

## Interim Financial Report 2007



---

LRP Landesbank Rheinland-Pfalz

---

# Contents

3	Key Figures at a Glance
4	Preface by the Managing Board
5	Interim Statement of Financial Condition
5	Economic Development
6	Report on the net assets, financial and earnings position
8	Risk Report
10	Forecast Report and Statement on the Expected Development
11	Consolidated Interim Financial Statements
11	Consolidated Balance Sheet
12	Consolidated Income Statement
13	Notes to the Consolidated Interim Financial Statements
14	Review Report
15	Responsibility Statement

## Key Figures at a Glance

LRP Group (EUR millions)	30.06.2007	31.12.2006
Business volume	93 722.5	84 690.6
Total assets	80 576.6	74 138.7
Overall Ratio (Solvency Directive)	12.9	./.
	01.01.-30.06.2007	01.01.-30.06.2006
Operating profit before risk provisions/adjustments	107.5	111.0
Operating profit (profit or loss on ordinary activities )	102.4	99.9
Consolidated net income for the year	68.5	65.0
Return on Equity (RoE) before taxes (%)	12.9	14.1
Cost-Income Ratio (%)	48.0	48.6

Rating Categories	until 18.07.2005	as of 19.07.2005
Long-term ratings		
Moody's	Aaa	Aa1
Fitch	AAA	A
Public-Sector Pfandbrief ratings		
Moody's	Aaa	
Standard & Poor's	AAA	

## Preface by the Managing Board

Ladies and Gentlemen, dear Business Partners,

Following the record year 2006, LRP Landesbank Rheinland-Pfalz, Mainz, stayed on the success track in the first half of 2007. As of the reporting date, net income for the first six months was up 5.4% on the previous year to EUR 68.5 million. The Group's business volume increased by 10.6% to EUR 93.7 (84.7) billion in the same period, while total assets climbed 8.8% to EUR 80.6 (74.1) billion.

We view this result as an encouraging sign of the success of our further refined business strategy and our sustained sales orientation. Based on a product portfolio customised to specific sectors and an extended range of products and services targeted at medium-sized companies, LRP has sharpened its profile as a Western European regional bank and won business outside the core market of Rheinland-Pfalz in neighboring regions in Germany and Western Europe. For this purpose, we expanded our existing and established new sales teams in Mainz and Luxembourg as well as in Paris and Düsseldorf. In addition, we can leverage the expertise of LBBW for the benefit of our customers. Since 2005, LRP has operated as subsidiary within the LBBW Group. Our successful business performance in the first half of the year 2007 also benefited from the macroeconomic conditions, which are unlikely to stay the same in the second half of the year. This makes a forecast for the full-year result more difficult.

The Managing Board of LRP would like to thank our business partners for the trust they have placed in us and the representatives of the decision-making bodies for the good cooperation. Our thanks also go to our employees for the commitment they have shown.

Yours faithfully,

A handwritten signature in blue ink that reads "F. Plogmann". The signature is written in a cursive, slightly slanted style.

Dr. Friedhelm Plogmann  
Chairman of the Managing Board

# Interim Statement of Financial Condition

## Economic Development

In the first half of the year, both the German and the euro-zone economy benefited from an upswing which gained in width and depth in the course of the year and was felt in nearly all sectors. Initially, stimulation was provided mainly by the global economic environment and led to a much brighter business climate throughout the euro-zone.

The above trend initially continued at the beginning of the second half-year. Then, however, growing concern about the value of the US subprime mortgage loans in the real estate market led to a loss of confidence in the capital markets. In a concerted action, the international central banks helped to stabilise the markets. Nevertheless, it remains to be seen if and to what extent the financial sector and the real economy will be affected in the further course of the year.

# Report on the net assets, financial and earnings position

## Earnings position

P&L item	30.06.2007 EUR millions	30.06.2006* EUR millions	Change		
			30.06.2006/30.06.2007 EUR millions	%	
1. Net interest income	1,2,3,4	139.8	138.6	1.2	0.9
2. Net commission income	5,6	47.3	47.0	0.3	0.6
3. Net income from trading activities	7	15.1	25.4	-10.3	-40.6
4. General administrative expenses	9,10	99.0	105.1	-6.1	-5.8
5. Other operating income/expenses	8,11	4.2	5.1	-0.9	-17.6
6. Operating profit before risk provisions/adjustments		107.5	111.0	-3.5	-3.2
7. Risk provisions/adjustments	12,13,14,15, 16,23	-5.0	-11.1	6.1	-55.0
8. Operating profit (profit or loss on ordinary activities)	17	102.4	99.9	2.5	2.5
9. Extraordinary income/expenses	18,19,20				
10. Partial profit transfers	24	22.2	22.2	0.0	0.0
11. Consolidated net income before taxes		80.2	77.7	2.5	3.2
12. Taxes	21,22	11.7	12.7	-1.0	-7.9
13. Consolidated net income	25	68.5	65.0	3.5	5.4

Differences due to rounding

\* Where the presentation of the earnings position includes figures from the statement of income for the first half of 2006, it should be noted that these do not represent prior-year figures as defined in section 265 para. 2 of the German Commercial Code (HGB) with regard to the determination of credit risk provisions and the determination of provisions. Instead, the prior-year figures for the items shown here were partly determined in accordance with the accounting principles for the annual accounts and partly on a budgeted basis. Nevertheless, we consider these figures to be meaningful and suitable for comparison.

### Moderate increase in net interest income

Operating profit increased to EUR 102.4 million in the first half of the year, reaching a satisfactory level. Net interest income, which accounts for the majority of operating income, increased slightly to EUR 139.8 million. Continuingly tight margins were partly compensated by higher business volume. Net commission income reached a good previous year's figure of EUR 47.3 million. Net income from trading activities was down on the reporting date reaching EUR 15.1 million.

## Sales units strengthened

LRP has particularly strengthened its sales units in growth markets by targeted expansion, either by recruiting new staff from outside or filling positions from inside the company. On the reporting date headcount had increased by 23 to reach 1,576. The decrease in general administrative expenses by 5.8 % to EUR 99 million can be attributed to strict cost management and synergy effects created by cooperation with LBBW in addition to a decline in personnel expenses, which are the result of the basis effect from the two-year trade union agreement from last year. At EUR 5 million provisions for risks/adjustments continued to be low in the first half of the year.

## Net income up again

After taxes of EUR 11.7 million and after the state and other investors terminating their silent partnerships to an amount of EUR 22.2 million net income reached EUR 68.5 million, up 5.4 %. On the reporting date of the first half-year the return on equity (RoE) key figures reached 12.9 % before taxes and 11.0 % after taxes. The cost-income ratio (CIR) was within the target range at 48.0 %.

## Net Assets and Financial Position

### Targeted growth

LRP has been able to capitalize on business opportunities arising in different customers segments. In the first half-year new on-balance sheet business increased the credit volume by 1.2% to a total of EUR 66.1 billion. Including guarantees and irrevocable loan approvals net claims on customers increased. New business was driven by export and trade business, specialized and project finance as well as real estate transactions. The SME business in which LRP is increasingly operating was also up higher than anticipated. The proven industry-driven approach also was positive in transactions in the field of renewable energies, in which LRP has particular expertise after financing international flagship projects, e.g. in photovoltaics in Spain.

Securities increased by 3.2 % to EUR 35.7 billion, while claims on banks were up by 25.4 % to EUR 25.2 billion.

### Broadly-based refinancing

To refinance its on-balance sheet business LRP accepted deposits from banks and customers based in domestic and international capital markets and also issued securities. On the reporting date liabilities to banks amounted to EUR 33.1 billion, while liabilities to customers reached EUR 11.3 billion. Certificated liabilities remained almost unchanged at EUR 30.8 billion.

## Risk Report

As of 30 June 2007, the LRP Group continued to apply the risk management methods and processes described in the 2006 Annual Report (pages 21 to 25). The table below shows the summarised LRP definition of the relevant risk categories:

<b>Risk category</b>	<b>Describes potential</b>
Counterparty risks	Defaults due to bankruptcy, issuer's and counterparty risks Country risks resulting from currency transfer restrictions
Market price risks	Decrease in value due to changes in interest rates, share prices, exchange rates, volatilities, etc.
Operational risks	Losses which may potentially be caused by the failure of internal processes, humans, systems or by external events, incl. legal risks
Liquidity risks	Problems to meet short-term payment obligations or close larger market positions at short notice

### Counterparty Risks

The volume of the LRP Group's credit portfolio increased by 7.1% in the first half of 2007. At the same time, the portfolio quality improved, which is reflected in the lower volume of defaults and the improved average probability of default. Both the distribution of ratings and of loan sizes remained stable at a balanced level. As of 30 June 2007, the default volume stood at EUR 0.5 billion. The 20 highest defaults add up to EUR 265.2 million, which represents 0.29% of the total volume of claims.

Risk provisions (in EUR millions) and the risk provisions ratio (in %) in the first half of 2007 are shown in the table below.

<b>Portfolio</b>	<b>Risk provisions 31.12.2006</b>	<b>Risk provisions 30.06.2007</b>	<b>Change</b>	<b>Risk provisions ratio 31.12.2006</b>	<b>Risk provisions ratio 30.06.2007</b>	<b>Change</b>
<b>Corporate Finance</b>	95.1	97.8	2.7	0.86	0.74	-0.12
<b>Real Estate</b>	125.5	114.1	-11.4	1.60	1.29	-0.31
<b>Public Bodies</b>	1.0	2.0	1.0	0.01	0.02	0.01
<b>Financial Institutions</b>	5.0	6.3	1.3	0.01	0.01	0.00
<b>Rest</b>	0.0	0.1	0.1	0.00	0.04	0.04
<b>LRP Group</b>	<b>226.5</b>	<b>220.4</b>	<b>-6.1</b>	<b>0.26</b>	<b>0.24</b>	<b>-0.02</b>

Based on the regulatory approval of the internal rating approach, all major portfolios exposed to counterparty default risks have been equity-backed on the basis of internal estimates of the probability of default since 1 January 2007. The coverage ratio of the internal ratings for the positions is clearly higher than 92% for LRP and the LRP Group.

LRP is only marginally affected by the current crisis in the US subprime market. LRP has no direct investments in this market. The LRP Group holds subprime-related structured financings but they account only for a negligible percentage of the business volume. Moreover, nearly all the subprime-related structured financings are rated AAA or insured by an AAA-rated insurer. Thanks to its conservative risk policy and internal monitoring systems, LRP is well positioned to cope with the uncertainty in the market.

## Market Price Risks

The table below shows the market price risk for LRP-Bank's trading portfolio:

VaR (99% / 10 days) in EUR millions	Average	Max.	Min.	30.06.2007	31.12.2006
Interest rate risks	4.9	7.5	2.7	6.2	3.7
Other price risks	1.9	3.7	0.9	1.0	3.6
Currency risks	0.6	1.4	0.2	0.5	0.8
<b>LRP-Bank</b>	<b>7.5</b>	<b>10.9</b>	<b>4.4</b>	<b>7.7</b>	<b>8.1</b>

Back-testing of LRP's trading portfolio revealed no irregular spikes in the first half of the year.

The table below shows the market price risk for the Group:

VaR (99% / 10 days) in EUR millions	Average	Max.	Min.	30.06.2007	31.12.2006
Interest rate risks	10.1	14.7	5.3	11.4	8.5
Other price risks	14.1	16.5	12.5	13.3	11.8
Currency risks	0.6	1.4	0.2	0.5	0.9
<b>LRP Group</b>	<b>19.5</b>	<b>22.1</b>	<b>14.7</b>	<b>18.0</b>	<b>15.1</b>

## Liquidity Risks

As of 30 June 2007, LRP's Tier II ratio stood at 1.43 (1.54 as of 31 December 2006). Compared to the 2006 Statement of Financial Condition, no material changes occurred. Irrespective of the current crisis in the financial and money markets, LRP's liquidity position remains good.

## Operational Risks

Compared to the risk report in the 2006 Statement of Financial Condition, no material changes occurred.

## Risk-bearing Capacity

In the context of internal monitoring as defined in the Internal Capital Adequacy Assessment Process (ICAAP), the risk cover capital is regularly compared with the risks to ensure the capital adequacy of the LRP Group.

## Forecast Report and Statement on the Expected Development

As described in the Consolidated Statement of Financial Condition in the Consolidated Financial Statements for the period ended 31 December 2006 (Annual Report 2006, page 26), the LRP Group expects a positive earnings trend. In the first half of 2007, this expectation came true. If the economic environment remains stable, we are well on track to reach the targets we have set ourselves for fiscal 2007. It remains to be seen, however, if and to what extent the current uncertainty in the global financial markets continues. Should the distortions in the international capital markets that were caused by the US subprime crisis persist in the second half of the year or even intensify, it will not be possible for the LRP Group, from today's point of view, to reach its planned target.

# Interim Financial Statements

## Consolidated balance sheet of LRP Landesbank Rheinland-Pfalz as of 30 June 2007

### Assets

EUR millions	30.06.2007	31.12.2006
1. Cash reserve	74.9	77.1
2. Debt instruments issued by public institutions eligible for refinancing with central banks		0
3. Claims on banks	25 238.4	20 103.2
4. Claims on customers	17 165.9	16 922.5
5. Bonds and other fixed-rate securities	34 316.8	33 187.3
6. Shares and other non-fixed-rate securities	1 427.0	1 420.7
7. Equity investments in non-affiliated companies	381.0	377.3
8. Equity investments in affiliated companies	9.5	9.5
9. Trust assets	836.0	890.9
10. Intangible assets	16.9	15.2
11. Fixed assets	95.1	97.1
12. Other assets	921.1	938.2
13. Deferred items	93.9	99.7
<b>Total assets</b>	<b>80 576.6</b>	<b>74 138.7</b>

### Liabilities

EUR millions	30.6.2007	31.12. 2006
1. Liabilities to banks	33 107.8	26 381.8
2. Liabilities to customers	11 265.6	11 932.0
3. Certificated liabilities	30 832.4	30 340.7
4. Trust liabilities	836.0	890.9
5. Other liabilities	850.8	951.7
6. Deferred items	94.2	98.5
7. Provisions	485.1	482.6
8. Subordinated liabilities	661.8	682.1
9. Profit participation capital	387.8	387.8
10. Fund for general bank risks	366.6	366.6
11. Equity capital		
a) Subscribed capital	918.7	918.7
b) Capital reserve		
c) Reserves from retained earnings	701.3	572.6
d) Equalizing items for shares of other shareholders		4.1
e) Net income for the year	68.5	128.7
	1 688.4	1 624.0
<b>Total liabilities</b>	<b>80 576.6</b>	<b>74 138.7</b>
1. Contingent liabilities	7 221.4	5 606.7
2. Other commitments	5 924.4	4 945.2

Differences due to rounding

# Consolidated Income Statement of LRP Landesbank Rheinland-Pfalz for the period from 1 January to 30 June 2007

EUR thousands	01.01.- 30.06.2007
1. Interest income	1 652 620
2. Interest paid	1 548 455
	104 165
3. Current income	35 678
4. Income from profit pooling, profit transfer or partial profit transfer agreements	0
5. Commission income	55 687
6. Commission expenditure	8 347
	47 340
7. Net income from trading activities	15 100
8. Other operating income	7 442
9. General administrative expenses	
a) personnel costs	68 950
b) other administrative expenses	24 984
	93 934
10. Depreciation and value adjustments on intangible and tangible assets	5 066
11. Other operating expenses	3 258
12. Write-downs and value adjustments on loans and certain securities as well as allocations to loan loss provisions	0
13. Income from revaluation of loans and certain securities as well as from the reversal of loan provisions	1 092
14. Write-downs and value adjustments on equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets	6 128
15. Income from write-ups to equity investments in non-affiliated companies, equity investments in affiliated companies and securities treated as fixed assets	0
16. Expenses from assumption of losses	0
17. Profit or loss on ordinary activities	102 430
18. Extraordinary income	0
19. Extraordinary expenses	0
20. Extraordinary profit	0
21. Taxes on income and revenues	11 723
22. Other taxes not shown under item 11	0
23. Income from the assumption of losses	0
24. Profits transferred under profit pooling, profit transfer or partial profit transfer agreements	22 207
25. Net income for the year	68 500
<i>thereof attributable to shareholders outside the Group</i>	0
Differences due to rounding	

# Notes to the Consolidated Financial Statements

## (1) Principles for the preparation of the interim financial statements

The interim financial statements for the first half of 2007 of LRP Landesbank Rheinland-Pfalz, headquartered in Mainz, were prepared in accordance with the German Commercial Code (HGB), in particular the “Ergänzende Vorschriften für Kreditinstitute” (Complementary provisions for banks) (sections 340 et seq HGB) and the “Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute” (RechKredV) (Ordinance regarding accounting for banks and financial service institutions), with special consideration of German Accounting Standard No. 16 near final draft (DRS 16 near final draft) as of 18 July 2007.

## (2) Scope of consolidation

The scope of consolidation remained unchanged from 31 December 2006.

## (3) Accounting and valuation principles

The accounting and valuation principles applied as of 31 December 2006 were also applied in the present interim financial statements. In addition, DRS 16 near final draft on interim reporting was taken into account for the first time as of 30 June 2007. According to DRS 16 near final draft, the presentation of prior-year figures in the statement of income is not required.

## (4) Income taxes

In analogy with the 2006 financial statements, a taxable base was derived from the net income for the six-month period ended 30 June 2007, on the basis of which income taxes (corporate income tax, solidarity surcharge, trade tax) were calculated. The chief deviation between the calculated taxable base and the profit reported under commercial law relates to the tax-exempt earnings as well as a valuation difference. Deferred taxes were calculated in the same way as for the fiscal year ended 31 December 2006.

## (5) Miscellaneous information

For a comment on the major changes to the net assets, financial and earnings position, please refer to the Interim Statement of Financial Condition.

# Review Report

To LRP Landesbank Rheinland-Pfalz, Mainz (LRP)

We have reviewed the condensed consolidated interim financial statements -comprising the condensed balance sheet, condensed income statement and selected explanatory notes - and the interim group management report of LRP Landesbank Rheinland-Pfalz for the period from 1 January to 30 June 2007 which are part of the half-year financial report pursuant to section 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with German commercial law and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of interim financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with German commercial law and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with German commercial law nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Frankfurt am Main, 23 August 2007

**PricewaterhouseCoopers**  
**Aktiengesellschaft**  
**Wirtschaftsprüfungsgesellschaft**


Schuldt	ppa. Mohr
German Public Auditor	German Public Auditor

# Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Mainz, 23 August 2007

The Managing Board



Dr. Friedhelm Plogmann

Daniel F. Juncker

Hans-Joachim Strüder

Hubert Sühr

LRP Landesbank Rheinland-Pfalz

Grosse Bleiche 54 - 56

55098 Mainz

Germany

Tel (+49 61 31) 13 - 01

Fax (+49 61 31) 13 - 27 24

[LRP@LRP.de](mailto:LRP@LRP.de)

[www.lrp.de](http://www.lrp.de)