the requirements for an interim financial statement. Furthermore the national provisions of the Law of 17 June 1992 in the version of March 2009 were taken into account, as applicable on the interim statement reporting date. The consolidated interim financial statements are an integral part of the half-year financial report within the meaning of the Grand Duchy Regulation of 11 January 2008 on the transparency requirements of security issuers and are to be read in conjunction with the information in the published and attested consolidated annual statements of NORD/LB Luxembourg to 31 December 2010.

The interim financial statements to 30 June 2011 comprise the overall profit and loss account, the consolidated income statement, consolidated balance sheet, abridged consolidated cash flow statement, consolidated statement of changes in equity and selected explanatory notes. The reports on the segments are included in 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 for the interim financial statements are based on those of the consolidated annual financial statements to 31 December 2010. The financial assets and liabilities at Fair Value in the consolidated interim statements are also calculated in accordance with the fair value hierarchy of 31 December 2010. In the year under report no conversions were made.

The estimates and assessments necessary within the scope of the balance sheet preparation by management are made in keeping with the respective IFRS standard and are reviewed continually. Accordingly all adjustments are made which are necessary for an adequate presentation of the assets, financial and income position within the scope of the interim reporting. This essentially relates to the calculation of the fair value of financial assets and liabilities of Level 3, the risk provision the provisions and deferred taxes.

In the period under report the following changes to standards to be applied for the first time as of 1 January were taken into account:

In November 2009 the IASB published a revised edition of IAS 24 – Related Party Disclosures. Within the scope of the revision there was in particular a refinement and supplement to the definition of related parties.

In May 2010 the IASB published further modifications of existing IFRS within the scope of its Annual Improvements Project. These comprise both changes of various IFRS with effects on the approach, assessment and reporting of business events and terminological or editorial corrections. Most of the adjustments come into force for the financial years starting on or after 1 January 2011.

The following effects on the Group arise from the application of the abovementioned changes to the standards:

- Because of the first application of IAS 24 (rev. 2009) the group of related parties is extended to subsidiaries and joint ventures of the NORD/LB Group, the regional state of Lower Saxony, and to the association of savings banks in Lower Saxony "Sparkassenverband Niedersachsen" (SVN), as well as the subsidiaries of joint ventures and associated undertakings of the NORD/LB Group. This is accompanied by an extension of the volume of businesses stated in the notes to the financial statements. The information from the previous year has been adjusted accordingly (cf. Note 38).

- Within the scope of the change to the IAS 34 through the Annual Improvement Project, the notes to the financial statements are extended to cover the level information of IFRS 7.

There are no other significant effects on the balance sheet preparation, the assessment or the reporting in the interim financial statements arising from the application of the aforementioned changes to the standards.

The changes to the IAS 32 (classification of subscription rights) published by the IASB at the end of 2009 and IFRIC 14 (prepayments in terms of minimum allocations rights) – where applicable - did not have any significant effects.

The Group will not be applying any other published standards, interpretations or changes, which it is not yet obligatory to apply, early.

(3) Basis of Consolidation

As well as NORD/LB Luxembourg as the parent company, two subsidiaries are included in the Consolidated Financial Statements, in which NORD/LB Luxembourg directly or indirectly holds more than 50 % of the voting rights or can otherwise exercise a controlling influence.

Subsidiaries included:

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

Segment Reporting

Classification by Business Segment

Segment reporting is carried out in accordance with IFRS 8. It is designed to provide information about the Group's business segments and is carried out in compliance with the Group's business model and on the basis of the internal reporting system. The segments are defined as customer or product groups that are in line with the Group'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. The allocation of the interest benefit from equity investment is shown in the Investments/Other sector.

Affiliated Savings Banks
This includes institutional business with affiliated savings banks and syndicated business conducted with savings banks in the network with the profit/loss incurred (interest rate conditions contribution and net income from commission).

Private Banking
Business with wealthy private customers is shown under this item. The main contributors to the profit/loss in this segment result from the sectors of securities and custodian business, the lending and deposit business, fund and asset management and the profit/loss from services to private customers.

Financial Markets
In particular all sections of the Group, which are involved in investment banking, are recorded here, in particular ALM/Treasury of NORD/LB Luxembourg and Public Finance of NORD/LB CFB.

The ALM/Treasury sector of NORD/LB Luxembourg mainly invests in commercial papers, call and term deposit transactions, as well as securities and promissory note loans of first class issuers and the Credit Solutions business sector invests mainly in securities of banks and financial institutions. Profits/losses are generated in particular from liquidity and maturity transformations.

The government lending business with central governments, local authorities and downstream offices in the OECD primarily falls under the business sectors of Public Finance in NORD/LB CFB and loans and securities guaranteed by them. These are primarily opposed to contributions to profit/loss arising from the issuing activities of the Bank.

Structured Finance
This constitutes Skandifinanz's trading-related financial transactions and its international private customer business.

Group Cooperation
This segment shows the lending business transferred by the Group with the profit/loss contributions incurred.

Shareholdings / Other
This sector includes other items and reconciliation items.

Segmentation by Regions

Segmentation by geographical characteristics 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

	Segments							
EUR Million	Affiliated Savings Banks	Private Banking	Financial Markets	Structured Finance	Group Coopera-tion	Share-holdings / Other	Consoli-dation	Total
Net Interest Income *)	**1.0**	**1.1**	**19.8**	**0.5**	**30.3**	**1.8**	**0.5**	**55.0**
Do. 30 June 2010	0.9	0.7	28.2	– 0.6	34.5	10.7	– 9.4	65.0
Risk Provisions in Lending Business	**0.0**	**0.0**	**– 4.1**	**– 2.5**	**3.4**	**0.0**	**2.9**	**– 0.3**
Do. 30 June 2010	0.0	0.0	– 0.6	0.0	– 8.8	0.0	– 0.1	– 9.5
Net Interest Income after Loan Loss Provisions	**1.0**	**1.1**	**15.7**	**– 2.0**	**33.7**	**1.8**	**3.4**	**54.7**
Do. 30 June 2010	0.9	0.7	27.6	– 0.6	25.7	10.7	– 9.4	55.6
Net Commission Income	**– 0.8**	**4.6**	**– 1.3**	**0.1**	**– 7.2**	**– 0.3**	**0.1**	**– 4.8**
Do. 30 June 2010	– 0.8	4.5	– 1.0	0.5	– 15.4	– 0.4	0.0	– 12.6
Profit/Loss from Financial Instru-ments at Fair Value through Profit or Loss	**0.0**	**0.0**	**– 2.4**	**0.0**	**0.0**	**0.0**	**– 1.3**	**–3.7**
	0.0	0.0	– 15.6	0.7	0.0	8.6	5.7	– 0.6
Profit/Loss from Hedge Accounting	**0.0**	**0.0**	**– 1.3**	**0.0**	**0.0**	**2.1**	**0.2**	**1.0**
Do. 30 June 2010	0.0	0.0	– 0.6	0.0	0.0	0.8	– 1.4	– 1.2
Profit/Loss from Financial Assets	**0.0**	**0.0**	**2.4**	**0.0**	**0.0**	**0.0**	**0.0**	**2.4**
Do. 30 June 2010	0.0	0.0	3.5	0.0	0.0	– 2.0	0.0	1.5
Profit/Loss from equity-accounted Investments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Do. 30 June 2010	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative Expenses	**0.1**	**4.1**	**5.4**	**0.8**	**2.9**	**5.7**	**1.1**	**20.1**
Do. 30 June 2010	0.1	3.6	5.0	1.5	1.5	5.2	– 0.2	16.7
Other Income/Expenses	**0.0**	**0.0**	**– 0.7**	**– 0.9**	**– 0.5**	**– 3.2**	**1.2**	**– 4.1**
Do. 30 June 2010	0.0	0.0	0.9	0.0	0.0	– 1.2	– 0.7	– 1.0
Operating Profit/Loss before Taxes	**0.1**	**1.6**	**7.0**	**– 3.6**	**23.1**	**– 5.3**	**2.5**	**25.4**
Dto. 30. Juni 2010	0.0	1.6	9.8	– 0.9	8.8	11.3	– 5.6	25.0
Taxes	**0.0**	**0.0**	**– 0.1**	**0.0**	**0.0**	**– 8.5**	**0.5**	**– 8.1**
Do. 30 June 2010	0.0	0.0	– 0.8	0.0	0.0	– 2.5	2.1	– 1.2
Operating Profit/Loss after Taxes	**0.1**	**1.6**	**6.9**	**– 3.6**	**23.1**	**– 13.8**	**3.0**	**17.3**
Do. 30 June 2010	0.0	1.6	9.0	– 0.9	8.8	8.8	– 3.5	23.8
Segment Assets	**288.2**	**56.4**	**15,770.6**	**49.5**	**4,703.6**	**566.0**	**– 3,148.2**	**18,286.2**
31 December 2010	306.1	64.9	17,904.0	22.7	4,779.8	671.7	– 3,555.4	20,193.9
Sector Liabilities (incl. Equity)	**0.0**	**235.7**	**20,397.5**	**49.5**	**0.0**	**751.7**	**– 3,148.2**	**18,286.2**
31 December 2010	0.0	212.0	22,446.8	72.6	192.1	825.8	– 3,555.4	20,193.9

*) According to IFRS 8.23

Further Segment Information:

EUR Million	Affiliated Savings Banks	Private Banking	Financial Markets	Structured Finance	Group Coopera-tion	Share-holdings / Other	Consoli-dation	Total
Property, Plant and Equipment, net	**0.3**	**13.1**	**26.7**	**0.0**	**6.4**	**30.2**	**0.0**	**76.7**
Do. 31 December 2010	0.2	10.3	21.1	0.0	5.1	23.8	0.0	60.6
Depreciation of Property, Plant and Equipment, current Year	**0.0**	**0.0**	**– 0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**–0.1**
Do. 30 June 2010	0.0	0.0	0.0	0.0	– 0.1	0.0	0.0	–0.1
Intangible Assets, net	**0.0**	**1.3**	**2.7**	**0.0**	**0.6**	**3.1**	**0.0**	**7.7**
Do. 31 December 2010	0.0	0.9	1.8	0.0	0.4	2.0	0.0	5.2
Depreciation of intangible Assets, current Year	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**–0.1**
Do. 30 June 2010	0.0	0.0	0.0	0.0	–0.1	0.0	0.0	–0.1
Value Adjustments on Financial Assets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Do. 30 June 2010	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(5) Segmentation by geographical Characteristics

	Segments							
EUR Million	Germany	Luxem-bourg	Switzer-land	Rest of Europe	USA	Rest of America	Other countries	Total
Operating Profit/Loss before Taxes	**10.0**	**5.1**	**– 3.5**	**10.5**	**1.8**	**0.3**	**1.2**	**25.4**
Do. 30 June 2010	8.0	3.9	0.8	7.7	2.4	0.3	1.9	25.0
Segment Assets	**6,815.3**	**233.0**	**13.3**	**7,891.8**	**2,091.2**	**494.6**	**747.1**	**18,286.2**
Do. 31 December 2010	8,008.9	387.2	46.2	7,965.3	2,459.8	578.4	748.1	20,193.9
Segment Liabilities (incl. Equity)	**7,416.4**	**5,582.3**	**1,294.2**	**3,405.9**	**145.4**	**49.9**	**392.1**	**18,286.2**
Do. 31 December 2010	8,181.8	5,861.7	2,087.5	3,472.2	98.2	93.0	399.5	20,193.9
Further Segment Information:								
Property, Plant and Equipment, net	**0.0**	**76.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**76.7**
Do. 31 December 2010	0.0	60.6	0.0	0.0	0.0	0.0	0.0	60.6
Intangible Assets, net	**0.0**	**7.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**7.7**
Do. 31 December 2010	0.0	5.2	0.0	0.0	0.0	0.0	0.0	5.2

Notes to the Group Profit and Loss Account

Seasonal and economic influences on the profit/loss of the period under report were insignificant.

(6) Interest Income and current Income

The items interest income and expenses include pro rata reductions of premiums and discounts arising from financial instruments and dividend income as well as interest income and expenses.

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. – 30.06.2011 (KEUR)	01.01. – 30.06.2010 (KEUR)	Increase/ Decrease (%)
Interest Income	**391,842**	**401,190**	**– 2**
Interest Income from Lending and Money Market Transactions	113,500	145,978	– 22
Interest Income from fixed Income and Book Entry Securities	134,259	135,073	– 1
Current Income	3	0	–
From Shares and other variable Yield Securities	0	0	–
From participating Interests	3	0	–
Interest Income from Hedge Derivatives	143,795	120,139	20
Other Interest Income and similar Income	285	0	–
Interest Expense	**– 336,899**	**– 336,152**	**0**
Interest Expense from Lending and Money Market Transactions	– 90,146	– 94,748	– 5
Interest Expense from securitised Liabilities	– 47,195	– 58,815	– 20
Interest Expense from subordinated Capital	– 267	– 291	– 8
Interest Expense from Hedge Derivatives	– 198,721	– 180,627	10
Interest Expense for Provisions and Liabilities	0	0	–
Other Interest Expense and similar Expense	– 570	– 1,670	– 66
Total	**54,944**	**65,038**	**– 16**

(7) Loan Loss Provisions

	01.01. – 30.06.2011 (KEUR)	01.01. – 30.06.2010 (KEUR)	Increase/ Decrease (%)
Income from Loan Loss Provisions	**4,986**	**13,017**	**– 62**
Reduction in Provisions for Claims	4,146	2,845	46
Reductions in portfolio-based Provisions for Receivables	254	9,797	– 97
Reversal of Provisions in Lending Business	586	376	56
Additions to Receivables written off	0	0	–
Loan Loss Provision Expense	**5,246**	**22,488**	**– 77**
Allocations to Provisions for Claims	4,938	21,854	– 77
Allocation to portfolio-based Provisions for Claims	0	634	> 100
Allocation to Provisions for Lending Business	0	0	–
Direct write-offs of Claims	308	0	–
Total	**– 260**	**– 9,470**	**– 97**

The allocation to the loan loss provisions for receivables relates to both the increase and the new generation of loan loss provisions for loans and securities at risk from default.

(8) Net Commission Income

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

The Group makes a distinction in commission income between transaction-dependent commissions, which are due and entered when the transaction is concluded, and maturity-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.

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 with NORD/LB. Transaction-related commissions are predominantly due to payments and securities transactions carried out by the Group.

	01.01. – 30.06.2011 (KEUR)	01.01. – 30.06.2010 (KEUR)	Increase/ Decrease (%)
Commission Income	**13,476**	**16,556**	**– 19**
From Security and Custody Transactions	2,782	2,116	31
From the Arrangement Business	1,088	1,018	7
From Lending and Guarantee Transactions	8,631	12,321	– 30
Other Commission Income	976	1,102	– 11
Commission Expense	**18,250**	**29,129**	**– 37**
From the Arrangement Business	15,823	17,506	– 10
From Lending and Guarantee Transactions	1,401	10,454	– 87
Other Commission Expense	1,026	1,169	– 12
Total	**– 4,774**	**– 12,572**	**– 62**

The rise in the net commission income in comparison to the previous year is due to lower expenses for arranged loans and guarantees. Commission expense in the first half-year of 2010 includes supplementary payments for previous years.

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

	01.01. – 30.06.2011 (KEUR)	01.01. – 30.06.2010 (KEUR)	Increase/ Decrease (%)
Trading Profit/Loss	**– 3,025**	**– 400**	**> 100**
Realised Profit/Loss	– 1,394	– 430	> 100
From Debt Securities and other fixed Interest Securities	106	0	–
From Shares and other variable Yield Securities	0	0	–
From Derivatives	– 1,500	– 430	> 100
From other Trading Transactions	0	0	–
Measurement Gains/Losses	– 1,840	– 7,632	– 76
From Debt Securities and other fixed Interest Securities	25	0	–
From Shares and other variable Yield Securities	0	0	–
From Derivatives	– 1,865	– 7,632	– 76
From other trading Transactions	0	0	–
Foreign Exchange Profit/Loss	– 298	2,862	> 100
Other Profit/Loss	507	4,800	– 89
Profit/Loss from Fair Value Option	**– 678**	**– 179**	**> 100**
Profit/Loss achieved from	0	0	–
Debt Securities and other fixed Interest Rate Securities	0	0	–
From Shares and other variable Yield Securities	0	0	–
Other Business	0	0	–
Measurement Gains/Losses	– 678	– 179	> 100
Debt Securities and other fixed Interest Rate Securities	– 678	– 179	> 100
From Shares and other variable Yield Securities	0	0	–
Other Business	0	0	–
Other Profit/Loss	0	0	–
Total	**– 3,703**	**– 579**	**> 100**

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). The interest rate profit/loss from trading activities is shown in the sub-item other profit/loss.

The profit/loss from the Fair Value Option primarily includes the 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. – 30.06.2011 (KEUR)	01.01. – 30.06.2010 (KEUR)	Increase/ Decrease (%)
Profit/Loss from Micro Fair Value Hedge Transactions	**989**	**– 1,194**	**> 100**
From hedged underlying Transactions	950	155,737	– 99
From Derivatives used as Hedging Instruments	39	– 156,932	> 100
Profit/Loss from Portfolio Fair Value Hedge Transactions	**0**	**0**	**–**
From hedged underlying Transactions	0	0	–
From Derivatives used as Hedging Instruments	0	0	–
Total	**989**	**– 1,194**	**> 100**

(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. – 30.06.2011 (KEUR)	01.01. – 30.06.2010 (KEUR)	Increase/ Decrease (%)
Profit/Loss from Financial Assets classified as LaR	**– 1,211**	**0**	**–**
Profit/Loss from Financial Assets classified as AfS (no joint Ownership)	**3,616**	**1,526**	**> 100**
Profit/Loss from Disposal	3,616	1,526	> 100
Of Debt Securities and other fixed Interest Securities	3,616	1,526	> 100
Of Shares and other variable Yield Securities	0	0	–
Of other Financial Assets	0	0	–
Profit/Loss from affiliated Companies	**0**	**0**	**–**
Profit/Loss from Joint Ventures and associated Companies	**0**	**0**	**–**
Profit/Loss from other participating Interests	**0**	**0**	**–**
Total	**2,405**	**1,526**	**58**

Loan loss provisions from financial assets are shown in Note (7).

(12) Administrative Expenses

The administrative expenses comprise personnel expenses, other administrative expenses and depreciation and valuation adjustments (impairments) on tangible assets and intangible assets.

	01.01. – 30.06.2011 (KEUR)	01.01. – 30.06.2010 (KEUR)	Increase/ Decrease (%)
Staff Expenses	**10,758**	**8,180**	**32**
Wages and Salaries	9,242	7,080	31
Social Security Contributions	826	736	12
Expenses for Pension Provision	604	342	77
Other Staff Expenses	86	22	> 100
Other administrative Expenses	**9,061**	**8,382**	**8**
Expense for Operating and Office Equipment and IT	4,777	3,682	30
Legal, Audit, Survey and Professional Fees	1,595	1,021	56
Other administrative Expenses	2,689	3,678	– 27
Depreciation and Impairments	**233**	**178**	**31**
Depreciation	233	178	31
Property, Plant and Equipment	140	90	55
Intangible Assets	93	87	7
Impairments	0	0	–
Total	**20,052**	**16,739**	**20**

Costs from the strategic project in relation to the review of the IT system landscape are reflected in particular in the increased personnel expenses.

(13) Other operating Profit/Loss

	01.01. – 30.06.2011 (KEUR)	01.01. – 30.06.2010 (KEUR)	Increase/ Decrease (%)
Other operating Income	**498**	**359**	**39**
From the Reversal of Provisions	0	159	– 100
Other Income	498	200	> 100
Other operating Expenses	**4,574**	**1,367**	**> 100**
From the Allocation of Provisions	788	0	–
Other Expenses	3,787	1,367	> 100
Total	**– 4,076**	**– 1,008**	**> 100**

The other expenses item is dominated by the expenses for the accounting for services with NORD/LB and by expenses for wealth tax.

(14) Income Taxes

	01.01. – 30.06.2011 (KEUR)	01.01. – 30.06.2010 (KEUR)	Increase/ Decrease (%)
Current Income Taxes	– 358	3,380	> 100
Deferred Taxes	8,495	– 2,163	> 100
Total	**8,138**	**1,217**	**> 100**

The calculation of the income taxes in the interim financial statements is undertaken on the basis of anticipated tax rates for the whole year. The underlying tax rate is based on the corporation tax burden in the sum of 28.80 % applicable in Luxembourg on the reporting date for 2010/2011.

Notes to the Consolidated Balance Sheet

(15) Cash Reserve

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Cash	1.0	1.4	– 29
Balances with Central Banks	11.2	97.1	– 88
Total	**12.3**	**98.5**	**– 88**

(16) Loans and Advances to Banks

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Receivables from Money Market Transactions	**1,801.5**	**2,621.2**	**– 31**
Luxembourg Banks	29.0	0.1	> 100
Foreign Banks	1,772.5	2,621.1	– 32
Other Receivables	**1,095.3**	**1,473.3**	**– 26**
Luxembourg Banks	5.1	3.6	41
Due on Demand	5.1	3.6	41
Deferred	0.0	0.0	–
Foreign Banks	1,090.2	1,469.6	– 26
Due on Demand	158.1	42.4	> 100
Deferred	932.1	1,427.2	– 35
Total	**2,896.8**	**4,094.5**	**– 29**

(17) Loans and Advances to Customers

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Receivables from Money Market Transactions	**0.0**	**0.0**	**–**
Luxembourg Customers	0.0	0.0	–
Foreign Customers	0.0	0.0	–
Other Receivables	**4,464.6**	**5,065.9**	**– 12**
Luxembourg Customers	101.2	103.3	– 2
Due on Demand	33.0	9.2	> 100
Deferred	68.2	94.0	– 27
Foreign Customers	4,363.4	4,962.6	– 12
Due on Demand	9.4	22.1	– 57
Deferred	4,353.9	4,940.5	– 12
Total	**4,464.6**	**5,065.9**	**– 12**

(18) Risk Provisions

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Individual Value Adjustments for Receivables	**– 83.5**	**– 175.3**	**– 52**
Foreign Banks	– 48.9	– 79.4	– 38
Luxembourg Customers	0.0	0.0	–
Foreign Customers	– 34.6	– 95.9	– 64
Portfolio-based Provisions for Receivables	**– 14.8**	**– 15.9**	**– 7**
Total	**– 98.3**	**– 191.1**	**– 49**

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

EUR Million	Specific Value Adjustments	Portfolio-based Provisions	Provisions in Lending Business	Total
01.01.2010	**195.0**	**25.5**	**5.6**	**226.2**
Allocations	52.0	1.8	8.5	62.3
Reductions	19.1	11.5	2.4	33.0
Utilisation	60.1	0.0	3.6	63.7
Effects from Currency Translation, Unwinding and other Changes	7.4	0.0	0.5	7.8
31.12.2010	**175.3**	**15.9**	**8.5**	**199.7**
Allocations	4.9	0.0	0.0	4.9
Reductions	4.1	0.3	0.6	5.0
Utilisation	94.1	0.0	0.0	94.1
Effects from Currency Translation, Unwinding and other Changes	1.6	– 0.8	0.0	0.8
30.06.2011	**83.5**	**14.8**	**7.9**	**106.2**

(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, and derivatives that are not used in Hedge Accounting.

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Trading Assets	**286.9**	**340.0**	**– 16**
Debt Securities and other fixed Interest Securities	**89.8**	**0.0**	**–**
Shares and other variable Yield Securities	**0.0**	**0.0**	**–**
Positive Fair Values from Derivatives in Connection with:	**197.0**	**340.0**	**– 42**
Interest Rate Risks	40.0	50.8	– 21
Currency Risks	157.0	289.2	– 46
Share and other Price Risks	0.0	0.0	–
Trading Portfolio Claims	0.0	0.0	–
Financial Assets designated at Fair Value	**70.8**	**85.5**	**– 17**
Loans and Advances to Banks and Customers	**0.0**	**0.0**	**–**
Debt Securities and other fixed Interest Securities	**70.8**	**85.5**	**– 17**
Shares and other variable Yield Securities	**0.0**	**0.0**	**–**
Total	**357.7**	**425.5**	**– 16**

(20) Fair Values from Hedge Accounting

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

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Positive Fair Values from allocated Micro Fair Value Hedge Derivatives	286.0	318.1	– 10
Fair Values from Derivatives in Portfolio Fair Value Hedge Accounting	0.0	0.0	–
Total	**286.0**	**318.1**	**– 10**

(21) Financial Assets

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

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Financial Assets classified as LaR	**3,258.9**	**3,403.9**	**– 4**
Financial Assets classified as AfS	**6,961.2**	**6,848.0**	**2**
Debt Securities and other fixed Interest Securities	**6,941.0**	**6,827.7**	**2**
Money Market Securities	45.1	50.0	– 10
From public Issuers	0.0	0.0	–
From other Issuers	45.1	50.0	– 10
Bonds and Debt Securities	6,895.9	6,777.7	2
From public Issuers	1,550.2	1,400.5	11
From other Issuers	5,345.7	5,377.2	– 1
Shares and other variable Yield Securities	**20.2**	**20.3**	**– 1**
Shares	0.0	0.0	–
Investment Shares	20.2	20.3	– 1
Profit Participation Certificates	0.0	0.0	–
Shares in Companies	**0.0**	**0.0**	**–**
Shares in affiliated Companies	0.0	0.0	–
Joint Ventures	0.0	0.0	–
Associated Companies	0.0	0.0	–
Other Investments	0.0	0.0	–
Other AfS Financial Assets	0.0	0.0	–
Total	**10,220.1**	**10,251.9**	**0**

The Group made use of the options under IAS 39.50E and reclassified 18 securities designated as AfS (bonds and debt securities) as LaR in 2008. At the same time, bonds and debt securities where there was clearly no intention to sell or trade them in the short-term on 1 July 2008, and which were intended to be kept in the inventory for the foreseeable future instead, were recategorised. In accordance with the amended IAS 39 the recategorisation took place with effect from 1 July 2008 at the fair value calculated on this reporting date. In the years 2009, 2010 and 2011 no further recategorisations were undertaken.

With the recategorisation, the balance sheet presentation was also changed (reclassification). The table below shows the book values and the fair value of the recategorised assets.

	30.06.2011			31.12.2010		
EUR Million	Book Value on Transfer	Book Value	Fair Value	Book Value on Transfer	Book Value	Fair Value
Reclassified Financial Assets	645.6	633.2	543.7	645.6	660.3	627.9

	31.12.2009			31.12.2008		
EUR Million	Book Value on Transfer	Book Value	Fair Value	Book Value on Transfer	Book Value	Fair Value
Reclassified Financial Assets	645.6	731.4	712.1	645.6	746.7	719.5

The reclassification was done at book value with anticipated achievable cash flows of EUR 1,038.5 million.

The results not affecting profit/loss recorded in the equity from the reclassified securities amounted to EUR –13.2 million at the time of the reclassification.

The pro rata resolution 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. These were in a bandwidth of 2.53 % – 6.46 %.

KEUR	30.06.2011	31.12.2010	31.12.2009	31.12.2008	01.07.2008
Unrealised Profit/Loss before Taxes at Time of Conversion					– 13,193.6
Pro Rata Reductions in Accordance with IAS 39.54	355	703	676	316	

In the year under report 2011, the pro rata closure amounted to KEUR 355 (previous year KEUR 703) charged to the tax profit/loss.

Without reclassification the following additional effects in equity would have occurred (cumulative to the reporting date in each case):

EUR Million	30.06.2011	31.12.2010	31.12.2009	31.12.2008	01.07.2008
Unrealised Profit/Loss before Taxes	– 100.7	– 32.4	– 19.3	– 27.1	– 13.2
Deferred Taxes	29.0	9.3	5.5	8.0	3.9
Net Effect in Equity from reclassified Financial Assets Available-for-Sale	**– 71.7**	**– 23.1**	**– 13.8**	**– 19.1**	**– 9.3**

(22) Property, Plant and Equipment

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Land and Buildings	73.2	23.0	> 100
Operating and Office Equipment	1.0	0.6	78
Investments under Construction	2.4	37.0	– 93
Other Property, Plant and Equipment	0.1	0.0	–
Total	**76.7**	**60.6**	**26**

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

EUR Million	Land and Buildings	BGA	Investments under Construction	Other Property, Plant and Equipment	Total
Acquisition and Manufacturing Costs at 01.01.2010	**23.4**	**11.8**	**10.3**	**0.0**	**45.5**
Accruals	0.0	0.5	26.7	0.0	27.2
Disposals	0.0	0.2	0.0	0.0	0.2
Transfers	0.0	0.0	0.0	0.0	0.0
Changes from Currency Translations	0.0	0.0	0.0	0.0	0.0
Total 31.12.2010	**23.4**	**12.1**	**37.0**	**0.0**	**72.5**
Cumulative Depreciation at 01.01.2010	**0.4**	**11.4**	**0.0**	**0.0**	**11.8**
Scheduled Depreciation	0.0	0.4	0.0	0.0	0.4
Impairments (Write-Downs)	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.2	0.0	0.0	0.2
Changes from Currency Translations	0.0	0.0	0.0	0.0	0.0
Total 31.12.2010	**0.4**	**11.5**	**0.0**	**0.0**	**11.9**
Closing Balance at 31.12.2010	**23.0**	**0.6**	**37.0**	**0.0**	**60.6**

EUR Million	Land and Buildings	BGA	Investments under Construction	Other Property, Plant and Equipment	Total
Acquisition and Manufacturing Costs at 01.01.2011	**23.4**	**11.7**	**37.0**	**0.0**	**72.1**
Accruals	0.0	0.5	15.6	0.0	16.2
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	50.2	– 0.1	– 50.2	0.1	0.0
Changes from Currency Translations	0.0	0.0	0.0	0.0	0.0
Total 30.06.2011	**73.6**	**12.2**	**2.4**	**0.1**	**88.3**
Cumulative Depreciation at 01.01.2011	**0.4**	**11.1**	**0.0**	**0.0**	**11.5**
Scheduled Depreciation	0.0	0.1	0.0	0.0	0.1
Impairments (Write-Downs)	0.0	0.0	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	– 0.1	0.0	0.1	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Changes from Currency Translations	0.0	0.0	0.0	0.0	0.0
Total 30.06.2011	**0.4**	**11.2**	**0.0**	**0.1**	**11.7**
Closing Balance at 30.06.2011	**73.2**	**1.0**	**0.0**	**0.1**	**76.7**

(23) Intangible Assets

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Software	0.3	0.3	25
Acquired for Consideration	0.3	0.3	25
Self-produced	0.0	0.0	–
Intangible Assets under Development	7.3	4.9	49
Other	0.0	0.0	–
Total	**7.7**	**5.2**	**47**

Fully depreciated software continues to be used in the Group.

Intangible assets developed as follows:

EUR Million	Software		Intangible Assets under Development	Other	Total
	Acquired for Consideration	Self-produced			
Acquisition and Manufacturing Costs at 01.01.2010	**16.4**	**0.0**	**0.0**	**0.0**	**16.4**
Accruals	0.1	0.0	4.9	0.0	5.0
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	0.1	0.0	– 0.1	0.0	0.0
Total 31.12.2010	**16.6**	**0.0**	**4.9**	**0.0**	**21.5**
Cumulative Depreciation at 01.01.2010	**16.1**	**0.0**	**0.0**	**0.0**	**16.1**
Scheduled Depreciation	0.2	0.0	0.0	0.0	0.2
Disposals	0.0	0.0	0.0	0.0	0.0
Total 31.12.2010	**16.3**	**0.0**	**0.0**	**0.0**	**16.3**
Closing Balance at 31.12.2010	**0.3**	**0.0**	**4.9**	**0.0**	**5.2**
Acquisition and Manufacturing Costs at 01.01.2011	**16.6**	**0.0**	**4.9**	**0.0**	**21.5**
Accruals	0.1	0.0	2.4	0.0	2.6
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Total 30.06.2011	**16.7**	**0.0**	**7.3**	**0.0**	**24.1**
Cumulative Depreciation at 01.01.2011	**16.3**	**0.0**	**0.0**	**0.0**	**16.3**
Scheduled Depreciation	0.1	0.0	0.0	0.0	0.1
Disposals	0.0	0.0	0.0	0.0	0.0
Total 30.06.2011	**16.4**	**0.0**	**0.0**	**0.0**	**16.4**
Closing Balance at 30.06.2011	**0.3**	**0.0**	**7.3**	**0.0**	**7.7**

(24) Liabilities to Banks

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Deposits from other Banks	**2,241.2**	**2,681.1**	**– 16**
Luxembourg Banks	0.0	21.1	– 100
Foreign Banks	2,241.2	2,659.9	– 16
Liabilities arising from Money Market Transactions	**6,644.4**	**7,522.9**	**– 12**
Luxembourg Banks	504.8	378.5	33
Foreign Banks	6,139.6	7,144.4	– 14
Other Liabilities	**4.7**	**0.1**	**> 100**
Luxembourg Banks	0.0	0.0	–
Due on Demand	0.0	0.0	–
Deferred	0.0	0.0	–
Foreign Banks	4.7	0.1	> 100
Due on Demand	4.7	0.1	> 100
Deferred	0.0	0.0	–
Total	**8,890.3**	**10,204.1**	**– 13**

(25) Liabilities to Customers

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Savings Deposits	**0.0**	**0,0**	**–**
Liabilities arising from Money Market Transactions	**3,274.7**	**3,232.9**	**1**
Luxembourg Customers	221.7	41.7	> 100
Foreign Customers	3,053.1	3,191.3	– 4
Other Liabilities	**544.3**	**517.7**	**5**
Luxembourg Customers	24.8	17.7	40
Due on Demand	24.8	15.3	62
Deferred	0.0	2.4	– 100
Foreign Customers	519.5	499.9	4
Due on Demand	57.8	65.0	– 11
Deferred	461.7	435.0	6
Total	**3,819.1**	**3,750.6**	**2**

(26) Securitised Liabilities

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Issued Debt Securities	3,710.3	3,951.3	– 6
Money Market Securities	315.8	525.9	– 40
Other Securitised Liabilities	0.0	0.0	–
Total	**4,026.1**	**4,477.3**	**– 10**

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

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

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

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

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Trading Liabilities	**145.8**	**220.6**	**– 34**
Negative Fair Values from Derivatives in Connection with:	145.8	220.6	– 34
Interest Rate Risks	71.8	82.3	– 13
Currency Risks	74.0	138.2	– 46
Share and other Price Risks	0.0	0.0	–
Credit Derivatives	0.0	0.0	–
Short Sale Delivery Obligations	0.0	0.0	–
Financial Liabilities designated at Fair Value	**0.0**	**0.0**	**–**
Liabilities to Banks and Customers	0.0	0.0	–
Securitised Liabilities	0.0	0.0	–
Total	**145.8**	**220.6**	**– 34**

(28) Fair Values from Hedge Accounting

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

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Fair Values from allocated Micro Fair Value Hedge Derivatives	655.1	715.6	– 8
Fair Values in Terms of Portfolio Fair Value Hedge Accounting	0.0	0.0	–
Total	**655.1**	**715.6**	**– 8**

(29) Provisions

Provisions are broken down as follows:

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Provisions for Pensions and similar Obligations	**1.5**	**1.5**	**0**
Other Provisions	12.9	13.7	– 6
Provisions in Lending Business	7.9	8.5	– 7
Restructuring Provisions	0.0	0.0	–
Provisions for threatened Losses	0.0	0.0	–
Provisions for uncertain Liabilities	5.0	5.2	– 4
Insurance Business Provisions	0.0	0.0	–
Total	**14.4**	**15.2**	**– 5**

(30) Other Liabilities

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Liabilities from outstanding Invoices	18.6	20.1	– 7
Liabilities from Short Term Remuneration of Workers	2.4	3.3	– 27
Accruals and deferred Income	4.0	6.5	– 39
Liability from Taxes and social Security Contributions not yet deducted	10.4	8.2	28
Other Liabilities	3.5	6.2	– 44
Total	**38.9**	**44.3**	**– 12**

(31) Subordinated Capital

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

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)	Increase/ Decrease (%)
Subordinated Liabilities	86.5	93.6	– 8
Profit Participation Capital	0.0	0.0	–
Contributions from silent Partners	0.0	0.0	–
Total	**86.5**	**93.6**	**– 8**

Type of Transaction	Nominal Amount (Millions)	Accrued Interest (Millions)	Rate at 30.06.2011	Balance Sheet Value (EUR Million)	Term in Years	Interest Rates (%)	Maturity
Subordinated Loans	USD 60.0	USD 0.0	1.4453	41.5	15	0.43825	08.06.16
Subordinated Loans	USD 65.0	USD 0.0	1.4453	45.0	15	0.68575	31.12.17
Total				**86.5**			

Other Disclosures

(32) Notes to the Statement of Changes in Equity

The subscribed capital of NORD/LB Luxembourg amounted to EUR 205 million on the reporting date and comprises 820,000 registered no-par value shares. The subscribed capital is fully paid up. There have been no changes in the year under report to date.

The individual components of the equity and its development in the first half-year of 2010 and the first half-year of 2011 can be seen from 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.

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

Notes to Financial Instruments

(33) Fair Value Hierarchy

The following tables show the application of the fair value hierarchy of the financial assets and liabilities at Fair Value through Profit or Loss on the reporting date and on 31.12.2010:

30.06.2011 EUR Million	Level 1 (Mark-to-Market)	Level 2 (Mark-to-Matrix)	Level 3 (Mark-to-Model)	Total
Trading Assets	89.8	197.0	0.0	286.8
Financial Assets designated at Fair Value	0.0	70.8	0.0	70.8
Positive Fair Values from Hedge Accounting Derivatives	0.0	286.0	0.0	286.0
Financial Assets (measured at Fair Value)	6,177.7	674.6	279.2	7,131.5
Securities Portfolio at Market Value	**6,267.5**	**1,228.4**	**279.2**	**7,775.1**
Trading Liabilities	0.0	145.8	0.0	145.8
Financial Liabilities designated at Fair Value	0.0	0.0	0.0	0.0
Negative Fair Values from Hedge Accounting Derivatives	0.0	655.1	0.0	655.1
Equity and Liabilities	**0.0**	**800.9**	**0.0**	**800.9**

31.12.2010 EUR Million	Level 1 (Mark-to-Market)	Level 2 (Mark-to-Matrix)	Level 3 (Mark-to-Model)	Total
Trading Assets	0.0	340.0	0.0	340.0
Financial Assets designated at Fair Value	40.3	45.2	0.0	85.5
Positive Fair Values from Hedge Accounting Derivatives	0.0	318.1	0.0	318.1
Financial Assets (measured at Fair Value)	5,229.8	622.8	995.4	6,848.0
Securities Portfolio at Market Value	**5,270.1**	**1,326.2**	**995.4**	**7,591.7**
Trading Liabilities	0.0	220.6	0.0	220.6
Financial Liabilities designated at Fair Value	0.0	0.0	0.0	0.0
Negative Fair Values from Hedge Accounting Derivatives	0.0	715.6	0.0	715.6
Equity and Liabilities	**0.0**	**936.1**	**0.0**	**936.1**

Only bonds are included in the financial assets which fall under the Level 3 valuation. In the case of the Mark-to-Model valuation (Level 3) the amount of the fair value depends on the relevant assumptions, so that changes in assumptions can result in fluctuations in the fair value. Significant effects of these value fluctuations that can be traced back to changes in the assumptions are checked for the fair values recorded in the financial statements using a sensitivity analysis. To calculate the sensitivity, each rating category is pushed one step up or down. Both calculated values represent the sum of the absolute difference to the original model value and is divided by two.

The transfers within the fair value hierarchy are as follows:

01.01. – 30.06.2011 EUR Million	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
Trading Assets	0.0	0.0	0.0	0.0	0.0	0.0
Financial Assets designated at Fair Value	25.5	0.0	0.0	0.0	0.0	0.0
Positive Fair Values Hedge Accounting Derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Financial Assets (measured at Fair Value)	10.8	0.0	45.6	0.0	578.5	72.1
Securities Portfolio at Market Value	**36.3**	**0.0**	**45.6**	**0.0**	**578.5**	**72.1**
Trading Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Financial Liabilities designated at Fair Value	0.0	0.0	0.0	0.0	0.0	0.0
Negative Fair Values from Hedge Accounting Derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Equity and Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

The level transfer from Level 1 into Level 2 was a security that fell back into the Mark-to-Matrix valuation on the reporting date. The level transfer from Level 2 into Level 1 was a security for which there was a market price on the reporting date. A total of 35 securities changed back into a market valuation (Level 1) from a distorted market (Level 3) on the reporting date. Three securities changed from a model evaluation to a matrix evaluation.

(34) Derivative Financial Instruments

The Group uses derivative financial instruments for hedging purposes as part of asset/liability management. In addition, it undertakes derivative financial transactions.

Derivative financial instruments denominated in foreign currencies are mainly negotiated in the form of forward exchange transactions, currency swaps, and interest rate/currency swaps. Interest rate derivatives are 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 30.06.2011	Nominal Values 31.12.2010	Market Values positive 30.06.2011	Market Values positive 31.12.2010	Market Values negative 30.06.2011	Market Values negative 31.12.2010
Interest Rate Risks	11,919.7	15,844.0	220.3	248.0	624.6	676.1
Currency Risks	6,655.2	9,025.3	261.6	410.1	176.1	260.0
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
Total	**18,574.9**	**24,869.3**	**481.9**	**658.2**	**800.7**	**936.1**

Other Notes

(35) Regulatory Information

The risk-weighted asset values and the regulatory equity are based on the regulations of the Solvency Regulation and the IFRS.

Risk-weighted Asset Values

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)
Risk Assets	4,023.4	4,373.1
Weighted operational Risks	252.9	239.0
Market Risk Positions	87.3	43.5
Total	**4,363.6**	**4,655.7**

Regulatory Equity

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)
Contributed Capital	205.0	205.0
Other Reserves	467.3	476.1
Remaining Components	– 7.7	– 5.2
Core Capital	**664.6**	**675.9**
Asset Deposits of silent Shareholders	0.0	0.0
Subordinated Debt Securities (Part that can be offset)	78.2	93.6
Supplementary Capital	**78.2**	**93.6**
Items deductible from Core (Tier 1) and Supplementary (Tier 2) Capital	0.0	0.0
Liable Equity	**742.8**	**769.5**
Tier three Funds	0.0	0.0
Equity Capital	**742.8**	**769.5**

Revaluation reserves are not taken into account in the regulatory equity. The Group exercised a corresponding elective right.

Minimum Capital Ratios

The Bank complied at all times with the regulatory minimum capital ratios in 2010 and the first half of 2011 at Group level. At the respective balance sheet dates the Group had the following ratios:

	30.06.2011	31.12.2010
Overall Coefficient	17.0 %	16.5 %
Core Capital Ratio	15.2 %	14.5 %

(36) Contingent Liabilities and other Obligations

	30.06.2011 (EUR Million)	31.12.2010 (EUR Million)
Contingent Liabilities	729.5	828.1
Contingent Liabilities under rediscounted Bills of Exchange	0.0	0.0
Liabilities from Guarantees and other Indemnity Agreements	729.5	828.1
Irrevocable Credit Commitments	1,330.2	1,297.5
Total	**2,059.8**	**2,125.5**

(37) Events after the Balance Sheet Date

In the Bank's portfolio exists a bond from the greek central government (nominal EUR 25 million). The Bank will take part in the survival package for Greece (IFF-model) and is currently analyzing the four presented conversion options.

(38) 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, the members of the Board of Directors of NORD/LB as the Group's parent company and their close family members.

Within the scope of ordinary business activities, transactions and security agreements with related parties are concluded under normal market terms and conditions. These transactions are subject to the market conformity monitoring used in the Group.

The full extent of the transactions (excluding the transactions to be eliminated within the scope of the consolidation) with related parties and entities is detailed below:

At 30 June 2011:

KEUR	Shareholders	Persons in Key Functions	Other related Parties
Outstanding Loans and Advances			
To Banks	480,203	0	0
To Customers	0	429	0
Other Assets	102,064	0	0
Total Assets	**582,267**	**429**	**0**
Outstanding Liabilities			
To Banks	2,988,291	0	75,332
To Customers	0	0	0
Subordinated Capital	86,515		
Other Liabilities	423,056	1,282	5,396
Total Equity and Liabilities	**3,497,862**	**1,282**	**80,728**
Guarantees / Sureties granted	**0**	**0**	**0**

1 January – 30 June 2011:

KEUR	Shareholders	Persons in Key Functions	Other related Parties
Interest Expense	92,542	0	2,225
Interest Income	36,902	8	664
Commission Profit/Loss	– 16,445	0	0
Profit/Loss from Financial Instruments at Fair Value through Profit or Loss	– 2,284	0	538
Administrative Expenses	0	1,462	0
Other Income and Expense	– 1,642	0	0
Total Contributions to Income	**– 76,012**	**– 1,454**	**– 1,023**

At 31 December 2010:

KEUR	Shareholders	Persons in Key Functions	Other related Parties
Outstanding Loans and Advances			
To Banks	329,728	0	0
To Customers	0	20	0
Other Assets	298	0	0
Total Assets	**330,025**	**20**	**0**
Outstanding Liabilities			
To Banks	3,785,272	0	0
To Customers	0	0	0
Subordinated Capital	93,581	0	0
Other Liabilities	54,502	1,282	0
Total Equity and Liabilities	**3,933,354**	**1,282**	**0**
Guarantees / Sureties granted	**7,000**	**0**	**0**

1 January – 30 June 2010:

KEUR	Shareholders	Persons in Key Functions	Other related Parties
Interest Expense	99,990	0	1,873
Interest Income	48,812	8	463
Commission Profit/Loss	– 27,006	0	0
Profit/Loss from Financial Instruments at Fair Value through Profit or Loss	– 67,764	0	– 4,528
Administrative Expenses	0	1,830	0
Other Income and Expense	– 1,664	0	0
Total Contributions to Income	**– 147,613**	**– 1,821**	**– 5,938**

(39) Members of Executive Bodies

Supervisory Board

- Dr. Gunter Dunkel, Chairman of the Supervisory Board of Norddeutsche Landesbank Luxembourg S.A.,

  Chairman of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (Chairman)

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

- Ulrike Brouzi, General Manager of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover

- Dr. Johannes-Jörg Riegler, Member of the Board of Directors of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (since 1 January 2011)

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

Members of the Board of Directors

- Harry Rosenbaum, Luxembourg (Chairman)
- Christian Veit, Luxembourg (Deputy Chairman)
- Thorsten Schmidt, Irrel

Consolidated Interim Report for the period ending 30 June 2011 (unaudited)

NORD/LB Luxembourg

Responsibility Statement

We give our assurance to the best of our knowledge that the consolidated interim financial statements to 30 June 2011 in accordance with the applicable accounting principles represent a view of the asset, financial and earnings position of the Group that reflects the true circumstances and in the management report the business performance including the business profit/loss and the position of the Group are shown so that a view is conveyed that reflects the true circumstances and that the significant opportunities and risks of the anticipated development of the Group are described.

Luxembourg, 31 August 2011
Norddeutsche Landesbank Luxembourg S.A.

Harry Rosenbaum Christian Veit Thorsten Schmidt

Address
Norddeutsche Landesbank Luxembourg S.A.
7, rue Lou Hemmer, L-1748 Luxembourg-Findel

Mailing Address
Postfach 121/ P.O. Box 121, L-2011 Luxembourg

Telephone

General	(+352) 45 22 11-1
Treasury	(+352) 45 44 43 / 45 43 21

Telefax

General	(+352) 45 22 11-319
Board of Directors	(+352) 45 22 11-213
Treasury/Proprietary/ Trading/Credit Investments & Solutions	(+352) 45 22 11-323
Private Banking	(+352) 45 22 11-307
Loans	(+352) 45 22 11-251
Settlements-Money Market, Foreign Exchange and Derivatives	(+352) 45 22 11-321
Settlements-Securities	(+352) 45 22 11-363
Accounting, Controlling	(+352) 45 22 11-496
IT	(+352) 45 22 11-349
Human Resources	(+352) 45 22 11-381
Organisation & Project Management	(+352) 45 22 11-319

S.W.I.F.T.
NOLALULL

Supervision
Commission de Surveillance du Secteur Financier

Internet
www.nordlb.lu

Trade and Companies Register
B 10405

NORD/LB
Luxembourg

Norddeutsche Landesbank Luxembourg S.A.
7, rue Lou Hemmer
L-1748 Luxembourg-Findel
R.C.S. Luxembourg B 10405
Telefon: +352 452211-1
Telefax: +352 452211-307
www.nordlb.lu