Interim Report 2011.

Baden-Württemberg
L-Finance N.V.

A subsidiary of Landesbank Baden-Württemberg

First six months' report 2011.

Legal form

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

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

Activities

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

The Company will discontinue its refinance activity after the redemption of the zero bond in July 2012. Thereafter the Company will proceed with other activities.

Overview

In the year under review the Company undertook no new transactions. All outstanding issues are guaranteed by the parent company and rated informal Aaa, AAA by Moody's and Fitch/IBCA respectively.

At the end of June 2011 the Company managed 1 bond.

This six months' report is prepared in line with and according to the accounting policies as described in the Company's Annual Report for 2010.

Total assets

During the first 6 months there were no loans to be repaid. The only outstanding loan is a Zero loan, which will mature in July 2012. The increase of EUR 18 mn is the result of the compound interest.

The increase under liabilities is also a result of the compound interest on the outstanding Zero bond.

The balance sheet of the Company increased with EUR 17 bn or 3.8 % to EUR 479 mn (2010: EUR 446 mn).

Capital

During this financial year the shareholder decided to distribute a dividend of EUR 500 mn out of the profit of the year 2010. The capital position of the Company decreased in 2011 to EUR 4,8 mn (2010: EUR 5 mn). In order to cover all liabilities the parent company has issued a Letter of Comfort in favour of the Company in 2001, this was amended in 2011.

Earnings

The decrease of net interest income and the guarantee commission combined with the increase of the general and administrative expenses, the net profit increased with EUR 12 thousand compared with the same period in 2010.

Currency risk
The Company operates only in EUR and therefore does not carry any currency risk.

Interest rate risk
The Company runs an interest risk on the short-term deposits with a maximum tenor of 3 months.

The interest margin between the outstanding loan and bond is fixed and also the contractual period is identical.

Credit risk
Our loan given to the parent company is pledged to the guarantor for our outstanding bond. The outstanding bond is guaranteed by the parent company and is rated informal Aaa, AAA by Moody's and Fitch/IBCA respectively.

Under the LBBW act, the State of Baden-Württemberg is liable without any restriction for the obligation of the guarantor. The creditors may, however, require performance from the State of Baden-Württemberg only if they have not been satisfied out of the guarantor's assets. This Guarantee Obligation ("Gewährträgerhaftung") extends to the guarantor's obligation under the Guarantee.

It is the Management's opinion that no provision for risks is necessary.

Directors' statement
Statements by the Board of Directors ex article 5.24c (2c) of the Financial Supervision Act.

To our knowledge:

1. The financial six months' report gives a true and fair view of the assets, liabilities, financial position and profit and loss account of the issuing institution; and

2. The six months' report gives a true and fair view regarding the position of the balance sheet date, the state of affairs during the six months 2011 of the issuing institution whose information is disclosed in this financial report, and the principal risk confronting the issuing institution are disclosed.

Hoofddorp, 31 August 2011

C.A. Rosekrans M.U. Reiser

Balance sheet. Not audited.
(Expressed in EUR)

Assets.

Fixed assets	June 30, 2011	December 31, 2010
Tangible fixed assets		
Office equipment	1 382	1 588
Financial fixed assets		
Loans to group Company	472 045 150	453 837 926
Current assets		
Other assets	178 507	249 715
Cash at bank and in hand	7 383 033	8 076 346
Balance	7 561 540	8 326 061
Total assets	**479 608 072**	**462 165 575**

Shareholder's equity and liabilities.

	June 30, 2011	December 31, 2010
Shareholder's equity		
Share capital	50 000	50 000
Share premium	50 000	50 000
Retained earnings	4 357 328	4 187 225
Result for the year	381 172	670 103
Balance	4 838 500	4 957 328
Long-term liabilities		
Bonds payable	473 838 104	456 436 221
Other payables and accrued expenses	605 738	589 761
Balance	474 443 842	457 025 982
Current liabilities		
Other payables and accrued expenses	325 730	182 265
Total liabilities	**479 608 072**	**462 165 575**

Profit and loss account. Not audited.

(Expressed in EUR)

	January 1 to June 30, 2011	January 1 to June 30, 2010
Financial income and (-) expenses		
Interest income from group Company:		
EUR	18 207 225	21 970 856
Interest expense on bonds issued:		
EUR	-17 480 154	-21 213 296
Interest income from third parties:	30 939	17 167
Total financial income and expenses	758 010	774 727
Commission and guarantee expenses		
Guarantee expenses		
EUR	-127 823	-173 564
Result in financial income and charges	**630 187**	**601 163**
Sundry bond issue expenses	-17 978	-17 478
General expenses	-117 290	-102 655
Result from ordinary activities before taxation	**494 919**	**481 030**
Taxation	-113 747	-111 695
Result after taxation	**381 172**	**369 335**

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