

Norddeutsche Landesbank Luxembourg S.A.



Consolidated Interim Report  
as per 30 June 2012 (unaudited)

## Summary of Key Data

Performance	30.06.2012 EUR Million	31.12.2011 EUR Million	Increase/Decrease EUR Million %	
Loans and Advances to Banks	2,488.1	2,960.2	-472.1	-16
Loans and Advances to Customers	4,827.5	4,642.7	184.9	4
Risk Provisions	-27.3	-29.9	2.6	-9
Financial Assets	8,887.0	9,842.3	-955.3	-10
Other Assets	991.7	1,172.5	-180.7	-15
<b>Balance Sheet Total – Assets</b>	<b>17,167.0</b>	<b>18,587.7</b>	<b>-1,420.7</b>	<b>-8</b>
Liabilities to Banks	7,453.9	9,491.4	-2,037.4	-21
Liabilities to Customers	4,339.2	2,909.3	1,430.0	49
Securitised Liabilities	3,229.9	4,162.1	-932.2	-22
Other Liabilities	1,556.8	1,432.0	124.8	9
Reported Equity	587.1	592.9	-5.8	-1
<b>Balance Sheet Total – Liabilities</b>	<b>17,167.0</b>	<b>18,587.7</b>	<b>-1,420.7</b>	<b>-8</b>
Profit/Loss Performance	1st half Year 2012 KEUR	1st half Year 2011 KEUR	Increase/Decrease KEUR %	
Net Interest Income	59,127	54,944	4,183	8
Net Commission Income	-2,220	-4,774	2,554	-54
Profit/Loss from Financial Assets	-3,858	2,405	-6,263	> 100
Other Profit/Loss	-1,634	-4,076	2,442	-60
<b>Earnings before Costs</b>	<b>51,414</b>	<b>48,498</b>	<b>2,916</b>	<b>6</b>
Administrative Expenses	-19,987	-20,052	65	0
Profit/Loss from Changes in Valuation and Risk Provision	-683	-2,975	2,291	-77
Taxes	-5,521	-8,138	2,617	-32
<b>Earnings after Taxes</b>	<b>25,222</b>	<b>17,333</b>	<b>7,890</b>	<b>46</b>
Key Economic Data	1st half Year 2012 KEUR	1st half Year 2011 KEUR	Increase/Decrease	
Cost-Income-Ratio in % *)	38.9 %	41.3 %	-2.5 %	-6 %
RoRaC in % **)	8.5 %	11.1 %	-2.6 %	-24 %

\*) 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	30.06.2012 EUR Million	31.12.2011 EUR Million	Increase/Decrease KEUR %	
Risk-weighted Asset Values	4,531.7	4,200.1	331.6	8
Core Capital	675.9	665.9	10.0	2
Equity Capital	746.3	753.2	-6.9	-1
Core Capital Ratio	14.9 %	15.9 %	-0.9 %	-6
Overall Coefficient	16.5 %	17.9 %	-1.5 %	-8
Changes in Employee Numbers	30.06.2012	31.12.2011	Increase/Decrease %	
Number of Employees	189	179	10	6



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

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NORD/LB Luxembourg

## 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

**Financial Markets**  
Thomas Keith

**Business Development**  
Olaf-Alexander Priess

**Credit Service Management**  
Maik Mittelberg

**Private Banking**  
Markus Linnert

**Loans**  
Guido Leixner

**Finance**  
Peter Heumüller

**Credit Risk Management**  
Jörn Janisch

**ORG/IT**  
Romain Wantz

**Operation Services**  
Rita Kranz

**Administration**  
David Gunson

**Human Resources**  
Christian Ehrismann

**Corporate Development**  
Melanie Maier

**Internal Audit**  
Jürgen Werner

**Legal/Compliance**  
Dr. Ursula Hohenadel

## 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**

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

**Dr. Johannes-Jörg Riegler**

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

**Walter Kleine**

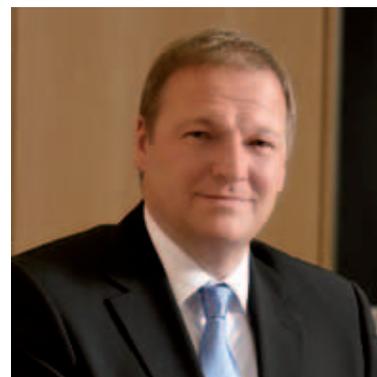
Chairman of the Board of Directors  
Sparkasse Hanover



**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

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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 which include the 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 2011).

NORD/LB Luxembourg itself is a wholly-owned subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (referred to hereinafter as NORD/LB), and its consolidated financial statements are 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](http://www.nordlb.de).

The range of activities of NORD/LB Luxembourg lies in the business sectors of financial markets, corporate banking and private banking. 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.

The business activities of Skandifinanz AG were already restored or transferred to the parent company in 2011. It is planned to sell the interest in Skandifinanz AG to the parent company NORD/LB AöR in financial year 2012.

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 2012

In the first half-year economic development in Germany was robust. In the months from January to March there was surprisingly strong growth of 0.5 % in the seasonally and price adjusted gross domestic product (GDP) compared to the previous quarter. The favourable development of net exports contributed significantly to this. While real imports stagnated, exports increased by 1.7 % in comparison to the previous quarter. Private consumption, however, also grew and contributed 0.2 percentage points to the growth in GDP. Investment activities decelerated in the first quarter on the other hand. Above all construction investments fell due to adverse weather conditions, but this may well be followed by a movement in the other direction in the spring. This is also indicated by the data on the development of construction production currently available in the reporting month of May.

Manufacturing industry development, on the other hand, was rather patchy in the second quarter. Although industrial production did increase relatively strongly in May, at best a marginal growth in comparison to the first quarter is to be expected for the whole quarter due to the very poor April figures. The trend in real retail sales was slightly weaker in both April and May. Nevertheless, the omens for private consumption remain positive due to the big increases in wages set by collective bargaining, falling inflationary pressure and the ongoing growth in employment. Therefore we are anticipating a growth in real private consumption for the current year of more than 1 %.

The burdens on the German economy from the debt crisis and the weak economy in the rest of Europe have obviously increased in recent times. It is not only the moderate development of industrial production and order receipts, but also the most recent fall in the most important early indicators that therefore suggest a slowdown in growth towards the middle of the year. In spite of this, the situation on the German employment market has remained stable until recently. In June 2012 the seasonally adjusted number of unemployed rose slightly and the unemployment rate remained at 6.8 %. The non-seasonally adjusted unemployment rate, which the public focuses on to a greater extent, fell to 6.6 %. The growth in employment is, however, continuing and is still really dynamic. This meant that, seasonally

adjusted, 41.59 million people were in employment in May, which is more than ever before in the reunified Germany.

In the Eurozone economic development remained weak overall in the first half-year of 2012. It was only due to the surprisingly good development in Germany that in the first quarter GDP was able to remain slightly above the level of the previous quarter. The development of the economic early indicators, however, suggests another fall in GDP in the second quarter. The differences between the individual member-states still remained extraordinarily high in the first half-year of 2012. Overall economic development in the two biggest economies of Germany and France and in some of the smaller Northern member-states was better than in the Eurozone as a whole. On the other hand the economies of the Southern European member-states in particular came under more pressure; Spain and Italy also remained in recession in the spring.

The price of crude oil was very volatile in the first half-year. Starting at USD 110 /barrel at the beginning of the year it reached its peak in March at nearly USD 130/barrel. In the second quarter it started to move in the opposite direction, leading to Brent being traded at below USD 90/barrel for a while in the middle of June. By mid-July, however, the oil price soon moved back into three figures again. Inflation remained more stubborn than expected both in Germany and in the Eurozone, due to energy and raw material prices. In June, however, the annual rate of the harmonised consumer price index (HVPI) in Germany fell to 2.0 %, the lowest level since January 2011. The inflation target of the European Central Bank (ECB) of below but near 2 % even moved to within grasp. However, in the whole Eurozone, inflation in June still remained significantly above this target mark at 2.4 %, due to bigger increases in administered prices.

The decrease in inflationary pressure gave the ECB new room for manoeuvre. At the beginning of July, against the background of an ever bleaker economic outlook, the monetary policy makers surrounding Mario Draghi reduced the tender rate to 0.75 % and therefore to the lowest level since the currency union came into being. Prior to this, at around the turn of the year, the central bank had already flooded the markets with a total volume of more than € 1 billion of liquidity in the form of two three-year tenders – but the effect of these measures had quickly proved to be unsustainable. In addition to this, the ECB has again recently relaxed the requirements for securities, so that the banks from the southern Eurozone in particular have easier access to ECB liquidity.

The debt crisis still remains the dominant topic for discussion even after the debt haircut and formation of the new government in Greece. At the same time the development of the deficit and debt ratios of the common currency zone was definitely better than in other developed economies. For example, the deficit ratio fell significantly to 4.1 % of gross domestic product in 2011. In spite of this, the southern states of the Eurozone still give cause for concern. Although the parties who achieved a majority of parliamentary seats in the Greek parliamentary elections on 17 June had campaigned in principle for a continuation of previous policies, the new government made up of Nea Dimokratia, Pasok and Dimar is attempting to get some relief – at least an extension in time for the reform targets – from their European partners. In addition to this Spain had to apply for monetary aid for their ailing banking sector and Cyprus and Slovenia could soon be the next countries to apply for help. The latest EU summit at the end of June was therefore also dominated by the European debt crisis. Since the market situation for European government bonds was not improving significantly, the summit participants, under insistence from Spain and Italy agreed a substantial relaxation of the current conditions for claiming monetary aid. Therefore, a direct recapitalisation of banks via the European Stability Mechanism is to be made possible, as soon as a standard European regulatory mechanism has been established. In addition to this, the ESM's Spanish loans are not to enjoy a priority status and in future, compliance with the stipulations of the deficit procedure (Stability and Growth Pact) shall suffice for the receipt of monetary aid.

The stock markets reflected the extent of uncertainty caused by the debt crisis. The German stock index (DAX) marked its yearly high to date of 7,194 points in the middle of March. Against the background of recurring increasing tensions on the markets, the DAX was not able to maintain the level achieved in the first quarter of over 7,000 points. German government bonds remained sought after as a "safe haven" and constantly recorded new yield lows against the setting of the ever worsening Euro debt crisis. Yields of ten-year federal bonds fell at the beginning of June to a new all-time low just above 1.1 %. US American treasuries are also profiting from the uncertainty on the markets, whilst at the same time yields of securities with ten years to maturity are only slightly above 1.4 %. In the middle of July this level was almost achieved again after a short movement in the opposite direction.



## Forecasts and Other Statements on Anticipated Developments

Economic development in Germany is increasingly being dampened by the extremely weak economic situation in the rest of the Eurozone. This is also reflected in the data of the ifo business climate index. The most important early indicator for the development of the German economy fell by the end of the second quarter and in particular economic expectations fell markedly. However, we do remain in an optimistic mood regarding the German economy. Despite the slowdown to be expected in the middle of the year, we are expecting a growth rate of nearly 1 % in GDP for the whole year. This will be supported greatly by domestic demand this year with both construction investments and private consumption growing strongly.

Fiscal policy will only become slightly restrictive in Germany, whilst the burdens of austerity policies in the Eurozone will be felt much more acutely. We are expecting economic output to shrink overall in the Eurozone in the current year by 0.3 % compared to previous year. Risks emanate primarily from the debt crisis. We anticipate both for Germany and the Eurozone an annual average inflation rate above the ECB's target mark, albeit with a downward trend in the latter part of the year.

The outlook for the economy in the USA continues to be significantly better than in the Eurozone, even though mood indicators were recently falling. The expansive monetary policy has been supporting economic development for a long time now so that a growth rate of a good 2 % can be expected this year. The differences in growth are also one of the reasons for our forecast, according to which the US dollar may well be at 1.23 USD/EUR by the end of the year.

Financial market developments will remain extremely volatile this year; the debt crisis will especially continue to keep market players on their toes. Yields of German government bonds with ten years to maturity will only at best, rise slightly over the course of the year. The monetary policy of the ECB also plays a part in this. Due to economic concerns and the debt crisis in the Eurozone, monetary policy will remain expansionary for a long time. An increase in interest rates may well be ruled out until at least the end of next year.

## Development of Business Sectors

### Organisational Changes

NORD/LB CFB was integrated still further into the organisational structure, operational procedures and control mechanisms of the parent bank, NORD/LB Luxembourg, in the first half-year of 2012. The objective is the harmonisation of business policy and the standardisation of the control of both banks in the Group as well as using savings potentials on the cost side.

While back office, organisational and administrative functions were already being carried out by the parent company, NORD/LB Luxembourg, or the Group's parent company, NORD/LB, on the basis of agency agreements, market functions are also being performed by NORD/LB Luxembourg as of 1 April 2012 via agency agreements. This strong integration into the Group was further strengthened through the synchronisation of the supervisory board and board of directors with those of NORD/LB Luxembourg as of 1 April.

NORD/LB CFB is thus fully integrated into the organisational structure and control of NORD/LB Luxembourg as a legally separate subsidiary. Structural changes arising from this are covered in the following notes on the business sectors.

### NORD/LB Luxembourg

#### Financial Markets

Sales, funding and banking control are the main characteristics of Financial Markets Luxembourg. The stronger focus on client-orientated business was implemented with the sales initiatives "Client Relationship Management", "Corporate Sales" and "Risk Distribution & Solutions", which had got off to a successful start in 2011. This will be expanded in 2012 with "Bank Sales" and "Institutional Investor Sales".

The classic internal service functions close to trading continue to be bundled together in "ALM/Treasury". This structure is being supplemented by Cover Pool Management added in 2012, which is responsible for new issues business of Luxembourg covered bonds via NORD/LB CFB thus representing a funding alternative for the Group. Financial Markets Luxembourg is thus emphasising its new, custom-

er-orientated face, delivering its customary high standard of services in terms of bank control for Luxembourg and additionally for NORD/LB.

#### ALM/Treasury

ALM/Treasury is a service provider for the Group and offers solutions for all matters regarding supply of liquidity and interest rate and currency 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 (refinement of flows from the customer business). At the centre is the securing of the liquidity supply of the Group at all times.

ALM/Treasury is an integral component of the funding of the NORD/LB Group and 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 by banks and institutional investors, issuance programmes (ECP, EMTN), open market transactions and internal group funding for long-term maturity brackets over 24 months all serve this purpose.

An exclusive added value exists in Switzerland via the existing network and by being the only member of the NORD/LB Group to participate in the open market business of the SNB via the Eurex Repo platform.

Moreover, the Bank also actively operates as a lender in repo transactions in order to increase its share in the collateralised 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 Investments is no longer operated by the Bank; the existing portfolio is still being dismantled.

### **Cover Pool Management (via NORD/LB CFB)**

The direction of impact of the business with so-called "lettres de gage" is aimed at taking advantage of the regulatory benefits of the Luxembourg Covered Bond Law, which are brought to bear particularly with the customer groups municipal undertakings, savings banks and institutional investors.

The covered bond business is to be established as a complementary component of the funding of NORD/LB from Luxembourg, via which (additional) investors are to be approached.

Cover Pool Management (CPM) is responsible for the management of the cover pool and the issue of covered bonds in NORD/LB CFB. The issue of such covered bonds in accordance with Luxembourg law is only carried out in cooperation with ALM/Treasury and the funding requirements of the Bank and Group. Please refer to "NORD/LB CFB" below for further details.

### **Client Relationship Management (CRM)**

CRM functions as the central contact for the clients of the Group and arranges business transactions from the whole of the product range established within NORD/LB. The target groups are institutional clients in Switzerland, the Benelux states and Lichtenstein. This focus is currently being extended to institutional investors and banks in continental Europe. Thus NORD/LB Luxembourg will continue to build on its claim to be the "Gateway to Europe" for NORD/LB.

CRM gains more new strategic customers for the NORD/LB Group taking the existing network as its starting point. This is an extension of the activities of "Relationship Management Institutional Clients" in NORD/LB.

### **Corporate Sales (CS)**

Corporate Sales works in close cooperation with NORD/LB.

CS is a product specialist for interest rate and currency management and offers determination of potential and the generation of individual solution proposals for corporate clients. Existing customer relationships in the corporate division of NORD/LB are being built on. As well as new customer acquisition the focus is on cross selling potentials. Like CRM, CS also offers both products from the NORD/LB Luxembourg Group as well as NORD/LB.

### **Risk Distribution & Solutions (RDS)**

The RDS team in Luxembourg sells non-flow products from

the NORD/LB Group to customers in continental Europe. The arrangement of corporate business is also part of distribution. The aim is to offer a sales channel for the assets available from balance sheet structure measures by NORD/LB and to acquire customers for the Group from third party business.

In addition to this the team is to offer support in structuring. The high density of experts (lawyers, securitisation companies and advisors for issues relevant to international tax and regulations) in Luxembourg is of advantage here. This interaction and the proximity to the regulatory authorities allow fast reaction times (e. g. in the formation of SPVs or the approval of complex and structured transactions, etc.).

### **Bank Sales/Institutional Investor Sales**

In future the business sectors of Bank Sales and Institutional Investor Sales Europe in the NORD/LB Group are to be operated out of Luxembourg. In particular flow products from the trading book of NORD/LB are sold. This business is supplemented by the sale of non-flow products. The aim of this initiative is to win new customers and investors for NORD/LB and for NORD/LB Luxembourg.

### **Private Banking**

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 customers (with regard to investment style, risk preferences and time frame), customers also have the option of using various asset management concepts.

In terms of asset management, which has a successful 10-year track record, investors choose between individual asset management concepts, which are tailored to different client preferences.

In addition to the above, the 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.

In addition to this, the range of services offered by the Bank also includes the conception and launch of public funds both

for the Bank's own Private Banking clientele and the clientele of other Private Banking units within the Group as well as for external parties. In January 2012, another mutual fund open to the general public was floated, following on from the first one, which was successfully launched in 2009. 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 achieved by including representatives from NORD/LB and Bremer Landesbank in the launch of the fund via an investment committee, which can make recommendations, and a Group-wide steering committee for Private Banking.

From the customers' point of view the first half-year of 2012 was characterised by an even more conspicuous aversion to risk than the previous year. 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 clearly reticent investment behaviour among the clientele. This development had the effect of subduing sales of securities in the second quarter of 2012 because of the intense distortions on the capital markets. The search for presumably secure capital investments led to a further reduction in the share quota within customer deposits in favour of near money market investments.

The reticence of customers to purchase in the securities business meant that the good results in Private Banking of the previous year could not be repeated.

## Lending

The former Corporate Banking sector was renamed Lending in 2011. In addition to this the new Loans Service Management sector was created, which was located in the Market sector. As a classic business segment, the lending business represents an important pillar of income for the Bank, although this business has performed regressively over the last few years. 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.

The lending business in Luxembourg comprises the business sectors Allied Lending Business and Savings Banks guaranteed Lending Business and customer business with municipal undertakings.

The new name, the currently selected structural organisation and focus of the business are all meant to signify the clear, simple and complementary character of the lending business of NORD/LB Luxembourg within the Group.

### Allied Lending Business

The allied lending business constitutes the pivot of the lending business in Luxembourg. The most important cooperation partners are the sectors Corporate Clients and Structured Finance from NORD/LB and Deutsche Hypothekbank, the real estate portfolio being built up over time due to a change of strategy in the Group.

At the centre of business activities are variable interest loans and short-term fixed rate loans in particular, often coupled with drawing down currency. Servicing is also performed within the scope of more complex consortium financing with the assumption of the Facility Agent function. The personnel and technical infrastructure of NORD/LB Luxembourg is geared up for the administration of these types of loan. The Loan Service Management sector of NORD/LB provides a loans administration process spanning the sites with specialised division of labour and clear responsibilities. Thus redundancies in processing are avoided.

Accounts receivable purchases (single and pool purchases) at NORD/LB are operated exclusively from within NORD/LB Luxembourg.

### Lending to Municipal Undertakings (via NORD/LB CFB)

The focus is on the lending business with entities close to municipal undertakings in Germany.

Luxembourg is the Centre of Competence for this business and actively defines customer relations and the respective transactions. The business is carried out in close cooperation with the respective corporate consultants in the Group. The aim is to use the loans thus created to issue covered bonds in accordance with Luxembourg law. The refinancing of these loans is thus done on favourable terms and enables competitive conditions for customers in this business sector. The business with municipal undertakings is to be pushed further. Please refer to NORD/LB CFB below for more details.

### Allied Business with Savings Banks

The allied business with savings banks is a classic niche product. The range comprises loans granted in foreign currencies to savings bank customers. In the context of the loan transactions arranged and guaranteed by the savings bank, loans are available to customers in the short-term

sector starting from a minimum amount of EUR 100,000 (or equivalent value) and in the long-term sector starting from a minimum amount of EUR 250,000 (or equivalent value). Loans are granted with an interest term of one month to ten years. Direct access to the customers remains fully with the savings bank in these transactions.

## NORD/LB CFB

### Covered Bond Markets and Lettres de Gage Publiques

The first half-year of 2012 was characterised by a high dynamic in the first quarter as well as a large amount of new issue business in the covered bond markets. Driven by a strong demand from investors, in turn driven among other things by long term tenders (LTRO) of the European Central Bank, favourable refinancing conditions and a muted development of the unsecured senior market, many banks decided to issue covered bonds. This was supported by a trend towards falling new issue premiums. Supported by this positive development it was also possible for issuers from the periphery states to place new issues.

In addition to this, covered bonds in foreign currencies, especially US dollars and GBP, enjoyed increasing demand after a long time, as a result of which it was possible to sell significantly higher volumes in this segment than in previous years.

After a brilliant beginning to 2012, new issue activities slowed down significantly in the second quarter, which was due in the first instance to tensions in connection with the debt situation in some EU periphery states. As a result of several rating downgrades of various central governments, downgrades followed in various covered bond products in these countries. This led to further uncertainty of investors and to the high spread volatilities in these products. The competitive situation between government bonds and covered bonds continued to lead to tough competition for the attention of the investors, which the lettres de gage also saw themselves exposed to.

Even though the volumes of new issues were significantly in decline in the first half-year of 2012 overall, covered bonds, however, strengthened their position as a long-term, high quality capital market product. This results from the regulatory advantages of covered bonds under Basell III and Solvency II. The increasing importance of covered bonds as a refinancing instrument in the global market can be detected in the structure and expansion of corresponding legislative powers. Thus legislative initiatives were observed in

the first half-year in Belgium and Canada, amongst others.

The Bank's new issue business in lettres de gage publiques again concentrated in the first half-year predominantly on the mid to long-term maturity segment. Therefore lettres de gage publiques were issued in USD and EUR.

The constant exchange of information with investors and the expansion of Investor Relations activities is a central point of the Bank's communication strategy. The Bank is always happy to comply with the wishes of interested investors for one-on-one meetings. General information is given regularly and kept up to date on the website [www.nordlb-cfb.lu](http://www.nordlb-cfb.lu). As well as this the Bank makes the current issue prices and yields available to the public on the information systems of Reuters and Bloomberg ("NCFB") in real time.

### Management of Interest Rate Change, Currency and Liquidity Risks

Entering into interest rate and exchange rate risks is not the central purpose of NORD/LB CFB's business. The hedging of interest rate risks is therefore carried out essentially 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 formed, is to establish effective hedging relationships that also meet the strict criteria laid down by the International Financial Reporting Standards (IFRS).

Liquidity risks are defined and limited within a group-wide liquidity policy and strategy, whereby risk limitation is derived from the risk-bearing capacity of the bank.

Exchange rate risks arise in the Bank only to the extent of accruing revenues or expenses, which exist primarily from the deferred interest of the underlying transaction. The Bank also pursues a conservative risk policy here and strictly limits risks that arise, so that the currency balances that have accrued are regularly exchanged into the balance sheet currency.

### The Bank for Municipal Undertakings in Germany

In cooperation with the corporate client departments in Hanover, Hamburg, Schwerin and Dusseldorf, NORD/LB offers its municipal corporate clients loans in the short, medium and long-term maturity areas with its sites in Luxembourg acting as the "Bank for Municipal Undertakings". Our customers' need for external financing continues to be primarily due to high investment activity by the energy sector in renewable energies and alternatives to atomic power. This trend will continue over the next few years and will

again lead to increased demand both for finance and relevant advisory services in this field.

The Bank is using the benefits of the Luxembourg covered bond law, which allows the Bank to take accounts receivable from municipal undertakings (public utilities, water supply, air and sea ports, etc.) into the cover pool. 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 to their needs.

In order to complete the range of products for the municipal corporate customers lending business tailored consultancy and financing solutions are likewise being offered in the subsidies sector.

The Luxembourg covered bond privilege, in conjunction with the consultancy expertise of the corporate customer consultants in Germany, opens up optimal financing conditions for our municipal corporate clients and those close to municipal undertakings.

#### **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.

Against the background of the final discharge of old liabilities of the savings bank and regional bank sector, which were collateralised through maintenance liability and guarantor liability, by the end of 2015 alternative refinancing solutions will become more and more important. As the only regional state bank, the NORD/LB Group has in NORD/LB CFB an option for action at its disposal, which

- can provide savings banks with long-term refinancing means,
- can resort to the known forms of documentation such as the investment certificate and is therefore simple to use and

- which represents an addition to other refinancing solutions through its character of general partner to the cover pool developed in Germany.

#### **International Public Financing and Replacement Cover Business**

The Bank has also concentrated on the customer-driven business with municipal undertakings in Germany in the first half-year of 2012.

With the aim of risk optimisation and diversification, over the past few years in addition to direct customer business, the Bank has also acquired international municipal lending business and other assets eligible for investment in the cover pool via internationally operating banks and investment companies. As part of the increased focus of the strategic profile on customer-driven lending business (in cooperation with the market segments of the Group), international government financing is restricted to the management of the existing portfolio.

The USA share in this segment has also continued to fall slightly in the first half-year of 2012 due to scheduled maturities; the geographic distribution of the assets within Europe and the rest of the world remained largely unchanged (higher USA share esp. because of exchange rate effects).

#### **Management of the Cover Pool**

On the reporting date of 30 June 2012 municipal undertakings and public lending banks such as savings banks and banks offering subsidies to business ("Förderbank") again made up by far the largest share in the cover pool of the Bank. At 22.0% nominal and 28.5% cash value, the excess cover was significantly above the statutory minimum excess cover of 2%.

NORD/LB CFB has a cover pool of consistently high quality to secure the issued Lettres de Gage Publiques. The preservation of confidence of investors in the Lettres de Gage Publiques is the maxim in the management of this portfolio. Its performance is made transparent by NORD/LB CFB through the regular publication on the website ([nordblcfb.lu](http://nordblcfb.lu)) of the cover pool according to creditworthiness classification and geographical distribution.

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

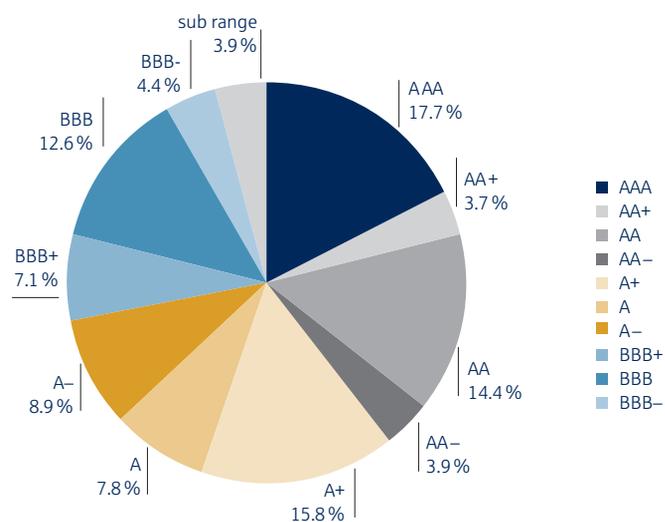
As a full subsidiary of a German regional state bank, the

Bank focuses especially on the lending business with municipal undertakings and savings banks with the main focus on Germany. Self-originating lending is currently undertaken predominantly with German counterparties and will be until further notice.

For the purposes of risk diversification and fine-tuning the ALM profile, transactions that are not originated autonomously (capital market transactions) are also currently made in twenty other OECD countries apart from Germany, provided that they fulfil the strict investment grade rating specifications of the Bank.

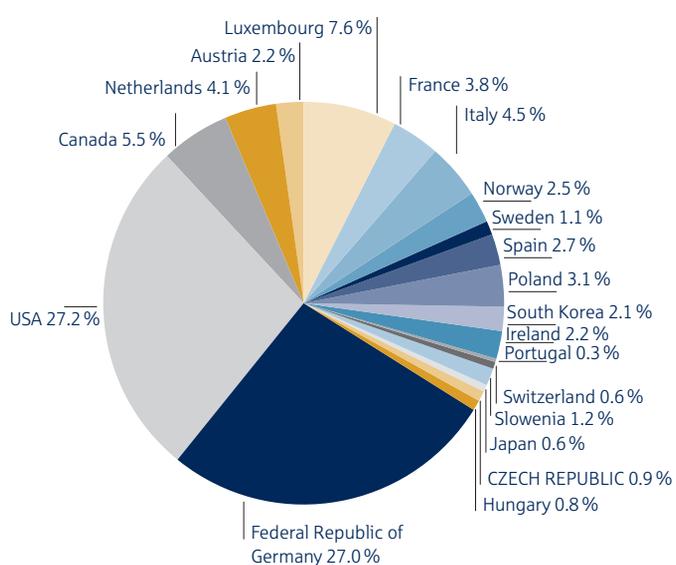
The Bank has no commitments in the OECD countries of Greece, Iceland, Mexico the Baltic States or Turkey. Because of the difficult economic situation, the Bank is not currently planning any new commitments in these countries either.

On the reporting date of 30 June 2012, the credit rating structure of the cover pool was as follows:



Rating	in %	in %	in %
AAA	17.7		
AA	21.9	72.1	39.6
A	32.5		
BBB	24.1		
sub range	3.9		

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



Region	in %
Europe	63,1
North America	32,0
Asia	2,6
Oceania	2,3

\* For computational reasons the tables may contain rounding differences

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

Cover Calculation	Cover Pool (EUR million)		Issues (EUR million)		Under(-)/Over(+) Cover (EUR million)	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011	30.06.2012	30.06.2011
<b>Total</b>	<b>4,483.3</b>	<b>4,297.8</b>	<b>3,675.8</b>	<b>3,545.3</b>	<b>807.5</b>	<b>752.5</b>

### Rating

On the basis of this cover pool NORD/LB CFB has received first rate assessments from two rating agencies. The rating agency Fitch confirmed the AAA rating of the bank's covered bonds on 22.12.2011 in their rating update. At the same time the cover requirements were substantially reduced due to the improvement of the quality of the cover pool in order to maintain the AAA rating. The rating agency is thus honouring the development of the Bank's own cover pool policy in which the bank sets itself strict quantitative and qualitative criteria as well as transparency specifications for cover management that meet international standards.

As a consequence of the downgrade of the unsolicited unsecured rating of NORD/LB to BBB+ on 8.12.2011 the unsecured rating of NORD/LB CFB was also reduced to BBB+. The S&P approach for lettres de gage from Luxembourg allows a maximum elevation of 6 rating notches above the uncovered rating. Since NORD/LB CFB's cover pool shows a balanced ALM profile and a high quality the maximum elevation continues to be applied. Even so the adjustment of the unsolicited unsecured rating of NORD/LB led to a technical downgrade of the lettres de gage publiques, however, from AAA to AA+ on 6.01.2012. The outlook is stable.

## Skandifinanz

The business activities of Skandifinanz AG were already restored or transferred to the parent company in the reported year 2011.

## Outlook

With the scheduled introduction at NORD/LB Luxembourg of new software for the whole bank, which was completed on time, a very important milestone in the review of the IT systems landscape was achieved.

The project was supported by the whole team at NORD/LB Luxembourg, particularly in the first half-year of 2012, and brought to a successful conclusion along with the external partners. In the second half-year and in 2013 the IT road-map will continue to be implemented and the new system landscape rolled out in the Group. The objective is to have a modern, multi-tenant system landscape for the efficient support of the business activities of NORD/LB Luxembourg, NORD/LB CFB and as of 2014, also units outside of the group, where applicable.

In the core businesses of Private Banking, Corporate Banking, Financial Markets and Public Finance, the Group will continue to offer its clients and business partners 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 changes in the regulatory environment, in particular in connection with the new liquidity ratios (LCR/NSFR), represent another central sphere of activity, which will leave its mark on the year under report.

In the second half-year of 2012 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.

NORD/LB CFB will also concentrate on the issue of Lettres de Gage Publiques in the future. Under the motto "The bank for municipal undertakings", the focus will continue to be the refinancing of public lending complementary to the other companies in the NORD/LB group of companies. A balanced result is anticipated for the end of the year.

It is planned to sell the interest in Skandifinanz AG to the parent company NORD/LB AöR in financial year 2012.

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

The Board would like to thank the staff for their extraordinary commitment, especially in connection with the reorganisation of the IT system landscape.

## Earnings

The interim consolidated financial statements of the group to 30.06.2012 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 2012. The profit/loss before tax rose in comparison to the previous year by EUR 5.3 million to EUR 30.7 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.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/Decrease*) (KEUR)
Net interest income	59,127	54,944	4,183
Risk provision in lending business	-5,285	-260	-5,025
Commission expenses/net income	-2,220	-4,774	2,554
Profit/loss from financial instruments stated at fair value through profit or loss, including hedge accounting	4,602	-2,715	7,317
Other operating profit/loss	-1,634	-4,076	2,442
Administrative expenses	-19,987	-20,052	65
Profit/loss from financial assets	-3,858	2,405	-6,263
<b>Group profit/loss before income taxes</b>	<b>30,743</b>	<b>25,471</b>	<b>5,273</b>
Income taxes	-5,521	-8,138	2,617
<b>Group profit/loss for the year</b>	<b>25,222</b>	<b>17,333</b>	<b>7,890</b>

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

Net interest income rose in comparison with the previous year by EUR 4.2 million to EUR 59.1 million.

In comparison to the previous year the expenses for risk provision rose by EUR 5.0 million to EUR 5.3 million.

The net commission income rose against the comparative period by EUR 2.6 million to EUR -2.2 million. In particular the fall in expenses from the lending and guarantees business was significant in this result.

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 were at about the same level as 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 30.7 million, after taxes there remains a net income for the year of EUR 25.2 million.

The individual items making up the result are as follows:

## Net Interest Income

	01.01.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/Decrease*) (KEUR)
Interest income	452,181	391,842	60,339
Interest expense	–393,055	–336,899	–56,156
<b>Net interest income</b>	<b>59,127</b>	<b>54,944</b>	<b>4,183</b>

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

The profit/loss from interest has risen slightly in the reporting year in comparison with the previous year. This is attributable on the one hand to changes in the balance sheet structure between the reporting dates and on the other by changes in the market interest rate.

## Risk Provision in Lending Business

The risk provision in the lending business was affected primarily by the increase in off-balance sheet portfolio-based loan loss provisions.

## Net Commission Income

	01.01.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/Decrease*) (KEUR)
Commission income	12,447	13,476	–1,029
Commission expense	–14,667	–18,250	3,583
<b>Net commission income</b>	<b>–2,220</b>	<b>–4,774</b>	<b>2,554</b>

\*) 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.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/Decrease*) (KEUR)
Trading profit/loss	9,261	–3,025	12,287
Profit/loss from initial recording of financial instruments designated at fair value through profit or loss	–98	–678	580
Profit/loss from hedge accounting	–4,562	989	–5,550
<b>Profit/loss from financial instruments stated at fair value through profit or loss, including hedge accounting</b>	<b>4,602</b>	<b>–2,715</b>	<b>7,317</b>

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

The trading profit/loss mainly comprises 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.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/Decrease*) (KEUR)
Other operating income	636	498	138
Other operating expenses	–2,270	–4,574	2,304
<b>Other operating profit/loss</b>	<b>–1,634</b>	<b>–4,076</b>	<b>2,442</b>

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

Other operating profit/loss results, deriving mainly from service settlements with NORD/LB GZ.

## Administrative Expenses

	01.01.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/Decrease*) (KEUR)
Wages and salaries	10,025	9,242	–783
Other staff expenses	1,641	1,516	–125
<b>Staff expenses</b>	<b>11,666</b>	<b>10,758</b>	<b>–908</b>
Other administrative expenses	6,861	9,061	2,200
Depreciation and value adjustments	1,460	233	–1,227
<b>Administrative expenses</b>	<b>19,987</b>	<b>20,052</b>	<b>65</b>

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

Administrative expenses including depreciation are at about the same level as the previous year at EUR 20.0 million.

## Profit/Loss from Financial Assets

	01.01.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/Decrease*) (KEUR)
Profit/loss from financial assets classified as LaR	–4,878	–1,211	–3,667
Profit/loss from financial assets classified as AfS (without participating interests)	1,019	3,616	–2,596
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
<b>Profit/loss from financial assets</b>	<b>–3,858</b>	<b>2,405</b>	<b>–6,263</b>

\*) 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. The removal of the Greek exposure had a negative effect in the current financial year.

## Income Taxes

	01.01. – 30.06.2012 (KEUR)	01.01. – 30.06.2011 (KEUR)	Increase/Decrease*) (KEUR)
Current taxes	4,664	–358	–5,022
Deferred taxes	857	8,495	7,639
<b>Income taxes</b>	<b>5,521</b>	<b>8,138</b>	<b>2,617</b>

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

NORD/LB Luxembourg and NORD/LB CFB form a tax group in accordance with article 164bis of the Luxembourg income tax law.

## Schedule of Assets and Financial Data

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/Decrease (EUR million)
Loans and advances to banks	2,488.1	2,960.2	-472.1
Loans and advances to customers	4,827.5	4,642.7	184.9
Risk provisions	-27.3	-29.9	2.6
Financial assets at fair value through profit or loss	402.3	486.1	-83.8
Financial assets	8,887.0	9,842.3	-955.3
Other assets	589.4	686.4	-97.0
<b>Total assets</b>	<b>17,167.0</b>	<b>18,587.7</b>	<b>-1,420.7</b>
Liabilities to banks	7,453.9	9,491.4	-2,037.4
Liabilities to customers	4,339.2	2,909.3	1,430.0
Securitised liabilities	3,229.9	4,162.1	-932.2
Financial liabilities at fair value through profit or loss	169.5	156.4	13.2
Provisions	21.8	15.9	5.9
Other liabilities	1,365.5	1,259.7	105.8
Reported equity	587.1	592.9	-5.8
<b>Total equity and liabilities</b>	<b>17,167.0</b>	<b>18,587.7</b>	<b>-1,420.7</b>

The balance sheet total decreased by EUR 1.4 billion to EUR 17.2 billion compared to the 31 December 2011 reporting date.

In the balance sheet structure, the fall mainly affected the interbank business. Loans and advances to banks and liabilities to banks fell by EUR 0.5 billion and EUR 2.0 billion respectively. Securitised liabilities likewise show a fall of EUR 0.9 billion.

The fall in financial assets by EUR 1.0 billion results from the final maturity of some securities and targeted risk management.

Financial assets and liabilities at fair value through profit or loss just include trading assets and trading liabilities at EUR 0.4 billion and EUR 0.2 billion respectively.

The reported equity of the banking group was EUR 587.1 million at 30 June 2012 (previous year EUR 592.9 million).

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

## Risk Report

The risk report of the NORD/LB Luxembourg Group to 30 June 2012 was drawn up on the basis of IFRS 7. The Bank does not enter into any noteworthy risks from complex structured derivatives.

NORD/LB Luxembourg Group's risk management policy, the relevant organisational structure and operational procedures, implemented procedures and methods for risk measurement and monitoring were presented in detail in the 2011 financial statement. Therefore only significant developments in the period under report will be looked at in this interim report.

All market and back office activities of NORD/LB CFB were integrated into NORD/LB Luxembourg as far as possible in the first half-year as part of the realignment of the NORD/LB Luxembourg Group. The CSSF as competent regulatory authority agreed to and confirmed this integration in particular with regard to the following points:

- The performance of business activities by the market units of NORD/LB Luxembourg. This is done primarily by former staff of NORD/LB CFB, who have been provided with the relevant working contracts by NORD/LB Luxembourg.
- As a result of this personnel union, NORD/LB CFB is completely integrated into the risk management and monitoring systems of NORD/LB Luxembourg. As the controlling company of the sub-group, NORD/LB Luxembourg is responsible for implementing the relevant mechanisms for risk management in the individual companies of the sub-group.
- Reporting on capital adequacy (ICAAP reporting in accordance with CSSF circular 07/301 and its addenda circulars) can be submitted to the regulatory authorities in one single document as of reporting period 2012.

As a result of this realignment, the role of the board of directors within NORD/LB CFB is being carried out by the Market and Back Office Board of NORD/LB Luxembourg by way of a personnel union. In addition to this, the role of the supervisory board in both companies is performed by the same elected representatives. NORD/LB CFB therefore continues to exist as a legal entity.

## Risk-bearing Capacity

The NORD/LB Group has improved its risk bearing capacity model (RBC model) significantly in the first quarter. The changes take into account the pertinent requirements on assessing internal bank risk bearing capacity concepts formulated by the German regulators and the current status of the discussions held throughout the sector on the subject. The objective was also to further strengthen the conservative risk policy of the NORD/LB Group and take into account changed economic framework conditions and the associated higher volatility.

The revised RBC model is based on the going concern perspective as its definitive approach. A necessary prerequisite for the going concern scenario is still the guarantee of regulatory reporting capacity following a risk event. This existing RBC perspective was, however, strengthened by taking into consideration an additional buffer on the risk capital side, the increase of confidence level and stricter requirements on the minimum capital adequacy after a risk event.

The perspective formerly known as economic capital adequacy was organised as a gone concern perspective and is continued as a secondary condition. The organisation as liquidity scenario comprises the full offsetting of hidden liabilities, reducing risk capital and the consideration of credit spread risks in the investment book in the risk potential.

Further developments were taken into consideration and for the first time as per reporting date 31 March 2012; the comparative reporting date of 31 December 2011 was recalculated on the basis of the changes in method. Downstreaming the stress scenarios considered within the scope of risk bearing capacity will also be subject to revision.

The utilisation level in the going concern scenario at 30 June 2012 is 24% and is therefore unchanged in comparison to the reporting date of 31 December 2011, adjusted to the changes in method.

The risk bearing capacity is guaranteed up to utilisation of 100%. This limit is undercut significantly on the reporting date. The conservative buffer of 20% (maximum utilisation 80%) defined in the risk strategy is not needed either.

The stipulations of the risk strategy relating to allocation of risk capital to the risk categories were adjusted to the changes in method. They continue to be met as at 30 June 2012. Of the essential risk categories of credit, market price, liquidity and operational risks credit risk is assigned the greatest importance.

The utilisation of risk capital in the going concern scenario for the NORD/LB Luxembourg Group can be seen from the following table:

EUR million	Risk-bearing Capacity 30.06.2012		Risk-bearing Capacity 31.12.2011 <sup>1</sup>	
<b>Risk capital</b>	<b>301</b>	<b>100 %</b>	<b>320</b>	<b>100 %</b>
Credit risks	44	14 %	45	14 %
Investment risks	0	0 %	0	0 %
Market price risks	19	6 %	20	6 %
Liquidity risks	9	3 %	9	3 %
Operational risks	2	1 %	3	1 %
<b>Total risk potential</b>	<b>74</b>		<b>76</b>	
<b>Utilisation</b>		<b>24 %</b>		<b>24 %</b>

The sub-group has not entered into any significant new risk positions over the course of the year, which is also shown by the slightly reduced risk potentials in comparison to 31 December 2011. The utilisation level is therefore comfortable at 24 % despite a slightly lower risk capital as at the reporting date.

## Credit Risk

The maximum credit default risk amount for reported and off-balance sheet financial instruments is EUR 19.5 billion on the reporting date and has thus fallen by 5.7 % in the first half-year.

Risk-bearing Financial Instruments in EUR million	Maximum Default Risk Amount	
	30.06.2012	31.12.2011
Loans and advances to banks	2,488	2,960
Loans and advances to customers	4,828	4,639
Financial assets stated at fair value through profit or loss	402	486
Positive fair values from hedge accounting derivatives	425	392
Financial assets	8,887	9,842
<b>Sub-total</b>	<b>17,030</b>	<b>18,320</b>
Non-utilised loan commitments	1,046	1,070
Guarantees for third-party invoices	1,387	1,258
<b>Total</b>	<b>19,462</b>	<b>20,648</b>

In comparison to the following tables on overall exposure, which are based on the data provided internally to management, the maximum credit default risk amount in the above table is shown at book value.

The differences between the total of the overall exposure according to internal reporting and the maximum credit default risk amount result from the different areas of application, from the definition of the overall exposure for internal purposes and different accounting and valuation methods.

The basis for the calculation of the credit exposure is the drawdown (in the case of guarantees, the nominal value; in the case of securities, the book value) and the credit equivalents from derivatives (including add-on and taking into account netting). Irrevocable lending commitments are included in the credit exposure at 61 % and revocable lending commitments at 5 %, while securities are not taken into account.

## Analysis of Credit Exposure

The credit exposure as per 30 June 2012 is EUR 19.5 billion (previous year EUR 23.1 billion).

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 <sup>1) 2)</sup> in EUR million	Loans <sup>3)</sup>	Securities <sup>4)</sup> 30.06.2012	Derivatives <sup>5)</sup>	Other <sup>6)</sup>	Total	
					30.06.2012	31.12.2011
very good to good	7,828	7,670	584	0	16,082	19,730
good/satisfactory	1,014	445	10	0	1,470	1,385
still good/ adequate	861	227	0	0	1,088	1,080
increased risk	347	0	0	0	347	418
high risk	210	0	0	0	210	139
very high risk	97	0	0	0	97	82
Default (=NPL)	182	0	3	0	185	224
<b>Total</b>	<b>10,538</b>	<b>8,343</b>	<b>597</b>	<b>0</b>	<b>19,478</b>	<b>23,058</b>

1) Classification in accordance with IFD rating categories

2) Differences in amount are rounding differences

3) includes loans taken up or loan commitments, guarantees and other non-derivative off-balance sheet assets, the irrevocable credit commitments being included at 61 % and the revocable ones at 5 %, as in the internal reporting

4) includes the bank's own stocks 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 administrative loans

The majority of total exposure (82.6%) 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 <sup>1)2)</sup> in EUR million	Loans <sup>3)</sup>	Securities <sup>4)</sup> 30.06.2012	Derivatives <sup>5)</sup>	Other <sup>6)</sup>	Total	
					30.06.2012	31.12.2011
Financial institutes/insurers	5,822	5,315	577	0	11,714	15,147
Service industry/other	1,918	2,802	5	0	4,725	4,718
of which real estate and residential	444	0	0	0	444	499
of which public administration	525	2,646	0	0	3,171	3,259
Transport/news broadcasting	496	151	0	0	647	595
of which shipping	14	0	0	0	14	14
of which air transport	31	0	0	0	31	0
Processing industry	1,224	0	0	0	1,224	1,227
Energy, water supply, mining	808	75	6	0	889	1,065
Trade, maintenance, repair	221	0	8	0	229	253
Agriculture, forestry and fishing	1	0	0	0	1	1
Construction industry	50	0	0	0	50	52
Other		0	0	0	0	0
<b>Total</b>	<b>10,538</b>	<b>8,343</b>	<b>597</b>	<b>0</b>	<b>19,478</b>	<b>23,058</b>

1) Classification same as internal reporting according to economic criteria

2) to 6) see previous table on rating structure

The table shows that, with an overall share of 60.1 %, business with financial institutions and insurers with good credit-worthiness continues to make up a significant share of the overall exposure. The proportion of overall exposure, including public administration, amounts to 76.4 %.

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

Regions <sup>1) 2)</sup> in EUR million	Loans <sup>3)</sup>	Securities <sup>4)</sup>	Derivatives <sup>5)</sup>	Other <sup>6)</sup>	Total	
					30.06.2012	31.12.2011
Euro states	7,857	5,667	353	0	13,876	16,159
of which Germany	6,354	2,321	346	0	9,021	8,720
Other Europe	1,369	825	209	0	2,403	3,315
North America	1,177	1,639	33	0	2,850	2,835
Central and South America	30	61	0	0	91	100
Middle East/Africa	20	0	0	0	20	21
Asia/Australia	85	151	2	0	238	627
Other	0	0	0	0	0	0
<b>Total</b>	<b>10,538</b>	<b>8,343</b>	<b>597</b>	<b>0</b>	<b>19,478</b>	<b>23,058</b>

1) Classification same as internal reporting according to economic criteria

2) to 6) see previous table on 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 (71.2 %) of loans, continues to be the most important business region by far.

### 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 there are 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 is EUR 41.9 million as of reporting date and contains portfolio-based loan loss provisions in the sum of EUR 6.0 million as well as individual loan loss provisions in the sum of EUR 21.3 million. The biggest share of individual loan loss provisions is attributable to two borrowers in the service industry at EUR 13.8 million. In

addition to this provisions were made in the lending business of EUR 14.6 million.

### Participation Risk

The composition of the investment portfolio remained unchanged in the first six months of the year under report 2012.

In accordance with the resolution of the board of the Swiss bank, Skandifinanz AG in 2010, all business activities had already been reduced in 2011. There is no longer a strategic relevance for this participation.

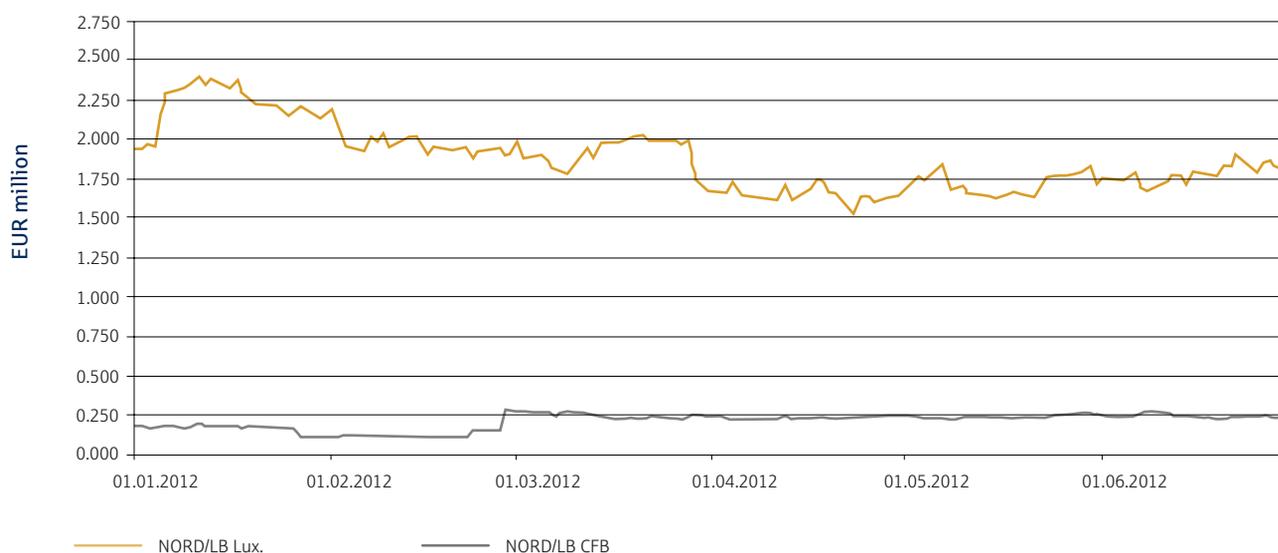
NORD/LB Luxembourg implemented the full integration of NORD/LB CFB in terms of personnel and organisation into its control on 1 April 2012, whilst maintaining the status of an autonomous legal entity. The aim is to bring about increased efficiency through the standardised control and synchronisation of processes, responsibilities and bodies between the parent company and its subsidiary bank over the remaining course of 2012. The covered bond business still remains an important strategic component in the business model of the NORD/LB Luxembourg Group.

## Market Price Risk

The following graph shows the development of the market price risks in NORD/LB Luxembourg and NORD/LB CFB in the first half-year on the basis of the value-at-risk at a confidence level of 95 % and holding time of one day.



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



On 30 June 2012 the value-at-risk limit of NORD/LB Luxembourg is EUR 7 million. The value-at-risk (confidence level of 95 % and holding period of 30 day), which is calculated on a daily basis, was EUR 1.8 million on 30 June 2012. (previous year likewise EUR 1.8 million). The utilisation of the market price risk limit (value-at-risk limit) at NORD/LB Luxembourg was on average 27.0 % in the first half-year (previous year 19.1 %), the maximum utilisation was 34.2 % and the minimum utilisation was 21.8 %. On the reporting date interest rate risks in the sum of EUR 0.6 million, foreign currency risks in the sum of EUR 0.3 million and credit-spread risks of the liquidity reserve and trading book in the sum of EUR 1.7 million were measured.

On 30 June 2012 the value-at-risk limit of NORD/LB CFB is EUR 0.5 million. The value-at-risk (confidence level of 95 % and holding period of 1 day), which is calculated on a daily basis, was EUR 0.2 million on 30 June 2012 – as on the comparative reporting date of 31 December 2011. The average utilisation of the value-at-risk limit at NORD/LB CFB in the first half year was at 42.6 % (21.3 % as per 31 December 2011), the maximum utilisation at 57.2 % and the minimum utilisation at 21.8 %. The share of interest rate and foreign currency in the overall risk of the Bank on 30 June 2012 was EUR 0.1 million and EUR 0.2 million respectively. Since there are no positions in the liquidity reserve on the reporting date, their share of credit spread risks in the liquidity reserve is equal to zero.

On 30 June 2012 the interest sensitivities (NORD/LB Luxembourg and NORD/LB CFB aggregated) are as follows:

Sensitivities (Interest)																		as per 30.06.2012	
Present value of a basis point (PVBP) per portfolio and currency																		(KEUR)	
Currencies	AUD	CAD	CHF	CZK	DKK	EUR	GBP	HKD	HUF	JPY	NOK	NZD	PLN	SEK	TRY	USD	ZAR	Total	
Bank total	+0	+0	-4	+0	+0	-102	+3	+0	+0	-2	+0	-3	+0	+0	+0	-14	+0	-122	

Emphases in the field of interest rate risk are in the main trading currencies, in particular EUR and USD.

With regard to interest rate risks in the investment book, the effects of a standardised interest rate shock of +200 and -200 base points respectively are also analysed 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 Group's standardised scenario analysis (holding period ten days) at NORD/LB Luxembourg is limited to EUR 40.0 million. The utilisation was an average of 44.0 % in the first half-year, the maximum utilisation at 58.0 % and the minimum utilisation at 32.9 %. As per 30 June 2012 the credit spread risk via the Group's standardised scenario analysis was at EUR 18.6 million. (EUR 22.7 million as per 31 December 2011).

The credit spread risk via the Group's standardised scenario analysis (holding period ten days) at NORD/LB CFB is limited to EUR 80.0 million. The utilisation was an average of 76.9 % in the first half-year, the maximum utilisation at 84.4 % and the minimum utilisation at 70.2 %. As per 30 June 2012 the credit spread risk via the Group's standardised scenario analysis was at EUR 63.5 million. (EUR 66.3 million as per 31 December 2011).

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 taken into account. As per 30 June 2012 the credit spread value-at-risk (95 %, holding time 130 days) of

the assets of NORD/LB Luxembourg was EUR 56.2 million (EUR 55.0 million as per 31 December 2011). As per 30 June 2012 the credit spread value-at-risk (95 %, holding time 130 days) of the assets of NORD/LB CFB was EUR 128.4 million (EUR 129.3 million as per 31 December 2011). At the level of the NORD/LB Luxembourg Group the credit-spread value-at-risk (95 %, holding time 130 days) of the assets was EUR 155.9 million as per 30 June 2012. (EUR 153.3 million as per 31 December 2011).

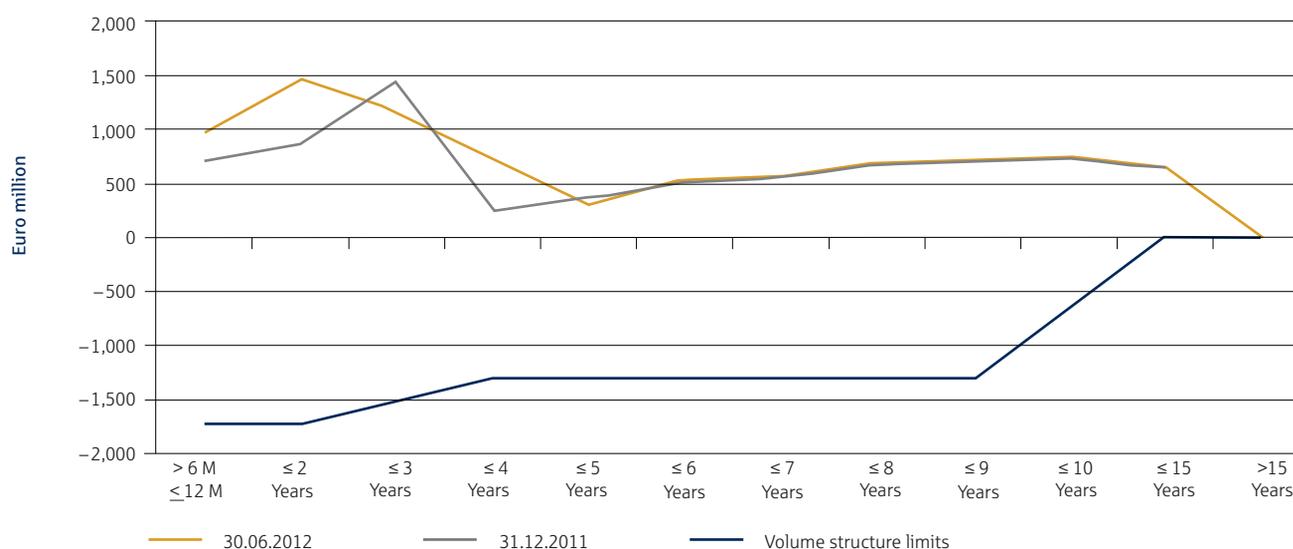
## Liquidity Risk

The financial market continues to find itself in a tense mood over the course of 2012. The liquidity resources of the NORD/LB Luxembourg Group were guaranteed at all times. The cumulative schedule of liquidity flows as per 30 June 2012 shows an excess of liquidity in all maturity bands. The liquidity risk limits derived from the risk-bearing capacity and updated in the period under report, were constantly upheld both with regard to all currencies and the individual major currencies.

The Group continues to have a balanced funding mix. Due to the business strategy and the local characteristics of the Luxembourg banking centre, there are concentrations with regard to refinancing via banks. As well as this the uncovered funding in the region of "over two years" takes place primarily via NORD/LB. The covered funding takes place via Pfandbrief (covered finance) issues by the subsidiary CFB. In addition to this, the NORD/LB Luxembourg Group holds a securities portfolio, which comprises, for the most part, first class securities that can be tendered.

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

### Cumulative Schedule of Liquidity Flows NORD/LB Luxembourg Group as per 30.06.2012



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 further substantial increase in the liquidity risks is anticipated for the further course of the year.

The methods of risk assessment and the reporting processes are being improved. In particular, new concepts and processes for controlling liquidity and liquidity risks in relation to securities as collateral are being developed. In this context, a security liquidity classes concept, which describes the liquidity grade of the assets and thereby their capacity as collateral, was developed for liquidity risk management.

In the first half-year the methodology of the security liquidity classes concept was implemented extensively. On this basis, this logic will replace the modelling of securities for the purposes of the liquidity outflow balance and for the purposes of LST (liquidity stress test) using the new information in the second half-year.

### Operational Risk

Within the scope of the improvement of risk monitoring, adjustments were made in the internal reporting and notification processes of the NORD/LB Group in the first half-year. The objective is a holistic view of information relevant to the operational risk. This optimisation will be continued in the following quarters.

As regards the management of outsourcing service providers, procedural adjustments are being made in this financial year, which will enable a better quality of control regarding risks. The objective is to detect outsourcing risks early and to take suitable counter measures. In order to intensify preventative risk management, various measures including training courses to sensibilise this point were started in the second quarter in the NORD/LB Group and will continue to be rolled out during the rest of the year.

Within the scope of emergency planning emergency, plans were reviewed to ensure they are up to date and were adjusted where necessary.

No legal risks worth reporting exist on the reporting date.

## Summary

The NORD/LB Luxembourg Group has taken reasonable 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 compared with the credit, market price, liquidity and operational risks summarised in the risk potential on a quarterly basis. The quotients calculated in the RBC model show that the risks were covered at all times during the period under report.

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

According to the estimation of the Bank, there are no risks threatening its existence. In the first half-year the sub-group constantly met the applicable regulatory provisions on equity and liquidity. Likewise, the sub-group accommodated the regulations on large credit limits in accordance with Luxembourg and German law in the current 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 2011 respectively.

Reporting Date	30.06.2012	31.12.2011	Absolute Change	Increase/ Decrease (%)	30.06.2011	Absolute Change	Increase/ Decrease (%)
NORD/LB Luxembourg	189	170	19	11 %	162	27	17 %
Skandifinanz	0	0	0	0 %	6	-6	-100 %
NORD/LB CFB	0	9	-9	-100 %	9	-9	-100 %
<b>Total number of employees</b>	<b>189</b>	<b>179</b>	<b>10</b>	<b>6 %</b>	<b>177</b>	<b>12</b>	<b>7 %</b>

Financial Markets, Back office, organisational and administrative functions of NORD/LB CFB are performed by the parent company, NORD/LB Luxembourg.

## Supplementary Report

There were no significant events between the balance sheet reporting date 30 June 2012 and the preparation of this statement on 31 August 2012 by the Board of Directors.

## Future-related Statements

This report contains future-related statements. 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 2012

Consolidated Interim Report as per 30 June 2012 (unaudited)



NORD/LB Luxembourg

## Interim Financial Statement

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

### Consolidated Profit and Loss Account

Consolidated Profit and Loss Account of Norddeutsche Landesbank Luxembourg S.A. for the reporting period from 1 January to 30 June 2012.

	Notes	01.01.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)
<b>Net interest income and current income</b>	<b>(6)</b>	<b>59,127</b>	<b>54,944</b>
Net interest income and current income		452,181	391,842
Interest expense		393,055	336,899
<b>Risk provision in lending business</b>	<b>(7)</b>	<b>–5,285</b>	<b>–260</b>
<b>Net commission income</b>	<b>(8)</b>	<b>–2,220</b>	<b>–4,774</b>
Commission income		12,447	13,476
Commission expense		14,667	18,250
<b>Profit/loss from financial instruments at fair value through profit or loss</b>	<b>(9)</b>	<b>9,164</b>	<b>–3,703</b>
Trading profit/loss		9,261	–3,025
Profit/loss from the fair value option		–98	–678
<b>Profit/loss from hedge accounting</b>	<b>(10)</b>	<b>–4,562</b>	<b>989</b>
<b>Profit/loss from financial assets</b>	<b>(11)</b>	<b>–3,858</b>	<b>2,405</b>
<b>Administrative expenses</b>	<b>(12)</b>	<b>19,987</b>	<b>20,052</b>
Staff expenses		11,666	10,758
Other administrative expenses		6,861	9,061
Depreciation of property, plant and equipment		1,163	140
Depreciation on intangible assets		297	93
<b>Other operating profit/loss</b>	<b>(13)</b>	<b>–1,634</b>	<b>–4,076</b>
<b>Earnings before taxes (EBT)</b>		<b>30,743</b>	<b>25,471</b>
<b>Income taxes</b>	<b>(14)</b>	<b>5,521</b>	<b>8,138</b>
<b>Consolidated net income for the year</b>		<b>25,222</b>	<b>17,333</b>
of which due to the shareholders		25,222	17,333
of which not attributable to controlling shares		0	0

The following consolidated Notes constitute an integral part of the Consolidated Financial Statements.

## Overall Profit and Loss Account

The total income of the Group for the period under report and the comparative period comprises income and expense recognised in the income statement and directly in equity.

Consolidated Overall Profit and Loss Account of Norddeutsche Landesbank Luxembourg S.A. for the reporting period from 1 January to 30 June 2012:

	01.01.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)
<b>Consolidated net income for the year</b>	<b>25,222</b>	<b>17,333</b>
Increase/decrease from available for sale (AFS) financial instruments	12,218	–56,021
of which unrealised profit/losses	12,418	–55,713
of which reclassifications on the grounds of profit/loss realisation	–200	–308
Actuarial gains / losses for defined benefit provisions for pensions	0	0
Deferred taxes	–3,519	16,134
Translation differences of foreign business units	280	989
<b>Profit/loss recognised directly in equity</b>	<b>8,980</b>	<b>–38,898</b>
<b>Total income for the period under report</b>	<b>34,202</b>	<b>–21,566</b>
of which: attributable to shareholders	34,202	–21,566
of which: attributable to non-controlling shares	0	0

The following consolidated Notes constitute an integral part of the Consolidated Financial Statements.

## Consolidated Balance Sheet

Consolidated Balance Sheet of Norddeutsche Landesbank Luxembourg S.A., for the reporting date 30 June 2012:

Assets	Notes	30.06.2012 (EUR million)	31.12.2011 (EUR million)
Cash reserve	(15)	19.0	138.9
Loans and advances to banks	(16)	2,488.1	2,960.2
Loans and advances to customers	(17)	4,827.5	4,642.7
Risk provisions	(18)	-27.3	-29.9
Financial assets at fair value through profit or loss	(19)	402.3	486.1
Derivatives – fair values from hedge accounting	(20)	425.2	392.1
Financial assets	(21)	8,887.0	9,842.3
Property, plant and equipment	(22)	76.2	77.0
Intangible assets	(23)	10.7	6.6
Income tax assets		55.5	68.6
Other assets		2.9	3.2
<b>Total assets</b>		<b>17,167.0</b>	<b>18,587.7</b>
Liabilities	Notes	30.06.2012 (EUR million)	31.12.2011 (EUR million)
Liabilities to banks	(24)	7,453.9	9,491.4
Liabilities to customers	(25)	4,339.2	2,909.3
Securitised liabilities	(26)	3,229.9	4,162.1
Financial liabilities at fair value through profit or loss	(27)	169.5	156.4
Derivatives – fair values from hedge accounting	(28)	1,230.2	1,128.6
Provisions	(29)	21.8	15.9
Income tax liabilities		13.0	7.7
Other liabilities	(30)	22.8	26.8
Subordinated capital	(31)	99.5	96.7
<b>Equity</b>	<b>(32)</b>	<b>587.1</b>	<b>592.9</b>
Issued capital		205.0	205.0
Capital reserves		0.0	0.0
Revenue reserves		499.8	514.7
Revaluation reserve		-124.7	-133.4
Currency translation reserve		7.0	6.6
<b>Equity attributable to shareholders</b>		<b>587.1</b>	<b>592.9</b>
Shares without controlling influence		0	0
		587.1	592.9
<b>Total equity and liabilities</b>		<b>17,167.0</b>	<b>18,587.7</b>

The following consolidated Notes constitute an integral part of the Consolidated Financial Statements.

## Abridged Consolidated Cash Flow Statement

Abridged Consolidated Cash Flow Statement of Norddeutsche Landesbank Luxembourg S.A. for the reporting period from 1 January to 30 June 2012 (comparative period 1 January to 31 December 2011):

	2012 (EUR million)	2011 (EUR million)
<b>Cash and cash equivalents at 1 January 2012 / 1 January 2011</b>	<b>138.9</b>	<b>98.5</b>
Cash flow from operating activities	-1,037.6	-179.9
Cash flow from investment activity	959	260.9
Cash flow from financing activities	-41.4	-40.6
<b>Cash flow total</b>	<b>-120.0</b>	<b>40.4</b>
Effects of exchange rate differences and valuation changes and changes in the basis of consolidation	0.0	0.0
<b>Cash and cash equivalents at 30 June 2012 / 31 December 2011</b>	<b>19.0</b>	<b>138.9</b>

The following consolidated Notes constitute an integral part of the Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity of Norddeutsche Landesbank Luxembourg S.A. for the reporting period from 1 January to 30 June 2012 (comparative period 1 January to 30 June 2011):

EUR million	Issued Capital	Capital Reserves	Revenue Reserves	Re-valuation Reserve	Currency Translation Reserve	Equity before Shares without Controlling Influence	Shares without Controlling Influence	Equity
<b>Equity on 01.01.2011</b>	<b>205.0</b>	<b>0.0</b>	<b>500.5</b>	<b>-45.4</b>	<b>5.8</b>	<b>665.9</b>	<b>0.0</b>	<b>665.9</b>
Distribution	0.0	0.0	-40.0	0.0	0.0	-40.0	0.0	-40.0
Net income 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
<b>Equity on 30.06.2011</b>	<b>205.0</b>	<b>0.0</b>	<b>477.8</b>	<b>-85.3</b>	<b>6.8</b>	<b>604.3</b>	<b>0.0</b>	<b>604.3</b>
<b>Equity on 01.01.2012</b>	<b>205.0</b>	<b>0.0</b>	<b>514.7</b>	<b>-133.4</b>	<b>6.6</b>	<b>592.9</b>	<b>0.0</b>	<b>592.9</b>
Distribution	0.0	0.0	-40.0	0.0	0.0	-40.0	0.0	-40.0
Net income for the year	0.0	0.0	25.2	0.0	0.0	25.2	0.0	25.2
Profit/loss recognised directly in equity	0.0	0.0	0.0	8.7	0.0	8.7	0.0	8.7
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	0.3	0.3	0.0	0.3
Consolidation effects and other capital changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Equity on 30.06.2012</b>	<b>205.0</b>	<b>0.0</b>	<b>499.9</b>	<b>-124.7</b>	<b>6.9</b>	<b>587.1</b>	<b>0.0</b>	<b>587.1</b>

The following consolidated Notes constitute an integral part of the Consolidated Financial Statements.

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Consolidated Interim Report as per 30 June 2012 (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 2012 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 2011.

The interim financial statements to 30 June 2012 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 in accordance with sound commercial practice.

## (2) Applied Accounting and Valuation Policies

The accounting policies for the interim financial statements are based on those of the consolidated annual financial statements to 31 December 2011. 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 2011. 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 2012 were taken into account:

In October 2010, the IASB published Amendments to IFRS 7 – Financial Instruments: Disclosures, in connection with a comprehensive review of business transactions not affecting profit or loss. The amendments are intended to enable a better overview of transactions for the purpose of transferring assets, including the possible effects of the risks remaining at the transferring entity. Against this background the Amendments to IFRS 7 – Disclosures: Transfer of financial Assets extends the disclosure obligations to include presentation and explanation of transactions, which are still reported in the financial statements despite the transfer of assets on the grounds of a risk spread.

There are no effects on the consolidated interim financial statements of NORD/LB Luxembourg to 30 June 2012 on the grounds of the first application of these regulations.

The changes to IAS 12 – Deferred Taxes: Recovery of Underlying Assets, which came into force on 1 January 2012, shall only apply in the consolidated financial statements of NORD/LB Luxembourg after endorsement by the EU, which is anticipated in the third quarter of 2012. The amendments provide for a new regulation with regard to the assumed realisation of certain assets at fair value when determining deferred taxes.

No substantial effects are expected for NORD/LB Luxembourg on the grounds of the amendments to IAS 12.

There are no 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 Group will not be applying any other published standards, interpretations or changes, which are not yet obligatory to apply.

### (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., Luxembourg, 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. Allocation of the interest benefit from equity investment underwent a systematic change. Due to a lack of controllability by the market divisions, the size of the profit/loss is no longer assigned to the Group's operative profit centres but rather to the Shareholdings/Other segment.

#### Affiliated Savings Banks

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

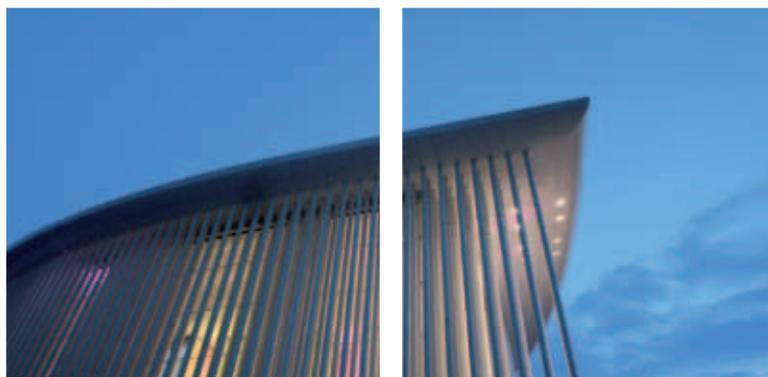
#### Private Banking

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 sectors of the Group, which are involved in investment banking including Financial Markets of NORD/LB Luxembourg and Public Finance and Treasury of NORD/LB CFB are recorded here.

The Treasury segment of NORD/LB Luxembourg mainly invests in commercial papers, call money and fixed term deposits as well as securities and promissory notes from first



class issuers, the business segment Credit Investments & Solutions mainly in securities from banks and financial institutes. Profits/losses are generated in particular from liquidity and maturity transformations.

Primarily the government lending business with central governments, local authorities and their downstream offices in the OECD falls within the business sectors of Public Finance and Treasury at NORD/LB CFB as well as 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 segment includes other items and reconciliation items as well as non-attributable consolidation effects.

### Segmentation by Region

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) Segmentation of the NORD/LB Luxembourg Group by Business Segments

EUR million	Segments						Total
	Affiliated Savings Banks	Private Banking	Financial Markets	Structured Finance	Group Cooperation	Shareholdings /Other incl. Transition	
Net interest income before risk provisions	1.1	1.5	29.5	0.0	25.4	1.6	59.1
do. previous year	1.0	1.1	19.8	0.5	30.3	2.4	54.9
Risk provision in lending business	0.0	0.0	-7.3	0.0	2.0	0.0	-5.3
do. previous year	0.0	0.0	-4.1	-2.5	3.4	3.0	-0.3
Net interest income after loan loss provisions	1.1	1.5	22.2	0.0	27.4	1.6	53.8
do. previous year	1.0	1.1	15.7	-2.0	33.7	5.3	54.7
Net commission income	-0.5	3.5	-1.2	0.0	-4.5	0.5	-2.2
do. previous year	-0.8	4.6	-1.3	0.1	-7.2	-0.3	-4.8
Profit/loss from financial instruments at fair value through profit or loss	0.0	0.0	2.2	0.0	0.0	7.0	9.2
do. previous year	0.0	0.0	-2.4	0.0	0.0	-1.3	-3.7
Profit/loss from hedge accounting	0.0	0.0	-0.9	0.0	0.0	-3.7	-4.6
do. previous year	0.0	0.0	-1.3	0.0	0.0	2.3	1.0
Profit/loss from financial assets	0.0	0.0	0.0	0.0	0.0	-3.9	-3.9
do. previous year	0.0	0.0	2.4	0.0	0.0	0.0	2.4
Administrative expenses	0.1	4.4	4.4	0.0	2.9	8.2	20.0
do. previous year	0.1	4.1	5.4	0.8	2.9	6.9	20.1
Other operating profit/loss	0.0	0.0	-1.0	0.0	-0.6	0.0	-1.6
do. previous year	0.0	0.0	-0.7	-0.9	-0.5	-2.1	-4.1
Earnings before taxes (EBT)	0.5	0.6	17.0	0.0	19.4	-6.9	30.7
do. previous year	0.1	1.6	7.1	-3.6	23.1	-3.0	25.5
Segment assets	213.4	95.3	11,951.2	29.4	4,359.0	518.8	17,167.0
do. previous year	236.2	89.6	17,365.1	29.9	4,307.4	-3,440.5	18,587.7
Segment liabilities (incl. equity)	0.0	133.6	20,472.0	29.4	0.0	-3,468.0	17,167.0
do. previous year	0.0	166.8	21,574.7	29.9	0.0	-3,183.7	18,587.7
Risk assets	153.4	147.9	1,857.1	1.4	1,368.3	520.1	4,048.2
do. previous year	44.0	109.8	2,001.1	1.4	1,671.4	372.4	4,200.1
Equity lockup	7.7	7.4	92.9	0.1	68.4	26.9	203.3
do. previous year	2.2	5.5	100.1	0.1	83.6	25.7	217.1
CIR	13.4 %	87.8 %	16.0 %	0.0 %	14.5 %	10.3 %	15.1 %
do. previous year	12.0 %	73.7 %	25.1 %	-299.8 %	14.1 %	177.6 %	43.0 %
RoRaC	6.9 %	6.1 %	15.4 %	0.1 %	22.0 %	-18.1 %	11.9 %
do. previous year	50.7 %	50.8 %	19.0 %	-1,651.3 %	35.99 %	-36.8 %	21.3 %

Further segment information:							
EUR million	Affiliated Savings Banks	Private Banking	Financial Markets	Structured Finance	Group Cooperation	Shareholdings /Other incl. Transition	Total
Property, plant and equipment, net	0.3	13.0	26.5	0.0	6.4	30.0	76.2
do. previous year	0.3	13.1	27.1	0.0	6.4	30.1	77.0
Depreciation of property, plant and equipment, current year	0.0	-0.2	-0.4	0.0	-0.1	-0.6	-1.2
do. previous year	0.0	-0.2	-0.5	0.0	-0.1	0.8	-0.1
Intangible assets, net	0.0	1.8	3.7	0.0	0.9	4.2	10.7
do. previous year	0.0	1.1	2.3	0.0	0.6	2.6	6.6
Depreciation of intangible assets, current year	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.3
do. previous year	0.0	-0.1	-0.2	0.0	0.0	0.2	-0.1
Value adjustments on financial assets	0.0	0.0	-2.9	0.0	0.0	0.0	-2.9
do. previous year	0.0	0.0	-28.4	0.0	0.0	0.0	-28.4

### (5) Segmentation of the NORD/LB Luxembourg Group by Geographical Characteristics

EUR million	Segments							Total
	Germany	Luxembourg	Switzerland	Rest of Europe	USA	Rest of America	Other Countries incl. Transition	
Operating profit/loss before taxes	14.0	10.2	0.2	10.4	2.7	0.4	1.7	30.7
do. previous year	9.3	4.7	-3.2	9.8	1.7	0.3	2.8	25.5
Segment assets	6,535.2	572.5	126.3	6,098.1	2,397.4	539.1	898.4	17,167.0
do. previous year	6,950.1	4,467.3	109.1	7,335.9	2,341.3	546.4	-3,162.4	18,587.7
Segment liabilities (incl. equity)	6,522.1	6,898.2	822.5	2,402.6	33.0	82.2	406.3	17,167.0
do. previous year	7,163.7	11,207.1	1,705.2	2,179.6	79.0	88.3	-3,835.3	18,587.7
Further segment information:								
Property, plant and equipment, net	0.0	76.2	0.0	0.0	0.0	0.0	0.0	76.2
do. previous year	0.0	77.0	0.0	0.0	0.0	0.0	0.0	77.0
Intangible assets, net	0.0	10.7	0.0	0.0	0.0	0.0	0.0	10.7
do. previous year	0.0	6.6	0.0	0.0	0.0	0.0	0.0	6.6

## Notes to the Group Profit and Loss Account

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

### (6) Net Interest Income and Current Income

The items Interest income and expense include reversals of premiums and discounts at effective interest rate as well as income and expense from interest.

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.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/ Decrease (%)
<b>Interest income</b>	<b>452,181</b>	<b>391,842</b>	<b>15</b>
Interest income from lending and money market transactions	125,577	113,500	11
Interest income from fixed income and book entry securities	140,942	134,259	5
Current income	0	3	-100
from shares and other variable yield securities	0	0	-
from participating interests	0	3	-100
Interest income from hedge derivatives	185,229	143,795	29
Other interest income and similar income	433	285	52
<b>Interest expense</b>	<b>-393,055</b>	<b>-336,899</b>	<b>17</b>
Interest expense from lending and money market transactions	-103,201	-90,146	14
Interest expense from securitised liabilities	-52,714	-47,195	12
Interest expense from subordinated capital	-1,416	-267	> 100
Interest expense from hedge derivatives	-235,595	-198,721	19
Interest expense for provisions and liabilities	0	0	-
Other interest expense and similar expense	-128	-570	-77
<b>Total</b>	<b>59,127</b>	<b>54,944</b>	<b>8</b>

## (7) Risk Provision in Lending Business

	01.01.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/ Decrease (%)
<b>Income from loan loss provisions</b>	<b>8,985</b>	<b>4,986</b>	<b>80</b>
Reduction in provisions for claims	1,369	4,146	-67
Reductions in portfolio-based provisions for receivables	7,616	254	> 100
Reversal of provisions in lending business	0	586	-100
Additions to receivables written off	0	0	-
<b>Loan loss provision expense</b>	<b>14,271</b>	<b>5,246</b>	<b>&gt; 100</b>
Allocations to provisions for claims	7,225	4,938	46
Allocation to portfolio-based provisions for claims	117	0	-
Allocation to provisions for lending business	6,928	0	-
Direct write-offs of claims	0	308	-100
<b>Total</b>	<b>-5,285</b>	<b>-260</b>	<b>&gt; 100</b>

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. – 30.06.2012 (KEUR)	01.01. – 30.06.2011 (KEUR)	Increase/ Decrease (%)
<b>Commission income</b>	<b>12,447</b>	<b>13,476</b>	<b>-8</b>
from security and custody transactions	1,934	2,782	-30
from the arrangement business	876	1,088	-19
from lending and guarantee transactions	8,683	8,631	1
Other commission income	954	976	-2
<b>Commission expense</b>	<b>14,667</b>	<b>18,250</b>	<b>-20</b>
from the arrangement business	8,359	15,823	-47
from lending and guarantee transactions	5,579	1,401	> 100
Other commission expense	729	1,026	-29
<b>Total</b>	<b>-2,220</b>	<b>-4,774</b>	<b>-54</b>

The rise in the net commission income in comparison to the previous year is due to lower expenses for arranged loans and guarantees.

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

	01.01.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/ Decrease (%)
<b>Trading profit/loss</b>	<b>9,261</b>	<b>-3,025</b>	<b>&gt; 100</b>
Realised profit/loss	-4,529	-1,394	> 100
from debt securities and other fixed interest securities	0	106	-100
from shares and other variable yield securities	0	0	-
from derivatives	-4,529	-1,500	> 100
from other receivables held for trading	0	0	-
Measurement gains/losses	12,776	-1,840	> 100
from debt securities and other fixed interest securities	4,544	25	> 100
from shares and other variable yield securities	0	0	-
from derivatives	8,232	-1,865	> 100
from other receivables held for trading	0	0	-
Foreign exchange profit/loss	-65	-298	-78
Other profit/loss	1,079	507	> 100
<b>Profit/loss from fair value option</b>	<b>-98</b>	<b>-678</b>	<b>-86</b>
Profit/loss achieved from	0	0	-
debt securities and other fixed interest securities	0	0	-
from shares and other variable yield securities	0	0	-
other business	0	0	-
Measurement gains/losses	-98	-678	-86
debt securities and other fixed interest securities	-98	-678	-86
from shares and other variable yield securities	0	0	-
other business	0	0	-
Other profit/loss	0	0	-
<b>Total</b>	<b>9,164</b>	<b>-3,703</b>	<b>&gt; 100</b>

Trading profit/loss includes the measurement gains/losses from trading activities (defined as unrealised expense and income from fair value measurement) as well as the realised profit/loss (defined as the difference between disposals 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, which all finally matured in the first half-year of 2012. There are currently no other debt securities designated at fair value in the portfolio.

## (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.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/ Decrease (%)
<b>Profit/loss from micro fair value hedge transactions:</b>	<b>–4,562</b>	<b>989</b>	<b>&gt; 100</b>
from hedged underlying transactions	85,823	950	> 100
from derivatives used as hedging instruments	–90,385	39	> 100
<b>Profit/loss from portfolio fair value hedge transactions</b>	<b>0</b>	<b>0</b>	<b>–</b>
from hedged underlying transactions	0	0	–
from derivatives used as hedging instruments	0	0	–
<b>Total</b>	<b>–4,562</b>	<b>989</b>	<b>&gt; 100</b>

## (11) Profit/Loss from Financial Assets

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

	01.01.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/ Decrease (%)
<b>Profit/loss from financial assets classified as LaR</b>	<b>–4,878</b>	<b>–1,211</b>	<b>&gt; 100</b>
<b>Profit/loss from financial assets classified as AfS (no joint ownership)</b>	<b>1,019</b>	<b>3,616</b>	<b>–72</b>
Profit/loss from disposal	1,019	3,616	–72
of debt securities and other fixed interest securities	–4,826	402	> 100
of repurchases of own bonds	5,845	3,214	82
of shares and other variable yield securities	0	0	–
of other financial assets	0	0	–
<b>Profit/loss from affiliated companies</b>	<b>0</b>	<b>0</b>	<b>–</b>
<b>Profit/loss from joint ventures and associated companies</b>	<b>0</b>	<b>0</b>	<b>–</b>
<b>Profit/loss from other participating interests</b>	<b>0</b>	<b>0</b>	<b>–</b>
<b>Total</b>	<b>–3,858</b>	<b>2,405</b>	<b>&gt; 100</b>

No realisation profit/loss relating to reclassified financial instruments is included in the profit/loss from financial assets of the category LaR.

## (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.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/ Decrease (%)
<b>Staff expenses</b>	<b>11,666</b>	<b>10,758</b>	<b>8</b>
Wages and salaries	10,025	9,242	8
Social security contributions	834	826	1
Expenses for pension provision	776	604	29
Other staff expenses	31	86	-64
<b>Other administrative expenses</b>	<b>6,861</b>	<b>9,061</b>	<b>-24</b>
Expense for operating and office equipment and IT	3,713	4,777	-22
Legal, audit, survey and professional fees	1,672	1,595	5
Other administrative expenses	1,476	2,689	-45
<b>Depreciation and impairments</b>	<b>1,460</b>	<b>233</b>	<b>&gt; 100</b>
Depreciation	1,460	233	> 100
Property, plant and equipment	1,163	140	> 100
Intangible assets	297	93	> 100
Impairments	0	0	-
<b>Total</b>	<b>19,987</b>	<b>20,052</b>	<b>0</b>

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

The rise in depreciation of property, plant and equipment is in direct connection with the new bank building in Luxembourg, which was completed and occupied in June 2011. For the same reason there are no more rental costs from this point onwards which has had a positive effect on the administrative expenses.

## (13) Other Operating Profit/Loss

	01.01.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/ Decrease (%)
<b>Other operating income</b>	<b>636</b>	<b>498</b>	<b>28</b>
From the reversal of provisions	0	0	-
Other income	636	498	28
<b>Other operating expenses</b>	<b>2,270</b>	<b>4,574</b>	<b>-50</b>
From the allocation of provisions	0	788	-100
Other expenses	2,270	3,787	-40
<b>Total</b>	<b>-1,634</b>	<b>-4,076</b>	<b>-60</b>

The "Other expenses" item is dominated by the expenses for the accounting for services with NORD/LB.

## (14) Income Taxes

	01.01.–30.06.2012 (KEUR)	01.01.–30.06.2011 (KEUR)	Increase/ Decrease (%)
Current income taxes	4,664	–358	> 100
Deferred taxes	857	8,495	–90
<b>Total</b>	<b>5,521</b>	<b>8,138</b>	<b>–32</b>

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 2011/2012.

## Notes to the Consolidated Balance Sheet

### (15) Cash Reserve

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
Cash	1.4	1.2	16
Balances with central banks	17.6	137.7	-87
<b>Total</b>	<b>19.0</b>	<b>138.9</b>	<b>-86</b>

In order to comply with the minimum reserve provisions EUR 17.6 million was deposited with the Luxembourg Central Bank (previous year EUR 137.7 million).

### (16) Loans and Advances to Banks

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
<b>Receivables from money market transactions</b>	<b>1,887.1</b>	<b>2,155.4</b>	<b>-12</b>
Luxembourg banks	0.0	0.0	-
Foreign banks	1,887.1	2,155.4	-12
<b>Other receivables</b>	<b>601.0</b>	<b>804.8</b>	<b>-25</b>
Luxembourg banks	4.9	5.4	-10
due on demand	4.9	5.4	-10
deferred	0.0	0.0	-
Foreign banks	596.2	799.4	-25
due on demand	27.7	31.6	-12
deferred	568.5	767.8	-26
<b>Total</b>	<b>2,488.1</b>	<b>2,960.2</b>	<b>-16</b>

**(17) Loans and Advances to Customers**

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
<b>Receivables from money market transactions</b>	<b>0.0</b>	<b>0.0</b>	<b>–</b>
Luxembourg customers	0.0	0.0	–
Foreign customers	0.0	0.0	–
<b>Other receivables</b>	<b>4,827.5</b>	<b>4,642.7</b>	<b>4</b>
Luxembourg customers	128.3	107.3	20
due on demand	64.0	41.8	53
deferred	64.3	65.5	–2
Foreign customers	4,699.2	4,535.4	4
due on demand	13.1	9.6	37
deferred	4,686.1	4,525.8	4
<b>Total</b>	<b>4,827.5</b>	<b>4,642.7</b>	<b>4</b>

**(18) Risk Provisions**

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
<b>Individual value adjustments for receivables</b>	<b>–21.3</b>	<b>–16.4</b>	<b>30</b>
Foreign banks	0.0	0.0	–
Luxembourg customers	0.0	0.0	–
Foreign customers	–21.3	–16.4	30
<b>Portfolio-based provisions for receivables</b>	<b>–6.0</b>	<b>–13.5</b>	<b>–55</b>
<b>Total</b>	<b>–27.3</b>	<b>–29.9</b>	<b>–9</b>

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

EUR million	Specific Value Adjustments	Portfolio-based Provisions	Provisions in Lending Business	Total
<b>01.01.2011</b>	<b>175.3</b>	<b>15.9</b>	<b>8.6</b>	<b>199.8</b>
Allocations	2.8	0.3	1.2	4.3
Reductions	20.6	0.0	2.0	22.6
Utilisation	142.1	0.0	0.0	142.1
Effects from currency translation, unwinding and other increase/decrease	1.0	-0.9	0.0	0.1
Transfers		-1.8		-1.8
<b>31.12.2011</b>	<b>16.5</b>	<b>13.5</b>	<b>7.7</b>	<b>37.8</b>
Allocations	7.2	0.1	6.9	14.2
Reductions	1.4	7.6	0.0	9.0
Utilisation	0.8	0.0	0.0	0.8
Effects from currency translation, unwinding and other increase/decrease	-0.3	0.0	0.0	-0.3
<b>30.06.2012</b>	<b>21.3</b>	<b>6.0</b>	<b>14.6</b>	<b>41.9</b>

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

This item includes trading assets (HfT) and financial assets designated at fair value (dFV). Trading activities comprise of trading in debt securities and other fixed interest securities, shares, and other variable yield securities, as well as derivatives that are not used in hedge accounting.

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
Trading assets	402.3	441.0	-9
Debt securities and other fixed interest securities	96.3	130.7	-26
Shares and other variable yield securities	0.0	0.0	-
Positive fair values from derivatives in connection with:	306.0	310.3	-1
Interest rate risks	81.7	57.8	41
Currency risks	224.3	252.6	-11
Share and other price risks	0.0	0.0	-
Trading portfolio claims	0.0	0.0	-
Financial assets designated at fair value	0.0	45.0	-100
Loans and advances to banks and customers	0.0	0.0	-
Debt securities and other fixed interest securities	0.0	45.0	-100
Shares and other variable yield securities	0.0	0.0	-
<b>Total</b>	<b>402.3</b>	<b>486.1</b>	<b>-17</b>

## (20) Fair Values from Hedge Accounting

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

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
Positive fair values from allocated micro fair value hedge derivatives	425.2	392.1	8
Fair values from derivatives in portfolio fair value hedge accounting	0,0	0,0	-
<b>Total</b>	<b>425.2</b>	<b>392.1</b>	<b>8</b>

## (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.

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
<b>Financial assets classified as LaR</b>	<b>3,583.4</b>	<b>3,621.0</b>	<b>-1</b>
<b>Financial assets classified as AfS</b>	<b>5,303.6</b>	<b>6,221.3</b>	<b>-15</b>
<b>Debt securities and other fixed interest securities</b>	<b>5,294.1</b>	<b>6,202.2</b>	<b>-15</b>
Money market securities	0.0	45.2	-100
from public issuers	0.0	0.0	-
from other issuers	0.0	45.2	-100
Bonds and debt securities	5,294.1	6,157.1	-14
from public issuers	963.7	1,178.3	-18
from other issuers	4,330.4	4,978.8	-13
<b>Shares and other variable yield securities</b>	<b>9.5</b>	<b>19.0</b>	<b>-50</b>
Shares	0.0	0.0	-
Investment shares	9.5	19.0	-50
Profit participation certificates	0.0	0.0	-
<b>Shares in companies</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
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	-
<b>Total</b>	<b>8,887.0</b>	<b>9,842.3</b>	<b>-10</b>

The volume of financial assets issued by central governments of the PIIGS zone amounts to a nominal EUR 103.3 million (previous year EUR 127.9 million). These are two debt securities from the Republic of Italy with terms up to 2018 and 2033 respectively.

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 that were clearly not intended to be sold or traded in the short-term as at 1st July 2008, and that were intended to be kept in the inventory for the foreseeable future instead, were re-categorised. In accordance with the amended IAS 39, the re-categorisation took place with effect from 1 July 2008 at the fair value calculated on this reporting date. In the years 2009 to 2012, no further reclassifications were undertaken.

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

EUR million	30.06.2012			31.12.2011			31.12.2010		
	Book Value on Transfer	Book Value	Fair Value	Book Value on Transfer	Book Value	Fair Value	Book Value on Transfer	Book Value	Fair Value
Reclassified financial assets	645.6	635.4	465.0	645.6	698.4	569.7	645.6	660.3	627.9

EUR million	31.12.2009			31.12.2008		
	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 range from 2.53 % – 6.46 %.

KEUR	30.06.2012	31.12.2011	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	245	610	703	676	316	

In the year under report 2012, the pro rata reduction amounted to KEUR 245 (previous year KEUR 355) 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	30.06.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008	01.07.2008
Unrealised profit/loss before taxes	–181.2	–128.7	–32.4	–19.3	–27.1	–13.2
Deferred taxes	52.2	37.1	9.3	5.5	8.0	3.9
<b>Net effect in equity from reclassified financial assets available for sale</b>	<b>–129.0</b>	<b>–91.6</b>	<b>–23.1</b>	<b>–13.8</b>	<b>–19.1</b>	<b>–9.3</b>

## (22) Property, Plant and Equipment

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
Land and buildings	68.5	68.9	-1
Operating and office equipment	7.5	8.1	-7
Investments under construction	0.1	0.0	-
Other property, plant and equipment	0.0	0.0	-
<b>Total</b>	<b>76.2</b>	<b>77.0</b>	<b>-1</b>

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	Operating and Office Equipment	Investments under Construction	Other Property, Plant and Equipment	Total
<b>Acquisition and manufacturing costs at 01.01.2011</b>	<b>23.4</b>	<b>12.1</b>	<b>37.0</b>	<b>0.0</b>	<b>72.5</b>
Accruals	0.2	2.1	15.6	0.0	17.9
Disposals	0.0	1.1	0.0	0.0	1.1
Transfers	46.1	6.2	-52.6	0.0	-0.2
Changes from currency translations	0.0	0.0	0.0	0.0	0.0
<b>Total 31.12.2011</b>	<b>69.7</b>	<b>19.4</b>	<b>0.0</b>	<b>0.0</b>	<b>89.1</b>
<b>Cumulative depreciation at 01.01.2011</b>	<b>0.4</b>	<b>11.4</b>	<b>0.0</b>	<b>0.0</b>	<b>11.8</b>
Scheduled depreciation	0.5	0.9	0.0	0.0	1.4
Impairments (write-downs)	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	-0.2	0.0	0.0	-0.2
Disposals	0.0	1.0	0.0	0.0	1.0
Changes from currency translations	0.0	0.2	0.0	0.0	0.2
<b>Total 31.12.2011</b>	<b>0.9</b>	<b>11.2</b>	<b>0.0</b>	<b>0.0</b>	<b>12.1</b>
<b>Closing balance at 31.12.2011</b>	<b>68.9</b>	<b>8.1</b>	<b>0.0</b>	<b>0.0</b>	<b>77.0</b>

EUR million	Land and Buildings	Operating and Office Equipment	Investments under Construction	Other Property, Plant and Equipment	Total
Acquisition and manufacturing costs at 01.01.2012	69.7	19.4	0.0	0.0	89.1
Accruals	0.1	0.0	0.1	0.0	0.2
Disposals	0.0	0.0	0.0	0.0	0.0
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
<b>Total 30.06.2012</b>	<b>69.8</b>	<b>19.3</b>	<b>0.1</b>	<b>0.0</b>	<b>89.3</b>
Cumulative depreciation at 01.01.2012	0.9	11.2	0.0	0.0	12.1
Scheduled depreciation	0.5	0.6	0.0	0.0	1.0
Impairments (write-downs)	0.0	0.0	0.0	0.0	0.0
Write-ups	0	0	0	0	0
Transfers	0.0	0.0	0.0	0.0	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
<b>Total 30.06.2012</b>	<b>1.3</b>	<b>11.8</b>	<b>0.0</b>	<b>0.0</b>	<b>13.1</b>
Closing balance at 30.06.2012	68.5	7.6	0.1	0.0	76.2

## (23) Intangible Assets

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
Software	1.9	0.6	> 100
Acquired for consideration	1.9	0.6	> 100
Self-produced	0.0	0.0	–
Intangible assets under development	8.8	6.0	46
Other	0.0	0.0	–
<b>Total</b>	<b>10.7</b>	<b>6.6</b>	<b>62</b>

Fully depreciated software continues to be used in the Group.

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

EUR million	Software		Intangible Assets under Development	Other	Total
	Acquired for Consideration	Self produced			
<b>Acquisition and manufacturing costs at 01.01.2011</b>	<b>16.6</b>	<b>0.0</b>	<b>4.9</b>	<b>0.0</b>	<b>21.5</b>
Accruals	0.1	0.0	11.8	0.0	12.0
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	0.7	0.0	-0.7	0.0	0.0
<b>Total 31.12.2011</b>	<b>17.4</b>	<b>0.0</b>	<b>16.1</b>	<b>0.0</b>	<b>33.4</b>
<b>Cumulative depreciation at 01.01.2011</b>	<b>16.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>16.3</b>
Scheduled depreciation	0.5	0.0	0.0	0.0	0.5
Impairments (write-downs)	0.0	0.0	10.0	0.0	10.0
Disposals	0.0	0.0	0.0	0.0	0.0
<b>Total 31.12.2011</b>	<b>16.8</b>	<b>0.0</b>	<b>10.0</b>	<b>0.0</b>	<b>26.8</b>
<b>Closing balance at 31.12.2011</b>	<b>0.6</b>	<b>0.0</b>	<b>6.0</b>	<b>0.0</b>	<b>6.6</b>
<b>Acquisition and manufacturing costs at 01.01.2012</b>	<b>17.4</b>	<b>0.0</b>	<b>16.1</b>	<b>0.0</b>	<b>33.4</b>
Accruals	0.0	0.0	4.3	0.0	4.4
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	1.5	0.0	-1.5	0.0	0.0
<b>Total 30.06.2012</b>	<b>19.0</b>	<b>0.0</b>	<b>18.8</b>	<b>0.0</b>	<b>37.8</b>
<b>Cumulative depreciation at 01.01.2012</b>	<b>16.8</b>	<b>0.0</b>	<b>10.0</b>	<b>0.0</b>	<b>26.8</b>
Scheduled depreciation	0.3	0.0	0.0	0.0	0.3
Disposals	0.0	0.0	0.0	0.0	0.0
<b>Total 30.06.2012</b>	<b>17.1</b>	<b>0.0</b>	<b>10.0</b>	<b>0.0</b>	<b>27.1</b>
<b>Closing balance at 30.06.2012</b>	<b>1.9</b>	<b>0.0</b>	<b>8.8</b>	<b>0.0</b>	<b>10.7</b>

**(24) Liabilities to Banks**

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
<b>Deposits from other banks</b>	<b>3,111.7</b>	<b>2,764.3</b>	<b>13</b>
Luxembourg banks	0.0	0.0	–
Foreign banks	3,111.7	2,764.3	13
<b>Liabilities arising from money market transactions</b>	<b>4,341.1</b>	<b>6,726.6</b>	<b>–35</b>
Luxembourg banks	221.8	2,271.3	–90
Foreign banks	4,119.3	4,455.4	–8
<b>Other liabilities</b>	<b>1.2</b>	<b>0.4</b>	<b>&gt; 100</b>
Luxembourg banks	0.6	0.0	– 100
due on demand	0.6	0.0	–100
deferred	0.0	0.0	–
Foreign banks	0.6	0.4	33
due on demand	0.6	0.4	33
deferred	0.0	0.0	–
<b>Total</b>	<b>7,453.9</b>	<b>9,491.4</b>	<b>–21</b>

**(25) Liabilities to Customers**

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
<b>Savings deposits</b>	<b>0.0</b>	<b>0.0</b>	<b>–</b>
<b>Liabilities arising from money market transactions</b>	<b>3,484.5</b>	<b>2,271.7</b>	<b>53</b>
Luxembourg customers	496.6	679.3	–27
Foreign customers	2,987.9	1,592.3	88
<b>Other liabilities</b>	<b>854.8</b>	<b>637.6</b>	<b>34</b>
Luxembourg customers	41.5	16.1	> 100
due on demand	39.9	16.1	> 100
deferred	1.6	0.0	> 100
Foreign customers	813.2	621.5	31
due on demand	102.9	52.1	98
deferred	710.3	569.4	25
<b>Total</b>	<b>4,339.2</b>	<b>2,909.3</b>	<b>49</b>

## (26) Securitised Liabilities

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
Issued debt securities	3,055.0	3,745.8	-18
Money market securities	174.9	416.4	-58
Other securitised liabilities	0.0	0.0	-
<b>Total</b>	<b>3,229.9</b>	<b>4,162.1</b>	<b>-22</b>

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

This item includes trading liabilities (HfT) and financial liabilities designated at fair value (dFV).

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.

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
<b>Trading liabilities</b>	<b>169.5</b>	<b>156.4</b>	<b>8</b>
Negative fair values from derivatives in connection with:	169.5	156.4	8
Interest rate risks	112.1	97.6	15
Currency risks	57.4	58.7	-2
Share and other price risks	0.0	0.0	-
Credit derivatives	0.0	0.0	-
Short sale delivery obligations	0.0	0.0	-
<b>Financial liabilities designated at fair value</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
Liabilities to banks and customers	0.0	0.0	-
Securitised liabilities	0.0	0.0	-
<b>Total</b>	<b>169.5</b>	<b>156.4</b>	<b>8</b>

## (28) Fair Values from Hedge Accounting

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

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
Fair Values from allocated micro fair value hedge derivatives	1,230.2	1,128.6	9
Fair values in terms of portfolio fair value hedge acc.	0.0	0.0	–
<b>Total</b>	<b>1,230.2</b>	<b>1,128.6</b>	<b>9</b>

## (29) Provisions

Provisions are broken down as follows:

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
<b>Provisions for pensions and similar obligations</b>	<b>0.9</b>	<b>0.9</b>	<b>0</b>
Other provisions	20.9	15.0	39
Provisions in lending business	14.6	7.7	90
Restructuring provisions	0.0	0.0	–
Provisions for threatened losses	0.0	0.0	–
Provisions for uncertain liabilities	6.3	7.3	–14
Insurance business provisions	0.0	0.0	–
<b>Total</b>	<b>21.8</b>	<b>15.9</b>	<b>37</b>

## (30) Other Liabilities

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
Liabilities from outstanding invoices	10.1	9.2	10
Liabilities from short term remuneration of workers	0.0	4.0	–100
Accruals and deferred income	0.4	4.6	–91
Liabilities from taxes and social security contributions not yet deducted	7.8	8.7	–10
Other liabilities	4.5	0.3	> 100
<b>Total</b>	<b>22.8</b>	<b>26.8</b>	<b>–15</b>

### (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. Offsetting takes place depending on the remaining term.

	30.06.2012 (EUR million)	31.12.2011 (EUR million)	Increase/ Decrease (%)
Subordinated liabilities	99.5	96.7	3
Profit participation capital	0.0	0.0	–
Contributions from silent partners	0.0	0.0	–
<b>Total</b>	<b>99.5</b>	<b>96.7</b>	<b>3</b>

Type of Transaction	Nominal Amount (millions)	Accrued Interest (millions)	Rate at 30.06.2012	Balance Sheet Value (EUR million)	Term in Years	Interest Rates (%)	Maturity
Subordinated loans	60.0 USD	0.1 USD	1.259	47.7	15	0.63585	08.06.16
Subordinated loans	65.0 USD	0.2 USD	1.259	51.7	15	0.90965	31.12.17
<b>Total</b>				<b>99.5</b>			

## Other Disclosures

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

The subscribed capital of NORD/LB Luxembourg on 30 June 2012 amounts to EUR 205 million. It is divided into 820,000 registered shares without nominal value. 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 2011 and the first half-year of 2012 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 and not through profit or loss on the reporting date and on: 31.12.2011 respectively:

30.06.2012 EUR million	Level 1 (Mark-to- Market)	Level 2 (Mark-to- Matrix)	Level 3 (Mark-to- Model)	Total
Trading assets	97.7	304.6	0.0	402.3
Financial assets designated at fair value	0.0	0.0	0.0	0.0
Positive fair values hedge accounting derivatives	0.0	425.2	0.0	425.2
Financial assets (measured at fair value)	4,708.8	511.0	83.8	5,303.6
<b>Assets</b>	<b>4,806.5</b>	<b>1,240.8</b>	<b>83.8</b>	<b>6,131.1</b>
Trading liabilities	0.9	168.6	0.0	169.5
Financial liabilities designated at fair value	0.0	0.0	0.0	0.0
Negative fair values from hedge accounting derivatives	0.0	1,230.3	0.0	1,230.3
<b>Liabilities</b>	<b>0.9</b>	<b>1,398.9</b>	<b>0.0</b>	<b>1,399.8</b>

31.12.2011 EUR million	Level 1 (Mark-to- Market)	Level 2 (Mark-to- Matrix)	Level 3 (Mark-to- Model)	Total
Trading assets	130.7	310.3	0.0	441.0
Financial assets designated at fair value	0.0	45.0	0.0	45.0
Positive fair values hedge accounting derivatives	0.0	392.1	0.0	392.1
Financial assets (measured at fair value)	5,194.6	495.0	531.7	6,221.3
<b>Assets</b>	<b>5,325.3</b>	<b>1,242.5</b>	<b>531.7</b>	<b>7,099.4</b>
Trading liabilities	0.0	156.4	0.0	156.4
Financial liabilities designated at fair value	0.0	0.0	0.0	0.0
Negative fair values from hedge accounting derivatives	0.0	1,128.6	0.0	1,128.6
<b>Liabilities</b>	<b>0.0</b>	<b>1,285.0</b>	<b>0.0</b>	<b>1,285.0</b>

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. Each rating category is pushed one step up or down to calculate the sensitivity. 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. – 30.06.2012 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	0.0	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)	46.9	39.8	0.0	0.0	298.6	79.5
<b>Assets</b>	<b>46.9</b>	<b>39.8</b>	<b>0.0</b>	<b>0.0</b>	<b>298.6</b>	<b>79.5</b>
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
<b>Liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

The level transfers from Level 1 into Level 2 are two securities, which fell back into the market-to-matrix valuation on the reporting date. The level transfer from Level 1 into Level 3 was three securities for which there was a market price on the reporting date. A total of 19 securities changed back into a market valuation (Level 1) from a distorted market (Level 3) on the reporting date. Five securities changed from a model valuation to matrix valuation.

### (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 30.06.2012	Nominal Values 31.12.2011	Market Values Positive 30.06.2012	Market Values Positive 31.12.2011	Market Values Negative 30.06.2012	Market Values Negative 31.12.2011
Interest rate risks	10,463.4	11,535.4	350.9	304.3	1,161.2	1,055.6
Currency risks	4,913.7	6,822.1	380.3	398.2	238.6	229.4
Share and other price risks	0.0	0.0	0.0	0.0	0.0	0.0
Credit derivatives	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>15,377.1</b>	<b>18,357.5</b>	<b>731.2</b>	<b>702.5</b>	<b>1,399.7</b>	<b>1,285.0</b>

### (35) Information Relating to Selected Countries

The following table shows the reported values of the transactions in relation to selected countries. The information regarding the country also includes regional governments, local governments and firms with government links.

As at 30 June 2012:

30.06.2012 EUR million	Financial Instruments Held for Trading	Financial Instruments designated at Fair Value through Profit or Loss	Available for Sale Assets	Loans and Receivables
<b>Portugal</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	61.0	19.8
Corporates/other	0.0	0.0	0.0	41.1
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>61.0</b>	<b>60.8</b>
<b>Ireland</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	12.4	89.7
Corporates/other	0.0	0.0	0.0	18.6
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>12.4</b>	<b>108.2</b>
<b>Italy</b>				
Sovereign Exposure	0.0	0.0	66.6	91.1
Financial institutions/insurance companies	0.0	0.0	336.8	0.0
Corporates/other	0.0	0.0	26.3	69.2
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>429.7</b>	<b>160.4</b>
<b>Greece</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	0.0	0.0
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Hungary</b>				
Sovereign Exposure	0.0	0.0	0.0	119.6
Financial institutions/insurance companies	0.0	0.0	0.0	36.5
Corporates/other	0.0	0.0	0.0	0.2
<b>Summe</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>156.3</b>
<b>Spain</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	313.7	281.8
Corporates/other	0.0	0.0	9.3	31.5
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>323.0</b>	<b>313.2</b>

At 31 December 2011:

31.12.2011 EUR million	Financial Instruments Held for Trading	Financial Instruments designated at Fair Value through Profit or Loss	Available for Sale Assets	Loans and Receivables
<b>Portugal</b>				
Sovereign Exposure	0.0	0.0	0.0	15.0
Financial institutions/insurance companies	0.0	0.0	77.9	71.6
Corporates/other	0.0	0.0	0.0	43.2
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>77.9</b>	<b>129.8</b>
<b>Ireland</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	72.1	105.9
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>72.1</b>	<b>105.9</b>
<b>Italy</b>				
Sovereign Exposure	0.0	0.0	62.4	88.2
Financial institutions/insurance companies	0.0	0.0	382.0	85.9
Corporates/other	0.0	0.0	25.7	2.9
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>470.1</b>	<b>177.0</b>
<b>Greece</b>				
Sovereign Exposure	0.0	0.0	9.7	0.0
Financial institutions/insurance companies	0.0	0.0	19.3	25.0
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>29.0</b>	<b>25.0</b>
<b>Hungary</b>				
Sovereign Exposure	0.0	0.0	0.0	120.3
Financial institutions/insurance companies	0.0	0.0	0.0	97.0
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>217.3</b>
<b>Spain</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	535.9	298.2
Corporates/other	0.0	0.0	0.0	25.1
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>535.9</b>	<b>323.3</b>

No credit derivatives are included in the above figures.

For the financial instruments of the category Available for Sale with acquisitions costs in the total sum of EUR 926.6 million (EUR 1,280.6 million) the cumulative total valuation in the equity relating to the selected countries named above is EUR –130.0 million (EUR –99.1 million). No depreciation has been recorded in the income statement for the periods (previous year EUR 18.5 million). There are no Greek government bonds in the portfolio of the consolidated Norddeutsche Landesbank Luxembourg S.A.

For the receivables in the category Loans and Receivables relating to the selected countries named above there are individual loan loss provisions in the sum of EUR 0.0 million (EUR 0.0 million) and portfolio-based loss provisions in the sum of EUR 3.4 million (EUR 9.8 million). The fair value of these receivables, in the category Loans and Receivables amounts to a total of EUR 620.7 million (EUR 843.1 million).

The following tables show the application of the fair value hierarchy of the financial assets and liabilities shown at fair value affecting profit/loss and not affecting profit/loss for selected countries in 2011 and 2012:

As at 30 June 2012:

30.06.2012 EUR million	Level 1	Level 2	Level 3	Total
<b>Portugal</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	46.4	14.6	0.0	61.0
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>46.4</b>	<b>14.6</b>	<b>0.0</b>	<b>61.0</b>
<b>Ireland</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	12.4	0.0	0.0	12.4
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>12.4</b>	<b>0.0</b>	<b>0.0</b>	<b>12.4</b>
<b>Italy</b>				
Sovereign Exposure	0.0	66.6	0.0	66.6
Financial institutions/insurance companies	316.0	11.4	9.4	336.8
Corporates/other	26.3	0.0	0.0	26.3
<b>Total</b>	<b>342.3</b>	<b>77.9</b>	<b>9.4</b>	<b>429.7</b>
<b>Greece</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	0.0	0.0
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

30.06.2012 EUR million	Level 1	Level 2	Level 3	Total
<b>Hungary</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	0.0	0.0
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Spain</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	304.8	0.0	8.8	313.7
Corporates/other	9.3	0.0	0.0	9.3
<b>Total</b>	<b>314.2</b>	<b>0.0</b>	<b>8.8</b>	<b>323.0</b>

At 31 December 2011:

31.12.2011 EUR million	Level 1	Level 2	Level 3	Total
<b>Portugal</b>				
Sovereign Exposure	0.0	0.0	15.4	15.4
Financial institutions/insurance companies	0.0	0.0	62.5	62.5
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>77.9</b>	<b>77.9</b>
<b>Ireland</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	31.3	0.0	40.9	72.1
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>31.3</b>	<b>0.0</b>	<b>40.9</b>	<b>72.1</b>
<b>Italy</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	308.2	62.4	73.8	444.4
Corporates/other	25.7	0.0	0.0	25.7
<b>Total</b>	<b>333.9</b>	<b>62.4</b>	<b>73.8</b>	<b>470.1</b>
<b>Greece</b>				
Sovereign Exposure	9.7	0.0	0.0	9.7
Financial institutions/insurance companies	0.0	0.0	19.3	19.3
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>9.7</b>	<b>0.0</b>	<b>19.3</b>	<b>29.0</b>

31.12.2011 EUR million	Level 1	Level 2	Level 3	Summe
<b>Hungary</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	0.0	0.0
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Spain</b>				
Sovereign Exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	314.0	0.0	222.0	535.9
Corporates/other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>314.0</b>	<b>0.0</b>	<b>222.0</b>	<b>535.9</b>

## Other Notes

### (36) 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

	30.06.2012 (EUR million)	31.12.2011 (EUR million)
Risk assets	4,048.2	3,843.5
Weighted operational risks	293.0	252.9
Market risk positions	190.4	103.6
<b>Total</b>	<b>4,531.7</b>	<b>4,200.1</b>

**Regulatory Equity**

	30.06.2012 (EUR million)	31.12.2011 (EUR million)
Contributed capital	205.0	205.0
Other reserves	481.6	467.5
Remaining components	-10.7	-6.6
<b>Core capital</b>	<b>675.9</b>	<b>665.9</b>
Asset deposits of silent shareholders	0.0	0.0
Subordinated debt securities (part that can be offset)	80.2	87.3
<b>Supplementary capital</b>	<b>80.2</b>	<b>87.3</b>
Items deductible from core (tier 1) and supplementary (tier 2) capital	9.8	0.0
<b>Liable equity</b>	<b>746.3</b>	<b>753.2</b>
Tier three funds	0.0	0.0
<b>Equity capital</b>	<b>746.3</b>	<b>753.2</b>

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 2011 and the first half of 2012 at Group level. At the respective balance sheet dates the Group had the following ratios:

	30.06.2012	31.12.2011
Overall coefficient	16.5 %	17.9 %
Core capital ratio	14.8 %	15.9 %

### (37) Contingent Liabilities and Other Obligations

	30.06.2012 (EUR million)	31.12.2011 (EUR million)
Contingent liabilities	1,386.6	1,258.3
Contingent liabilities under rediscounted bills of exchange	–	–
Liabilities from guarantees and other indemnity agreements	1,386.6	1,258.3
Irrevocable credit commitments	1,045.6	1,070.0
<b>Total</b>	<b>2,432.1</b>	<b>2,328.3</b>

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

There were no events after the balance sheet date.

### (39) Related Party Disclosures

All consolidated subsidiaries qualify as related parties. As well as this, NORD/LB (parent company of NORD/LB Luxembourg) and entities pursuant to IAS 24.9 (b) are deemed to be 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 with related parties and entities is detailed below.

As at 30 June 2012:

KEUR	Shareholders	Persons in Key Functions	Other Related Parties
Outstanding loans and advances			
to banks	489,894	0	183,088
to customers	0	0	0
Trading derivatives on assets side	22,880	0	0
Other assets	0	0	25,058
<b>Total assets</b>	<b>512,774</b>	<b>0</b>	<b>208,146</b>
Outstanding liabilities			
to banks	4,004,591	0	2
to customers	0	0	0
Securitised liabilities	144	0	0
Trading derivatives on liabilities side	48,708	0	9
Subordinated capital	99,453	0	0
Other liabilities	5,882	1,193	0
<b>Total equity and liabilities</b>	<b>4,158,778</b>	<b>1,193</b>	<b>12</b>
<b>Guarantees/sureties granted</b>	<b>0</b>	<b>5</b>	<b>0</b>

1 January – 30 June 2012:

KEUR	Shareholders	Persons in Key Functions	Other Related Parties
Interest expense	54,940	0	2
Interest income	10,346	0	537
Commission expense	11,985	0	0
Commission income	0	0	176
Other income and expense	-3,091	-1,929	-1
<b>Total contributions to income</b>	<b>-59,670</b>	<b>-1,929</b>	<b>710</b>

At 31 December 2011:

KEUR	Shareholders	Persons in Key Functions	Other Related Parties
Outstanding loans and advances			
to banks	494,265	0	207,400
to customers	0	10	0
Trading derivatives on assets side	180,973	0	0
Other assets	0	0	24,930
<b>Total assets</b>	<b>675,239</b>	<b>10</b>	<b>232,330</b>
Outstanding liabilities			
to banks	3,700,001	0	0
to customers	0	0	0
Securitised liabilities	144,077	0	0
Trading derivatives on liabilities side	247,440	0	9,231
Subordinated capital	96,653	0	0
Other liabilities	1,860	1,373	0
<b>Total equity and liabilities</b>	<b>4,190,031</b>	<b>1,373</b>	<b>9,231</b>
<b>Guarantees/sureties granted</b>	<b>7,000</b>	<b>0</b>	<b>0</b>

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 expense	16,445	0	0
Commission income	0	0	0
Other income and expense	-3,926	-1,462	538
<b>Total contributions to income</b>	<b>-76,011</b>	<b>-1,454</b>	<b>-1,024</b>

## (40) Members of Executive Bodies

### Members of the Board of Directors

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

### Supervisory Board

- Dr. Gunter Dunkel, Chairman of the Board of Norddeutsche Landesbank Girozentrale, Hanover (Chairman)
- Ulrike Brouzi, Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover (since 1 January 2012)
- Walter Kleine, Chairman of the Board of Sparkasse Hannover, Hanover
- Dr. Johannes-Jörg Riegler, Member of the Board of Norddeutsche Landesbank Girozentrale, Hanover
- Christoph Schulz, Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover

Consolidated Interim Report as per 30 June 2012 (unaudited)



NORD/LB Luxembourg

## Responsibility Statement

We give our assurance to the best of our knowledge, that the consolidated interim financial statements to 30th June 2012 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 2012  
Norddeutsche Landesbank Luxembourg S.A

Harry Rosenbaum

Chairman  
of the Board of Directors,  
Norddeutsche Landesbank  
Luxembourg S.A.

Christian Veit

Deputy Chairman  
of the Board of Director,  
Norddeutsche Landesbank  
Luxembourg S.A.

Thorsten Schmidt

Member of the Board  
of Directors,  
Norddeutsche Landesbank  
Luxembourg S.A.

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

NOLALULL

**Supervision**

Commission de Surveillance du Secteur Financier

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**Trade and Companies Register**

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