Annual Report 2013.

Landesbank Baden-Württemberg

LB≡BW

Key figures of the LBBW Group.

Income statement (EUR million)	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Net interest income	1,794	2,057
Allowances for losses on loans and advances	– 310	– 143
Net fee and commission income	522	514
Net gains/losses from financial instruments measured at fair value through profit or loss	373	24
Net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements	16	135
Other operating income/expenses [1]	105	– 33
Total operating income/expenses (after allowances for losses on loans and advances)	**2,500**	**2,554**
Administrative expenses	– 1,774	– 1,860
Operating result	**726**	**694**
Guarantee commission for the State of Baden-Württemberg	– 300	– 305
Impairment of goodwill	– 3	0
Net income/expenses from restructuring	48	10
Net consolidated profit/loss before tax	**471**	**399**
Income tax	– 134	– 1
Net consolidated profit/loss	**337**	**398**

Key figures in %	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Return on equity (RoE)	3.6	3.8
Cost income ratio (CIR)	63.5	72.6

Balance sheet figures (EUR billion)	31 Dec. 2013	31 Dec. 2012
Total assets	273.5	336.3
Equity	13.4	10.3

Ratios in accordance with SolvV (Basel 2.5)	31 Dec. 2013	31 Dec. 2012
Core capital (EUR billion)	14.7	14.7
Own funds (EUR billion)	17.9	18.8
Risk weighted assets (EUR billion)	79.4	95.8
Core capital ratio (Tier 1 ratio) (in %)	18.5	15.3
Total ratio in accordance with SolvV (in %)	22.5	19.7

Ratios in accordance with CRR/CRD IV (Basel III after full implementation)	31 Dec. 2013	31 Dec. 2012
Risk weighted assets (EUR billion)	89.8	-
Common equity Tier 1 ratio (in %)	12.6	-
Total ratio in accordance with SolvV (in %)	18.7	-

Employees	31 Dec. 2013	31 Dec. 2012
Group	11,308	11,642

Rating (4 March 2014)

Rating agency	Long-term rating guaranteed obligations	Long-term rating non-guaranteed obligations	Financial strength	Public-sector covered bonds	Mortgage-backed covered bonds
Moody's Investors Service	Aaa [2]	A3	D+	Aaa	Aaa
Fitch Ratings	AAA	A+	bbb-	AAA	–

1) Net income/expenses from investment property is recognized as part of the other operating income/expenses.
2) Rating Watch negative.
Figures may be subject to rounding differences.

2013

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Foreword and Reports.

Foreword by the Board of Managing Directors.

Dear customers, dear business partners of the LBBW Group,

Behind us lies another demanding year. Highly competitive markets and mounting regulatory requirements posed challenges for the entire banking sector. Even so, LBBW has once again made significant headway. On a particularly encouraging note, the extensive restructuring activities begun in 2009 have been successfully completed in all main respects. We have managed to convert LBBW into a solely customer-driven bank and have further expanded our customer-related activities. Once again risks were reduced substantially.

In 2013, we generated net consolidated profit before tax of EUR 471 million in accordance with IFRS. As a result, we have clearly achieved our goal of closing the year with a profit. This is a gratifying result particularly since we had to contend with a number of sources of strain, such as low interest rates, mounting regulatory costs, the return to a normal level of allowances for losses on loans and advances, and our ongoing efforts to run off risks particularly in the credit substitute business. As of the beginning of the year, we have been able to look back on a total of eight consecutive profitable quarters. This shows that the extensive restructuring activities implemented in the wake of the financial market crisis and the reorientation of our Bank have resulted in the sustained stabilization that we have been aiming for.

At the level of LBBW (Bank), we generated net profit before taxes and hybrid capital service of EUR 531 million (in accordance with the German Commercial Code) in 2013. As a result, we will be able not only to honor the current interest payments on existing profit-participation certificates and silent partners' contributions, but also catch up in full on the outstanding payments omitted in earlier years.

This was particularly important for us in order to justify the trust placed in the Bank's ability to regenerate itself in this regard as well. After the discharge of the outstanding past and current interest payments on hybrid capital, the net profit stands at EUR 72 million.

As in the previous year, all operating segments made a positive contribution to consolidated net profit in the 2013 financial year. Once again, the Corporates segment was a core and reliable source of income for our Bank in 2013. Given difficult underlying conditions in our corporate customer business, which was dominated by competitive market conditions and muted borrowing demand, earnings fell short of the previous year's figure, which, however, had been characterized by a relatively strong performance and extraordinarily low allowances for losses on loans and advances. We were gratified by the positive experience we are enjoying in the wake of our regional growth initiatives in the corporate customer business.

Earnings in the Retail/Savings Bank segment were slightly up on the previous year in 2013. In this connection, business with our private customers once again provided stable underpinnings for our business performance despite the low interest rates, cost-intensive additional consumer-protection requirements and intense market competition. Moreover, our investments aimed at expanding our business with high-net-worth customers also yielded encouraging results.

The Financial Markets segment in 2013 likewise generated earnings in excess of the previous year. In addition to a respectable operating business, this performance was also driven by special factors. In its current customer-oriented form, the capital market business is an important source of income and forms a valuable part of our sustained business model, allowing us to assist our various customers with bespoke solutions and products.

In the course of the year, we again reduced our risk-weighted assets substantially by running off risk exposure outside our core business on a systematic and targeted basis. We currently already satisfy the more stringent future Basel III requirements. Thanks to these measures and the conversion of the silent partners' contributions held by our owners in an amount of EUR 2.2 billion as of 1 January 2013, our common equity Tier 1 ratio on the basis of full implementation of the Basel III requirements has improved considerably again, standing at 12.6% as of 31 December 2013. Looking forward, we will be able to continue supporting the local economy on this basis as a potent finance partner. At the same time, we are well positioned for the comprehensive bank review ahead of the transfer of regulatory responsibility to the European Central Bank. Subject to the necessary approval by the bank regulator, we still plan to repay hybrid capital worth EUR 1 billion to our owners this year. This will not have any effect on our common equity Tier 1 ratio under Basel III.

Against the backdrop of the numerous regulatory measures and demanding market and interest-rate environment, we assume that conditions in the banking sector will remain challenging in 2014. Despite this, we are facing the future with some confidence following the successful completion of our restructuring activities. The fact that we were able to complete the restructuring phase in 2013 marked an important step forward for our Bank. Furthermore, we consider the EU Commission's decision to waive its original requirement of a change in LBBW's corporate status due to the corporate governance structures implemented as constituting further acknowledgment of our earnest restructuring efforts. The far-reaching changes which we have achieved with our restructuring activities place us in a good competitive position as a Bank with a business model clearly oriented to customer business focusing on long-standing relationships, serious products and quality service and advice. We now want to systematically consolidate and strengthen this position in the long term. Thereby, we will be continuing to place great store by risk and cost-conscious activity. Accordingly, we expect to be able to report substantial profit for 2014 as well.

We would like to take this opportunity to again most sincerely thank all those who have accompanied and supported us on our arduous course over the last few years: our employees, our owners and also the many faithful customers and business partners of our Bank, who have placed their trust in us even during the difficult restructuring phase, and vindicated the course that we have taken. It is on this basis that we will continue our work on developing LBBW (Bank) and the LBBW Group.

Yours sincerely

The Board of Managing Directors



HANS-JÖRG VETTER
Chairman



MICHAEL HORN
Deputy Chairman



KARL MANFRED LOCHNER



INGO MANDT



DR. MARTIN SETZER



VOLKER WIRTH

Report of the Supervisory Board.

Ladies and gentlemen,

In the past financial year we advised the Board of Managing Directors of LBBW on the management of the Company and regularly monitored its performance. The Board of Managing Directors of Landesbank Baden-Württemberg regularly informed us on major developments within the Bank and the Group in 2013 in a regular, timely and comprehensive manner. We intensively discussed the economic situation of the individual business units and the business situation of the LBBW Group with the Board of Managing Directors. Moreover, we were kept abreast of the risk, liquidity and capital management of the Bank, as well as of transactions and events of considerable importance for the Bank, and advised the Board of Managing Directors on these matters. In addition, we discussed the progress of restructuring with the Board of Managing Directors, while at the same time critically scrutinizing and monitoring the corporate governance and planning of LBBW. Between the meetings I, in my capacity as Chairman of the Supervisory Board, maintained regular contact with the Chairman of the Board of Managing Directors. The Supervisory Board was involved in decisions of major importance for LBBW and, when required, granted its approval after extensive consultation and examination. The Supervisory Board and its committees performed the duties entrusted to them in accordance with the law and the articles of association.

Following an additional review, the EU Commission issued a further ruling in which it revised its ruling of 15 December 2009 on the provision of state aid by Germany to restructure Landesbank Baden-Württemberg stipulating that it was to be converted into a joint-stock company under German or European law. Under this revised ruling, LBBW will be able to continue operating as a public-law institution. In return, broad agreement was achieved on LBBW's governance structure; among other things, the independence of the Chairman of the Supervisory Board stipulated in the ruling of 15 December 2009 was extended beyond his current term of office. LBBW will be reporting on the observance of these requirements up to and including 2020.

Supervisory Board meetings.

In the year under review, the Supervisory Board held a total of six meetings, each of which was attended by representatives of the competent statutory and regulatory authorities.

We critically reviewed the reports of the Board of Managing Directors for the Supervisory Board and its committees and, in some cases, requested additional information, which was always provided promptly and to our satisfaction.

The agendas of all the ordinary meetings of the Supervisory Board included regular reports by the Board of Managing Directors on the current situation, recent trends with respect to risk weighted assets, equity ratios and net exposure to selected eurozone countries as well as reports by the respective committee chairpersons. Where necessary, we passed the requisite resolutions in response to changes in the committees. In 2013, we again deliberated on numerous statutory and regulatory changes, such as the debates on and impact of the Basel III resolutions, Ringfencing Act, the EU deposit guarantee system, the minimum requirements for the design of recovery plans, the Remuneration Ordinance for Institutions and the possible implementation of a financial transaction tax.

At the meeting on 25 February 2013 we dealt in detail with IT outsourcing matters and the Financial Markets segment. In addition, we approved the issue of letters of comfort as well as changes to the business allocation plan and deputization arrangements. As well as this, we deliberated at this meeting on equity issuing business and retail business matters.

The focus of the meeting on 22 April 2013 comprised the report by the Board of Managing Directors on the 2012 financial year and approval of the annual financial statements for 2012 as well as acknowledgement of the consolidated financial statements for 2012. The resolution passed was based on the recommendations of the Audit Committee and the ensuing detailed discussions with the statutory auditor KPMG. In addition to this, we accepted the proposal by the Audit Committee and recommended to the annual general meeting that KPMG be appointed as auditor of the annual financial statements in accordance with Section 36

of the German Securities Trading Act for financial year 2013. As well as this, the Supervisory Board acknowledged the supplementary information on IT outsourcing, approved the IT outsourcing model submitted and instructed the Board of Managing Directors to implement the main elements as approved.

At the meeting on 22 July 2013, we acknowledged the contractual implementation of IT outsourcing and risk measurement, which formed the basis of the decision concerning IT outsourcing. Thereupon, we dealt with the amended bylaws for LBBW's Risk Committee and the possibility of raising subordinate capital, passing the necessary resolutions. The Supervisory Board additionally acknowledged the detailed report of the Remuneration Committee for 2012 in accordance with the Remuneration Ordinance for Institutions. As well as this, we approved the amended business allocation plan for the Board of Managing Directors and intensively discussed developments and future trends in retail banking.

At our meeting on 23 September 2013, the matters with which we concerned ourselves included the expertise required for the minimum requirements for the design of recovery plans as well as personnel matters. In addition, the Board of Managing Directors briefed us on the potential tax implications of transactions executed in the more distant past.

At our extraordinary meeting on 26 November 2013, we dealt solely with personnel matters.

At the last meeting of the year on 16 December 2013, we heard the reports from the subcommittees and, in this connection, dealt with the Bank's business strategy and the main results of the risk report as at 30 September 2013. In addition, the Supervisory Board approved an amended business allocation plan for the Board of Managing Directors of LBBW effective 1 January 2014 – against the backdrop of the necessary restructuring of risk controlling in accordance with the minimum requirements for risk management, among other things. Furthermore, we focused on the business plan for 2014, the medium-term plan for the years from 2014 through 2018, the personnel strategy, equity investment matters and issues pertaining to the Board of

Managing Directors. We also dealt with requirements in connection with the balance sheet assessment, the Remuneration Ordinance for Institutions and the implementation of the minimum requirements for the designs of recovery plans.

Supervisory Board committees – adjustments to the structure of supervisory bodies to satisfy the requirements of CRD IV.

Adjustments were made to the structure of the Supervisory Board's committees ahead of the amendments to the German Banking Act taking effect from 1 January 2014.

The Supervisory Board has established a total of four committees from among its number. In addition to the existing Risk, Audit and Executive Committees, with the latter assuming the statutory duties of the Nomination Committee from 1 January 2014, the Supervisory Board established the Compensation Control Committee also required under the amended German Banking Act at its meeting on 16 December 2013. The current membership of the committees is printed on page 16 of this Annual Report.

The Executive Committee met eight times in the period under review. Its consultations dealt with the preparation of the meetings of the full Supervisory Board, especially personnel matters and questions relating to the remuneration of the Board of Managing Directors, legal issues as well as strategic matters such as the progress of restructuring at LBBW. In addition, decisions were made within the core remit of the Executive Committee.

The Audit Committee held a total of five meetings in 2013. In the presence of the statutory auditor KPMG, it discussed the annual financial statements and the consolidated financial statements of LBBW as well as the audit reports. It obtained the auditor's declaration of independence and, in accordance with the resolution passed at the annual general meeting, placed the audit mandate with the statutory auditor KPMG. The Audit Committee agreed on the main points of the audit and the fee with the statutory auditor. Furthermore, it discussed mandates for the statutory auditor for the provision of project-related services outside the scope of the statutory audit and revised the

thresholds for compulsory approval by the Supervisory Board for mandating advisory services. The Audit Committee acknowledged the expertise and measures for reorganizing Internal Auditing, the minimum requirements for structuring the design of recovery plans and compliance. In accordance with its remit, it was briefed in good time on the tax implications of transactions in the more distant past. In addition, it discussed the half-yearly financial report with the Board of Managing Directors and the auditor. The Audit Committee received regular reports on the current status and results of the audit of annual financial statements. As well as this, it satisfied itself of the efficacy of internal control, risk, auditing and compliance systems and monitored the accounting process. The Audit Committee oversaw the main activities of the Internal Auditing department and its material and staffing resources. Representatives of the Bank's Compliance and Internal Auditing departments reported to the Committee regularly on matters of current relevance. Likewise, the Audit Committee was kept informed of the progress of special audits and complaints by the regulatory authorities. The meetings of the Audit Committee were attended by representatives of the statutory auditor, who reported on their auditing activities.

In a total of ten meetings, the Risk Committee held in-depth discussions on the Bank's risk situation and risk management as well as its exposure requiring disclosure in accordance with the law, the articles of association and the bylaws, granting its approval where this was required in individual cases. Specifically, the Committee dealt with the Bank's credit, market-price, liquidity, equity-investment, legal, reputation and operational risks, which together with a discussion of the Bank's risk-bearing capacity formed part of the regular risk reports of the Board of Managing Directors. The Risk Committee discussed the business strategy and, based on this, the uniform group risk strategy with the Board of Managing Directors. Various portfolios were examined in detail in the light of economic or regulatory developments. This also included regular reporting on the progress made in winding down LBBW's credit investment portfolio.

The members of the Supervisory Board were kept regularly informed of the work of the committees and the resolutions which they passed via the reports submitted by the respective chairpersons of the committees.

All members of the Supervisory Board attended the meetings of the Supervisory Board and the committees in 2013 with only a few exceptions (average attendance 89 %).

Training and development measures.

The members of the Supervisory Board assumed responsibility for taking part in the training and development measures which they required to perform their duties. They were given appropriate support for this by LBBW. In addition to individual development measures, the Supervisory Board received training from external specialists in a total of two workshops – »Legal Update for Supervisory Board Members« and »Latest Trends in Bank Supervision«. As well as this, a preview was given of upcoming regulatory, accounting and legal issues relevant in 2014.

Annual and consolidated financial statements.

The statutory auditor KPMG audited the annual financial statements and the consolidated financial statements of LBBW for 2013 including the management report, issuing an unqualified auditor's certificate. The annual financial statements were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The documentation relating to the financial statements and the principal auditor's reports were forwarded to all members of the Supervisory Board in good time. The members of the Audit Committee additionally received the full set of documents and notes on the audit reports; all members of the Supervisory Board had an opportunity to inspect these documents. The auditor attended the meetings of the Audit Committee and the Supervisory Board, elaborated on the main results of the audit and was available to answer any questions. At its balance sheet meeting on 24 March 2014 the Audit Committee discussed the documentation relating to the financial statements in detail with the Board of Managing Directors and the statutory auditor.

After inspecting the reports and discussing them in detail, the Supervisory Board accepted the Audit Committee's recommendation that no objections were to be raised to the annual and consolidated

financial statements at its meeting on 28 March 2014. The Supervisory Board approved the annual financial statements prepared by the Board of Managing Directors for the year ended 31 December 2013 and acknowledged the consolidated financial statements for 2013.

Conflicts of interest.

The Risk Committee dealt with the credit approvals stipulated by Section 15 of the German Banking Act (Kreditwesengesetz – KWG) and in accordance with its bylaws. Those members of the Supervisory Board who at the time at which the resolutions were passed were members of the decision-making bodies of the borrowers concerned or were exposed to a possible conflict of interests for any other reasons did not participate in the deliberations and voting.

Legal disputes.

The Supervisory Board and the individual committees continuously obtained detailed information on any major legal disputes. Where necessary, we consulted with external specialists.

Personnel changes in the Board of Managing Directors and the Supervisory Board.

There were various changes within the Supervisory Board and the Board of Managing Directors of LBBW.

The Lord Mayor of the State Capital of Stuttgart, Mr. Fritz Kuhn, was appointed to the Supervisory Board effective 7 January 2013 to replace his predecessor Professor Dr. Wolfgang Schuster.

Mr. Carsten Claus, Chairman of the Board of Managing Directors of Kreissparkasse Böblingen and Regional Chairman of the Baden-Württemberg savings banks, was appointed to the Supervisory Board effective 1 August 2013 to replace Mr. Wirth, who joined LBBW on 1 August 2013 as Executive Managing Director (Generalbevollmächtigter).

Mr. Hans-Joachim Strüder, who was a member of the Board of Managing Directors of LBBW with responsibility for capital markets business, resigned from the Board of Managing Directors upon the expiry of his

contract effective 31 March 2013, leaving LBBW. Following his retirement, Mr. Hans-Jörg Vetter assumed responsibility for financial markets on an interim basis.

Mr. Hans-Jörg Vetter's contract was renewed in July 2013.

On 26 November 2013, we relieved Mr. Michael Horn, Deputy Chairman of the Board of Managing Directors of LBBW, from his duties until further notice with his consent. Mr. Horn decided to take this step due to the impending proceedings before the Regional Court of Stuttgart in order to prevent LBBW from any harm notwithstanding his unchanging conviction that there is no basis for the charges against him in fact or in law.

At our meeting on 16 December 2013, we appointed Mr. Alexander Freiherr von Uslar-Gleichen to the Board of Managing Directors. He will be assuming this position on 1 October 2014 at the latest.

Effective 1 January 2014, Dr. Martin Setzer and Mr. Volker Wirth, who had hitherto been generally Executive Managing Directors (Generalbevollmächtigte), were appointed to the Bank's Board of Managing Directors.

On behalf of the members of the Supervisory Board, I would like to thank the Board of Managing Directors and the employees for their great personal commitment and their performance in what was a challenging 2013 financial year.

For the Supervisory Board



HANS WAGENER
CHAIRMAN

Supervisory Board of LBBW.

Chairman.

HANS WAGENER
Auditor, tax consultant

Deputy Chairman.

DR. NILS SCHMID MDL
Deputy Minister-President,
Minister of Finance and Economics of the State of Baden-Württemberg

Members.

HANS BAUER
Employee Representative of Landesbank Baden-Württemberg

CARSTEN CLAUS
from 1 August 2013
Chairman of the Board of Managing Directors of Kreissparkasse Böblingen

HARALD COBLENZ
Employee Representative of Landesbank Baden-Württemberg

WOLFGANG DIETZ
Lord Mayor of the town of Weil am Rhein

WALTER FRÖSCHLE
Employee Representative of Landesbank Baden-Württemberg

HELMUT HIMMELSBACH
Chairman of the Supervisory Board of Südwestdeutsche Salzwerke AG

PROF. DR. SC. TECHN. DIETER HUNDT
Chairman of the Supervisory Board of Allgaier Werke GmbH

JENS JUNGBAUER
Employee Representative of Landesbank Baden-Württemberg

BETTINA KIES-HARTMANN
Employee Representative of Landesbank Baden-Württemberg

FRITZ KUHN
from 7 January 2013
Lord Mayor of the State Capital Stuttgart

KLAUS-PETER MURAWSKI
State Secretary in the State Ministry of Baden-Württemberg
and Head of the State Chancellery

GÜNTHER NOLLERT
Employee Representative of Landesbank Baden-Württemberg

DR. FRITZ OESTERLE
Attorney at law, law firm Oesterle

MARTIN PETERS
Managing Partner of the Eberspächer Group

NORBERT H. QUACK
Attorney at law, notary, law firm Quack Gutterer & Partner

CLAUS SCHMIEDEL MDL
Chairman of the SPD Parliamentary Group in the State Parliament of Baden-Württemberg

PETER SCHNEIDER
President of the Sparkassenverband Baden-Württemberg
(the Savings Bank Association of Baden-Württemberg)

PROF. DR. WOLFGANG SCHUSTER
until 6 January 2013
Retired Lord Mayor of the State Capital Stuttgart

DR.-ING. HANS-JOCHEM STEIM
Chairman of the Supervisory Board of Hugo Kern und Liebers GmbH & Co. KG

VOLKER WIRTH
until 30 June 2013
Savings Bank Director, Chairman of the Board of Managing Directors of Sparkasse Singen-Radolfzell

NORBERT ZIPF
Employee Representative of Landesbank Baden-Württemberg

Executive Committee of LBBW.

Chairman.

HANS WAGENER
Auditor, tax consultant

Deputy Chairman.

DR. NILS SCHMID MDL
Deputy Minister-President,
Minister of Finance and Economics of the State of Baden-Württemberg

Members.

FRITZ KUHN
from 24 January 2013
Lord Mayor of the State Capital Stuttgart

PETER SCHNEIDER
President of the Sparkassenverband Baden-Württemberg
(the Savings Bank Association of Baden-Württemberg)

PROF. DR. WOLFGANG SCHUSTER
until 6 January 2013
Retired Lord Mayor of the State Capital Stuttgart

NORBERT ZIPF
Employee Representative of Landesbank Baden-Württemberg

Audit Committee of LBBW.

Chairman.

CARSTEN CLAUS
from 1 August 2013
Chairman of the Board of Managing Directors of Kreissparkasse Böblingen

VOLKER WIRTH
until 30 June 2013
Savings Bank Director, Chairman of the Board of Managing Directors of Sparkasse Singen-Radolfzell

Deputy Chairman.

KLAUS-PETER MURAWSKI
State Secretary in the State Ministry of Baden-Württemberg
and Head of the State Chancellery

Members.

HELMUT HIMMELSBACH
Chairman of the Supervisory Board of Südwestdeutsche Salzwerke AG

GÜNTHER NOLLERT
Employee Representative of Landesbank Baden-Württemberg

DR. FRITZ OESTERLE
Attorney at law, law firm Oesterle

NORBERT H. QUACK
Attorney at law, notary, law firm Quack Gutterer & Partner

PETER SCHNEIDER
President of the Sparkassenverband Baden-Württemberg
(the Savings Bank Association of Baden-Württemberg)

DR.-ING. HANS-JOCHEM STEIM
Chairman of the Supervisory Board of Hugo Kern und Liebers GmbH & Co. KG

Guest.

HANS WAGENER
Auditor, tax consultant

Risk Committee of LBBW.

Chairmann.

PETER SCHNEIDER
President of the Sparkassenverband Baden-Württemberg
(the Savings Bank Association of Baden-Württemberg)

Deputy Chairman.

HANS WAGENER
Auditor, tax consultant

Members.

CARSTEN CLAUS
from 1 August 2013
Chairman of the Board of Managing Directors of Kreissparkasse Böblingen

WOLFGANG DIETZ
Lord Mayor
of the town of Weil am Rhein

WALTER FRÖSCHLE
Employee Representative of Landesbank Baden-Württemberg

PROF. DR. SC. TECHN. DIETER HUNDT
Chairman of the Supervisory Board of Allgaier Werke GmbH

CLAUS SCHMIEDEL MDL
Chairman of the SPD Parliamentary Group in the State Parliament of Baden-Württemberg

NORBERT H. QUACK
Attorney at law, notary, law firm Quack, Gutterer & Partner

VOLKER WIRTH
until 30 June 2013
Savings Bank Director, Chairman of the Board of Managing Directors of Sparkasse Singen-Radolfzell

Compensation Control Commitee.

Chairmann.

HANS WAGENER
Auditor, tax consultant

Deputy Chairman.

DR. NILS SCHMID MDL
Deputy Minister-President,
Minister of Finance and Economics of the State of Baden-Württemberg

Members.

FRITZ KUHN
Lord Mayor of the State Capital Stuttgart

PETER SCHNEIDER
President of the Sparkassenverband Baden-Württemberg
(the Savings Bank Association of Baden-Württemberg)

NORBERT ZIPF
Employee Representative of Landesbank Baden-Württemberg

Corporate governance at LBBW.

Landesbank Baden-Württemberg places great importance on good corporate governance. LBBW takes account of key aspects of the German Corporate Governance Code. This is a set of essential legal regulations governing the management and monitoring of German listed companies and also contains nationally and internationally recognized standards for good and responsible corporate governance – in the form of recommendations.

As the Code is geared toward listed joint-stock companies, not all points of it are applicable to Landesbank Baden-Württemberg, since LBBW is not a listed bank but an institution incorporated under public law. Several provisions of the German Corporate Governance Code can therefore only be transferred analogously to Landesbank Baden-Württemberg. In terms of content, LBBW's corporate governance is oriented very closely to the spirit of the German Corporate Governance Code. For a large number of recommendations of the German Corporate Governance Code there are therefore special regulations in the legislation governing LBBW, in the articles of association and bylaws of the executive bodies and further committees.

As the management and supervisory rules applicable to corporations have been implemented and are observed at LBBW – particularly after the changes to its governance structure in 2010 – and the contribution of external expertise has proved its merits, the condition imposed by the European Commission in its resolution of 15 December 2009 concerning the aid provided by the German government that Landesbank Baden-Württemberg be transformed into a joint-stock company in accordance with German or European law has been modified following a further review of this matter. What was decisive for the Commission was that corporate governance at LBBW should be equivalent to that of a private-sector company and that the duties of the Annual General Meeting and the Supervisory Board of LBBW – as is presently the case – should be organized in accordance with the rules applicable to a joint-stock company. It was similarly stressed that the members of the Board of Managing Directors should make their decisions independently of any external instructions. Accordingly, LBBW is able to retain its original legal form as a public-law institution.

In return, broad agreement was achieved on LBBW's governance structure; among other things, the independence of the Chairman of the Supervisory Board beyond his current term of office was guaranteed, as stipulated in the ruling of 15 December 2009. Furthermore, the number of independent members of the Supervisory Board will be increased from the current seven to a total of eight in future – including the Chairman of the Supervisory Board – at the latest at the beginning of the next period of office. LBBW will be reporting on the observance of these requirements up to and including 2020. Accordingly, the percentage of independent members of the Supervisory Board of LBBW is now more than one third of the total number of members. This ensures that corporate governance at LBBW does not differ from that of its competitors – including in the light of the changes made by the European Commission to its original ruling on state aid.

Corporate governance, as practiced at LBBW, is presented below. The structure of the report is based on the standards of the German Corporate Governance Code, which is voluntary and not mandatory for LBBW on account of its legal form.

Shareholders and annual general meeting.

Shareholders.

As an institution incorporated under public law, LBBW has not securitized any equities. The shareholders are therefore described as owners (Träger) and not as shareholders.

As of the beginning of January 2013, the owners of Landesbank Baden-Württemberg are as follows:

- Sparkassenverband Baden-Württemberg (SVBW) (Savings Bank Association of Baden-Württemberg) with a 40.534118% stake in the share capital,
- the State of Baden-Württemberg (state) with a 24.988379% stake in the share capital,
- the State Capital of Stuttgart (city) with a 18.931764% stake in the share capital,
- Landesbeteiligungen Baden-Württemberg GmbH (Landesbeteiligungen BW) with a 13.539374% stake in the share capital and
- Landeskreditbank Baden-Württemberg – Förderbank – (L-Bank) with a stake of 2.006365% in the share capital.

The owners of LBBW assume their rights before or during the annual general meeting within the scope of the opportunities offered by the articles of association and thereby exercise their voting rights. The voting rights of the owners are based on the size of their stake in the share capital, with each euro granting one vote.

The share capital comprises the capital existing prior to the date on which the capital increase of 22 June 2009 took effect, and the capital created after the date on which the capital increase of 22 June 2009 took effect (share capital class A), as well as the share capital which was formed on the date on which the capital increase of 22 June 2009 took effect (share capital class B).

Annual general meeting.

At the annual general meeting, the owners exercise their rights over the affairs of LBBW in the absence of any stipulations to the contrary in the legislation governing Landesbank Baden-Württemberg or the articles of association of LBBW. The owners are represented at the annual general meeting by one or several people.

The powers of the annual general meeting encompass the typical tasks of an annual general meeting based on joint stock companies legislation, for example, voting on the appropriation of net profit, or granting discharge to the members of the Supervisory Board and the Board of Managing Directors. The annual general meeting further makes decisions about the articles of association and any changes thereto, and about key business measures, such as corporate agreements, setting and changes to the share capital, the issue of profit participation rights and granting of silent partnership contributions. The Supervisory Board decides whether to change the principles of business policy.

The functions of supervising and monitoring the Board of Managing Directors, including the appointment and dismissal of members of this board, lie with the Supervisory Board. The Board of Managing Directors submits the audited annual financial statements to the Supervisory Board for approval in line with LBBW's articles of association.

LBBW's share capital can be increased or decreased by a resolution passed at the annual general meeting. LBBW can accept participatory capital, silent partnership contributions as well as subordinated guarantee capital, and other forms of capital as provided for in the German Banking Act (Kreditwesengesetz) from its owners and third parties.

When making a change to the share capital, a decision needs to be made about what categories of share capital are subject to the change. Every owner who has a stake in the share capital category concerned is entitled to a share in the corresponding share capital category based on their shareholding in the event of increases. If one owner fails to exercise their subscription right within a share capital category, this right will accrue to the other owners for a corresponding consideration in proportion to their share in this share capital category, unless they have reached an agreement to the contrary among themselves.

The ordinary general meeting takes place within the first eight months of the year. Further general meetings are called if the good of LBBW so requires and also when the Supervisory Board or an owner makes an application detailing the agenda items. The internal regulations of the annual general meeting provide more details in this respect, particularly as regards the form and deadline for requests that a meeting be held and for the calling of a meeting.

In contrast with a joint-stock company, LBBW provides its owners with the documents required for the annual general meeting, such as the convocation documents for the annual general meeting, directly by e-mail or by mail rather than via its website, in view of the small number of owners.

Interoperation of the Board of Managing Directors and the Supervisory Board.

The Board of Managing Directors and the Supervisory Board work closely together for the good of the Company. The Board of Managing Directors agrees the strategic direction of the Company with the Supervisory Board and they discuss the status of strategy implementation at regular intervals. For business of fundamental importance, the articles of association or the Supervisory Board stipulate that the consent of the Supervisory Board is required. Examples include decisions or measures that fundamentally change the Bank's net assets, financial position or results of operations.

According to LBBW's understanding, supplying the Supervisory Board with sufficient information is the joint task of the Board of Managing Directors and the Supervisory Board. The Board of Managing Directors provides the Supervisory Board with regular, prompt and comprehensive information about all relevant questions relating to planning, business performance, the risk situation, effectiveness of the internal control system, the internal auditing system and compliance. It examines variations in the business development from the plans and targets drawn up and gives reasons for such variations.

The Supervisory Board decides the duties of disclosure and reporting requirements of the Board of Managing Directors. Reporting by the Board of Managing Directors to the Supervisory Board is generally carried out in written form. Documents required for a decision are generally forwarded to members of the Supervisory Board in good time before the meeting.

The Chairman of the Board of Managing Directors informs the Chairman of the Supervisory Board and the Deputy Chairman about important events, and this between the individual meeting dates as well.

Based on LBBW's and its owners' understanding, good corporate governance requires open discussion between the Board of Managing Directors and the Supervisory Board and internally within the Board of Managing Directors and the Supervisory Board. Full and comprehensive confidentiality is of decisive importance. The members of the Supervisory Board and the Board of Managing Directors are therefore bound to secrecy. This obligation remains even after the end of their activity within the executive bodies of the Landesbank. All members of the executive bodies ensure that employees asked by them to provide support observe the same obligation to secrecy.

The Board of Managing Directors and the Supervisory Board observe the rules of proper corporate governance. Should they culpably breach the due diligence expected of a prudent and conscientious director or Supervisory Board member, they shall be liable to pay damages to LBBW. There is no breach of obligations for business decisions if the member of the Board of Managing Directors or Supervisory Board may reasonably have assumed that they were acting for the good of the Company on the basis of fair information (business judgment rule).

With regard to the D&O insurance taken out for the Board of Managing Directors, a deductible has been agreed of 10% of the loss up to one and a half times the board member's annual fixed remuneration. A corresponding deductible was also agreed when the D&O insurance was taken out for the members of the Supervisory Board.

Decisions about granting loans to members of the Board of Managing Directors and the Supervisory Board and related parties are made by the Risk Committee in accordance with Section 15 of the German Banking Act (Kreditwesengesetz). The fact that the Risk Committee is a Supervisory Board committee ensures that the Supervisory Board will be involved in the aforesaid lending decisions.

LBBW has been reporting on its corporate governance in a report on corporate governance forming part of the annual report since the financial year 2010.

Board of Managing Directors.

Duties and responsibilities.

The Board of Managing Directors manages the business of LBBW under its own responsibility pursuant to the law and in the Company's interest, i. e., by taking the needs of the owners, its employees and other groups (stakeholders) affiliated to the Company into account, with the aim of achieving sustainable added value. In accordance with the legal principles of LBBW, it is responsible for any LBBW matters that do not fall within the remit of another authority based on the legislation governing Landesbank Baden-Württemberg or the articles of association of LBBW. In managing the business the members of the Board of Managing Directors exercise the due diligence of a prudent

and conscientious business manager. In so doing, the Board of Managing Directors develops the strategic direction of the Company, agrees this with the Supervisory Board and ensures it is implemented. Furthermore, the Board of Managing Directors ensures compliance with the statutory regulations and the Company's internal rules and works toward ensuring that they are observed by LBBW Group companies. The Board of Managing Directors further ensures a reasonable risk management and risk control within the Group.

The Board of Managing Directors is the line superior for all employees of LBBW, including its subsidiaries, branches, stock market offices, representative offices and legally dependent institutions under public law. The Board of Managing Directors strives for diversity and therefore a reasonable inclusion of women, in particular, when filling management positions within the Bank.

Members of the Board of Managing Directors.

The Board of Managing Directors consists of several members. The members of the Board of Managing Directors, the Chairman and his deputy or deputies are determined and appointed by the Supervisory Board. In filling positions on the Board of Managing Directors, the Supervisory Board strives for diversity and therefore particularly a reasonable proportion of women.

To ensure the maximum in terms of flexibility, LBBW has refrained from fixing an allocation of competences for the members of the Board of Managing Directors in the bylaws. A schedule of responsibilities governs the departmental responsibilities of individual board members. The Supervisory Board makes decisions about the bylaws of the Board of Managing Directors and about the approval of the proposed allocation of responsibilities.

Remuneration.

Details on the remuneration of the Board of Managing Directors can be found in the remuneration report.

Conflicts of interest.

The members of the Board of Managing Directors at LBBW are bound by a comprehensive noncompetition clause during their activity for LBBW. Board members and employees may also not demand or accept any gifts or other benefits from third parties for themselves or for others or grant third parties unfair advantages.

Members of the Board of Managing Directors are obliged to act in the interests of the Bank. No member of the Board may pursue personal interests when making their decisions and exploit business opportunities open to the Bank for their own ends. Every member of the board should disclose any possible conflicts of interest to the Supervisory Board immediately and inform the other board members. All business between LBBW, on the one hand, and the members of the Board of Managing Directors or persons or enterprises closely associated with them, on the other, must satisfy industry standards. Important business requires the consent of the Supervisory Board.

Members of the Board of Managing Directors may only accept secondary activities, in particular appointments to supervisory boards outside the LBBW Group, with the consent of the Executive

Committee. The Executive Committee consists of the Chairman of the Supervisory Board, the Deputy Chairman and three members of the Supervisory Board. This ensures that the Supervisory Board is involved in the decision about secondary activities of the Board of Managing Directors.

In the event of a conflict of interests, the member concerned will not take part in the deliberations and voting on the item in question by the Board of Managing Directors. Section 18 paragraphs 1– 3 and 5 of the Municipal Code for Baden-Württemberg apply accordingly for the members of the Board of Managing Directors in this regard.

Supervisory Board.

Duties and responsibilities.

It is the duty of the Supervisory Board to offer regular advice and oversee the Board of Managing Directors' management of LBBW. It is involved in decisions of key importance to the Company. It is responsible for the appointment and dismissal of the members of the Board of Managing Directors and of the Chairman and Deputy Chairmen of the Board and for setting the remuneration of the Board of Managing Directors. The Supervisory Board is able to appoint deputy board members, who have the same rights and obligations as the board members.The Supervisory Board has set itself its own bylaws. The Supervisory Board has a Chairman and a Deputy Chairman.

Tasks and powers of the Supervisory Board Chairman.

The Chairman of the Supervisory Board calls a meeting of the Supervisory Board as required, but no less than four times a year, and chairs its meetings. The bylaws for the Supervisory Board set out further details, in particular, the format and deadlines for the calling of meetings. The Chairman coordinates the work in the Supervisory Board, chairs its meetings and attends to the affairs of the Supervisory Board in dealings with outside parties.

The Chairman of the Supervisory Board takes part in the meetings of the Audit Committee as a permanent guest.

The Chairman of the Supervisory Board is in regular contact with the Board of Managing Directors, in particular with its Chairman, and discusses with the latter strategy, business development and risk management at LBBW. The Chairman of the Supervisory Board is informed immediately by the Chairman of the Board of Managing Directors about important events that are of key importance in the assessment of the position and development of the Company and its management. The Chairman of the Supervisory Board then notifies the Supervisory Board and calls an extraordinary meeting of the Supervisory Board if required.

Formation of committees.

Due to the specific circumstances of LBBW and the number of its members, the Supervisory Board has formed four well-qualified committees in the shape of the Executive Committee, the Compensation Control Committee, the Audit Committee and the Risk Committee. The respective committee chairmen regularly report on the work of the committees to the Supervisory Board.

The Audit Committee deals, in particular, with the effectiveness of the internal control system and internal auditing, as well as issues relating to accounting, risk management and compliance. It also monitors the audit of the annual and consolidated financial statements and the required independence of the auditor, and agrees to the auditor's fee, in addition to issuing the audit assignment to the auditor, which allows it to determine the focus of the audit. The Chairman of the Audit Committee has specific knowledge and experience of the application of accounting standards and internal control procedures. The Chairman of the Audit Committee is independent and is not a former member of LBBW's Board of Managing Directors.

The Executive Committee performs the statutory duties of the Nomination Committee; in the absence of anything to the contrary in the legislation on Landesbank Baden-Württemberg, the proposals for the election of members of the Supervisory Board are prepared solely by the representatives of the owners.

Members of the Supervisory Board.

To ensure that all owners are adequately represented within the new executive bodies of LBBW, the owners had the right to delegate members for the first Supervisory Board, provided they were not to be elected as Supervisory Board members for the employees. The number of members in the Supervisory Board delegated by the owners reflects their participating interest. The federal state, association, and city agreed unanimously on the appointment of the Chairman of the Supervisory Board. Taking this into account, LBBW strives for diversity in the composition of the Supervisory Board and for a reasonable proportion of women.

The composition of the Supervisory Board is such that its members collectively possess the requisite knowledge, skills and technical experience to assume their tasks in due form.

The members of the Supervisory Board assume responsibility for taking part in the training and development measures which they required to perform their duties. They receive reasonable support for this from LBBW, e.g. through the designation of specific seminars and the availability of corresponding lectures. Two specialist seminars were organized in 2013 especially for the Supervisory Board.

To enable the Supervisory Board to provide independent advice and oversee the Board of Managing Directors independently, the Supervisory Board includes independent members, the number of which is set out in LBBW's rules and regulations. Supervisory Board members are seen as independent if they have no business or personal relationship with the Company or its Board of Managing Directors that could constitute the basis for a conflict of interest. There are no former members of the Board of Managing Directors on the Supervisory Board. Each Supervisory Board member takes care that they have sufficient time to fulfill their role.

If a member of the Supervisory Board has attended fewer than half of the meetings of the Supervisory Board, a note to that effect is included in the Supervisory Board's report.

Remuneration.

Details on the remuneration of the Supervisory Board can be found in the remuneration report.

Conflicts of interest.

Every member of the Supervisory Board is obliged to act in the interests of the Bank. They may not pursue any personal interests in their decisions, nor use any business opportunities open to the Company for their own advantage. Any conflicts of interest, in particular those that may arise because of an advisory or executive function exercised for customers, suppliers, lenders or other business partners must be disclosed to the Supervisory Board. In the event of a conflict of interests, the member concerned does not participate in the deliberations and voting of the Supervisory Board on the issue in question. Section 18 paragraphs 1 to 3 and 5 of the Municipal Code for Baden-Württemberg apply to the members of the Supervisory Board accordingly in this regard.

The Supervisory Board also provides information at the annual general meeting about any conflicts of interest that may have arisen and how they were handled. Any material conflicts of interest of a non-temporary nature existing in the person of a Supervisory Board member will lead to a member's appointment being terminated. Furthermore, any consulting, other service or employment contracts of a Supervisory Board member with the Company require the Supervisory Board's approval.

The Supervisory Board regularly checks the efficiency of its activities.

Transparency.

LBBW treats its owners equally in terms of information.

Information that LBBW has to publish outside Germany because of the applicable capital market legislation is released immediately on the domestic market.

LBBW supports good contact with its owners. It is the view of LBBW that publication of a financial calendar would not offer any added value. Such a calendar is therefore not provided.

Accounting and audit of the annual accounts.

Accounting.

The owners and third parties are primarily provided with information via the consolidated financial statements. They also receive information during the financial year through the half-yearly financial report. The consolidated financial statements and the abbreviated consolidated financial statements of the half-yearly financial report are compiled in accordance with the relevant international accounting standards.

The consolidated financial statements are compiled by the Board of Managing Directors and audited by the auditor and the Supervisory Board. The Audit Committee, as a Supervisory Board commitee, discusses the half-yearly financial reports with the Board of Managing Directors prior to publication.

In addition, the German Financial Reporting Enforcement Panel (Prüfstelle für Rechnungslegung) and the German Federal Financial Supervisory Authority are authorized to check that the consolidated financial statements comply with the applicable accounting standards (enforcement). As a company not listed on the stock market, LBBW publishes its consolidated financial statements and its half-yearly financial reports within the timescale required by the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The annual report is published at the latest four months after the end of each financial year (Section 37v WpHG) and the half-yearly financial report two months following the end of the reporting period at the latest (Section 37w WpHG).

LBBW publishes a list of third-party companies in which it holds an equity investment of not insignificant importance to the Company in its annual report. This does not include any trading portfolios of credit and financial service institutions through which no voting rights are exercised.

In its consolidated financial statements LBBW explains the relationships with representatives of the owners who are to be considered as related parties within the meaning of the applicable accounting standards.

Audit of the annual accounts.

Prior to submitting the proposal to the annual general meeting for the appointment of the auditor, the Supervisory Board or the Audit Committee obtains a declaration from the proposed auditor stating whether any and, if applicable, which, business, financial and personal or other relationships exist between the auditor and its executive bodies and audit managers, on the one hand, and LBBW and the members of its executive bodies, on the other, which may give reason to doubt the auditor's independence. The declaration also states the extent to which other services were provided for LBBW over the past financial year, in particular in terms of consultancy, and have been contractually agreed for the following financial year.

The Supervisory Board commissions the auditor and reaches an agreement with the latter about the fee.

The auditor notifies the Chairman of the Supervisory Board and/or the Chairman of the Audit Committee immediately of any grounds for disqualification or partiality that may emerge during the course of an audit, provided that they are not rectified immediately.

The Supervisory Board also agreed that the auditor will immediately report on all events and findings of importance to the Supervisory Board's duties that may arise while carrying out the audit. The auditor takes part in the deliberations of the Supervisory Board and the Audit Committee relating to the annual financial statements and the consolidated financial statements and reports on the key results of its audit.

Remuneration report.

Board of Managing Directors[1)].

Principles of the remuneration system.

Responsibility.

The Supervisory Board makes decisions on the remuneration system including the main contractual elements for the members of the Board of Managing Directors, and fixes the remuneration payable to them. The Executive Committee or, since its establishment on 16 December 2013, the Compensation Control Committee, assumes an important advisory role in this respect and prepares the resolutions of the Compensation Control Committee.

Principles of the remuneration system.

The Supervisory Board has approved a new remuneration system for members of the Board of Managing Directors that came into effect on 1 January 2013. The focus of the new system is on gearing remuneration to the attainment of sustained business success without offering incentives to take disproportionately high risks. For this reason, the Supervisory Board has, among other things, set a measurement period of three years for variable remuneration and a ratio of 1:1.5 as a reasonable upper limit for the ratio of fixed to variable remuneration.

The remuneration parameters that determine variable remuneration are geared toward achieving the targets derived from the Bank's strategy on a sustained basis. The parameters for the payment of bonuses are the Group's overall success and the individual Board members' contribution to profit, which are measured and assessed with the help of qualitative and quantitative factors. Contributions to profit can be positive or negative and accordingly have an impact on variable remuneration. 60% of the variable annual remuneration is deferred for a period of four years and paid out on a time-proportionate basis. This may be reduced within this period or even lapse (malus). 50% of this deferred remuneration is based on sustained performance.

Pension entitlement is structured as defined contribution.

An arrangement based on the final salary applies in the case of some of the members of the Board of Managing Directors, the amount of which is calculated according to the length of their service on the Board of Managing Directors.

The Supervisory Board regularly reviews the appropriateness of the Board remuneration model as well as the level and composition of the Board remuneration.

1) The term »Board of Managing Directors« hereinafter refers to the Board of Managing Directors and the generally Executive Managing Directors (Generalbevollmächtigte) of LBBW.

Remuneration 2013.

In 2013, remuneration of the members of LBBW's Board of Managing Directors consisted of fixed, non-performance-based remuneration, variable performance-based remuneration and other benefits (essentially the use of a company car with driver). Moreover, the members of the Board of Managing Directors are eligible for inclusion in a company pension scheme.

In 2013, the members of the Board of Managing Directors received fixed remuneration of a total of EUR 4.19 million for the performance of their duties on the Board. In addition, variable remuneration totaling EUR 0.58 million was paid out. The sum total of other benefits came to EUR 0.11 million. As at 31 December 2013, pension obligations according to IFRS for serving Board members as at the balance sheet date totaled EUR 9.83 million.

Supervisory Board.

Principles of remuneration for Supervisory Board members.

The annual general meeting on 22 July 2011 decided on the remuneration of Supervisory Board members as follows:

- The members of the Supervisory Board receive a fixed remuneration of EUR 25,000 for the respective financial year. The Chairman of the Supervisory Board receives twice and the Deputy Chairman 1.5 times the fixed remuneration of a Supervisory Board member.
- Supervisory Board members who hold a seat on a committee receive further fixed remuneration of EUR 10,000 per committee. The Chairman of a committee receives 2.0 times and the Deputy Chairman 1.5 times the further fixed remuneration.
- Each Supervisory Board member receives an attendance allowance of EUR 200 to attend a meeting of the Supervisory Board or one of its committees.
- The Supervisory Board members are further reimbursed for the expenditure that they incur in connection with performing their duties as members of the Supervisory Board (travel expenses, individual bank-specific further training, etc.).
- The Supervisory Board members are reimbursed for the value-added tax incurred that they have to pay as a result of their activity as a member of the Supervisory Board or a committee.

The employee representatives on the Supervisory Board employed at LBBW also receive their salary as employees.

The remuneration of Supervisory Board members who are not part of the Supervisory Board for a complete financial year is paid pro rata for their term in office.

Remuneration 2013.

For the 2013 financial year, a total of EUR 0.94 million was paid in salaries and EUR 0.06 million in attendance allowances to the members of the Supervisory Board.

Other information.

There is also pecuniary loss liability insurance for members of the Board of Managing Directors and Supervisory Board (»D&O«). The deductible is 10% of the loss up to a maximum of 1.5 times the fixed annual remuneration.

Landesbank Baden-Württemberg

The Board of Managing Directors

The Supervisory Board

Compliance.

Responsible entrepreneurial activities are based on compliance with rules and laws. Effective compliance management creates long-term transparency with regard to risks and prevents criminal activities such as money laundering, the financing of terrorism, fraud, corruption or insider trading. At the same time, compliance with data protection laws and financial sanctions is monitored.

In addition, LBBW has established an internal control system (ICS) Center to support the divisions in their operational responsibility for the controls implemented in the business processes. The ICS Center defines the structures for a monitoring process; it is the main contact responsible for issuing organizational instructions (e.g. scheduling of control tests as well as reporting paths and formats) and the central instance for ensuring compliance with defined quality standards in the process steps performed (e.g. risk analysis, control monitoring).

Capital markets compliance.

One key focus of capital market compliance in 2013 was on overseeing the implementation of new requirements with respect to the recording of inducements at LBBW. In accordance with the »Minimum Requirements for the Compliance Function and Additional Requirements Governing Rules of Conduct, Organization and Transparency pursuant to Sections 31 et seq. of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) for Investment Services Enterprises« (MaComp) of 31 August 2012, LBBW submits proof to BaFin from 2013 onwards that inducements serve the purpose of improving service quality. Accordingly, inducements must be recorded in a directory of inducements. In addition, LBBW determines in a directory of utilization the quality-improvement measures for which the inducements have been utilized, thus creating heightened transparency.

Advice given to the individual departments on matters pertaining to capital market compliance was additionally individualized and training activities expanded in the light of specific target-group requirements. Branch supervision was further intensified. Ongoing monitoring of securities transactions to ensure compliance with statutory requirements was continued.

Anti-money laundering.

Activities in 2013 concentrated on ongoing further work on the development of the LBBW Group's procedural rules in accordance with statutory and regulatory requirements. The main focus was on adjustments to and the implementation of Group-wide requirements at the branches and Group subsidiaries. In addition, duties of care in relations with correspondent banks were enhanced. All employees conducting banking operations or providing auxiliary services for banking operations in the widest sense of the term were again made aware of the methods of money laundering in the form of training sessions on specific topics.

Financial sanctions/embargoes.

As a result of further work on the procedural rules and system adjustments, it has been possible to additionally raise the level of standardization in the handling of financial sanctions and embargo checks. LBBW checks its customers against national and international sanction lists on a daily basis. Similarly, all foreign transactions are reviewed. The Financial Sanctions/Embargoes unit within LBBW's Compliance division advises the divisions on matters pertaining to foreign trade law and monitors the observance of national and international sanction requirements. As in earlier years, this constituted the main thrust of the activities performed in 2013.

Prevention of fraud/other criminal activities.

The main focus concerned further work on the procedural rules. For one thing, this entailed further adjustments to and the implementation of Group-wide requirements at the branches and Group subsidiaries. For another, the anti-fraud and anti-corruption requirements were additionally fine-tuned. Thus, for example, the policy on the acceptance and granting of benefits (»gifts policy«), which had been established in autumn 2012, was implemented in full in 2013. Moreover, under the guidance of the »Central Unit«, which had been installed in 2012, Bank-wide sharing of experience with respect to consultations on and the coordination of preventive measures for addressing identified risks from criminal activities targeted at the Bank was additionally enhanced. The Bank's so-called Fraud Prevention Board (FPB) is the forum for providing advice and communicating on these risks and for coordinating the response to them.

Data protection.

LBBW attaches top priority to treating customers' data confidentially. After the successful implementation of Group policies for a uniform national and international data protection standard, connected with the ensuing execution of audits at the foreign Group companies, the next step was taken in 2013. On the basis of the audit findings, work on implementing and harmonizing the Group's data protection policy was continued at the foreign offices accompanied by further efforts to heighten the responsible staff's awareness (in an English-language learning program) of the need for data protection at the branches and representative offices.

As part of its central bank function, LBBW performs numerous services for the savings banks. For the first time, the processes and systems used in this connection were successfully audited by external experts in the light of the requirements under data protection legislation. The results were documented in a report which was submitted to all savings bank customers for archiving and certification purposes.

In 2013 too, general training courses were conducted on data protection while in addition certain divisions were provided with further information specific to this group. Audits were performed at selected external waste management companies, one subsidiary and selected divisions.

Combined management report.

The following information should be read in conjunction with the consolidated financial statements and associated notes The 2013 consolidated financial statements and the 2013 combined management report were issued an unqualified auditor's report by KPMG Aktiengesellschaft Wirtschafts-prüfungsgesellschaft.

Group overview.

This annual report published by Landesbank Baden-Württemberg comprises the combined management report, the consolidated financial statements (IFRS) and the notes to the consolidated financial statements. The management report of LBBW (Bank) and the group management report were compiled in accordance with German Accounting Standard no. 20 (DRS 20), and thus comprise the report on the Group, as well as on LBBW (Bank), with notes based on the German Commercial Code. The LBBW (Bank) annual financial statements according to the German Commercial Code (HGB) and the combined management report will be published simultaneously in the German Federal Gazette (Bundesanzeiger).

Structure and business activities of the LBBW Group.

The Landesbank Baden-Württemberg (LBBW) Group for the most part comprises the single entity Landesbank Baden-Württemberg, which is referred to below as LBBW (Bank).

LBBW (Bank) is a public law institution (rechtsfähige Anstalt öffentlichen Rechts) with four registered offices in Stuttgart, Karlsruhe, Mannheim and Mainz. Its owners are the Savings Bank Association of Baden-Württemberg (Sparkassenverband Baden-Württemberg) with 40.534%, the state capital, Stuttgart, with 18.932% and the State of Baden-Württemberg with 40.534% of the share capital. The State of Baden-Württemberg holds its share directly and indirectly through Landesbeteiligungen Baden-Württemberg GmbH and L-Bank.

LBBW is a universal and commercial bank that combines the range of services of a large bank with the regional proximity of its retail banks. LBBW (Bank) is represented in its core regions of Baden-Württemberg, Rhineland-Palatinate and Saxony, and the neighboring economic areas, under their respective brands:

- Baden-Württembergische Bank (BW-Bank) operates private and corporate customer business in the core market of Baden-Württemberg. BW-Bank assumes the role of municipal savings bank within the state capital, Stuttgart.
- LBBW bundles its small and medium-sized corporate customer and private customer business in Saxony and neighboring regions under the umbrella of Sachsen Bank.
- Rheinland-Pfalz Bank focuses on business with SMEs in Rhineland-Palatinate and neighboring regions.

LBBW (Bank) offers the entire range of business and services of a modern universal bank via its network of around 200 branches and locations across Germany. The business with large corporates operating across Germany and internationally, capital markets business, real estate financing and the Bank's function as the central bank for savings banks in Baden-Württemberg, Rhineland-Palatinate and Saxony are located within LBBW (Bank) itself. Essential staff and service functions are also concentrated within LBBW (Bank).

LBBW (Bank) also supports the corporate customers of LBBW and of the savings banks with their international activities. Branches and representative offices worldwide offer support with country expertise, market know-how and financial solutions. To complement this, LBBW has German Centers in Beijing, Singapore, Mexico City, Delhi.Gurgaon and Moscow that advise German corporate customers on market entry and make local offices and networks available to them.

The range of services and products offered by LBBW (Bank) within the Group is enhanced by subsidiaries specializing in specific business areas, such as leasing, factoring, asset management, real estate and equity finance.

Business model of the LBBW Group.

LBBW's business model rests on five pillars with a clear focus on customer business.

Strategically, LBBW focuses on its core business especially in the regions of Baden-Württemberg, Rhineland-Palatinate and Saxony as well as the respective neighboring regions. Above all, LBBW is the partner for corporate and private customers in those regions as well as for the savings banks. This is accompanied by efficient real estate financing and capital market products, which are also targeted at institutional customers.

Corporate customers.

Corporate customer business chiefly focuses on small and medium-sized companies in the regional core markets. BW-Bank addresses corporate customers in Baden-Württemberg and selectively also in Bavaria. In Rhineland-Palatinate, North Rhine Westphalia and Hesse, this function is assumed by Rheinland-Pfalz Bank and in central Germany by Sachsen Bank.

In addition, LBBW (Bank) maintains business relations with selected large corporates in Germany, Austria and Switzerland. Corporate customer business also encompasses business with municipalities.

Various subsidiaries such as SüdLeasing, MKB Mittelrheinische Bank/MMV Leasing, SüdFactoring and Süd Beteiligungen provide specialist products and services.

LBBW (Bank) also supports its customers in international business in important and emerging economic regions worldwide.

LBBW (Bank) sees itself principally as a primary bank to SMEs, offering long-term, sustained support to its customers on matters concerning financial services and all the related strategic issues.

Private customers.

Private customer business is particularly targeted at the wealthy customer groups in the regional markets of Baden-Württemberg, Saxony and Rhineland-Palatinate as well as in the neighboring economic areas. In addition, wealth management services are offered to high net-worth customers.

As the savings bank for the City of Stuttgart, BW-Bank is open to all citizens, providing its customers in the state capital with the full array of banking services.

In addition to bespoke advice aimed at creating long-term customer relationships, first-class products and services are at the core of the business philosophy. The products on offer range from classic checking accounts and credit card business through financing solutions to complex securities and pension-savings products.

Savings banks.

In this business area, LBBW (Bank) primarily acts as a central bank to the savings banks in the core markets of Baden-Württemberg, Saxony and Rhineland-Palatinate, providing them with a broad range of products and services, and forming a service partnership with them.

Overall, this business area comprises three main types of cooperation:

- First and foremost, the savings banks' proprietary business, which entails services in all hedging and investment product categories.
- In market partner business, LBBW products are offered for resale to the savings banks' own retail and corporate customers, in addition to joint loan extension.
- Service business encompasses research, securities clearing and management, international payment transactions, documentary payments etc.

Real estate financing.

The real estate financing business is geared toward private and institutional investors, real estate companies, project developers, open and closed-end funds, privatization agencies, real estate investment trusts (REITs) and housing companies.

New business in commercial real estate financing concentrates on the defined core markets of Germany, the United States and the United Kingdom particularly in the residential, office and retail real estate segments.

The subsidiary LBBW Immobilien Management GmbH additionally provides real estate development, real estate asset management and real estate services with a focus on the core markets of Baden-Württemberg and Rhineland-Palatinate, the Rhine Main region and Munich. In addition, it performs real estate services within the Group.

Financial markets.

The financial markets segment primarily supports companies, savings banks, banks, private customers and institutional customers. Institutional investors include, for example, pension funds, insurance companies, asset managers, local authorities, foundations and churches.

Its activities concentrate on German-speaking regions. LBBW (Bank) supports its international customers chiefly on the money and foreign currency markets and in issuing business.

Financial markets business also includes trading activities in the capital market environment. LBBW (Bank) particularly offers its customers solutions for managing interest-rate, currency and commodity risks as well as for raising and investing short-term and long-term cash in the capital markets.

LBBW (Bank) additionally offers support in optimizing balance sheet structures and asset/liability management as well as the savings banks' proprietary business, i. e. interest rate and credit products.

The subsidiary LBBW Asset Management Investmentgesellschaft mbH complements the product range of LBBW (Bank) in capital markets business. It primarily focuses on consulting and the management of security trust assets for institutional and private investors.

Credit investment.

Alongside the five pillars of the LBBW business model, the non-strategic credit substitute business of LBBW, the former Sachsen LB and the former Landesbank Rheinland-Pfalz is pooled within this segment. This particularly includes bonds, credit derivatives, securitizations and structured products. The portfolio is being fully run off.

Segment allocation and coordination.

In LBBW's segment reporting, the two pillars **corporate customers** and **real estate financing** are assigned to the **Corporates** segment, while **private customer** and **savings bank business** forms part of the **Retail/Savings Banks** segment. The **Financial Markets** segment is identical to the pillar described here. Information on the segments can be found in the IFRS segment report included in the notes.

Within this business model, LBBW's Board of Managing Directors manages the Bank as a whole by tracking a set of performance indicators along the strategic business areas/segments in the light of the Group's risk-bearing capacity. The information required therefore is derived from comprehensive, target-oriented monthly reports. The following financial performance indicators are of particular relevance in the management of the Group:

- the common equity Tier 1 ratio/risk weighted assets (after full implementation of Basel III/fully loaded)
- consolidated total assets (IFRS)
- net consolidated profit/loss before tax (IFRS)
- net profit before tax (HGB) in the case of LBBW (Bank)
- the cost/income ratio

Restructuring process at the LBBW Group.

Systematic restructuring to create a solely customer-driven bank now completed.

LBBW (Bank) launched a far-reaching restructuring program in 2009 in conjunction with capital and guarantee measures by the owners and EU state aid proceedings. The systematic running-down of business areas that are now outside the Bank's core business – especially non-customer related, volatile credit substitute business – was at the heart of this restructuring, while at the same time greater emphasis was placed on already existing and traditionally strong customer business.

In this connection, risk weighted assets and total consolidated assets were reduced substantially. In addition, measures were taken to lower costs, dispose of equity interests and cut more than 2,700 FTE positions with minimum social hardship.

After making considerable progress in 2012, the restructuring process was successfully completed in all major respects in 2013.

The commitment made to the EU Commission in 2009 providing for a change in the corporate status of LBBW (Bank) to an incorporated company was rendered void by the former's decision of 9 December 2013 allowing the present corporate status to be retained. On the other hand, LBBW implemented the corresponding governance requirements as regards content at an early stage.

Social responsibility.
Employees.

Efficient and dedicated employees are central to the success of every company. LBBW invests in the health of its workforce, providing support in the form of targeted personnel development and offering extensive solutions for achieving a highly favorable work-life balance.

Employee numbers.

	LBBW (Bank)		LBBW Group	
	2013	2012	2013	2012
Employees	9,124	9,585	11,308	11,642
Proportion of women	52.7%	51.6%	53.1%	51.9%
Proportion of men	47.3%	48.4%	46.9%	48.1%
Part-time employees	25.0%	24.0%	23.3%	22.5%
Full-time employees	75.0%	76.0%	76.7%	77.5%
Trainees (including students at universities of cooperative education)	458	480	479	499
Proportion of trainees	5.0%	5.0%	4.2%	4.2%

As at 31 December 2013, the number of employees at LBBW dropped from 11,642 to 11,308. This decline is chiefly due to direct and indirect restructuring effects, particularly the transfer of business operations to LBBW Service GmbH and Finanz Informatik Technologie Services GmbH & Co. KG/ Finanz Informatik Solution Plus GmbH (FI-TS/FI-SP). The staff fluctuation rate based on the Confederation of German Employers' Associations (BDA) formula stood at 4.0% for LBBW (Bank) in 2013, down from 6.2% in the previous year. Adjusted for restructuring-related phased-retirement and severance agreements (2.0%), the rate came to 2.0% at LBBW (Bank), compared with 3.6% in the previous year.

At 42.5 years, the average age of employees at LBBW (Bank) in the year under review was unchanged over the previous year. The average length of service came to 16.6 years and was thus also almost the same as in the previous year (16.7 years). Once again, women held a slight majority over men at LBBW, accounting for 53.1% (previous year 51.9%) of total staff numbers in 2013. The proportion of part-time employment contracts, including pre-retirement reduced working hours, rose slightly at LBBW from 22.5% to 23.3% in 2013.

In 2013, the main focus of the **personnel development activities accompanying LBBW's realignment as a customer-driven bank** entailed measures aimed at encouraging re-orientation on the part of staff. Proof of the excellent success in intensifying the internal job market can be seen in

the almost 1,200 vacancy notices (2012: 1,000) posted, nearly all of which were filled by means of internal changes, re-entry to the workforce following the family phase and the permanent employment of apprentices.

Regardless of the still challenging market environment, LBBW views the **professional qualification of young people** as an important social and business responsibility that it is very glad to address. At the end of 2013, 479 (previous year: 499) trainees and students from universities of cooperative education were working at LBBW. At 4.2%, the proportion of trainees was unchanged over the previous year, testifying to LBBW's sustained commitment to vocational education, the quality of which is acknowledged and praised by external bodies.

Despite the greatest possible cost awareness, LBBW (Bank) maintained spending on **staff qualifications and training** at the previous year's level. Managers and employees were able to select specific training courses from a wide range of seminars for professional and personal development. This is supplemented by foreign-language courses, tuition on specific subjects by external seminar organizers and courses in business administration. LBBW managers underwent special Bank-wide training aimed at heightening their awareness of »mental health«. In corporate customer business, the focus was on integrated financial advisory services, while workshops on how to conduct high-quality advisory talks were held in private customer and private banking business.

Against the backdrop of demographic changes, working conditions that facilitate an acceptable **work-life balance** are extremely important to foster the potential of the Bank's workforce to optimum effect for the mutual benefit of both sides. LBBW (Bank) provides its employees with extensive assistance in this respect. For example, Bank employees can utilize childcare services at all head offices. Depending on requirements, optimized solutions are available, e.g. children's day care services, kindergartens, emergency childcare and special arrangements during the school holidays.

This has also been confirmed by the »Career and Family« re-auditing exercise performed by the non-profit foundation Hertie-Stiftung in 2013. LBBW ranked in the top 25% of all companies reviewed. The auditors particularly praised the fact that the working-hour framework which LBBW provides its employees offers a great deal of flexibility, adding that, in addition to a wide range of different working-hour models, there are various part-time options as well as scope for taking extended leave of absence thanks to working-time accounts. This is additionally supplemented with the general possibility of working from home.

Since 2013, greater allowance has also been made for an improvement in the balance between work and life in connection with care for family members. For the first time, three seminars dealing with such matters were offered last year. The enormous demand on the part of employees shows how important this subject is to them. LBBW is also committed to helping employees in this particular phase of their lives. Accordingly, LBBW (Bank) employees may apply for an additional six months of leave of absence on top of the care period in accordance with the Care Leave Act. In addition, it is possible to apply for leave of absence each year for up to ten days to care for family members. The Bank pays the employee's salary on a voluntary basis during this period. Since January 2013, it has also been possible for employees who care for family members to temporarily reduce their working hours for a period of up to two years.

Healthy, efficient and motivated employees are a material factor in a company's success. It is for this reason that **company health management** is viewed as a strategic investment by LBBW (Bank). It seeks to evaluate and, as far as possible, optimize all material factors in the Bank impacting health, e.g. physical working conditions, processes and duties. However, »soft« factors such as the respect which employees perceive, the scope which they have in the performance of their duties and social support also exert a particular impact on health. As managers play a decisive role in all these aspects, they undergo compulsory and systematic training in »health-oriented management« at LBBW (Bank).

Employees are also given incentives to maintain and improve their own health. Among other things, a healthy style of life is encouraged by a range of exercise and relaxation options close to the workplace, some of which are organized in conjunction with fitness studios. Some of the canteens are certified in accordance with organic food standards, offering a wide range of healthy food.

Social responsibility towards staff forms a key element of the corporate culture at LBBW (Bank). In line with this, it aids employees with personal or professional problems as well as in times of stress. In addition to medical care at the larger offices, the company medical service provides first aid close to the workplace as well as a large number of measures aimed at promoting health. The social affairs office also provides solution-oriented assistance, conflict management and immediate support in crisis situations. As well as this, many managers receive advice on how best to work with their employees. Workshops for staff are also available.

The quality of health management at LBBW (Bank) has again been confirmed by the »Excellence Status« in the »Corporate Health Award 2013« in a Germany-wide comparison of companies by Handelsblatt, TÜV SÜD and EuPD Research.

In accordance with the provisions of Sections 7 and 8 of the Remuneration Ordinance for Institutions (InstitutsVergV) of 13 October 2010, LBBW (Bank) will be preparing a remuneration report for 2013, which it expects to publish at www.LBBW.de in the 3rd quarter of 2014.

LBBW improvement process.

In 2013, the number of improvements proposed by employees rose by 11.7% to 3,789. Last year, 1,393 ideas were put into practice, generating benefits worth EUR 9.1 million. The LBBW improvement process was awarded the German Ideas Award for the second consecutive year by the German Institute for Business Administration (Deutsches Institut für Betriebswirtschaft) in recognition of the best idea management system in the banking, insurance and financial services sector.

As an idea management model, the LBBW improvement process encourages employees to contribute their ideas. In this way, they can help in the further development of the Group either by means of spontaneous ideas or by taking part in specific workshops on process optimization. The purpose is to encourage ideas and creativity as a determinant of success in the market place, thus supporting day-to-day activities. Hands-on customer orientation, an awareness of costs and income, secure and efficient work processes and outstanding products are the goals which the LBBW improvement process helps to support.

Encouragingly, this also furthers a culture of cross-process and cross-segment cooperation within the Group. Managers define themselves as coaches for their employees' ideas. The structure of and processes within the LBBW improvement process ensure that employees' spontaneous ideas receive

due attention across all management levels. This is additionally aided by a separate decision-making body. An electronic workflow enhances the Group methodology. This year as well the Group is committed to additionally boosting staff participation and to utilizing ideas as a basis for successful further development.

Sustainability.

The commitment of LBBW to sustainability is anchored in both its business strategy and its business. Sustainability policies and goals, the climate strategy and specific guidelines provide a binding framework for responsible activity on the part of each individual, thus creating the basis for systematically sustainable corporate governance in all business segments.

Sustainability strategy and management.

The LBBW sustainability policy consolidates LBBW's guiding principles on sustainable development in the areas of corporate governance, business operations, human resources, communication, and LBBW's commitment as a corporate citizen. It thus defines the framework for all sustainability activities within LBBW and forms the basis for integrating economic, ecological and social aspects in overall corporate activity.

LBBW has set itself appropriate goals in the definition of its sustainability policy. These are implemented on the basis of the »Sustainability Guidelines« (see below). In addition, the LBBW climate strategy describes the Bank's position on key climate-related issues.

The standards defined apply to LBBW (Bank) including BW-Bank, Rheinland-Pfalz Bank, and Sachsen Bank as well as to the wholly-owned subsidiaries integrated in the sustainability management system of LBBW (Bank), namely GastroEvent GmbH, LBBW Immobilien Management GmbH and LBBW Asset Management Investmentgesellschaft mbH, all of which are based in Stuttgart.

LBBW's commitment to sustainability is described at length at http://www.lbbw.de/sustainability. The 2014 sustainability report containing the figures as at 31 December 2013 is expected to be published at the beginning of November.

Sustainability Guidelines.

The Sustainability Guidelines define the corridor within which LBBW pursues its sustainability goals in investment and lending business, in human resources policy and in the stewardship of resources, and therefore form the foundation for sustainable development.

Sustainability Guidelines in investment business.

LBBW takes account of sustainability-related factors in its investment business. In this connection, it follows the United Nations Principles for Responsible Investment.

LBBW offers private and institutional investors a broad range of sustainable investment products; asset-management customers are able to invest in accordance with their ethical principles.

Sustainability Guidelines in lending business.

Looking forward, LBBW wants to focus its lending business on transactions, projects, products and customer groups which allow it to improve its sustainability track record. This also includes the

detection, avoidance and management of risks liable to arise from financing transactions. At the same time, it wants to finance projects which support sustainable development and also offer business opportunities for LBBW. With respect to project finance, this may for example include plants, technologies and companies in the renewable energies segment. As well as this, investment finance for water treatment and supply as well as energy infrastructure such as electricity grids and storage systems will grow in importance.

Sustainability Guidelines in relations with personnel.

LBBW is committed on an ongoing basis to being an attractive employer of and reliable partner to its employees. Knowing that capable and committed employees are the most important factor for the success of any company, it is investing in its employees' health, furthering them with targeted personnel development measures and helping them to achieve an optimum life/work balance. We want to gain outstanding talents and ensure that they remain with us; LBBW views the professional qualification of young people as an important social and business responsibility that it is very glad to address (see also page 39).

Sustainability Guidelines in business operations.

At LBBW, the procurement of products and services follows strict criteria which expressly also include environmental and social aspects. These criteria are considered in contract award decisions. The standards which LBBW applies to its own use of resources are equally as demanding. Thus, for example, CO_2 emissions from company travel, building management, IT and the consumption of materials are to be steadily reduced.

Sustainability ratings.

Munich-based oekom research AG has awarded LBBW an overall rating of C+ on a scale of A+ to D–. This puts it in 2nd place out of a total of 33 international banks in the current »Financials/Public & Regional Banks 2013« sector study (as at May 2013). LBBW meets the minimum standards for sustainability management as defined by oekom research and is rated »prime«. This means that the LBBW securities traded on the market qualify for investment from an ecological and social perspective.

In the 2013 Sustainalytics Sustainability Rating, LBBW received 72 out of a possible 100 points (previous year: 72) and therefore ranks 8th out of 73 in the international banking industry category for non-listed banks (as at 31 December 2013).

As an issuer of public-sector covered bonds, mortgage-backed bonds and unsecured bonds (the term »unsecured bond« includes all types of unsecured fixed-income securities as well as fixed-term and savings deposits), LBBW was rated »positive« in the imug sustainability rankings.

Data and facts.

Personnel policy (figures for LBBW (Bank)).

	2013		2012		2011	
	Men	Women	Men	Women	Men	Women
Breakdown of managers (Tier 1 to 4) %	83.7	16.3	83.9	16.1	82.8	17.2

	2013		2012		2011	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage
Number of disabled employees or equivalent status	348	3.8	399	4.2	399	4.1

	2013	2012	2011
Average age	42.5	42.5	43.1

	2013	2012	2011
Average length of service in years	16.6	16.7	16.4

Investment business.

EUR million	2013	2012	2011
Volume of sustainable cash investments at LBBW Asset Management Investmentgesellschaft mbH	515.9	426.7	415.8

Lending business.

EUR billion	2013	2012	2011
Volume of renewable energies project finance / loan drawdowns	2.62	2.73	2.52

LBBW foundations.

LBBW Training and Education Foundation	Number of projects	Total endowments in EUR thousands
2013	63	84
2012	59	76
2011	62	104

LBBW Nature and Environment Foundation	Number of projects	Total endowments in EUR thousands
2013	37	95
2012	43	135
2011	55	156

LBBW Art and Culture Foundation	Number of projects	Total endowments in EUR thousands
2013	221	277
2012	203	201
2011	213	242

Business report for the Group.

Overall economic development.

Global economy.

The past year was initially marked by a high level of uncertainty, but this faded significantly in the course of the year, resulting in a report card for the global economy that is still satisfactory overall. In terms of numbers, global GDP is likely to have grown by 3.1%, which is currently only marginally lower than the 2012 figure, when global GDP expanded by 3.2%.

The following factors in particular were instrumental in this growth. Economic activity in the USA picked up from the second quarter. The fiscal policy problems which could aptly be described with the terms »budget dispute« and »debt ceiling« were resolved thanks to a compromise reached for the time being between the Democrats and the Republicans. All told, while GDP growth in the USA slipped from 2.8% to 1.9%, this can still be considered an acceptable result on the whole given that companies have shown a degree of restraint with their investments and that private households were under increasing pressure due to the higher social security contributions – all the more so since the steady recovery in the US residential real estate market continued during the year.

The debt crisis of the eurozone countries lost some of its urgency, the situation in Cyprus notwithstanding. The reforms in the peripheral countries particularly affected by the crisis seem to be having an effect. Ireland, Spain and Portugal managed to return to growth in 2013. That said, the situation in many countries of the eurozone remains difficult, as demonstrated by the 2013 figures – GDP is likely to have contracted by 0.5%, resembling the decline of – 0.6% recorded for 2012. Italy and France, in particular, where growth is persistently weak, are giving cause for concern. GDP growth contracted in two out of four quarters in France in 2013, while in Italy the economy had not expanded for nine consecutive quarters before recording a figure of 0.1% in the closing quarter of 2014.

2013 was another eventful year in terms of economic policy, although the debt crisis did abate perceptibly in the eurozone. Following the resolutions on Cyprus, which imposed a substantial package of reforms and forced bank customers to take their share of the burden in winding up and restructuring two large banks in the country in return for an aid package of EUR 10 billion, the Bundestag was not called upon to approve any additional assistance. Considerable progress was made at European level to create an EU-wide banking union: In particular, laying the foundations for a single ECB-run banking supervisory system covering the largest banks, and agreeing upon a Recovery and Resolution Directive, which amongst other things provides for a liability cascade that starts with equity capital and finishes with unsecured customer deposits before public funds can be used to bail out a bank.

Germany.

The annual assessment of German GDP seems rather unimpressive according to the flash report of the German Federal Statistical Office, revealing modest growth of just 0.5% adjusted for calendar effects. However, it should be noted that the year got off to a weak start with stagnating GDP because of the bad weather conditions, resulting in a negative statistical overhang from the previous year amounting to a quarter percentage point. But a »short burst of speed« in quarters two and three, when GDP grew by 0.7% and 0.3%, fueled a significant upturn in economic activity. The main drivers of this economic growth were private consumer spending and changes in inventories, while foreign trade and investments, both normally traditional pillars of German economic activity, made negative contributions this time round. At the start of the year the seasonally-adjusted unemployment rate sat at just under 7%, and remained there in the course of the year. Pressure on prices was subdued in the year under review, settling at an annual average of 1.5% in comparison with the previous year. Inflation was once again influenced by sharp fluctuations in the price of foods as well as fuels and heating oil.

Central bank policy.

The Federal Reserve left its key interest rate unchanged in the historically low range of 0% to 0.25% for the fifth calendar year in succession, but at the end of the year it took the much-awaited first step towards exiting the ultra-expansionary monetary policy it has pursued for years. On a monthly basis from January 2014 it will only buy USD 75 billion in US Treasuries and mortgage bonds, which is USD 10 billion less than before, as announced by the Federal Open Market Committee of the Federal Reserve system on 18 December. Furthermore, as in previous statements the Fed also held out the prospect of raising interest rates if the jobless rate falls permanently below 6.5% (in January 2014 the unemployment rate in the USA came to 6.6%) and mid- to long-term inflation expectations hover around the 2% mark.

In the eurozone, by contrast, the ECB loosened its monetary policy twice in the period under review. The first move came in May when the ECB lowered its main refinancing rate from 0.75% to 0.5%, the rate used for the weekly ECB tenders and which is therefore mandatory for the liquidity supply of commercial banks in the eurozone. The second step was in November, when the ECB shaved another 25 basis points off to 0.25%, making reference to looming deflationary risks (the inflation rate having previously dropped unexpectedly from 1.1% to 0.7%). However, the deposit rate used by commercial banks to place their surplus liquidity at the ECB, remained at 0%, even though ECB President Draghi revealed that the ECB had focused on the issue of negative deposit interest rates and found this to be a plausible scenario. The ECB moreover underlined its willingness to support economic activity in the eurozone with low interest rates by disclosing that it intended to keep the key interest rate at its current level or below for a lengthy period. This far-reaching announcement – unheard of in the history of the ECB, which previously was always very careful to avoid giving indications of future decisions – is now a fixture in communications between the ECB and the financial markets as »forward guidance«.

Bond market.

Diminishing fears about the collapse of the European Monetary Union in conjunction with monetary policy announcements shaped yield trends on German bond markets to a large extent. On balance though, 2013 was a weak year for Bunds in terms of earnings. Yields on 10-year Bunds dropped from roughly 1.30% to 1.19% between January and May. Since then, however, the yield trend has been upwards. Yields of 1.94% were recorded at year-end. Since the ECB lowered its key rate by 50 basis points over the same period, other factors are likely to have played a part here. In first place, the eurozone debt crisis proved to be much less volatile than in previous years: This was reflected in the lower risk premiums on bonds issued by countries previously classified as risky, such as Spain or Italy, compared with German Bunds. Secondly, the Republic of Ireland announced it intended to issue its own capital market instruments again from 2014 to fund its financing requirements, and would not need additional financial assistance. Furthermore, the US Federal Reserve signaled a gradual end to what has so far been a very expansionary monetary policy. Yields on the market for US Treasuries rose from approximately 1.60% in May to just under 3% by the year-end, which also put some pressure on German Bunds. Ultimately, yields on Bunds probably seemed increasingly unattractive for many investors against the backdrop of price trends on equity markets, which likely created some selling pressure on the bond market.

Currency market.

The EUR enjoyed a strong year in 2013 against the USD, and appreciated significantly compared to the previous year's close. While the EUR cost USD 1.32 at the start of the year, and bottomed out for the year at USD 1.28, at the end of March, it closed out 2013 with a rate of roughly USD 1.38 per EUR. In this context the EUR is likely to have benefited not only from the easing debt crisis in the eurozone but also from the improving current accounts in the region. The EUR managed to appreciate strongly against the JPY, which fell from 114 to 145 per EUR. On balance, the EUR exchange rate barely changed against the GBP: at the start of 2012 it stood at GBP 0.82 per EUR, while it ended the year at 0.83. Against the CHF the EUR appreciated only marginally from 1.21 to 1.23.

Stock market.

On the stock market, the past year will go down in the annals of history as one of the best in recent years. Many of the key indices, including the Dow Jones Industrial and the DAX, reached new historical highs. Over the year the DAX rose from 7,612 to 9,552 points, or by more than 25%. Second-tier indices also enjoyed an outstanding year: The MDax comprising small and medium-sized German companies increased by 39% from 11,914 to 16,574 points.

Banking industry performance.

Developments in the German banking industry in 2013 were largely influenced by the ongoing adjustments in the sector in response to the growing regulatory requirements and the low interest level, which constitutes an increasing burden for German banks. The easing in tension on the international financial markets compared with 2012 and the robust German economic activity given the circumstances were supportive for developments in the industry. That said, credit demand in the economy remained subdued in a still fiercely competitive market environment in the corporate as

well as the private customer business, with many companies having good liquidity as well as reluctant to invest in view of the many floating uncertainties.

The changes in the banking industry continued, primarily against the backdrop of the gradual implementation of Basel III from 2014 and the ongoing implementation of EU Commission requirements at many institutions. What is more, adjusting to the growing regulatory and legal requirements in 2013 tied down capacities and resources at institutions to a significant extent. Large German banks were obliged for the first time to submit recovery plans in accordance with MaSan requirements by the end of the year. In the run-up to the single supervisory mechanism for about 130 systemically relevant banks under the aegis of the ECB – among them LBBW as well – a comprehensive banking review was launched in the second half of 2013.

Business performance of the LBBW Group. Results of operations, net assets and financial position.

Business development in 2013.

The trends which dominated in the previous year continued to prevail over the global banking industry in 2013. The main topics for the European banking industry, alongside the progress being made with regulatory issues, were the continued pressure to increase equity and reduce risk weighted assets.

Persistently low interest rates, stable or falling credit risk premiums for countries and businesses as well as the extremely bright stock markets around the world influenced market events.

Amid this setting, the LBBW Group continued its positive performance in the 2013 financial year, despite the fiercely competitive markets and muted credit demand. The change in focus towards a customer-driven bank and the implementation of the obligations derived from the restructuring launched in 2009 were both successfully completed in all main areas in 2013.

The Group succeeded in generating a positive result for the eighth consecutive quarter. The 2013 financial year therefore closed out with a **net profit before tax** figure of EUR 471 million, which represents an improvement of EUR 72 million on the previous year (2012: EUR 399 million). In spite of the sharp reduction in **total assets** – which fell by EUR 63 billion to EUR 274 billion compared with the previous year – LBBW can look back on a moderate increase in net income (before allowances for losses on loans and advances) in core business areas. Allowances for losses on loans and advances remained moderate thanks to the sound economic conditions in the core markets, particularly Germany, but increased noticeably on the previous year. The absence of major burdens caused by turmoil on the financial markets and the slight reduction in administrative expenses exerted a positive effect on earnings.

Alongside the key performance indicators referred to above that are relevant for management purposes (profit before tax and total assets), the **cost income ratio (CIR)** is another management indicator, which improved by 9.1% points to 63.5% following the positive development in both income and costs throughout the 2013 financial year.

Net consolidated profit before tax came in roughly EUR 100 million higher than **planned** in the 2013 financial year. This development was boosted by the better-than-expected performance of credit derivatives, positive contributions from the real estate business, one-off effects, including the reversal of provisions, and allowances for losses from loans and advances that were significantly lower than budgeted. Risk-reducing measures, subdued credit demand and the persistently low interest rate had the opposite effect. On the other hand, administrative expenses were as planned.

All these developments produced a cost/income ratio of 63.5%, slightly higher than planned.

Total assets of the LBBW Group fell much more strongly in the course of the year than originally anticipated. The good market conditions, inter alia, were used to effect a systematic reduction in assets.

The Group's financial position throughout the entire reporting year was satisfactory given the good liquidity. The Group was able to obtain funding on the requisite scale via the market at all times.

The main instrument for managing capital at the LBBW Group is the **common equity Tier 1 ratio** after full implementation of Basel III (fully loaded). LBBW has a solid capital base with a ratio of 12.6% as at 2013 year-end. Alongside the conversion of silent partners' contributions as at 2012 year-end, the faster reduction in risk weighted assets (principally in the non-core banking portfolios) contributed to improving this ratio.

The **Tier 1 capital ratio** according to Basel 2.5 came in at 18.5% for the LBBW Group at the end of 2013. This constitutes an improvement of 3.2% points compared to the previous year. The **total ratio** increased to 22.5%, which means the capital ratios of LBBW easily exceed the market average.

All in all, the LBBW Group made positive progress with all management-related performance indicators throughout the 2013 financial year.

Results of operations.

Net profit/loss before tax of the three operating segments Corporates, Financial Markets and Retail/Savings Banks totaled EUR 1,144 million for the 2013 financial year (previous year: EUR 1,289 million). This was offset by another negative result in the credit investment segment, which was hampered in 2013 again by the fee for the guarantee of the State of Baden-Württemberg and the systematic efforts made to reduce risk weighted assets.

Please refer to the Notes for details regarding the presentation of individual segment results.

Figures:

	1 Jan. 2013 – 31 Dec. 2013 EUR million	1 Jan. 2012 – 31 Dec. 2012 EUR million	Change EUR million	Change in %
Net interest income	1,794	2,057	– 263	– 12.8
Allowances for losses on loans and advances	– 310	– 143	– 167	> 100
Net fee and commission income	522	514	8	1.6
Net gains/losses from financial instruments measured at fair value through profit or loss[1)]	373	24	349	> 100
Net gains/losses from financial investments and net income/expenses from investments accounted for using the equity method	16	135	– 119	– 88.1
Other operating income/expenses[2)]	105	– 33	138	-
Total operating income/expenses (after allowances for losses on loans and advances)	**2,500**	**2,554**	**– 54**	**– 2.1**
Administrative expenses	– 1,774	– 1,860	86	– 4.6
Operating result	**726**	**694**	**32**	**4.6**
Guarantee commission for the State of Baden-Württemberg	– 300	– 305	5	– 1.6
Impairment of goodwill	– 3	0	– 3	100.0
Net income/expenses from restructuring	48	10	38	> 100
Net consolidated profit/loss before tax	**471**	**399**	**72**	**18.0**
Income tax	– 134	– 1	– 133	> 100
Net consolidated profit/loss	**337**	**398**	**– 61**	**– 15.3**

Rounding differences may occur in this and subsequent tables for computational reasons.
1) In addition to net trading gains/losses in the narrow sense, this item also includes net gains/losses from financial instruments measured at fair value and net gains/losses from hedge accounting.
2) Net income/expenses from investment property is shown as part of other operating income/expenses.

Net interest income declined by EUR – 263 million year on year to EUR 1,794 million. This drop was essentially the result of a much reduced volume of interest-earning assets and the persistently low interest rate environment. Other factors influencing the result included the noticeably subdued credit demand, the targeted reduction in non-core banking activities and the scaling back of some large exposures. Moreover, fewer one-off effects had an impact. In 2012 in particular there was a positive effect of roughly EUR 187 million derived from changed present values based on anticipated interest payments from silent partners' contributions and profit participation rights. By contrast, interest expenses decreased by roughly EUR 70 million in the year under review, largely because of the conversion of silent partners' contributions at the start of 2013.

Expenses from **allowances for losses on loans and advances** rose by EUR – 167 million year on year to EUR – 310 million. In spite of this increase, however, these expenses remained well below their long-term average.

Net fee and commission income improved in the year under review by EUR 8 million to EUR 522 million, with the individual types of fees and commissions performing differently. On the one hand, substantial improvements were seen in net fee and commission income from the securities and custody business (EUR 21 million, including transaction-based business with customers and savings banks), but this was offset by lower net fee and commission income in the lending, trustee and guarantee (aval) business owing to the subdued credit demand (EUR – 15 million).

Net gains/losses from financial instruments measured at fair value through profit or loss rose substantially year on year by EUR 349 million to EUR 373 million. The encouraging annual gain was largely driven by trade in interest-rate derivatives. In addition, the reversal of impairment losses on rating-induced transactions amounting to EUR 65 million had a beneficial impact (particularly for spread tightening in bank and sovereign names that had an effect on credit derivatives; previous year: EUR 305 million). The negative result from the previous year was largely affected by valuation adjustments (inter alia for market parameters, counterparty risks and legal risks) and by hedging currency risks using derivatives. The market valuation of own liabilities resulted in an expense of EUR – 82 million because of LBBW's better credit rating, but this was still lower than the previous year (EUR – 144 million).

Net gains/losses from financial investments and net income/expenses from investments accounted for using the equity method worsened year on year from EUR 135 million to EUR 16 million. This result was dominated once again by the continued reduction in volumes and risks in non-core banking business (credit substitute business). This involved consciously accepting some burdens on earnings in the course of the year. What is more, lower income was generated from the sale of equity investments.

Profit of EUR 24 million was made from selling **securities** (previous year: EUR – 21 million). Write-ups in the credit investment portfolio, which was particularly affected by the financial market crisis, were roughly the same size. This was offset by an expense derived from adjusting the reimbursement rights in connection with the guarantee provided by the State of Baden-Württemberg totaling EUR – 56 million (previous year: EUR – 17 million).

The sale of **equity investments** in the financial year produced a profit of EUR 37 million (previous year: EUR 172 million). Net gains/losses from investments accounted for **using the equity method** in the period under review totaled EUR 6 million, and were therefore EUR – 48 million less than the previous year's figure.

Other operating income/expenses and **net income/expenses from investment property** improved significantly due to a variety of one-off effects and amounted to EUR 105 million, up from EUR – 33 million in the previous year. Successful project developments helped to generate earnings of EUR 111 million (previous year: EUR 12 million) in real estate. These were partially negated by impairments on real estate amounting to EUR – 38 million and declining rental income from real estate (EUR – 21 million). It should be noted here that the residential housing portfolio of LBBW Immobilien GmbH was sold as at the end of the first quarter in 2012 in accordance with EU requirements. An expense of EUR – 30 million was incurred in connection with the sale of a subsidiary as part of the planned reduction in the investment portfolio. Moreover, allocations to, and reversals of, provisions connected to legal and litigation risks almost balanced each other out in comparison with the previous year.

Administrative expenses fell slightly by EUR 86 million compared to the previous year, from EUR – 1,860 million to EUR – 1,774 million. There were structural changes in administrative expenses, triggered by the outsourcing of IT activities which began as at 1 September 2013. As part of the outsourcing, the Bank transferred its computer center and parts of application development, thereby reducing staff costs by EUR 44 million. Amortization and depreciation on intangible assets and property and equipment also fell by EUR 32 million. In spite of the high cost associated with regulatory requirements, other administrative expenses dropped marginally as well (EUR 10 million), and included, among other items, the bank levy, which totaled EUR 67 million in 2013.

The expenses incurred for the **guarantee commission** for the State of Baden-Württemberg fell by EUR 5 million to EUR – 300 million because of the reduction in the guarantee portfolio in 2013.

Net income from restructuring amounting to EUR 48 million was largely caused by the reversal of restructuring provisions that are no longer needed.

Based on the all the developments outlined above the **net consolidated profit before tax** rose by EUR 72 million to EUR 471 million, and was thus significantly more than in 2012.

A **tax expense** totaling EUR – 134 million was incurred in the period under review, compared with EUR – 1 million in the previous year. Current income taxes made up EUR – 50 million of this amount in 2013, while income taxes relating to earlier years totaled EUR – 58 million. In addition, deferred taxes totaled EUR – 26 million. In the previous year, tax income was recorded from the reversal of provisions connected with the successful settlement of a tax dispute abroad.

Net consolidated profit after tax amounted to EUR 337 million (previous year: EUR 398 million). EUR – 6 million of this amount was accounted for by minority interests while EUR 343 million goes to the owners of LBBW.

Net assets and financial position.

Assets	31 Dec. 2013 EUR million	31 Dec. 2012[1] EUR million	Change EUR million	Change in %
Cash and cash equivalents	2,156	2,909	– 753	– 25.9
Loans and advances to banks	47,577	50,080	– 2,503	– 5.0
Loans and advances to customers	109,050	117,172	– 8,122	– 6.9
Allowances for losses on loans and advances	– 2,179	– 2,505	326	– 13.0
Financial assets measured at fair value through profit or loss	71,402	110,464	– 39,062	– 35.4
Financial investments and shares in investments accounted for using the equity method	40,957	53,074	– 12,117	– 22.8
Portfolio hedge adjustment attributable to assets	355	580	– 225	– 38.8
Non-current assets held for sale and disposal groups	727	23	704	> 100
Intangible assets	494	502	– 8	– 1.6
Investment property	506	516	– 10	– 1.9
Property and equipment	625	710	– 85	– 12.0
Current income tax assets	179	182	– 3	– 1.6
Deferred income tax assets	1,058	1,266	– 208	– 16.4
Other assets	616	1,364	– 748	– 54.8
Total assets	**273,523**	**336,337**	**– 62,814**	**– 18.7**

1) Restatement of prior year amounts (see Note 2).

Equity and liabilities	31 Dec. 2013 EUR million	31 Dec. 2012[1] EUR million	Change EUR million	Change in %
Deposits from banks	58,030	64,236	– 6,206	– 9.7
Deposits from customers	82,049	85,332	– 3,283	– 3.8
Securitized liabilities	49,561	61,589	– 12,028	– 19.5
Financial liabilities measured at fair value through profit or loss	57,654	99,732	– 42,078	– 42.2
Portfolio hedge adjustment attributable to liabilities	685	1,199	– 514	– 42.9
Provisions	3,140	3,133	7	0.2
Liabilities from disposal groups	915	0	915	100.0
Current income tax liabilities	58	200	– 142	– 71.0
Deferred income tax liabilities	169	170	– 1	– 0.6
Other liabilities	756	698	58	8.3
Subordinated capital	7,103	9,715	– 2,612	– 26.9
Equity	13,403	10,333	3,070	29.7
Share capital	3,484	2,584	900	34.8
Capital reserve	8,240	6,910	1,330	19.2
Retained earnings	1,223	782	441	56.4
Other income	104	– 363	467	-
Unappropriated profit/loss	343	399	– 56	– 14.0
Equity attributable to non-controlling interest	9	21	– 12	– 57.1
Total equity and liabilities	**273,523**	**336,337**	**– 62,814**	**– 18.7**
Guarantee and surety obligations	5,933	6,464	– 531	– 8.2
Irrevocable loan commitments	21,582	22,381	– 799	– 3.6
Business volume	**301,038**	**365,182**	**– 64,144**	**– 17.6**

1) Restatement of prior year amounts (see Note 2).

Consolidated total assets continue to decline in accordance with EU requirements.

Total assets dropped sharply year on year by EUR – 62.8 billion or – 18.7% to EUR 273.5 billion compared with the year-end 2012.

This included declines both for irrevocable loan commitments as well as warranty and guarantee obligations, which reduced the business volume by EUR – 64.1 billion or – 17.6% to EUR 301.0 billion.

Lending.

Cash and cash equivalents totaled EUR 2.2 billion on the reporting date, which is down by EUR – 0.8 billion on the 2012 year-end figure, particularly because of the reduction in balances with central banks.

Loans and advances to banks decreased by EUR – 2.5 billion to EUR 47.6 billion on the previous year, largely due to a decrease of roughly EUR – 5.2 billion in public-sector loan receivables and of EUR – 0.4 billion in maturing borrower's note loans. By contrast, an increase of around EUR – 2.6 billion was recorded in the volume of business with banks, mainly with securities repurchase transactions.

Loans and advances to customers fell by EUR – 8.1 billion to EUR 109.1 billion. This trend was mostly influenced by the subdued credit demand, and is reflected above all in the fall of public-sector credit receivables (EUR – 2.3 billion). Decreases were also recorded for current account overdrafts (EUR – 0.8 billion), mortgage loans (EUR – 2.4 billion) and other credit receivables (EUR – 3.4 billion).

Financial assets measured at fair value through profit or loss fell sharply by EUR – 39.1 billion, from EUR 110.5 billion to EUR 71.4 billion, thereby making a significant contribution to the massive reduction in total assets. This means maturing money market instruments, which make up a significant share of the trading portfolio, alongside interest-rate derivatives, exceeded new business by approximately EUR – 7.0 billion. In the year under review, derivatives with matching fair values at portfolio level as at 2012 year-end were closed in the amount of EUR – 11.7 billion. Furthermore, derivatives were transferred to a central liquidator and subsequently netted. As a result of netting, the positions which lead to a reduction in total assets increased by EUR 1.0 billion. A slight increase in the interest rate resulted in a further decline of market values, particularly with interest-rate derivatives. Despite maturities, the portfolio of bonds and debentures rose by roughly EUR 1.8 billion.

Holdings of financial investments and shares in investments accounted for using the equity method fell by EUR – 12.1 billion to EUR 41.0 billion, which was mainly the result of further reductions in the credit investment segment and of maturities and disposals of securities from the banking book. However, the portfolio of investments accounted for using the equity method remained almost unchanged.

As at 31 December 2013, non-current assets held for sale and disposal groups contained the assets of a subsidiary company recognized in accordance with IFRS 5.

Other assets decreased in the reporting year by EUR – 0.7 billion from EUR 1.4 billion to EUR 0.6 billion. This reduction was primarily caused by sales of project developments owned by LBBW Immobilien GmbH as well as the increased deposits of securities as initial margins for derivatives.

Funding.

Under equity and liabilities, deposits from banks decreased by EUR – 6.2 billion to EUR 58.0 billion in the year under review. This decline was largely attributable to maturing borrower's note loans and registered covered bonds totaling EUR – 3.5 billion. The holding of securities repurchase transactions also fell by EUR – 1.1 billion as at the reporting date, while call and term deposits along with current account overdrafts declined by another EUR – 1.2 billion.

Deposits from customers fell by EUR – 3.3 billion to EUR 82.0 billion. The reasons for this reduction included maturing registered covered bonds and borrower's note loans amounting to EUR – 4.5 billion as well as a lower volume of securities repurchase transactions totaling EUR – 1.6 billion. However, current account liabilities rose sharply by EUR 3.3 billion.

The holding of securitized liabilities registered a significant decrease in the year under review, falling by EUR – 12.0 billion to EUR 49.6 billion. The main factors here were maturing borrower's note loans and covered bonds amounting to approximately EUR – 13.1 billion. In light of the restrained credit demand in lending, these maturities were only partly offset by new issues in the year under review totaling roughly EUR 7.1 billion. Looking at public covered bonds in particular, the disposals of bullet instruments amounting to EUR – 6.0 billion were only partially replaced by, inter alia, two jumbo issues maturing in 2013 totaling EUR – 2.8 billion.

Financial liabilities measured at fair value through profit or loss and totaling EUR 99.7 billion fell sharply by EUR – 42.1 billion to EUR 57.7 billion. This development corresponded to trends on the assets side and was largely due to the same reasons.

As at 31 December 2013, liabilities from disposal groups included the assets of a subsidiary company recognized in accordance with IFRS 5.

Equity.

Equity of the LBBW Group increased by EUR 3.1 billion to EUR 13.4 billion in the year under review. The increase in share capital as well as in the capital reserve amounting to EUR 2.2 billion was offset by a related decline in silent partners' contributions in subordinated capital totaling EUR 2.3 billion following the conversion as at 1 January 2013.

The change in the revaluation reserve by a total of EUR 475 million, which is included under other income, was attributable both to the reduced portfolio and recoveries in securities prices (EUR 521 million). This was offset by a decline in sales and the valuation of investments and shares in affiliated companies amounting to EUR – 46 million.

Financial position.

LBBW's funding strategy is determined by the Asset Liability Committee (ALCo). Here the Group focuses on ensuring a balanced structure in terms of the groups of products and investors used. The Group's financial position throughout the entire reporting year was satisfactory on account of the good liquidity. LBBW was always able to obtain funding on the market on the requisite scale. The liquidity indicator as per LiqV was only reported at the level of the Bank, and totaled 1.47 as at 31 December 2013 (previous year: 1.64).

Risk and opportunity report.

Basic principles.

Risk-oriented management of the Bank as a whole.

LBBW defines risk management as the use of a comprehensive set of tools to address risks within the scope of the risk-bearing capacity and the strategy set out by the Board of Managing Directors. Risks should be taken within the scope of the internal control process, in a deliberate and controlled manner, and on the basis of the associated opportunities for income and growth potential.

The internal control process thus forms a core element of the group-wide system for risk-oriented steering instruments and particularly comprises the organizational and operational structure, the risk management and control processes, and internal auditing.

Risk strategy.

The Board of Managing Directors and the Risk Committee stipulate the principles of the risk management system by defining risk strategies that are consistent with LBBW's business strategy.

Risk strategy guidelines are defined in the group risk strategy, which applies to the entire Group and across all risk categories; these are consolidated in the form of risk tolerance in accordance with the Minimum Requirements for Risk Management (MaRisk). It is determined through the definition of basic risk-strategy principles, strategic limits, the liquidity risk tolerance, and the principles of risk management and observed in all business activities.

The basic risk-strategy principles reflect the conservative risk policy defined in the business strategy:

- Sustainable observance of risk-bearing capacity even under stress conditions
- Solvency and observance of liquidity risk tolerance at all times
- Sustainable observance of EBA stress test requirements and the regulatory minimum ratios

The strategic limit system operationalizes the requirements and objectives defined in the business strategy for all material risk types covered by risk-bearing capacity. The upper risk limit for economic capital for 2014 was defined by the Group's Board of Managing Directors, taking into account the aforementioned fundamental risk strategy requirements and the economic capital forecast for the coming five years, and allocated to the material risk types. Further details can be found in the section on the risk situation of the LBBW Group.

The liquidity risk tolerance caps the liquidity risk in the narrower meaning (i.e. it limits the risk of not meeting payment obligations). Further information can be found in the section on liquidity risks.

The risk guidelines represent core principles for balancing opportunities and risks within LBBW. They contribute to the creation of a uniform risk culture and – in accordance with materiality principles – form the framework for the precise organization of processes and methods of risk management. They include general risk guidelines on the topics of MaRisk, management, new products and markets and outsourcing as well as risk guidelines on specific risk types.

In addition, the specific risk strategies approved for each material risk type document the current and target risk profile of LBBW, specify customer-, product- and market-specific guidelines and thereby create the framework for medium-term planning together with the business strategy.

Operational implementation of these requirements is monitored by deviation analyses, business area dialogs, monthly analyses of results, and strategic and operational limit systems.

Risk management systems.
Risk capital management.

Risk types.

The overall risk profile of the LBBW Group is ascertained annually by Group Risk Control on the basis of the group risk inventory and is presented to the Board of Managing Directors in the form of a risk map. Risk measurement of the material subsidiaries is based on the transparency principle; i.e. the types of risk identified as material in the respective companies are integrated in the group-wide risk measurement of the respective type of risk. LBBW shows companies whose risks are regarded as immaterial in investment risk.

The following material risk types were identified for 2013:

Risk types.

Risk type	Describes possible…
Counterparty default risks	… losses arising from the default or deterioration in the credit rating of business partners. … defaults by sovereign borrowers or restrictions on payments. … losses arising from shortfall in proceeds from the liquidation of collateral.
Market price risks	… losses caused by changes in interest rates, credit spreads, equity prices, exchange rates, commodity prices, volatility.
Liquidity risks	… problems meeting payment obligations in the short term, or not being able to quickly close out larger positions at market value.
Operational risks	… losses arising from the unsuitability or failure of internal processes and systems people, or due to external events, including legal risks.
Investment risks	… losses in the value of Group companies and equity investments not included in the above risk categories.
Reputation risks	… losses caused by damage to the Bank's reputation.
Business risks	… losses due to less favorable business performance than expected or from strategic errors, provided that they do not relate to other characteristic banking risks.
Pension risks	… increase in provisions for pensions.
Real estate risks	… losses in the value of the Group's real estate holdings.
Development risks	… losses resulting especially from potential plan variances in the project development business of LBBW Immobilien Management GmbH.

Economic capital and aggregate risk cover.

A group-wide compilation of risks across all material risk types and subsidiaries, and the comparison of this with the capital calculated from an economic perspective (aggregate risk cover) are carried out in the calculation of risk-bearing capacity (RBC) according to the so-called liquidation principle. Internal monitoring of this figure ensures the adequacy of the LBBW Group's economic capital resources.

At LBBW, aggregate risk cover (corresponds to risk coverage potential as per MaRisk) denotes the own funds restricted according to economic criteria which are available to cover unexpected losses. In addition to equity (as per IFRS including AfS reserves), subordinated debt and income statement results in accordance with IFRS are considered components of aggregate risk cover. Extensive conservative deductible items are also included in aggregate risk cover due to regulatory requirements.

Economic capital is calculated as a uniform risk measure at the highest level. This is deemed to constitute the amount of economic capital necessary to cover the risk exposure resulting from business activities. In contrast with the capital backing stipulated by regulatory bodies, it therefore represents the capital backing required from LBBW's point of view for economic purposes, calculated using it's own risk models. It is quantified as value-at-risk (VaR) at a confidence level of 99.93% and a one-year

holding period for credit, market price, real estate, development, investment and operational risks, and using simplified procedures for other risks.

By contrast, liquidity risks are managed and limited by the quantitative and procedural rules defined in the liquidity risk tolerance.

The upper risk limit for economic capital (economic capital limit) represents the Group-wide overarching limit for all relevant quantified risk types. This limit reflects LBBW Group's maximum willingness to accept risk. In keeping with the conservative principle underlying risk tolerance it is substantially below the aggregate risk cover and thus provides scope for risks arising from unforeseeable stress situations. On the basis of the upper economic capital limit, economic capital limits are defined for the various directly quantified risk types and for the other risks not quantified within a model approach. The risk-bearing capacity is monitored by Group Risk Control by means of a traffic light system. The respective traffic light thresholds are linked to the recovery plan in accordance with the Minimum Requirements for the Design of Recovery Plans (MaSan) and tied to options for action. Risks within the framework of the LBBW Group's risk-bearing capacity are described before possible measures to limit risks (so-called gross presentation).

In addition to management across risk types, economic risk management is implemented at segment level. LBBW's risk capital management also includes the management of regulatory capital. Further details on this can be found in the Notes.

Stress tests.

In addition to statistical indicators, which are ultimately based on historical data, and risk measurement tools, stress scenarios play an important part in risk assessment. They analyze in advance the impact of possible economic volatility and market crises in order to establish whether LBBW is able to withstand extreme situations.

Stress tests are therefore an integral part of LBBW's risk management. The stress scenarios are arranged in such a way that extraordinary but plausible events of different degrees of severity can be considered in terms of their impact on economic and regulatory capital and on the liquidity situation.

For this purpose, various methods ranging from a simple sensitivity analysis to complex macroeconomic scenarios addressing multiple risk types are applied. So-called inverse stress testing is also conducted regularly to examine which scenarios could threaten the existence of the LBBW Group.

In order to ensure risk-bearing capacity and regulatory capital ratios even in a stress case, so-called RBC stress scenarios are defined for the various risk types. These stress scenarios are economically focused across different types of risk, whose definition was geared in particular to LBBW's risk concentrations. In addition to the analysis of the economic and regulatory capital in the status quo, the Group's resistance to stress is also monitored on the basis of these scenarios. Infringements are monitored and escalated by Group Risk Control using the traffic light method.

LBBW Group – risk situation

The risk-bearing capacity in the Group was maintained without any restrictions during the entire 2013 financial year. The risk-bearing capacity once again improved significantly over the end of the year 2012. This was also associated with a significant increase in stress resistance.

Utilization of the aggregate risk cover stood at 53% as at 31 December 2013.

LBBW Group – risk-bearing capacity.

	31 Dec. 2013		31 Dec. 2012	
	Absolute[1]	Utilization	Absolute[1]	Utilization
Aggregate risk cover	16,859	53%	17,141	60%
Economic capital limit[2]	12,800	70%	13,600	75%
Economic capital tie-up	8,923		10,249	
of which:				
diversification effects	– 535		– 738	
counterparty risk	4,304		5,622	
market price risk	2,297		2,661	
investment risk	171		192	
operational risk	1,119		900	
development risk	60		163	
real estate risk	262		267	
other risks[3]	1,245		1,182	

1) Confidence level of 99.93%/one-year holding period
2) The individual risk types are capped by means of economic capital limits.
3) Other risks (especially reputation, business and pension risks)

This improvement was due, in particular, to the systematic run-off of the non-core business portfolio, reduction of risk concentrations and the positive market situation with respect to credit spreads and volatility. On the other hand, the reduction in the interest rate stipulated by IFRS has caused an increase in pension risks. Furthermore, changes in the quantification of counterparty and market price risks led to an increase in economic capital, which, however, was much more than offset by risk reduction. In 2013, operational risk increased in particular as the result of a methodological adjustment in the area of rare but high losses. In addition, the likelihood of rare losses occurring as determined from external sources increased. The development risk was significantly reduced thanks to the completion and sale of major real estate development projects.

While the aggregate risk cover profited both from the positive earnings trend and the procurement of subordinated capital it was at the same time negatively affected by the repayment of hybrid capital now already included and planned for next year as well as by more detailed regulatory requirements.

Opportunities.

The relevant aggregate risk cover (ARC) for calculating risk-bearing capacity is defined as the lowest ARC of the following twelve months (rolling 12-month minimum view). Opportunities therefore occur for the ARC when the actual ARC outstrips the projected development or when the ARC forecast improves in the wake of a positive trend. This is particularly the case for market trends (above all credit spreads, interest rates) with a positive effect on earnings and capital figures with lower allowances for losses on loans and advances due to the economic trend or with a better-than-expected business performance. Apart from market- and business-driven improvements, the ARC can be proactively strengthened by measures such as issuing subordinated capital.

The risk-bearing capacity situation is influenced by economic capital in addition to the aggregate risk cover. The development of economic capital depends on a large number of factors. An upbeat market for credit spreads, interest rates and volatilities as well as the consistent wind-down of the portfolio of non-core business may likewise bring about a reduction of economic capital as may, for example, an economy-fueled improvement in the portfolio quality.

Risk management processes and reporting.

Risk management and monitoring.

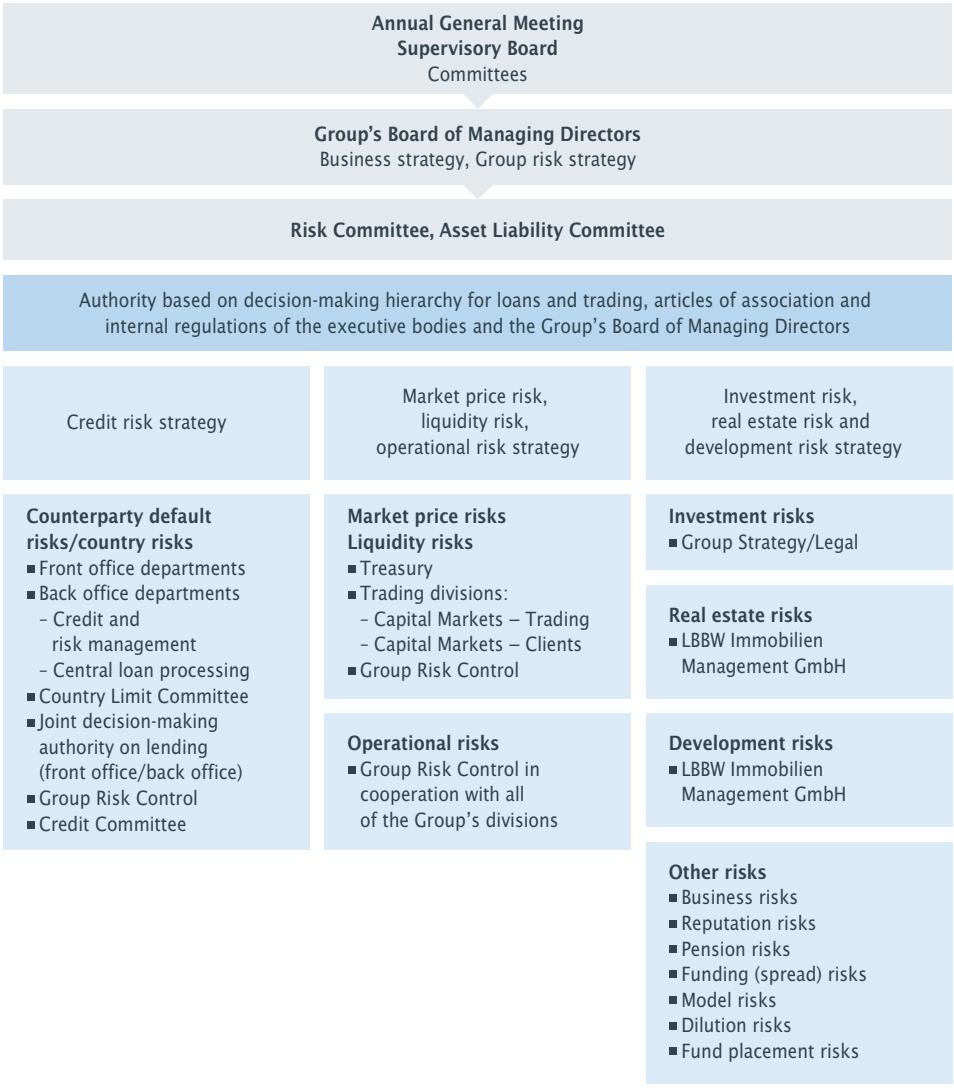
LBBW's risk management and monitoring is based on the guidelines of the risk strategy and the defined limits and approval powers.

At LBBW, transactions can only be entered into within clearly defined limits or approval powers and in accordance with the principles of the risk strategy. Within the defined framework, risk management decisions are made by the departments with portfolio responsibilities, maintaining the separation of functions; these decisions are monitored by central Group Risk Control. The risk control and risk management system set up for this purpose covers all material risks and the details specific to the risk types.

Potential concentration of risk receives particular attention. On the one hand, concentrations tend to arise as a result of the synchronization of risk positions within one risk type. On the other hand, they can also be produced as a result of common risk factors or interactions between various risk factors of different risk types. At LBBW, appropriate processes are used to identify and to deliberately manage risk concentration. Risks to the Group's going concern status must be excluded. Differentiated monitoring processes (e.g. report on risk concentrations, stress tests) and limits (e.g. sector and country limits) are available for the purpose of monitoring this strategic requirement.

An overview of the structure and individual elements of the risk management system of LBBW is given in the following chart:

Risk management structure.



Committees and reporting.

The members of the Group's Board of Managing Directors with responsibility for managing risks are supported in their decision-making by corporate bodies and a comprehensive risk and subject-specific reporting system.

The Risk Committee comprises the Board members with responsibility for financial markets, operations/IT/services, finance/controlling/investments and risk/back office in addition to divisional managers from, among other areas, Group Risk Control, Financial Controlling and Treasury. As an advisory committee, it prepares decisions for the Board of Managing Directors and supports it in risk monitoring, risk methodology and risk strategy for the Group as a whole and in complying with regulatory requirements. The monthly overall risk report and other reports prepared on specific issues as required form the basis for this.

The Asset Liability Committee (ALCo) also has an advisory role and works on preparing decisions for the Group's Board of Managing Directors. The focus of the Asset Liability Committee is on strategic

resource management for the Group as a whole. It supports the Board of Managing Directors, among other things in structuring the balance sheet, managing capital and liquidity as well as in funding and managing market-price risks. The Committee comprises the Chairman of the Board of Managing Directors, the Board members responsible for finance/controlling/investments in addition to specific divisional managers from Treasury, Group Risk Control, Financial Controlling and Finance, among other areas.

New Product Process.

New types of product at LBBW are subject to a New Product Process that ensures that the product is included in LBBW's various systems, such as accounting or group risk control. Any potential legal consequences are also outlined.

This concerns trading and credit products. The main focus is on trading products. If it is not possible to fully integrate the products into the model immediately, a step-by-step approach is taken in which the products are initially traded only under very strict supervision.

Process-independent monitoring.

The Group Auditing division is a process-independent department that monitors the operations and business workflows, risk management and control and the internal control system (ICS) with the aim of safeguarding LBBW's assets and boosting its operating performance. The Group Auditing division exercises its duties autonomously. The Board of Managing Directors is informed of the results of audits in written audit reports which are discussed with the audited operating units. The Group Auditing division also monitors the measures taken in response to the audit findings.

The auditing activities of the Group Auditing division are generally based on an audit schedule, approved annually by the Board of Managing Directors, on the basis of a long-term risk-oriented plan which records all the activities and processes of the LBBW Group, allowing for risk weighting, in a reasonable period, but always within thee years.

Regulatory developments.

MaRisk.

LBBW is subject to the regulations on the Minimum Requirements for Risk Management (MaRisk). On 14 December 2012 the German Federal Financial Supervisory Authority (Bundesanstalt für Finanz-dienstleistungsaufsicht – BaFin) detailed and extended the minimum requirements via the 4th MaRisk amendment. This was prompted by various European regulatory projects such as CRD IV, the EBA Guidelines on Internal Governance and the CEBS Guidelines on Liquidity Cost Benefit Allocation.

As a result of the new version of MaRisk the requirements for risk-bearing capacity and the capital planning process, for early risk detection and the risk controlling and compliance function as well as for the netting system for liquidity costs, benefits and risks were tightened up and extended.

In principle, the new minimum requirements were to be implemented by 31 December 2013. Most of the topics were processed by the end of the year. Any outstanding topics will be implemented at the beginning of 2014 in line with the MaRisk implementation timetable.

Basel III.

On 27 June 2013 the CRD IV/CRR legislative package was published in the EU Gazette. This means that the rules and regulations in Basel III are now anchored in European law. These rules and regulations are to be applied for the first time as at 1 January 2014.

As a key element of the so-called Single Book, the regulations aim at an improvement in the loss absorption capacity of equity, the expansion of risk measurement and more stringent risk weighting for specific assets, such as derivatives or loans to banks. In future, banks will therefore be required to hold considerably more equity to cover their risk weighted assets. This will be operationalized through higher minimum ratios and additional capital buffers, which will be defined by law immediately in part and otherwise at the discretion of the national authorities in line with legal requirements, such as a systemic and a counter-cyclical capital buffer.

These new regulatory developments have implications for business strategy, the strategic direction of the business areas, management metrics and technical reporting capacity. The interdependencies between the new regulatory developments and business strategy call for an integrated approach.

LBBW prepared intensively for implementation in the financial year with an implementation project that systematically identifies the requirements of the management control system and takes into account the effects in the strategic and operational planning process.

LBBW supported the development of the legal norms on a national as well as an international level by participating actively in the consultation process.

MaSan.

At the international level the Financial Stability Board (FSB) submitted standards (so-called key attributes) on the well-ordered recovery and resolution of banks as early as November 2011. In June 2012 the EU Commission also published a directive on crisis management, which calls for the implementation of the key attributes at the European level by the year 2015. In response to this, in November 2012 BaFin issued the Minimum Requirements for the Design of Recovery Plans (MaSan) for consultation. In this connection BaFin requested recovery plans from potential nationally systemically relevant banks by the end of 2013.

LBBW drew up the recovery plan and submitted it to the regulatory authority.

The strategic analysis showed the company structure and business activities and how they are interlinked. In addition to this, an assessment was made as to which business activities are essential for LBBW and whether the disappearance of one business activity was critical for the market as a whole. Suitable options for action in a critical case were analyzed in the section on options for action. In this context the feasibility of the options for action and their effects on the parameters capital, risk, liquidity and income in the normal case and in stress situations was studied. The section on recovery indicators identified recovery thresholds using a traffic light system in line with the steering instruments and MaRisk.

The recovery plan is due to be updated on an annual basis.

EMIR.

In response to the crisis on the financial markets, at their summit in Pittsburgh in 2009 the G-20 states approved a comprehensive reorganization of the market for derivatives traded over the counter (OTC derivatives). The changes envisaged are intended to bring about an improvement in market transparency, limit systemic risks and enhance protection against market abuse.

The following changes in the derivatives market were envisaged in order to achieve the goals set:

- All standardized OTC derivatives are to be traded on stock exchanges or electronic marketplaces and settled via a central counterparty (CCP).
- Contracts for OTC derivatives that are not settled centrally are to be subject to higher equity capital and hedging requirements. This is designed to reduce the risks resulting from these transactions and promote central clearing.
- All contracts for derivatives are to be entered in central transaction registers. This requirement covers exchange-traded and OTC derivatives.

In the EU the G-20 requirements were implemented when the European Market Infrastructure Regulation (EMIR) came into effect on 16 August 2012. Detailed explanations have been or will in the near future be described in technical regulatory standards by the responsible market regulatory body, the European Securities and Markets Authority (ESMA), and approved by the EU bodies. In the USA the corresponding legal foundations were set out in Title VII of the Dodd-Frank Act on 21 July 2010.

The first requirements from EMIR have been in effect since March and September 2013 respectively and more important requirements are to follow in early 2014, for example the requirements relating to entries in the transaction register. These regulatory requirements will come into effect gradually and be fully operative by the beginning of 2015.

At LBBW the creation of regulatory compliance was combined with the EU regulation on derivatives, EMIR, and Title VII of the Dodd-Frank Act starting in autumn 2012 to form part of a cluster of projects. In addition, LBBW had already begun to implement the clearing obligation for interest-rate derivatives and to offer a corresponding clearing service for its customers as of 2010. The aim of the projects is to implement the LBBW processes and systems in such a way that the regulatory requirements in the derivatives business can be observed at all times. The first regulatory milestones were achieved in 2013.

Risk types.[1)]
Counterparty risk.

Definition.

The umbrella term counterparty risk describes the loss potential resulting from the fact that business partners may in future no longer be in a position to fulfill their contractually agreed payment obligations in full. A counterparty risk may occur both from direct contractual relationships (e.g. granting loans, buying a security) and indirectly, e.g. from hedging obligations (especially issuing guarantees, selling hedging via a credit derivative).

The main characteristics of this risk are defined and briefly explained below.

Credit risk.

Here the term credit risk, often used synonymously with counterparty risk, describes the counterparty risk from the lending operation, i.e. from granting loans and hedging lending by third parties (e.g. via guarantees).

Issuer risk.

The term issuer risk covers a counterparty risk resulting from securities. It covers both the direct securities portfolio and securities referenced via derivatives (especially via credit derivatives).

Counterparty credit risk.

Counterparty credit risk describes the counterparty risk from financial transactions (especially derivatives transactions), resulting from the fact that the contracting party (counterparty) is no longer in a position to meet their obligations. In this situation on the one hand the position that becomes open upon closing may entail costs (so-called replacement risk), while on the other there is a risk that advance payments have been made to the counterparty without the counterparty being able to provide the corresponding counter-performance (so-called advance payment, performance and/or settlement risk).

Country risk.

The term country risk designates a counterparty risk that arises because, due to critical political or economic developments in a country (or entire region), the transfer of foreign exchange is not possible or only possible to a limited extent.

Collateral risk.

Collateral risk is not direct counterparty risk, but describes the potential that collateral received to reduce the counterparty risk loses value, especially if this happens systematically (e.g. due to turmoil on real estate markets).

1) Information on economic capital tied up for the individual risk types can be found in the section on the risk management system/risk situation of the LBBW Group.

Counterparty risk management.

Management for limiting the counterparty risk is implemented as an integrated process at LBBW, and can be broken down into the three main components of risk measurement, risk monitoring and risk management:

Components of counterparty risk management.

Risk measurement	■ Risk classification procedures (PD) ■ Exposure at default (EaD) ■ Liquidation and recovery ratios (LGD) ■ Expected loss ■ Credit Value-at-Risk (CVaR) ■ Risk concentration ■ Stress tests
Risk monitoring and reporting	■ Individual transaction level, early warning indicators ■ Intensive care of delinquent loans ■ Portfolio level ■ Write-downs ■ Ad-hoc information on risk situation
Risk management	■ Pricing in line with risk and equity ■ Observance of the guidelines of the credit risk strategy at individual exposure level ■ Measures to observe various portfolio limits ■ Observance of the guidelines of the credit risk strategy at portfolio level ■ Active management of credit risks

Risk measurement.

In order to measure risk, LBBW uses an extensive range of instruments involving quantitative measuring procedures. These are subject to ongoing quality control and undergo permanent development.

Risk classification procedures.

LBBW uses specific rating and risk classification procedures for all relevant business activities. These procedures quantify the probability of default of the individual investments. For this purpose, the counterparty risk is calculated both including and excluding the transfer risk.

The quality of the risk classification procedures in use is reviewed regularly and the procedures are refined if necessary. These procedures are maintained and updated by LBBW on its own initiative or in cooperation with Rating Service Unit GmbH & Co. KG (an associated company of the Landesbanken) or Sparkassen Rating und Risikosysteme GmbH (a subsidiary of Deutscher Sparkassen- und Giroverband – DSGV).

Most of the portfolio is valued using internal rating procedures which have been approved for the Internal Ratings Based Approach (IRBA) by the banking supervisor. The rating grades are therefore not only used for internal management purposes but also to measure the regulatory capital requirements.

Exposure.

Whereas exposure is tied to a specific date for reporting purposes, potential future exposure is calculated to determine the credit value-at-risk and for linear offsetting, e.g. with derivatives and foreign-currency transactions. This is calculated for the most part on the basis of fair values and the corresponding add-ons. The add-on calculation takes account of the remaining maturity, product type and market factors (interest, currency etc.). Netting and collateral agreements are used for reducing risk. The capital charges for credit derivatives held in the trading book take account of the settlement payments and actual fair value losses as a result of default (jump-to-default method). (Modified) nominals are used for issuer and reference debtor risks from securities and holdings in the banking book.

Evaluating collateral.

Collateral is evaluated on the basis of its market value, which is reviewed regularly and on an ad hoc basis and adjusted in the event of any change in the relevant factors. Loss given default is estimated on the basis of the valuation of the individual items of collateral. In this respect, differentiated estimates are calculated for liquidation rates (average proceeds expected from the liquidation of collateral) and for recovery rates (proportion of the proceeds from the unsecured portion of a receivable). The estimates are based on empirical values and pool data recorded by the Bank itself and in cooperation with savings banks and other Landesbanken.

Expected losses.

The expected loss – as an indicator that depends on customer creditworthiness, an estimation of the loss at default and the expected exposure at default – provides the basis for the level of the standard risk costs. In preliminary costing at the individual transaction level, these are included in the calculation of risk-adequate loan terms. In terms of the portfolio this figure (standard risk costs in basis points) may provide information on the expected risk content of a portfolio. In connection with the calculation of impairments, the concept of the expected loss is also resorted to for calculating general allowances for losses on loans and advances in order to estimate the incurred loss that has not yet been recognized because of delays in information.

The market price of the counterparty risk of OTC derivatives and money market loans accounted for at fair value is measured using the so-called credit value adjustment (CVA). This is included in the income statement of LBBW as a valuation adjustment. The credit ratings of the counterparty and of LBBW are taken into consideration.

Credit value-at-risk.

At LBBW, unexpected loss or credit value-at-risk (CVaR) represents the potential present value loss of a portfolio above its expected loss. This determines the amount that will not be exceeded by losses with a probability (confidence level) defined by parameterizing the risk-bearing capacity within a time horizon of one year. LBBW uses a credit portfolio model based on the modeling of rating migration to calculate this value. The individual borrowers are assigned default and migration probabilities corresponding to their ratings. These are modeled with the help of internal and external data in such a way that correlations between borrowers can be adequately taken into account and borrower, sector and country concentration mapped. The credit portfolio model uses a Monte Carlo simulation approach to calculate risk. CVaR is used as the parameter for economic capital used for credit risks in the risk-bearing capacity analysis and in LBBW's management.

Risk concentration and stress tests.

One of the main tasks of counterparty risk management is to avoid the concentration of risks from individual exposures and also at the portfolio level. For this purpose, there are specific limit systems restricting the acceptance of exposures at the borrower, sector and country level. Concentration risks in counterparty risk are clearly identified and recorded and monitored by including CVaR in the risk-bearing capacity.

In addition, extensive stress scenarios – particularly in the light of possible concentration risks – are calculated at LBBW Group level to analyze possible changes in LBBW's portfolio arising from potential developments (e.g. sector crises) or the market environment. Moreover, counterparty risks are included in scenarios covering multiple risk types.

Risk monitoring and reporting.

Individual transaction level.

A system is in place for the early detection of risks, comprising procedural regulations and system-generated signals, whose goal it is to detect any deterioration in credit ratings at an early stage.

As part of risk monitoring, the risk managers responsible continuously check compliance with the limits granted as well as any changes in information of relevance for credit ratings. This includes monitoring any irregularities in account behavior, evaluating company news and observing macro-economic and sector trends. In cases in which market data can be observed for a given company, a market data-based system is additionally used.

The early detection of any deterioration in credit ratings allows appropriate countermeasures, e.g. additional collateral or pre-emptive restructuring, to be taken in consultation with the customer. Depending on the level of risk, problem assets are classified as cases requiring intensified support, restructuring or liquidation and are dealt with by the departments responsible. LBBW aims to minimize losses through successful restructuring activities, in line with the Bank's own interests and those of its customers.

Portfolio level.

Counterparty risk is monitored at the portfolio level in the Group Risk Control division, which, from an organizational point of view, is separate from the front and operational back office divisions. This division is responsible for ensuring the suitability of rating procedures, measuring counterparty risk, monitoring counterparty credit, country and sector limits and drawing up risk reports. Utilization of the exposure and CVaR limits set is shown in the monthly overall risk report.

- Compliance with country limits is monitored on a daily basis with a special limit system.
- The portfolio of financials has both an overall limit and country-related limits, in addition to the country limit itself.

Sector risks arising from the corporates portfolio are restricted and monitored through the stipulation of sector-specific limits. The limit system is based on a risk-oriented sector key designed specifically for this purpose, which combines sector segments with high dependence of losses along the value chain. For example, mechanical engineering companies whose products are sold predominantly to customers from the automotive industry are also assigned to the automotive industry.

Adjustments to problem assets.

Allowances for losses on loans and advances necessary for counterparty risks are calculated in accordance with uniform Group-wide standards and their appropriateness monitored on an ongoing or ad hoc basis. Allowances for losses on loans and advances are set aside or increased if objective indications point to an (increased) impairment in financial assets. Objective evidence of impairment includes default events that have already occurred, such as:

- arrears/infringement > 90 days,
- unlikely repayment (doubts as to the credit rating),
- rating-induced restructuring/debt rescheduling or
- insolvency (petition).

In addition to this, forbearance (defined as concessions to the borrower for economic or legal reasons in connection with his financial difficulties that would otherwise not be granted) may indicate an impairment. This is checked on a case-by-case basis.

Reporting.

An ad hoc reporting process is implemented for significant and extraordinary events for specific reporting to the decision-makers in charge. The most important periodic reports are as follows:

- The overall risk report presented monthly in the Risk Committee, including details about the risk situation at the portfolio level, compliance with requirements of the credit risk strategy and compliance with the material limits. Portfolio analyses additionally report on the risk situation of individual sectors and risk concentrations, for example.
- The comprehensive credit risk report, submitted on a quarterly basis as part of the overall risk report. This contains additional detailed information on the development of allowances for losses on loans and advances, rating distributions, size classes, product types, remaining maturities, new business, and risk concentration arising from individual commitments.
- The quarterly report on the business areas containing the relevant information on the steering instruments (capital, risk and earnings indicators) for each defined business area.
- Half-yearly in-depth sector report with detailed information on the sector situation, portfolio structure and the top customers in each sector.

Risk management.

Counterparty risks are managed, in particular, through the requirements of the credit risk strategy, through the economic capital allocation to sub-portfolios with the aid of the CVaR and the monitoring of concentration risks at the level of sectors, countries and individual counterparties.

Individual transaction level.

Risk management at the level of individual exposures is the duty of the credit back offices. As a rule, the upper limits are set individually by the respective holder of approval powers. This upper limit is taken into account for all of a customer's or borrower unit's risk-relevant transactions. A material part of managing individual transactions involves monitoring compliance with the requirements defined in the credit risk strategy. This determines the framework for LBBW's business strategy on the basis of the business strategy and in the light of the Group risk strategy. Particular attention is paid to avoiding concentration risks.

From an economic point of view, the question of whether a transaction will produce an adequate profit on a risk-adjusted basis is a key consideration before entering into business; for this reason, preliminary costing of all individual transactions is compulsory. In addition to the historical interest rate, the components in the calculations are the cost requirement margin (cover for processing costs), the risk range (cover for expected loss) and the capital range (interest on equity to cover unexpected loss). The results of the preliminary costing calculation form the basis of business management at customer level.

Sub-portfolio level.

The risk management measures differ depending on the respective sub-portfolio level:

- Country limits are determined by the Board of Managing Directors, based on the proposals of the Country Limit Committee. If the country limit is almost fully utilized, the affected front and bank office units are notified and if the limit is exceeded a ban on business is imposed to counteract the excess. If country credit ratings deteriorate, limits are reduced and/or bans on business issued. Wind-down targets also exist for countries that are the focus of particular attention.

- The limitation on the portfolios of financial institutions and the corporates sector portfolio triggers controlling measures such as hedging transactions to reduce risk or a ban on new business etc. if certain thresholds are exceeded.
- At the business area level, risks are limited through measures to ensure adherence to the quantitative guidelines of the credit risk strategy with regard to upper limits, rating structures and the portfolio quality, among others.

Total portfolio level.

In the management of the Group's credit portfolio, utilization of the limit on the economic capital for counterparty risks based on the CVaR is monitored particularly closely. A traffic light system recognizes at an early stage if limits are close to being fully utilized and measures to mitigate risk are initiated. In addition, the results of the stress tests provide indications of potentially dangerous risk constellations which necessitate measures for the reduction of risk.

Risk situation of the LBBW Group.

Preliminary note.

The quantitative information on the risk situation is based on the management approach. LBBW's risk situation is therefore reported on the basis of the figures used for the purpose of conducting internal risk management and reporting to the Board of Managing Directors and the corporate bodies. The management approach differs partially from balance sheet reporting. This can be put down to the presentation from risk aspects and deviations from the companies included for accounting purposes according to IFRS. In internal risk management the SüdLeasing Group and LBBW Luxemburg S.A. are included as consolidated subsidiaries.

The differences between the figures used for internal risk management on the one hand and external accounting on the other can be quantified as follows:

Reconciliation of accounting approach to management approach.

EUR million as at 31 Dec. 2013	Carrying amount	Reconciliation			Management approach
		Basis of consolidation	Measurement	Other	
Cash and cash equivalents	2,156	– 2	215	0	2,369
Receivables	156,627	– 375	26,771	– 1,464	181,560
Financial investments (LaR)	19,209	– 3,456	365	42	16,160
Financial investments (AfS)	21,451	2,104	– 2,214	– 77	21,265
Positive fair values from hedging derivatives	3,399	– 9	1,501	0	4,891
Trading assets (HfT)	66,687	3,108	28,871	33	98,699
Financial assets designated at fair value	1,316	– 263	– 292	1	761
Non-current assets held for sale and disposal groups	727	– 669	0	0	58

Development of exposure.

Gross exposure is defined as the fair value or utilization plus open external loan commitments. Net exposure also includes risk-mitigating effects such as netting and collateral agreements, the hedging effect of credit derivatives or the inclusion of classic credit collateral such as real estate liens, financial collateral, guarantees or bonds.

There is a difference in presentation compared to the 2012 annual report resulting from the greater differentiation in presenting exposures introduced in 2013. This affects principally the gross exposure, where the inclusion of collateral in repo/lending operations has been modified. Net exposure is only slightly changed.

Exposure to credit risks in 2013 was always in accordance with the RBC of the LBBW Group.

The following table shows the development of the two exposure variables and the risk-mitigating effects compared to 31 December 2012. The information as at 31 December 2012 (old) contains the figures before methodological adjustments.

Development of exposure.

EUR million	31 Dec. 2013 (new)	31 Dec. 2012 (new)	31 Dec. 2012 (old)
Gross exposure	**374,643**	**451,583**	**426,582**
Netting/collateral	68,502	101,436	77,002
Credit derivatives (protection buy)	20,550	29,338	29,338
Classic credit collateral	42,781	42,730	42,677
Net exposure	**242,810**	**278,079**	**277,565**

The new definition of exposure is used for the reporting date of 31 December 2013. As at 31 December 2013, gross exposure stood at around EUR 375 billion, EUR 77 billion or 17.0% less that at the end of 2012 (new basis). This change was the result of the wind-down of the non-core business portfolio, market value trends in interest-rate derivatives and the closure of offsetting derivative positions. The completed portfolio wind-down is also particularly evident from the decrease in net exposure, which is down by EUR 35 billion or 12.7% to approx. EUR 243 billion.

The details given below on portfolio quality, sectors, regions and size classes provide an overview of the aspects which are relevant for LBBW's risk situation. Net exposure forms the principal basis.

Portfolio quality.

Presenting the portfolio by internal rating class depicts how the portfolio quality has developed compared to 31 December 2012.

Portfolio quality.

Net exposure	EUR million 31 Dec. 2013	in % 31 Dec. 2013	EUR million 31 Dec. 2012	in % 31 Dec. 2012
1(AAAA)	59,614	24.6%	68,927	24.8%
1(AAA) – 1(A–)	111,322	45.8%	122,044	44.0%
2 – 5	43,023	17.7%	46,568	16.8%
6 – 8	13,823	5.7%	22,708	8.2%
9 – 10	6,102	2.5%	5,731	2.1%
11 – 15	2,911	1.2%	4,613	1.7%
16 – 18 (default)[1)]	3,768	1.6%	4,501	1.6%
Other	2,246	0.9%	2,473	0.9%
Total	242,810	100.0%	277,565	100.0%

1) »Default« refers to exposure for which a default event as defined in section 125 SolvV has occurred, e.g. 90-day default, improbability of repayment or the recognition of write-downs. The exposure is presented before allowances for losses on loans and advances/impairments.

As was the case last year, around a quarter of the net exposure was assigned to the best rating class 1(AAAA). This includes in particular German non-central public-sector entities. The shares of further very good to good ratings (1(AAA) to 5) increased from 60.8% to 63.6%, which means that the share in the overall portfolio with an investment-grade rating (1(AAAA) to 5) now stands at 88.1% (for comparison 31 December 2012: 85.6%). The net exposure in the default rating classes (16–18) was reduced by around EUR 0.7 billion as a result of winding down or selling exposures.

Sectors.

The presentation by net exposure, credit value-at-risk (CVaR) and default portfolio likewise provides information on the scope of business activities and the risk situation in the respective sector. The sector classification in the following table is based on LBBW's internal risk-oriented sector key.

Sectors.

EUR million	Net exposure 31 Dec. 2013	CVaR 31 Dec. 2013	Default 31 Dec. 2013	Net exposure 31 Dec. 2012	CVaR 31 Dec. 2012	Default 31 Dec. 2012
Financials	**114,560**	**982**	**364**	**129,865**	**1,360**	**506**
of which transactions under specific state liability[1)]	41,583	60	130	54,751	119	284
Companies	**73,891**	**2,549**	**3,215**	**81,047**	**2,963**	**3,798**
Automotive	9,331	420	305	10,734	539	332
Construction	5,811	213	304	5,697	292	387
Commercial real estate (CRE)	8,082	458	959	10,377	561	1,395
Utilities	6,170	153	28	6,610	247	20
Housing	4,314	262	150	4,442	200	149
Other sectors[2)]	40,183	1,043	1,467	43,187	1,124	1,515
Public sector	**47,799**	**586**	**2**	**59,089**	**1,079**	**1**
Private individuals	**6,560**	**187**	**186**	**7,563**	**221**	**195**
Total	**242,810**	**4,304**	**3,768**	**277,565**	**5,622**	**4,501**

1) This figure shows transactions with guarantor's liability, transactions for risk minimization covered by a guarantee provided by the State of Baden Württemberg or transactions with a SoFFin guarantee. This also includes central banks or banks with a state background.
2) »Other sectors« combines company sectors with net exposure of less than 5 % of the company portfolio as at 31 December 2013.

With a net exposure of EUR 115 billion, financials represent the largest of the four sectors (financials, corporates, public sector and private individuals). The year-on-year drop of around EUR 15 billion results to the tine of approx. EUR 13 billion from completed transactions with guarantor's liability. The marked reduction in CVaR is due mainly to the lower net exposure and changes in market data. The transactions in default comprise chiefly securitization positions for which LBBW holds a deductible from the risk shield concluded with the State of Baden Württemberg (see Notes for details).

The share of exposures to companies in the net exposure declined by 8.8%, or almost EUR 7 billion, to EUR 74 billion compared to 31 December 2012. The substantial decrease in CVaR (– 14.0%) is attributable to numerous individual effects (such as rating improvements and reductions in non-investment-grade names and changes in market data) brought about in the main by the top five corporate sectors. As in the previous year the corporate sectors account for more than half of CVaR (53% and 59% respectively as at 31 December 2012). The CVaR breakdown by business segment is similar – here too at 59% (for comparison 53% as at 31 December 2012) the Corporates segment accounts for the greatest share of CVaR.

In the table above, company sectors with net exposure of at least 5% of the company portfolio are shown separately. As in the previous year, automotive and commercial real estate sectors were the most important sectors in the portfolio. For this reason, they will continue to be monitored closely in the interests of managing sector concentration. The »other sectors« item includes a further 25 corporate sectors that contribute significantly to sector diversification within the company portfolio.

Net exposure to public-sector bodies contracted by around EUR 11 billion to EUR 48 billion. This reduction was predominantly concentrated in Germany and South Western Europe.

For private individuals there was a similar decline in net exposure and CVaR. This portfolio has a particularly high level of granularity.

Regions.

The share of German business in the net exposure has hardly changed at all and stands at approx. 75%. As a result of the LBBW Group's focus on the core markets in private, SME and large customer business, its function as a clearing bank for the savings banks, the run-off of exposure to foreign financial institutions and public-sector bodies, German business will continue to account for a large part of the portfolio.

Foreign exposure was particularly spread across Western Europe and North America. By contrast, exposure to Eastern Europe, Latin America, Africa and supranationals is of only subordinate importance and results principally from export finance.

Regions.

Net exposure in %	Share 31 Dec. 2013	Share 31 Dec. 2012
Germany	74.6%	74.7%
Western Europe (excluding Germany)	17.0%	17.9%
North America	5.2%	4.5%
Asia/Pacific	1.3%	1.2%
Eastern Europe	1.1%	1.1%
Latin America	0.8%	0.6%
Africa	0.0%	0.0%
Supranationals	0.0%	0.0%
Total	**100.0%**	**100.0%**

The European sovereign debt crisis slowed down in 2013, but it continues to impact negatively on the portfolio quality of the LBBW Group. Sales, especially in the first half of 2013, reduced exposures in Spain, Italy and Portugal. Details on this and more information on the exposure in Ireland can be found in the Notes. In total the Group has an exposure to these countries amounting to EUR 5.4 billion (for comparison 31 December 2012: EUR 10.9 billion; all figures are based on IFRS). Greek exposures no longer have any significant impact on LBBW's risk situation compared to 31 December 2012.

The economic situation in Cyprus, Hungary and Slovenia was closely monitored. Given the political situation there, especially Egypt was subjected to more intensive risk monitoring. However, due to the negligible size of these exposures these countries did not present any material hazards for the risk situation of the LBBW Group.

Size classes.

The following breakdown by size class is based on the borrower unit level if part of the Group, otherwise at the customer level.

Size classes.

Net exposure	Number 31 Dec. 2013	Net exposure in % 31 Dec. 2013	Number 31 Dec. 2012	Net exposure in % 31 Dec. 2012
up to EUR 10 million	733,788	11.1%	746,662	10.8%
up to EUR 50 million	1,234	11.3%	1,444	11.7%
up to EUR 100 million	222	6.6%	218	5.6%
up to EUR 500 million	253	23.0%	274	21.5%
up to EUR 1 billion	54	15.9%	60	15.5%
over EUR 1 billion	33	32.1%	38	34.9%
Total	**735,584**	**100.0%**	**748,696**	**100.0%**

29% of the portfolio is accounted for by size classes of up to EUR 100 million net exposure. The large number of customers is due in particular to the retail portfolio.

With shares of over 99.2% in both cases, very good to good credit ratings (1 (AAAA) to 5) also dominated the two size classes of net exposure totaling EUR 100 million to EUR 500 million and EUR 500 million to EUR 1 billion, respectively.

The portfolio share of commitments in excess of EUR 1 billion net exposure fell by around three percentage points in relative terms over the previous year to 32.1%; in absolute terms, the exposure in this size class fell by EUR 18 billion. As at 31 December 2013, 31% of this size class comprised Landesbanken and savings banks (of which more than two-thirds are under guarantor's liability) and a further 41% public-sector bodies (particularly German non-central public-sector entities). The remaining 28% was spread across banks and companies almost exclusively with very good to good credit ratings. A further reduction in the share in the overall portfolio of the size class with net exposure of > EUR 1 billion will be achieved by means of the successive disposal of individual large exposures.

Opportunities.

LBBW's core business activity involves assuming counterparty risks. According to the principles of the credit risk strategy, credits are adjusted for risk when priced. Selecting transactions with a favorable risk/return ratio offers special opportunities for profit. Furthermore, a positive trend in the economic situation may offer an opportunity to improve the quality of the portfolio, thus resulting in lower write-down requirements.

Market price risks.

Definition.

LBBW defines market price risks as potential losses resulting from unfavorable changes in market prices or factors influencing prices. Market price risks are broken down into the categories equities, interest rates and currency/commodities.

The following characteristics of market price risks arise as a result of the nature of LBBW's business activities:

Equity risk.

The equity risk results from fluctuations in share and/or index prices and from share or index volatilities.

Interest rate risk.

The interest rate risk is based, for example, on changes in market interest rates, interest spreads, credit spreads or interest rate volatility.

Currency/commodity risk.

Currency / commodity risks are summarized and reported under the FX risk type in the LBBW Group. The currency risk is based on exchange rate trends and the commodity risk on changes in the price of precious metals and commodities.

Market price risk management.

Risk measurement	■ Internal risk model approved by the regulatory authority ■ Daily value-at-risk measurement ■ Stress tests, calculation of Stress VaR, backtesting analysis ■ Sensitivities
Risk monitoring and reporting	■ Monitoring and observance of the limits by persons responsible for portfolio in Group Risk Control ■ Daily, weekly and monthly reporting
Risk management	■ Specifications on the basis of market price risk strategy and portfolio profiles ■ VaR limit down to portfolio level ■ Loss limit per portfolio via a loss warning trigger ■ Limiting of sensitivities

Risk measurement.

Risk model.

In the financial sector, the market risk of the trading and banking portfolio is represented by value-at-risk forecasts. This value-at-risk (VaR) can be determined as part of a stochastic-mathematical model. This model is arrived at by distributing the market factors, the valuation and, if necessary, corresponding simplifications. The VaR is determined from this as the maximum potential loss at a given confidence level.

LBBW is using an in-house-model based on a conventional Monte Carlo simulation. In this simulation, market-induced fluctuations in the value of complex transactions are partially approximated. In addition, historical time series for the last 250 days are weighted equally in the covariance matrix estimate. Backtesting analyses ensure the quality of the applied VaR estimation procedures.

The risk model is used for general interest rate and equity risks to determine the regulatory equity backing for market risks of the trading book[1)]. The overall risk is included in determining the economic capital.

LBBW calculates the value-at-risk (VaR) from market price risks at a confidence level of 99% and a holding period of ten days for regulatory purposes while a 95% confidence level and a one-day holding period are applied for internal bank management purposes. In order to map this within the framework of risk-bearing capacity LBBW scales confidence level and holding period out of the maximum of standard VaR (covariance matrix over 250 trading days) and long term VaR to a level which matches the criteria of the economic capital. Due to regulatory requirements a longer monitoring period is taken with the long-term VaR to observe more volatile market phases as well. Market price risk for the trading and banking book are calculated with the same method.

1) Trading book excluding funds that cannot be represented transparently.

Trading books and the strategic interest-rate position of the banking book can be affected by potentially detrimental developments in market interest rates.

LBBW identifies credit spread risk as its most significant risk. The positions of the trading book and the banking book that are sensitive to creditworthiness are mapped onto rating- and sector-specific yield curves. In this way, general credit spread risks from bonds and ABS are also measured. In addition, the issuer-specific risk for securities is calculated using the spread of individual issuers. Reference borrowers are allocated to CDS sector curves for credit spread risks from credit derivatives. Furthermore, in order to calculate economic capital a premium is added for the credit spread risk from marketable loans.

The calculations of VaR and sensitivities are completed with separate stress scenarios for the trading and the banking book on a weekly basis. Stress testing is used to examine how the value of the portfolio changes under extreme market conditions. LBBW uses both self-defined e.g. synthetic as well as historical market movements with a focus on modeling particular curve trends and spread changes. Synthetic scenarios are based mostly on selected market factor groups such as individual and combined interest rate shifts or credit spread shifts. Historical scenarios were generated from the data analyses of market shocks. All scenarios serve the purpose of modeling extreme events on the financial markets that are not specifically included in VaR as history-based indicator. The results are reported to the decision-makers both on a portfolio basis and with regard to their impact on the Group as a whole. These changes in value from the stress simulation are also integrated in the stress scenarios for multiple risk types and are therefore relevant for risk-bearing capacity.

In order to calculate the StressVaR, instead of the last 250 trading days a period of observation is assumed that covers a significant stress period. The StressVaR is calculated on a weekly basis using the relevant observation period for the portfolio required for the regulatory report (trading book excluding funds). A second calculation simulates the increase in risk under stress for the period of relevance for the Group. This value is also integrated in the stress scenarios for multiple risk types and is therefore relevant for risk-bearing capacity. The relevant observation period is determined on a quarterly basis for the SolvV portfolio as well as for the Group.

New products and further development of the risk model.

The introduction of new products aside, in 2013 the Bank prepared the following model adjustments in the course of the regular development of the market risk model:

- Changeover of the model of volatilities for interest-rate options
- Use of an amended aggregation method to calculate the SolvV risk amount

The Bank is currently engaged in the acceptance procedure with the regulatory authority with regard to the aforementioned items.

For the purpose of regular quality assurance and validation, the adequacy of risk modeling and the risk factors used are reviewed regularly in addition to valuations. If certain markets and risk types become more important in the future, LBBW can flexibly expand the self-developed model.

However, there are limits for the valuation procedure in general. All types of modeling entail a simplification compared to reality. LBBW addresses such model risks by further analyses and

limitations, as well as valuation adjustments, if necessary. An appropriate amount is also included in risk-bearing capacity for model risks. Specifically, allowance is made for returns from micro issues as well as products with simplified inclusion in risk and backtesting.

Validation of the risk model.

The quality of the resulting VaR forecasts must be reviewed for regulatory purposes within the scope of a regular validation process conducted by an independent organizational unit. The process starts by reviewing the model design and identifying possible model risks. Subsequently through customized validation analyses the materiality of the risk model is quantified, both isolated and combined. In this context particular importance is attached to the backtesting analysis, in other words, the statistical backward comparison of the actual changes to the portfolio with the corresponding VaR forecasts. The pure valuation changes of the portfolio excluding new business and intraday results (so-called CleanPL) are used for these changes in portfolio value.

Additional backtesting on the basis of the so-called DirtyPL is conducted due to regulatory requirements. DirtyPL is the actual change in value net of commissions and fees. It is calculated on the basis of the economic result.

Risk monitoring and reporting.

The utilization of limits and compliance with the detailed risk strategy among other things defined in the portfolio characteristics, are monitored by the relevant persons with portfolio responsibilities in Group Risk Control and reported to the Group's Board of Managing Directors. Reporting comprises specifically:

- Daily report with overview of the P&L and risk development.
- Weekly stress test report comprising the effects of the stress scenarios.
- Overall risk report that is prepared monthly and contains detailed information about P&L and risk development, StressVaR, economic capital and monitoring of the economic capital limit.

Risk management.

The strategic framework for quantitative market price risk management in the LBBW Group is set by the Board of Managing Directors by fixing the limit for economic capital for market price risks within the framework of risk-bearing capacity. The loss-warning trigger acts as an indicator for losses of market value in the economic P&L and thus also entails a reduction of the aggregate risk bearing capacity. The loss-warning triggers at divisional and/or segment level are fixed by the Board of Managing Directors at least once a year allowing for risk tolerance. Distribution among the portfolios below this level is effected by the responsible person in Trading.

The relevant VaR amount is calculated for strategic management and monthly inclusion in the economic capital limit in the strategic limit system. If it is not possible to completely quantify the risks, appropriate cushions or reserves are formed.

Differentiated VaR portfolio limits are linked to the economic capital limit. Together with the loss-warning triggers and jointly with the sub-strategies these set the risk-related scope for action by the divisions, departments and groups of Corporate Center/Financial Markets, the Credit Investment

Portfolio division and the subsidiaries. The persons responsible for managing market price risks in the LBBW Group are defined via the escalation policy.

Operational management (intraday and end of day) in LBBW's trading books is conducted using sensitivity limits. The end-of-day portfolio limits monitored by Group Risk Control are to be observed. Furthermore, various special limits and restrictions (e.g. from the New Products process) have been approved. These are monitored by Group Risk Control and if necessary escalated to the Risk Committee.

Internal transactions are concluded between the trading units, which are included in the calculations of market price risk for detailed risk management.

The requirements for proactive management of the material LBBW portfolios are documented in the portfolio profile, following on from the market price risk strategy.

Risk situation of the LBBW Group.

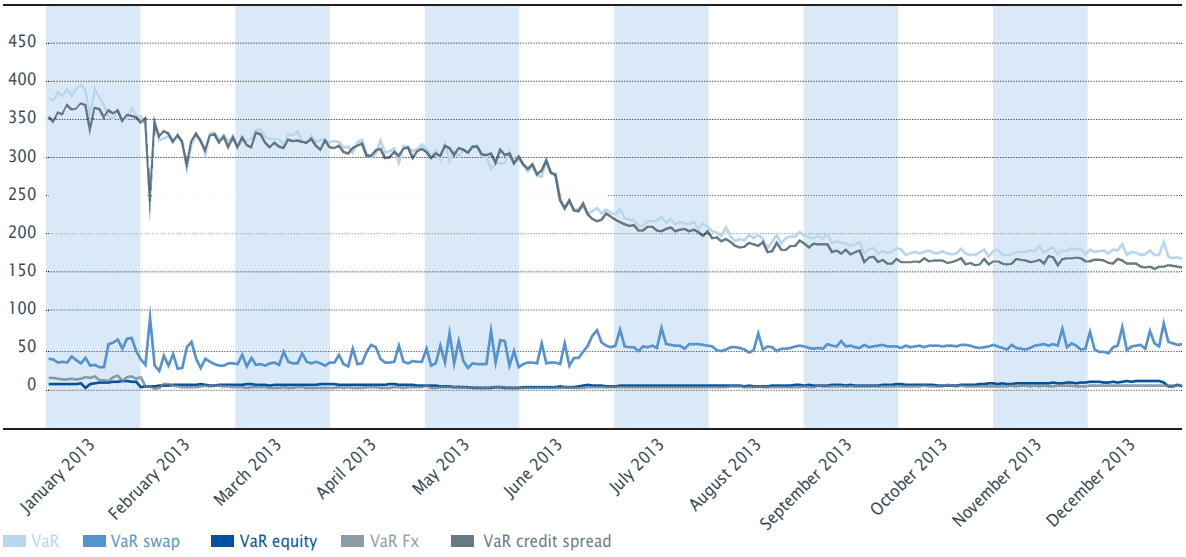
Development of market price risks.

Exposure to market price risks in 2013 was always in accordance with the risk-bearing capacity of the LBBW Group. The risk limit was not exceeded in 2013 for the individual Group entities either. The same applies to the limits for the corresponding division and department portfolios. The loss warning trigger was not breached either for any material portfolio in 2013.

LBBW's market price risks are generally characterized by interest rate risk and the credit spread risks contained therein. The overall risk is dominated by the positions in the banking book. The banking book of the LBBW Group comprises largely the Credit Investment (non-core-business portfolio) and Treasury (interest-rate and liquidity management as well as cover pool) portfolios. The basis risks in the interest area between individual European sovereign and financial curves and the swap curve, as well as the exposure to credit spreads including the risks from fixed-income securities, credit derivatives and the credit substitute business, play a decisive part here. Equity risks, along with currency and commodity risks, are less significant for LBBW than interest rate and spread risks. Commodity risks also include risks from precious metals and notes and coins portfolios, which LBBW holds to only a limited degree. Commodity risks are included in the currency risks.

The following chart illustrates the LBBW Group's market price risks over the course of the year.

Development of the LBBW Group risk in EUR million (99%/10 days).



In 2013 the LBBW Group's market price risk decreased considerably. This was attributable mainly to the reduction of positions in the credit investment portfolio. In addition to this, the general narrowing of credit spreads had the effect of reducing the risks attached to in the Bank's portfolios.

The following table illustrates the composition of VaR (99%/10 days) by risk type at LBBW Group level.

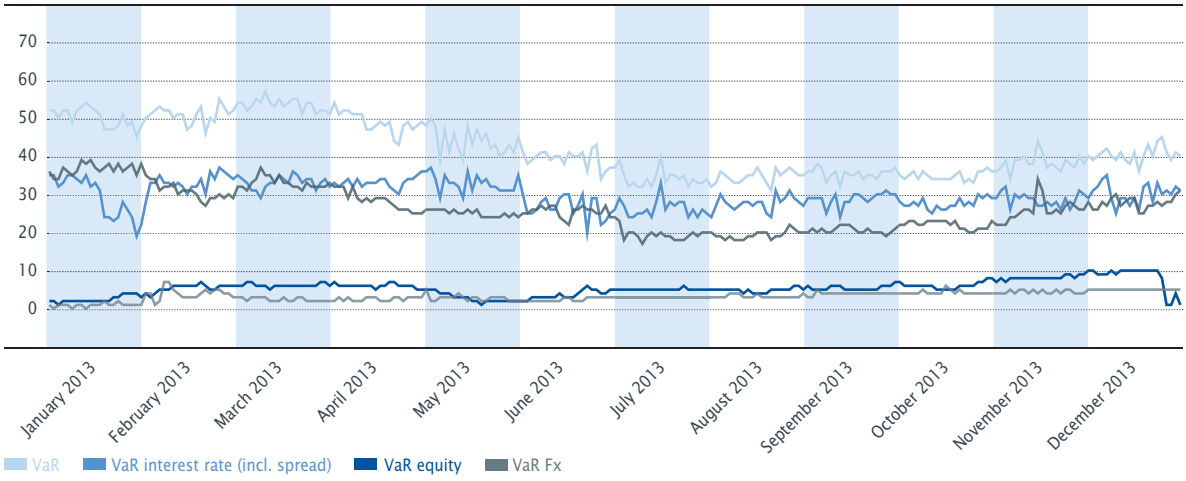
VaR 99%/10 days.

EUR million	Average	Maximum	Minimum	30 Dec. 2013[1)]	28 Dec. 2012
LBBW Group	**254**	**397**	**171**	**171**	**381**
Swap risk	50	94	25	60	41
Credit spread risk	246	373	158	160	356
Equity risks	7	12	3	5	8
Currency risks	5	19	2	6	16

1) The last reporting date in the 2013 financial year was 30 December 2013.

The trading positions' VaR developed as follows in 2013:

Development of the trading book risk in EUR million (99%/10 days).



VaR 99%/10 days.

EUR million	Average	Maximum	Minimum	30 Dec. 2013[1)]	28 Dec. 2012
LBBW (Bank) trading positions	**43**	**58**	**32**	**41**	**53**
Swap risk	31	38	20	32	36
Credit spread risk	27	40	18	32	37
Equity risks	6	11	2	2	3
Currency risks	4	8	1	6	2

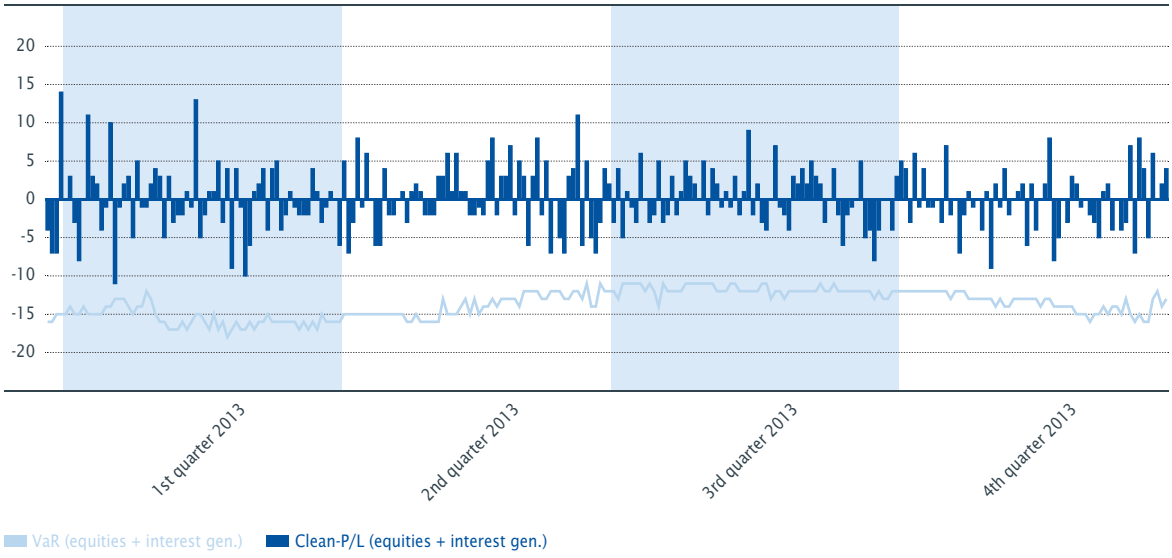
1) The last reporting date in the 2013 financial year was 30 December 2013.

The LBBW trading book contains the positions of the Financial Markets segment and of Treasury, which are used for short-term liquidity management. The decreased risk is mainly attributable to the bond portfolios, where the narrower credit spreads had an impact.

Backtesting result.

Backtesting SolvV portfolio for the period 20 December 2012 – 30 December 2013.

VaR parameters: 99% confidence level, 1-day holding period



Up to and including the last reporting date of 30 December 2013, the internal risk model shows no outliers for the CleanPL for the last 250 trading days in the SolvV portfolio.

Due to the strong movements on the market (widening of bond and CDS spreads, swap rates) two outliers were recorded for the last 250 trading days for the LBBW Group and three for banking book positions. By contrast, the trading book shows no outliers.

On the basis of the DirtyPL two outliers were recorded for 2013 both for the SolvV portfolio and for the trading book. Both these outliers were caused by non-periodical earnings components that cannot be assigned to any risk component in the internal model. No conclusions can therefore be drawn in terms of inadequate forecasting quality in the internal model.

No additional equity is therefore required for model outliers for regulatory purposes. Since five outliers are necessary to impact on the weighting factor of the internal model, it remains unchanged.

Stress test.

In the adverse case scenario – a scenario that reflects the historical increase in bond and CDS spreads in the government and financials segment during the period from April to August 2011 – the stress test values declined considerably. The wind-down of holdings in the credit investment portfolio make a significant contribution to this.

The effects of an interest rate shock on the strategic bank position are calculated within the scope of conducting the stress test. For this purpose, the yield curves are shifted by +/– 200 bp. The regulatory requirement stipulates that the result may not exceed a 20% share of liable equity. This limit was never breached in 2013.

Market liquidity risks.

Market liquidity risk designates the risk that transactions cannot be closed out, or can only be closed out at a loss, due to inadequate market depth or market disruptions. For example, if a large volume were to be bought or sold quickly, then a corresponding market-price influence would be anticipated, potentially reducing the expected proceeds.

The market liquidity risk is calculated for bonds, credit derivatives, equities and swaps. It is broken down into exogenous and endogenous risks. The exogenous market liquidity risk results from the fact that the valuation of market risk positions is based on mid values but bid or ask prices are achieved when positions are closed out. When the exogenous risk is calculated, the volatility of the bid-ask spread is included. The endogenous market liquidity risk occurs in cases where the Bank's own position relative to market capacity can no longer be ignored. Here there is a risk that liquidation or closeout of the position will result in an additional change in the bid-ask spread that is unfavorable from LBBW's point of view.

Since February 2013, market liquidity risk has been calculated using a new model that includes bonds, credit derivatives, swaps and equities. As at 30. December 2013 the market liquidity risk calculated using this model stood at EUR 363 million and had decreased significantly in the course of the financial year. A major contributory factor here was the reduction of holdings in the credit investment portfolio.

Opportunities.

The portfolios of the LBBW Group depend to a considerable extent on interest rate and credit spread trends. A drop in the interest rate or narrowing of the relevant credit spreads has a positive effect for the LBBW Group from today's point of view. The extent of this effect depends on the performance of the LBBW Group's holdings.

Liquidity risks.

Definition.

LBBW's liquidity risk monitoring and management activities draw a distinction between short-term liquidity risk, which represents the risk of insolvency due to an acute funding shortfall, and the funding (spread) risk, which describes the adverse effects on income resulting from a possible deterioration of funding spreads.

Liquidity risk management.

Risk measurement	■ Daily calculation of the liquidity gap and funding potential via central banks ■ Monthly preparation of a liquidity flow analysis to assess structural liquidity ■ Regular quantification of all material call risks ■ Stress tests
Risk monitoring and reporting	■ Detailed daily reports of the liquidity gaps per location and currency and of liquidity reserves ■ Monthly reports on all aspects of the liquidity and funding risk in Risk Committee and ALCO
Risk management	■ Liquidity risk tolerance specifications in the form of gap limits and survival times ■ Defined escalation routes in the event of a breach of the specifications ■ Management of the assets and liabilities side of the balance sheet via funds transfer pricing

Risk measurement.

Short-term liquidity risk in the sense of the availability of sufficient funds at any time is not an earnings risk. Hence, it cannot be quantified or analyzed appropriately as value-at-risk by calculating a potential financial loss. It is therefore managed in LBBW using quantitative requirements and limits which have been established by the Board of Managing Directors in accordance with liquidity risk tolerance.

Determining the liquidity risk position involves, among other things:

- Creating liquidity gaps to the day in all currencies for LBBW (Bank) on a daily basis and to the day twice a week for the LBBW Group.
- Calculating the potential funding available from the ECB and the Fed on a daily basis on the target date and over time.
- Monthly creation of liquidity outflow analyses to assess the overall structural liquidity and USD liquidity.
- Preparing separate investor lists in the major currencies on the basis of which any changes with regard to the diversification of the investor base can be identified.
- Monitoring, analyzing, and regular quantifying of all material call risks.
- Stress tests conducted on a weekly and monthly basis, and as required. Ongoing review and, if necessary, adjustment of assumptions and parameters used.

Liquidity risk tolerance is largely defined by reference to a survival period concept, i.e. time frames are specified by senior management over which LBBW is expected to remain at least solvent, even in the event of severely limited opportunities to borrow on the market, subject to different combinations of assumptions (development paths).

The assumptions to be met in relation to the regular review of compliance with these guidelines, especially within the scope of stress tests, are reviewed regularly for appropriateness under current market conditions. If current developments created the need for adjustment, this is reported to the

management via the Risk Committee and leads to timely adjustments when duly authorized. In addition, there is a limit system for the maximum funding requirements based on maturities from the business portfolio across various time frames.

The following measures, amongst other things, are used for the early identification of new call risks or increased risk from known but previously immaterial call risks.

- Permanent analysis of the documented business operations (overall risk report, ALCo documents, New Product Processes) with regard to new or increasingly significant call risks.
- Monitoring the daily cash flows in the ECB account, with regard to major cash flows that are not from transactions due or other familiar causes of payments flows.

All key subsidiaries as defined in the risk inventory and all conduits/SIVs are included in regular reporting of liquidity risks in accordance with LBBW guidelines. The liquidity risks of subsidiaries and equity investments are judged equally and reported as liquidity risks in the balance sheet.

Risk monitoring and reporting.

The regular monitoring of liquidity risks is the responsibility of the Risk Committee at the management level, while Liquidity Risk Control within the Group Risk Control division is responsible for daily monitoring at the operational level. As part of the overall risk report, all material aspects of liquidity risk, such as liquidity requirements, liquidity reserves and compliance with the specifications on liquidity risk tolerance including the results of the stress tests carried out, are reported in detail to the Risk Committee. Various reports are prepared daily as part of the continuous monitoring, which show the different partial aspects of liquidity and liquidity risk – such as disaggregation of the liquidity gaps by currency – in detail and are distributed in Group Risk Control and Treasury.

Risk management.

The Asset Liability Committee (ALCo), which meets on a monthly basis, is the central body for managing liquidity and funding. The Asset Liability Committee prepares the liquidity and funding strategy on behalf of the Group's Board of Managing Directors, and monitors the implementation of decisions. Treasury prepares all the decisions to be made by the Asset Liability Committee with the aim of active income and risk optimization while simultaneously ensuring solvency at all times and compliance with the requirements with respect to liquidity risk tolerance. The ALCo is also responsible for determining the strategy for calculating the internal settlement rates (Funds Transfer Pricing) and for reviewing the steering effect of the Funds Transfer Prices on the business areas and the Group's liquidity and funding situation.

Treasury is responsible for the operational management of market-and risk-adequate internal transfer prices that have to be adjusted continuously to market conditions, and is a fundamental component of the management of the assets and liabilities sides of the balance sheet.

The purpose of LBBW's funding strategy is to diversify product and investor groups. In 2013, investments by savings banks and institutional investors within Germany constituted the main sources of medium- and long-term funding in addition to retail business. Covered bonds continue to represent a material source of funding.

Treasury is responsible for securing intraday liquidity in trading. It plans daily payments and calculates liquidity requirements up to the end of the day, while continuously taking into account payment inflows and outflows that only become known during the course of the day as well as performing the central bank function for savings banks.

A detailed emergency plan is in place for securing liquidity in acute crisis situations. The provisions made include the formation of a crisis response team bringing in members of the Board of Managing Directors. The emergency plan is reviewed at least once a year and resolved anew by the Board of Managing Directors.

Risk situation of the LBBW Group.

The LBBW Group's liquidity situation was always comfortable during 2013. The following factors again contributed to the good liquidity situation:

- The consistent implementation of the funding plan for medium- and long-term maturities.
- The stable customer deposit business of BW-Bank.
- The release of liquidity through the run-off of the credit substitute business.

As at 31 December 2013, LBBW Group's funding requirement from the business portfolio was only EUR 12.9 billion on a three-month horizon. EUR 10.4 billion was determined as a potential additional requirement due to the occurrence of call risks. This was offset by free collateral of EUR 21.0 billion eligible for Eurosystem operations.

Funding requirements for the business portfolio amounted to EUR 1.0 billion over a 12-month period and the call risks were quantified at EUR 23.5 billion. Available liquidity reserves, taking into account the overcollateralization from the cover registers that is not required to maintain the current covered bond rating, came to EUR 33.3 billion.

Overview of funding requirement and liquidity reserves.

EUR billion as at 31 Dec. 2013	3 months	12 months
Funding requirement from the business portfolio (deterministic cash flow)	12.9	1.0
Material call risks (stochastic cash flow)	10.4	23.5
Free liquidity reserves	21.0	33.3

The solvency of LBBW Group was guaranteed at all times for a three-month period even on the basis of severe stress scenarios. The liquidity risk stress scenarios rating downgrade, financial market crisis and market crisis with downgrade, structured in accordance with the guidelines of MaRisk (BTR 3.2), show that the remaining funding potential via the market, plus the free liquidity reserves, exceeds the potential funding requirement under stress scenarios for this period.

Results of the economic stress scenarios.

Scenario EUR billion as at 31 Dec. 2013	Funding requirement	Funding potential (central banks and market)
Rating downgrade	28.4	38.1
Financial market crisis	27.9	39.1
Market crisis with downgrade	27.7	38.2

There were no breaches of any limits or other guidelines pursuant to liquidity risk tolerance in 2013. The liquidity reserves were adequate at all times to compensate for any substantial, short-term liquidity outflows. LBBW did not have to use the central bank liquidity facilities to cover its funding requirements in 2013.

The requirements of the standard approach of the Liquidity Regulation (Liquiditätsverordnung) were at all times exceeded significantly in the year under review. As at 31 December 2013, the liquidity ratio for LBBW was 1.47 (31 December 2012: 1.64). There is no corresponding indicator at the Group level as this indicator is disclosed to the regulatory authorities at a single-entity level.

Opportunities.

The broad-based and well diversified funding basis would make it possible for LBBW to raise much more in terms of funding resources. At the moment there are no discernable restrictions on the funding side of the balance sheet for the future performance of the LBBW Group.

Risk management system for covered bond (Pfandbrief) operations.

A differentiated limit system was put in place to monitor risks from covered bond (Pfandbrief) operations (section 27 of the German Covered Bond Act (Pfandbriefgesetz – PfandBG)). Regular stress tests are conducted with regard to NPV (net present value) overcollateralization. In the event that the fixed limits are reached, a process for then cutting the risk is implemented. The Board of Managing Directors and the Risk Committee are informed on a quarterly basis of compliance with the provisions of the PfandBG and the utilization of legal and internal limits. The risk management system is reviewed at least annually.

Operational risks.

Definition.

LBBW defines operational risks as the risk of losses arising due to the unsuitability or failure of internal processes and systems, people, or due to external events. In each of the aforementioned risk categories legal risks can lead to losses. This is because in each category LBBW may be subject to legal claims, lawsuits or legal proceedings due to failure to observe statutory regulations and underlying conditions.

Credit risks in connection with operational risks are likewise viewed in line with regulatory requirements. The effects of this are included in the information on counterparty risk.

Management of operational risks.

Risk measurement	■ Pillar I: Standard approach ■ Pillar II: OpVaR
Risk monitoring, reporting and management	■ Instruments for identifying and assessing risks ■ Internal coordination: Definition of strategy ■ Responsibilities ■ Risk monitoring ■ Response management ■ Reporting ■ Information on risk situation

Risk measurement.

The standard approach is used to calculate regulatory capital requirements at LBBW. In connection with LBBW Group's risk-bearing capacity, an operational value-at-risk (OpVaR) model is applied for the internal economic management.

The model is based on the loss distribution approach. Separate segment-specific modeling is carried out for the distribution of frequency and size of loss. Internal and external losses together with scenario analyses are included for the OpVaR calculation. The model is subject to ongoing further development.

A time frame of one year and a confidence level of 99.93 % was used to calculate the OpVaR within the framework of risk-bearing capacity.

Risk monitoring, reporting and risk management.

An independent, centralized organizational unit within the Group Risk Control division is tasked with further developing and implementing the methods and tools used by OpRisk Controlling. In the LBBW Group, the execution of the processes implemented for the management of operational risks is mainly the responsibility of the individual divisions and subsidiaries. In this context, the local Operational Risk Managers are very important. They support division management and managing directors in the use of operational risk controlling tools and the reporting system, serve as contacts for their respective employees regarding operational risks, and are in close contact with LBBW's centralized OpRisk Controlling unit.

One of the main goals of the operational risk management and control activities is to identify operational risks at an early stage and to minimize the resulting losses by implementing the appropriate measures. Various tools are used to identify and assess the risk situation.

In addition to the internal and external incident database, a risk inventory is conducted annually with self-assessments and scenario analyses. In the self-assessments, the individual risks of the LBBW Group's individual divisions are collected. The division-specific analysis of these risks was extended last year in order to be able to provide the divisions with more extensive information relevant to risk management. The greatest risks detected in the course of the self-assessments are aggregated in the scenario analysis using standard scenarios; they are then analyzed extensively and measures for reducing the risks are collected. This methodology has been rolled out in all LBBW business units and principal subsidiaries. The results of the scenario analysis are used in the OpVaR model. In addition, new risk indicators (segment-specific and cross-segment) were included in the analysis and reporting extended.

OpRisk measure management plays a key role in managing operational risks. To the extent that this is possible and reasonable, the central Group Strategy/Legal division obtains insurance policies to cover potential losses.

The centralized OpRisk Controlling unit provides decision-makers with relevant information as part of regular risk reporting. The Risk Committee also supports the Board of Managing Directors in exercising its supervisory function.

Last year the software for recording and managing operational risks was further developed. New functions ensure improved data evaluation. In addition to this, workflows and processes were optimized, making reporting easier, among other things.

The OpVaR model used for internal controlling is integrated into the Group's strategic limit system. There are economic stress scenarios that vary the risk parameters of the OpVaR model (frequency or amount of loss in expected future loss events). This covers the main business lines and event types. The stress scenarios for operational risk are also incorporated in the overlapping stress scenarios for risk-bearing capacity.

Risk situation of the LBBW Group.

Exposure to operational risks in 2013 was always in accordance with the risk-bearing capacity of the LBBW Group. Looking forward, LBBW does not expect any operational risks to its going-concern status. Despite the extensive precautionary measures taken, operational risks can never be entirely avoided.

The legal risks, IT risks and personnel risks are set out below as they are key areas of the operational risk.

Legal risks.

The definition of operational risks also includes legal risks. Legal risks comprise economic risks due to full or partial failure to comply with the framework of rules established by legal regulations and court rulings. These arise, for example, due to inadequate knowledge of the concrete legal position, insufficient application of the law or failure to react in a timely manner to changes in underlying legal conditions. This also applies if there is no fault or if the situation was unavoidable, for example as a consequence of changes in legislation, jurisdiction and administrative practice, especially at national and European level.

Legal risks are managed especially by the legal departments (as part of the Group Strategy/Legal division) of LBBW. These carry out a legal advisory role for the Group. In addition, their responsibilities include early identification of legal risks in business units and central divisions in cooperation with the latter, and efforts to limit these in a suitable manner. The legal departments have developed or examined and approved for use by business areas of LBBW a variety of contract forms and sample contracts in order to minimize legal risks and simplify the business activities of the front office and trading divisions. In relation to this, LBBW is supported by the cooperation of the German Savings Bank Association (DSGV) and the forms developed in the committees there and made available by the Sparkassenverlag publishing house. Approved, standardized contract materials are used for derivative transactions wherever possible. If legal questions arise in new areas of business or during the development of new banking products, the legal departments supervise and actively shape these processes.

Furthermore, the legal departments monitor all relevant planned legislation, developments in court rulings, and new standards stipulated by the supervisory authorities in the Group's key areas of activity in close cooperation with the Association of German Public Sector Banks (Bundesverband Öffentlicher Banken Deutschlands – VÖB), the German Savings Bank Association (Deutscher Sparkassen- und Giroverband), and the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken – VdP) in particular.

To the extent that this results in LBBW having to take action with regard to legal matters or adapt its policies, the legal departments are instrumental in disseminating information quickly and implementing measures within the Group. There are currently no legal risks liable to threaten LBBW's going-concern status. Nor does the Group Strategy/Legal division have reason to believe that such risks will arise at LBBW in the foreseeable future.

In view of recent rulings by the Supreme Court and higher courts, the banking landscape continues to face not inconsiderable legal risks from customer transactions in complex derivatives. In the past financial year LBBW succeeded in significantly reducing the consequent risks, which result in particular from holdings of the former Sachsen LB. However, the legislative trend mentioned remains relevant for LBBW as well, especially as this has not resulted in any consistent ruling. On the basis of the legal analysis of holdings initiated by the LBBW Board of Managing Directors the risk processes have been further developed. These take account, among other things, of current developments in consumer law, which is still in the process of change, also by continuously monitoring the legal situation. On the basis of current knowledge, sufficient precautions have been taken to cover these risks, although this will depend on future trends in court rulings and the outcome of legal disputes.

IT risks.

Today the principal business processes of the Bank are to a large extent supported by IT or depend on IT solutions. As a result, IT security is also becoming increasingly important. In line with this increasing importance LBBW operates an Information Security Management System (ISMS) based on international standard ISO 27001 and is continuously further developing the ISMS. Threats and risks resulting from cybercrime are combated using a wide variety of security measures with a view to reducing this threat to an acceptable level.

By outsourcing its IT production operations and part of its applications development to a professional service provider specializing in financial institutions, LBBW has created the basis for forward-

looking IT operations. LBBW focuses on risk-reducing benefits, such as the systematic use of standardization, increased cost efficiency and maintaining its ability to innovate.

Controlling and monitoring processes have been established and staffed especially against the backdrop of services being provided by outside providers. Checks of the observance of external and internal guidelines as well as the adequate positioning of these functions have been established and these are continuously reviewed and adjusted.

The planned migration to the OS-Plus platform meets the criterion of standardization to a particularly high degree. However, the reduction in the number of different systems resulting from the LBBW merger also sustainably reduces operational risks and also form part of the target corridor of LBBW IT's standardization strategy.

LBBW has set up a special IT crisis response team to ensure that its business operations are maintained and that it can function if IT systems fail; in the event of an emergency, this team will coordinate all activities and provide centralized communications capabilities, also with the IT service providers, in accordance with defined procedures. The procedure and organizational measures to be taken in the event of a crisis are described in an IT crisis management manual. The IT service providers have emergency plans in place for operating IT systems in an emergency; these are reviewed in regular exercises. In the context of the general Business Continuity Management of LBBW, IT emergency plans are compared against the requirements of the business continuity plans of the specialized divisions.

Personnel risks.

LBBW's success depends materially on the commitment of its staff – and is also anchored in LBBW's mission statement: »We as employees drive the success of the Bank; with competence, knowledge and commitment«. LBBW's comprehensive personnel risk management aims to identify negative trends (risk monitoring) and evaluate suitable measures to prevent or minimize risks (risk management).

The Human Resources department distinguishes between various types of personnel risk for purposes of risk monitoring and management. The goal is to identify bottleneck, resignation, adjustment, and motivation risks early on, and to minimize the resulting costs, such as staff recruitment, termination and staff turnover expenses. These risks are measured by periodically evaluating and analyzing key human resources indicators, such as turnover rates, absences, or data concerning personnel development measures (particularly management training measures), as well as comparing these indicators across the Group.

In the risk category resignation risk, for example, employees leaving LBBW are asked to comment in writing on their reasons for leaving. This provides these employees with another opportunity to express freely their opinion about LBBW as an employer.

One focus here is on developing and promoting young employees within the company. In order to address the risk of a shortage of high-performance employees (bottleneck risk), employee potential is systematically documented and analyzed. Changes in LBBW's age structure is observed particularly closely against the backdrop of demographic changes.

LBBW has already implemented a series of measures to address possible personnel risks. These measures range from legal protection for LBBW to ensuring that employees are qualified to perform the tasks assigned to them. Among other things, a target group-oriented specialist training program is held annually. In addition, a dedicated department is responsible for providing training in and monitoring of statutory money laundering and compliance regulations.

Since restructuring began, it has been possible to agree on the cutting of more than 2,700 full-time equivalent positions through voluntary redundancies. As the layoff process was implemented on a controlled basis and affected only selected function groups, the risk of undesirable resignations by employees is considered low and very manageable.

Opportunities.

At LBBW the interfaces between the divisions in terms of operational risks (e.g. Risk Controlling, Compliance, Auditing, BCM) are constantly enhanced and optimized. In addition, various committees are engaged in a regular exchange of ideas. This contributes to avoiding potential losses. Furthermore, the processes relating to legal risks, new products or outsourcing are regularly monitored and further developed. The extension of risk indicators and reporting makes it possible to react more rapidly to unwanted developments. These measures help to constantly improve the risk situation.

Other material risks.

Investment risks.

LBBW invests within the Group in other companies or assigns functions to subsidiaries if this appears to be appropriate in the light of strategic aims or returns.

Depending on LBBW's possibilities for exerting influence, management of the subsidiaries and equity investments is effected by means of defined measures and processes (including quarterly jours fixes with selected subsidiaries, plausibility checks of the multi-year plans, various reports to the Board of Managing directors and corporate bodies of LBBW and the corporate bodies of the subsidiaries).

The early identification of business and risk development in the subsidiaries and equity investments is particularly important to the management of equity investments. These serve the purpose of holding regular coordination meetings at the corresponding specialist levels of LBBW and the strategically important subsidiaries. The management and monitoring at the level of these subsidiaries are performed by institutionalized supervisory boards or comparable bodies. At Group level management and control is effected by involving the staff, market and operating divisions in the decision-making process.

From the point of view of risk a distinction is made between two categories of companies in the LBBW portfolio of equity investments (direct LBBW subsidiaries and equity investments and those held via holding companies):

Material subsidiaries, that is, companies in which LBBW is the majority shareholder or has a controlling interest within the meaning of section 290 (2) no. 1 – 3 of the German Commercial Code (HGB) and whose risk potential (in the main risk types, i.e. credit risk, market price risk, liquidity risk, operational risk, real estate risk and development risk) is deemed to be material from the Group's perspective.

Non-material subsidiaries and equity investments, that is, companies in which LBBW is the majority shareholder or has a controlling interest within the meaning of section 290 (2) no. 1 – 3 of the German Commercial Code (HGB), but whose risk potential is deemed to be immaterial from the Group's perspective, or minority equity investments, that is, companies in which LBBW as the minority shareholder in the absence of a controlling interest does not have the equivalent position as with majority interests.

As far as possible, material subsidiaries are treated in line with the transparency principle. In accordance with the transparency principle, types of risk identified as material at the respective companies are measured according to the principles and parameters of LBBW, and included at the level of the LBBW Group in an aggregation assessment. This applies specifically to the risk types of credit, market price, real estate and development risk.

In the case of non-material and material subsidiaries, where only the liquidity and/or operational risks are material, the risk potential is quantified with the LBBW Group credit portfolio on the basis of the interest held and included as a whole in the Bank's risk management system, using an integrated calculation. This calculation is performed using a ratings-based CVaR approach including stress testing, which is prepared by Group Risk Control and serves as the basis for recognition in the risk-bearing capacity.

The business and risk trends in the portfolios of LBBW's non-material subsidiaries are generally reflected in the value of the investment as used to calculate the investment risk.

LBBW pursues a selective equity investment policy. When acquisitions of companies are planned, a comprehensive risk analysis (legal, financial etc.) is normally conducted in the form of a due diligence exercise with the involvement of specialized divisions of LBBW. Of particular importance here, among other things, is ensuring that inappropriate concentration of risk does not arise in the investment portfolio.

LBBW uses transaction agreements to contractually hedge risks as far as possible. In addition, the buying process includes the valuation of the company taking into account capital-market-oriented risk premiums.

Enterprise values for the subsidiaries and equity investments of LBBW are calculated in accordance with the guidelines issued by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e. V. – IDW) at least once a year as part of preparatory work for the annual financial statements. For the half-yearly report, an impairment test of the book values is

performed, using the projections for the subsidiaries and equity investments to hand if necessary. A plausibility check of the valuations is performed on selected subsidiaries and equity investments as at 31 March and 30 September.

Besides the risk of a potential decline in value as the result of defaults, there also exists the risk of receiving insufficient return or no return at all on its investments, which, however corresponds to the general book value or market value risk due to the focus on capitalized income value in the valuation of equity investments. The main drivers here are the large strategic subsidiaries and equity investments. LBBW's equity investment portfolio has a strong financial focus. Accordingly, a disruption in this market segment may lead to significant losses from equity investments.

In addition, liability risks arise from the profit/loss transfer agreements entered into with a number of subsidiaries. Furthermore, LBBW has signed letters of comfort with various subsidiaries. LBBW still has guarantor's liability and maintenance obligation with respect to former equity investments in public-sector companies.

Management and monitoring systems ensure that LBBW is continually informed about the situation at the subsidiaries and equity investments. In addition, the subsidiaries pursue a conservative risk policy synchronized with LBBW to the extent that LBBW can influence such policies.

LBBW has continued to make good progress in reducing equity investment portfolios: In 2013, among other things, the shares in Württembergische Lebensversicherung AG and Börse Düsseldorf AG were sold. Furthermore, at the beginning of January 2014 the contracts were signed on the sale of LBBW Bank CZ a.s. Moreover, the number of smaller equity investments was reduced further in accordance with the new business strategy. Further investments are to be sold off step by step in 2014 too as part of the realignment.

Opportunities.

Generally speaking, LBBW's strategic equity investments and subsidiaries offer an opportunity to optimally exploit market potential and thereby strengthen LBBW's market position vis-a-vis target customers and core markets as well as an opportunity to optimally exploit existing value potential and an adequate return on capital (dividends/payouts).

The portfolio of equity investments is being reduced as part of the realignment process. The sale of subsidiaries and equity investments at Group level makes it possible to generate income for LBBW, depending on the respective market situation and given appropriate investor demand. Furthermore such sales revamp the portfolio of equity investments, thereby reducing its complexity.

Reputation risks, business risks and pension risks.

Reputation risk is the risk of a loss or foregone profit due to (impending) damage to/deterioration of LBBW's reputation in the eyes of owners, customers, employees, business partners or the wider public. Reputation risk is not a component of operational risk. However, reputation risks may be caused by an incident of loss resulting from operational risk or other risk types becoming public knowledge.

As regards reputation risks, a distinction is made between transaction-based and non-transaction-based management. In non-transaction-based management, Communications/Marketing/General Secretary is responsible in particular for ensuring controlled public and press relations. In order to implement a policy of sustainability the Corporate Sustainability and Health department defines standards for all business areas. The transaction-based analysis of new transactions with regard to reputation risks is carried out on a decentralized basis by the front office particularly within the context of the New Products Process (NPP) and the credit application process. The Compliance division and the Corporate Sustainability and Health department support the relevant front office divisions in their day-to-day business in identifying and assessing reputation risks. In the case of OTC derivatives for interest-rate, currency and commodity management there is a product certification process upstream of the NPP.

Business risk is the risk of unexpected falls in earnings and negative plan variances not caused by other defined risk types.

Among other things, business risk may be caused by changes in customer behavior or changes to the economic environment that are not of a legal nature. Business performance risk can be caused by lower income due to possible strategic misjudgments. The front office is responsible for taking individual measures as part of ongoing operating activities aimed at managing risks associated with business activities. Financial Controlling carries out a central comparison of planning and actual business development. The implementation of and adherence to the business strategy decided on by the Board of Managing Directors and the division-specific plans in line with this, as well as the implementation of strategic decisions made by the committees, are monitored by the relevant divisions together with Financial Controlling.

The pension risk entails the possible need to increase pension provisions on account of heightened pension expense, and in particular, valuation effects. This may particularly be caused by changes in interest rates, pensions, and salaries. Pension risks are quantified by means of scenario analyses on the basis of an actuarial report. In the current setting, rising interest rates will provide LBBW with an opportunity of falling pension provisions with correspondingly lower pension risks.

Reputation risks, business risks and pension risks are taken into account within the scope of the risk-bearing capacity. They are quantified by means of expert-based approximation procedures and scenario-based investigations.

Real estate risks.

Real estate risks are defined as potential negative changes in the value of the Bank's own real estate holdings due to deterioration in the general situation on the real estate markets or deterioration in the particular attributes of an individual property (market influences, planning conditions or other requirements of public law etc). This does not include development risks from residential and commercial project development business, which form a separate risk category, or risks from service business. The latter are taken into consideration in the LBBW Group as part of business risk.

Real estate risks can arise in properties owned by the Group (office buildings) as well as in the commercial buildings used by third parties. The real estate portfolio is managed by the subsidiary LBBW Immobilien Group.

Conversely, in the event of a positive change in market conditions opportunities arise for positive changes in value and the generation of further income (higher rents, extensions of leases, possibility of leasing difficult space etc.). LBBW uses a real estate value-at-risk (IVaR) model to measure real estate risk. The central Group Risk Control division calculates IVaR indicators for real estate risks quarterly and incorporates these into the Group's analysis of risk-bearing capacity. The input data in this model are the volatilities and correlations derived from market data histories assigned to the portfolio values.

The operating subsidiaries of LBBW Immobilien Group with operations in asset, property and facility management are also controlled using special real-estate-specific indicators such as rent increases, vacancy rates and amounts in arrears. The real estate portfolio is monitored and analyzed for risks in the course of quarterly portfolio valuation using the fair value approach. The goal is to identify at an early stage and analyze any adverse factors occurring as part of or relating to LBBW's activities. Proactive risk management ensures a balanced ratio of opportunities and risks within the portfolio.

The commercial portfolio is diversified by type of use, especially for office and retail property, as well as by size category. Diversification in terms of macro-location is limited as the commercial portfolio is predominantly located in Stuttgart. However, this is a stable market with relatively low rent fluctuations overall. What is more, the real estate owned by LBBW Immobilien is mostly situated in prime locations with low rental risk and leased to tenants of good credit standing. The credit rating of potential tenants is examined carefully when new properties are let and attempts are always made to ensure that the lease is as long as possible. Overall, macro-location risks are therefore considered to be manageable.

The commercial properties in LBBW's portfolio are reviewed using a comprehensive set of real-estate-relevant criteria such as, for example, the cost/income ratio, risk aspects, the Group's strategy for use/growth of the site, the site's potential for development, portfolio diversification or use by the Group, and appropriate solutions are found on a case-by-case basis.

The customer in owner-occupied real estate business is LBBW. Most of the properties are used for office or bank purposes. The target portfolio is continually adapted to the uses required by the LBBW Group as well as aiming to reduce the amount of space at the LBBW central offices. This is largely being achieved by concentrating on properties owned by LBBW and by avoiding rented space as much as possible. As a result, this is not expected to have a significant influence on the holdings LBBW uses itself or the real estate risk.

Development risks.

Development risks are defined as the bundle of risks that typically arise when implementing commercial and residential project developments. The risks in this field mainly arise from planning and approval, the projected construction costs and deadline, and especially from letting and selling. Additional risks, such as the credit risk on the part of partners or the implementation of decisions regarding the partners, also apply if project developments are implemented in partner projects. The occurrence of these risks may also result in the forecast return not being generated, the invested capital not being recovered in full – or not at all in extreme cases – or the need for further equity injections, provided it is not non-recourse financing.

Conversely, in the event of a positive change in market conditions opportunities arise for higher exit proceeds, driven by higher rental income as well as higher multiples. At the same time, however, a positive market trend makes it more difficult to purchase suitable development properties at favorable prices.

The regional focus is on the core markets of Baden-Württemberg, Rhineland-Palatinate, the Rhine Main region and Munich. The LBBW Immobilien Group acts as an investor and service provider in commercial and residential real estate on these markets. Work on existing projects outside these target markets continued to proceed well in the 2013 financial year. The new projects are running on schedule and there is no evidence at present of any material risks.

The LBBW Immobilien Group uses a risk model that was validated with the assistance of an auditing company to measure development risks. The model is based on a risk driver tree that identifies risks and shows the ranges in which these can fluctuate even before a construction project begins. From this, mark-ups and mark-downs on all future costs and revenues are determined and applied to the so-called real case calculation. A normal and extreme risk is calculated on the basis of different fluctuation ranges of risk factors. Development risk is calculated quarterly by the Controlling division of the LBBW Immobilien Group. The central Group Risk Control division includes this in the LBBW Group's analysis of risk-bearing capacity.

Events after the reporting date.

No significant events have occurred since 1 January 2014 which LBBW expects to affect LBBW's net assets, financial position or results of operations in any material way.

ICS with regard to the accounting process.

The LBBW Group defines the internal control and risk management system (ICS) as a comprehensive system and applies the definitions of the German Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e. V., IDW) on the accounting-related internal control system (IDW PS 261 Item 19 f.) and the risk management system (IDW PS 340 Item 4). It entails principles, processes, and measures that are aimed at the implementation, in organizational terms, of management decisions

- to ensure the efficacy and economic efficiency of the business activities (incl. the protection of assets as well as the prevention and discovery of any financial loss)
- to safeguard the propriety and reliability of internal and external accounting, and
- to observe the statutory rules and regulations of relevance for LBBW.

The ICS for the accounting process and management reporting helps to provide a true and fair view of the net assets, financial position and results of operations of LBBW (Bank) and the LBBW Group.

A key aim is to ensure that all transactions are recorded, processed and documented in full and correctly in accordance with statutory provisions and standards, the provisions of the articles of association, and other guidelines.

It must also be ensured that companies included within the scope of consolidation are incorporated into the processes, to guarantee the consolidated financial statements are prepared appropriately and in due time.

The accounting-related internal control and risk management system is an integral component of the ICS for the steering instruments.

Control environment.

LBBW has a clear organizational, corporate, control and monitoring structure. Its Board of Managing Directors takes overall responsibility for proper business organization. All strategic units are involved in preparing the individual and consolidated financial statements as well as the management report by means of a clearly defined management and reporting organization. The departments of all Group companies involved in the accounting process conform to quantitative and qualitative requirements. The employees tasked with the accounting process are provided with regular, comprehensive training.

Risk assessment and control activities.

The controls are geared toward ensuring that the individual and consolidated financial statements as well as the management report are prepared in accordance with the applicable provisions of the German Commercial Code (Handelsgesetzbuch, HGB) and the International Financial Reporting Standards (IFRS) as well as proper and timely compliance with internal and external financial reporting requirements. Clear regulations are in place regarding the scope of the controls and responsibilities integrated into working processes.

In particular, the dual-control principle, the separation of functions and the assignment of authorities in line with existing decision-making regulations ought to be mentioned, that have also been included in the regulations arranged by the respective Group companies.

Control functions are exercised in the respective competent department throughout the Group. The control targets defined at LBBW map the identified risks in their entirety.

Both the individual financial statements for the Bank and the consolidated financial statements are prepared centrally by the Finance division at LBBW (Bank) with the involvement of the specialized divisions.

Detailed timetables and workflows are in place for the individual and consolidated financial statements (monthly, quarterly, half-yearly and annual financial statements), which are monitored and automatically managed centrally. Responsibilities in all areas of the accounting process are clearly assigned. The relevant activities in terms of risk are distributed across several organizational units within the organization of business processes. The principle of dual control is applied to all processes relevant to accounting, the assignment of authorities complied with and the separation of functions taken into account.

The companies incorporated in the consolidated financial statements have IT-based processes in place for preparing their financial statements (in accordance with local laws). This results in the delivery of the coordinated and audited reporting packages for the purposes of preparing the consolidated financial statements. The senior management of the respective Group company is responsible for the completeness and accuracy of the results transmitted to the Consolidated Financial Statements group.

The consolidated financial statements are prepared in accordance with IFRS and taking into account the standard recognition and measurement requirements set out in the Group Manual.

Financial instruments measured at fair value at LBBW (Bank and Group) are assessed either on the basis of quoted prices for active markets (stock exchanges, brokers, price service agencies etc.) or on the basis of recognized and standard measurement methods using publicly available input data (e.g. yield curves, volatilities, spreads). In cases where not all the input parameters can be observed directly on the market, fair values are calculated using realistic assumptions, based on market conditions. The prices used for accounting purposes are checked independently of trading and validated by the separate organizational unit, Independent Price Verification, within Group Risk Control.

Higher-level control and coordination of the interdivisional process of preparing the LBBW management report are carried out centrally by the Group Communication division under the overall responsibility of the Finance division. The preparation process is integrated into the timetables and workflows for the half-yearly and annual financial statements. Applying the principle of dual control, the sections of the management report are produced separately by the specialized departments and approved by the divisional managers. The Group Communication division (internal records office) checks the content of the entire management report for consistency.

Information and communication.

The risk principles of the LBBW Group, the organizational structure and procedures and the processes of the accounting-related ICS are set out in manuals and guidelines (e.g. accounting guidelines, operating procedures, specialist concepts etc.), which are regularly adjusted to current external and internal developments and published on the intranet of LBBW (Bank). This also applies to the Group Manual, which contains the measurement and accounting rules for preparing the consolidated financial statements. These are updated regularly in accordance with current IFRS rules and forwarded to the Group companies.

The Basic Accounting Issues / NPP group identifies and analyzes all legal changes which have an impact on the accounting process. It informs the specialized divisions and subsidiaries affected and initiates implementation.

New types of products are examined in detail in the Bank's New Product Process and in the Group companies with regard to their treatment according to statutory accounting rules. This process also defines the structures and embedded derivatives for each product type. In the case of new types of products, the correct mapping, analysis and recognition of transaction types is also checked in a test phase. If systems and/or processes of the Group head office are required for Group companies' new product types, the Basic Accounting Issues / NPP group determines how they should be treated according to statutory accounting rules.

The Consolidated Financial Statements group prepares the figures for the consolidated financial statements using standardized consolidation software on the basis of the information provided by the companies included in the consolidated financial statements. The data consistency of the information provided by the Group companies is inspected again by checking rules implemented and comprehensive validation. The notes to the consolidated financial statements are also prepared using standardized software. The Consolidated Financial Statements group guarantees the completeness and accuracy of the relevant explanatory notes on the basis of the information provided by the Group companies.

Financial reports created in connection with accounting and sent to external parties or readers are checked for consistency by an internal records office before being sent.

Furthermore, the Board of Managing Directors has issued rules that it must be informed immediately if doubts arise in individual divisions or Group companies as to proper business organization (ad hoc reporting requirement). The same also applies to accounting. If information is also significant in

terms of risk aspects, the Group Board of Managing Directors must also forward the information to the Risk Committee of the Supervisory Board.

Monitoring.

LBBW's current ICS is characterized by strongly decentralized responsibility of the specialized divisions for essential accounting-relevant processes. Within the scope of the »Strengthening the accounting-related internal control system« project, an ICS records office was established in Accounting, to guarantee the central monitoring ability of the ICS.

The effectiveness and suitability of the accounting-related internal control system and the risk management system are regularly monitored. This ensures that potential improvements are identified and processes are adjusted accordingly where required. A type of monitoring is conducted continuously while the consolidated annual / half-yearly financial statements are being prepared.

Bilateral and multilateral coordination talks are held at regular intervals between the employees involved in the preparation of the annual and consolidated financial statements to discuss and analyze any problems that arise. Adequate measures are derived and incorporated into ongoing processes.

Both the Audit Committee of the Supervisory Board and Group Auditing serve as senior monitoring bodies. Group Auditing is responsible for process-independent monitoring of business operations and, as such, is an instrument used by the entire management. The Audit Committee, as a committee of the Supervisory Board, deals with the analysis and preparation of the findings of the audit of the annual accounts and informs the Supervisory Board of these activities.

Outlook.

Anticipated economic performance.

The prospects for 2014 are good on the whole. There are expectations of a significant global acceleration in economic momentum. Global GDP is anticipated to increase by 3.8% compared to 2013, and a recovery is predicted in all main regions with the exception of China. Leading economic indicators have largely risen in recent months, and for the most part signal steady or accelerating growth.

In the USA, LBBW expects GDP growth to pick up from 1.9% to 3.0%. Economic activity is being aided in this respect by the diminishing burden of cuts in government spending. Investment in residential construction is likely to increase at double-digit rates, while investment in plant and machinery will grow at a high single-digit rate. Finally, consumer spending by private households is forecast to grow by more than 2.5%.

While the eurozone economy will not yet be able to return to pre-crisis figures, after the modest decline registered for GDP in 2013 LBBW predicts economic growth for 2014 of 1.0% as the eurozone should be able to benefit from the global economic recovery. Investment trends should also gradually turn upwards again, taking advantage of the persistently low interest rates. However, this is subject to a recovery of the entire banking industry in the eurozone.

Germany's prospects are bright. According to LBBW the German economy is benefiting from domestic demand, where we should highlight consumption, which is being stimulated by the good conditions on the labor market, and investments, particularly residential building investments, which are enjoying the low interest rates and the rising prices of residential property. Investments in plant and machinery should also pick up after a muted year in 2013. The significant easing of tensions regarding the eurozone debt crisis has dispelled the uncertainty regarding the survival of monetary union, which likely prompted companies to hold back in the year under review.

LBBW does not expect the eurozone economy to slip into a deflation spiral as seen in Japan in the 1990s. Although inflation has been weak because of the certain easing of energy prices and sluggish economic activity – inflation in the eurozone totaled 1.4% and in Germany 1.5% – as the economy picks up during 2014 companies will also have more opportunities to pass price increases onto consumers. The rate of inflation in Germany will likely remain around 1.5% in the coming year as well, while LBBW estimates a slightly lower figure of 1.2% for eurozone inflation.

Interest rates are expected to rise gradually in the anticipated economic conditions. Yet influenced by the persistently expansionary policy adopted by the ECB, which is expected to keep its main refinancing rate unchanged at 0.25% for 2014, levels should remain moderate compared to historical rates. LBBW anticipates a rate of 2.30% for 10-year Bunds by the end of 2014.

Industry and competitive situation.

For 2014 LBBW expects the market environment to remain very competitive on the German banking market. The interest level is likely to remain a strain factor on German banks in 2014. Nonetheless, the robust income and employment situation in Germany coupled with the faster economic growth that is anticipated in 2014 should be supportive for banking industry developments. Legal risks remain one uncertainty factor for the industry, as do the risks associated with the yet unresolved debt crisis. First and foremost, however, LBBW expects the regulatory measures and the volatile legislative environment to continue fueling the uncertainty and weigh on the industry. The fundamental changes in the industry, especially the deleveraging process, are likely to continue in this context.

Following the gradual introduction of the higher capital and liquidity requirements of Basel III from 1 January 2014, the main regulatory projects for the industry at present include, above all, the new supervision and recovery and resolution mechanism as well as the future requirements regarding deposit guarantees at European level. At present, the minimum leverage ratio which is to be expected by the industry to apply under Basel III from 2018 is 3%. However, this figure will not be finalized until 2017. The requirements associated with the European Central Bank taking over joint supervision duties in autumn 2014, and especially the balance sheet assessment, will tie down further resources in 2014 at the institutions affected. There will also be additional requirements laid at the door of German banks from the ongoing modernization of supervisory reporting. The agreement reached at the end of 2013 following lengthy discussions between the European Commission, the Council of the European Union and the European Parliament regarding the revision of the European deposit guarantee directive and the cornerstones of future regulations on the restructuring and resolution of banks will probably increase the cost burden for the industry significantly in the coming years. What is crucial for the German banking market in terms of deposit guarantees is that the institutional guarantee systems already in place in the cooperative sector and in the German Savings Bank Finance Group (Sparkassenfinanzgruppe) may be maintained in the future and used in the course of prevention measures. There is still some ambiguity as regards the specific format and the effective date for introducing the planned financial transactions tax and the European dual banking law. At the beginning of the year the latter seems to be leaning towards a narrower definition of prohibited transactions in comparison with the Liikanen Report and decision-making powers for the regulatory authorities regarding the possible separation of high-risk trading activities. It remains to be seen what any further legislative changes will be. By contrast, the US dual banking law, the Volcker Rule, was adopted in December 2013. Further challenges for the industry loom in the shape of the revision to the financial market directive (MiFID II), which sets higher technical and consumer protection requirements and which will probably be applicable from 2016/2017, as well as the fundamental revision of trading book regulations by the Basel Committee on Banking Supervision.

Company forecast.

Preliminary remarks.

The following forecast is based on LBBW planning produced at the end of 2013. Alongside an improvement in economic conditions, it assumes a persistently low interest rate over the forecasting period. Furthermore, the forecast assumes that credit spreads, especially for sovereigns, remain stable in 2014 at the level registered in autumn 2013.

Outlook for LBBW.

In 2014 LBBW will continue the strategy adopted as part of its business model, designed to offer reliable product ranges to its customers whilst placing a strong focus on quality in service and consultancy. This involves developing lasting and reliable customer relationships and continuing to concentrate on risk-conscious growth.

The most significant financial performance indicators for LBBW will likely develop as follows in the 2014 financial year at Group level, in comparison with the previous year:

After risk weighted assets were consistently reduced at Group level in 2013, a healthy common equity Tier 1 ratio of 12.6% was achieved by year-end taking all the Basel III requirements into account (fully loaded). This is significantly higher than the future requirement of the regulatory authority as it is currently set. For the coming year in 2014 the common equity Tier 1 ratio in accordance with Basel III (fully loaded) is also expected to surpass the regulatory requirement substantially. The planning for risk weighted assets in 2014 was rather conservative, with a value considerably higher than that for the financial year and the earmarking of reserves to cope with even tighter regulations as well as unforeseen developments.

LBBW still assumes it will repay hybrid capital in 2014 totaling EUR 1 billion – subject to the approval of the financial supervisory authority. However, this reduction has no impact on the common equity Tier 1 ratio referred to above.

Following the continued reduction in non-core activities, total assets in the 2013 financial year dropped sharply to EUR 274 billion. LBBW is targeting a gradual reduction of non-core business to eliminate it completely. The planned expansion of core activities compensates for this, and indeed total assets under IFRS by the end of 2014 should be back to the level of 2013 for the LBBW Group.

In the 2013 financial year the net consolidated profit before tax for the LBBW Group under IFRS rose impressively to EUR 471 million. The figure anticipated for 2014 should be consistent with the previous year, provided there are no unforeseen turbulences on the market or an unexpectedly pronounced economic setback. The assumption here is that income will develop in line with the previous year's trends, while there will be a noticeable increase in allowances for losses on loans and advances as conservatively planned.

The planned continuation of cost-cutting measures is countered by the rising burdens generated by the increase in regulatory requirements, which means there should not be any significant change in administrative expenses in 2014 over the previous year. Based on the outlined development of income and expenses, in 2014 the LBBW Group expects its cost/income ratio to remain at the level of 2013.

The forecast result for LBBW in the 2014 financial year is subject to significant risks in that the assumptions made in the forecast may in fact not be confirmed in the course of the year. Market parameters could develop unexpectedly: for example, interest could continue to fall or credit spreads could widen again. Massive pressure from competitors could also result in lower-than-planned margins, and thus lower income. The focus on client-centered business could lead to a higher than expected increase in allowances for losses on loans and advances too if economic conditions deteriorate, and therefore to negative deviations from LBBW's forecasts. Achieving the forecast targets is also still subject to the risk of unforeseen regulatory or legal measures as well as the debt and confidence crisis in the eurozone, which is still unresolved. In the event of significant negative deviations from the forecasts in the course of 2014, especially in the Corporates segment, this could result in a goodwill write-down in the segment.

However, there are also some opportunities for LBBW to exceed the forecasts in the 2014 financial year, if future conditions differ from the assumptions made during the planning stage. Market parameters could develop unexpectedly for example, i.e. interest rates could rise or credit spreads could tighten further. The solid market position of LBBW and the expansion of this position could help LBBW cope better with its competitors than originally expected, thereby generating higher levels of income than planned. Were the economic recovery to continue this could result in lower allowances for losses on loans and advances, while risk weighted assets might also come in lower than planned. If the regulatory requirements are not as tight as anticipated this could trigger some positive deviations from the projected development of LBBW's activities too. And finally, a long-term solution to the debt and confidence crisis in the eurozone could provide an opportunity to exceed forecasts.

At segment level, LBBW predicts the following developments for the 2014 financial year in comparison with 2013. While the operating segments are expected to make a positive contribution to earnings, it is anticipated that the Credit Investment segment will make another loss.

In the Corporates segment in the afore mentioned period, LBBW anticipates perceptible growth in total assets given the planned expansion of the segment. Parallel to this – and with a selective, risk-based choice of exposures – risk weighted assets are expected to rise only moderately in accordance with Basel III (fully loaded). Projected net consolidated profit before tax in 2014 should fall slightly short of the previous year's figure. The previous year's reduction in large, risky – and thus highly profitable – exposures will initially be a drag on results, and only be compensated for gradually throughout 2014 with the projected expansion of business. This is why LBBW expects income in 2014 to remain at the level of the previous year. The results in the 2014 financial year will also likely be boosted by the conservative forecast of allowances for losses on loans and advances, which should be noticeably higher than the previous year, and the marginal increase expected in administrative expenses from growth initiatives. This produces a predicted cost/income ratio for the segment in 2014 that should be around the level of the previous year.

Total assets for the Retail/Savings Banks segment are expected to grow somewhat less dynamically in 2014 compared with the previous year. Based on the aimed-for approval of further internal rating procedures, however, the segment anticipates a marked reduction in risk weighted assets as per Basel III (fully loaded). Consolidated net profit before tax over the same period is expected to be substantially lower than in 2013. This is largely because of the moderate increase in administrative expenses, caused in particular by one-off expenses incurred from consolidating core banking systems and the higher allowances for losses on loans and advances. As a result, the cost/income ratio expected for 2014 is likely to be slightly higher than the previous year.

In the Financial Markets segment, LBBW anticipates a modest increase in total assets for the 2014 financial year compared with the previous year against a backdrop of slightly higher projected income. A significant increase is projected for risk weighted assets under Basel III (fully loaded) by the end of 2014 in view of the possible renewed tightening of regulatory requirements. Net consolidated profit before tax should come in slightly below the 2013 figure, particularly on account of an expected modest increase in administrative expenses. Consequently, the cost/income ratio for 2014 is expected to stay at the previous year's level.

In view of the continued portfolio rundown, total assets in the Credit Investment segment are expected to fall sharply again by the end of 2014. The main drivers in this respect are the guaranteed portfolios (guarantee portfolio and Sealink), which do not tie up any risk weighted assets of note. This means the reduction in total assets has little effect on the development of risk weighted assets. At segment level the net consolidated result before tax for the 2014 financial year is once again expected to be a loss, which is likely to be considerably lower than the previous year. The continued portfolio reduction does generate some counter-effects too, which is why LBBW expects that the much lower income will partially be compensated for by a much lower fee for the guarantee of the State of Baden-Württemberg.

The encouraging result for LBBW (Bank) in the 2013 financial year in accordance with the German Commercial Code (HGB) was sufficient, as expected, to discharge the outstanding interest payments – in accordance with the given contractual terms – for the interest missed on hybrid capital in previous years. Taking the servicing of hybrid capital into account, LBBW (Bank) projects a net profit before taxes (in accordance with the HGB) for the whole of 2014 that will easily surpass the previous year's figure.

In summary, LBBW has managed to put in place a sustainable business model in the form of a purely customer-driven bank, and reinforce it. The stability achieved in conjunction with the sound capital base provides a good starting position for competing successfully on the market. This means LBBW will continue to expand its large and stable base of customers in the future and serve as their reliable partner.

Explanatory notes on the annual financial statements of LBBW (Bank).

Result of operations, net assets and financial position.

Business development in 2013.

LBBW (Bank) continued its positive development in the 2013 financial year, despite fiercely competitive markets, subdued credit demand and ever-increasing regulatory requirements.

The Bank succeeded in generating a profit for the fourth consecutive year. **Net profit before tax and hybrid capital servicing** totaled EUR 531 million and was therefore roughly the same as the previous year (2012: EUR 535 million; cf. table 2). The change in focus towards a customer-driven bank and implementation of the obligations derived from the EU-driven restructuring launched in 2009 were both successfully completed in all main areas in 2013. In spite of the sharp reduction in total assets, LBBW can look back on a moderate increase in net income (before allowances for losses on loans and advances) in core business areas. Allowances for losses on loans and advances remained moderate, but increased visibly on the previous year. The steady scaling back of business in non-core banking areas continued. The comparatively good economic conditions in the core markets, especially Germany, and the absence of any major problems derived from turmoil on the financial markets were supportive of this development.

Thanks to this good result the Bank will be able to discharge the outstanding past and current interest payments on hybrid capital – in accordance with the given contractual terms – for the past financial year.

Net profit before tax and hybrid capital servicing came in roughly EUR 60 million lower than **planned** in the 2013 financial year. Income fell perceptibly short of budget owing to measures taken to reduce risks, the persistently low interest rate, the reduction of some large exposures and the more restrained credit demand. By contrast, allowances for losses on loans and advances turned out much better than planned thanks to the positive economic climate. Administrative expenses were as budgeted.

The management of the Group is generally guided by the IFRS key figures. As a significant part of the Group, the Bank is managed in accordance with these figures.

The **business volume** of LBBW (Bank) fell during the financial year by – 17.4% or EUR – 67.2 billion to EUR 319.6 billion. This was a significant step for the Bank in its restructuring to become a purely

customer-driven bank, a fact demonstrated not least in the continued decline of **risk weighted assets**, which fell by – 16.2% or EUR – 14.9 billion to EUR 77.0 billion.

This reduction in risks improved the **Tier 1 capital ratio** based on current regulatory legislation in accordance with SolvV by 3.3% points to 19.9% (previous year: 16.7%) and the **total ratio** by 2.9% to 24.4% (previous year: 21.5%).

The **financial position** of the Bank was healthy throughout the entire reporting year thanks to the good liquidity. The Bank was able to obtain funding on the requisite scale via the market at all times. The liquidity ratio as per LiqV totaled 1.47 as at 31 December 2013 (previous year: 1.64) and therefore easily exceeded the minimum requirement of 1.0.

Results of operations.

Table 1: Results of operations based on German Accounting Regulation for Banks and Financial Service Institutions (RechKredV) (incl. current, and completing missed, hybrid capital servicing)

	1 Jan. 2013 – 31 Dec. 2013 EUR million	1 Jan. 2012 – 31 Dec. 2012 EUR million	Change EUR million	Change in %
Net interest income	1,635	1,740	– 105	– 6.0
of which current hybrid servicing	– 31	– 136	104	– 76.9
of which completing missed hybrid servicing	– 59	– 208	149	– 71.8
Net fee and commission income	177	149	28	19.1
Net fee and commission income without guarantee commission	470	446	24	5.3
Guarantee commission for the State of Baden-Württemberg	– 293	– 297	5	– 1.6
Total operating income/expenses from the trading portfolio	276	– 133	409	-
Administrative expenses	– 1,474	– 1,500	27	– 1.8
Other operating income/expenses	3	– 127	130	-
Operating income before allowances for losses on loans and advances/ remeasurement gain or loss	**617**	**128**	**489**	**> 100**
Allowances for losses on loans and advances/ remeasurement gain or loss	– 199	85	– 284	-
Operating income/expenses (result from ordinary business activities)	**419**	**213**	**205**	**96.3**
Extraordinary result	23	– 21	44	-
Partial profit transfer	– 293	– 243	– 50	20.6
of which current hybrid servicing	– 112	– 118	6	– 5.2
of which completing missed hybrid servicing	– 181	– 125	– 56	45.1
Net profit/loss for the year before tax	**149**	**– 51**	**199**	-
Income tax	– 77	51	– 128	-
Net profit/loss for the year after tax	**72**	**0**	**72**	**> 100**
Unappropriated profit/loss	**72**	**0**	**72**	**> 100**

Rounding differences may occur in this and subsequent tables for computational reasons.

Table 2: Results of operations (before current, and completing past, hybrid capital servicing)

	1 Jan. 2013 – 31 Dec. 2013 EUR million	1 Jan. 2012 – 31 Dec. 2012 EUR million	Change EUR million	Change in %
Net interest income	1,725	2,083	– 358	– 17.2
Net fee and commission income	177	149	28	19.1
Net fee and commission income without guarantee commission	470	446	24	5.3
Guarantee commission for the State of Baden-Württemberg	– 293	– 297	5	– 1.6
Total operating income/expenses from the trading portfolio	276	– 133	409	-
Administrative expenses	– 1,474	– 1,500	27	– 1.8
Other operating income/expenses	3	– 127	130	-
Operating income before allowances for losses on loans and advances/ remeasurement gain or loss	**707**	**471**	**236**	**50.1**
Allowances for losses on loans and advances/ remeasurement gain or loss	– 199	85	– 284	-
Operating income/expenses (result from ordinary business activities)	**509**	**557**	**– 48**	**– 8.6**
Extraordinary result	23	– 21	44	-
Net profit/loss for the year before tax and hybrid servicing	**531**	**535**	**– 4**	**– 0.8**
Income tax	– 77	51	– 128	-
Net profit/loss for the year after tax and before hybrid servicing	**454**	**586**	**– 132**	**– 22.5**
Completing missed interest payments for hybrid servicing	– 239	– 333	93	– 28.1
Current hybrid capital servicing	– 143	– 254	110	– 43.5
Unappropriated profit/loss	**72**	**0**	**72**	-

The following comments are based on table 2.

Net interest income fell against the previous year by EUR – 358 million to EUR 1,725 million. This drop was essentially the result of a much reduced volume of interest-earning assets, the persistently low interest rate environment and a fall in one-off effects. Other factors influencing the result included the noticeably subdued credit demand, the targeted reduction in non-core banking activities and the scaling back of some large exposures. Moreover, net interest income fell in the reporting year due to the lower distribution of income from equity investments.

Net fee and commission income improved considerably year on year by EUR 28 million to EUR 177 million (previous year: EUR 149 million), with the individual types of fees and commissions showing a difference in performance. On the one hand, a marked increase was recorded in net fee and commission income related to the securities and custody business (EUR 19 million, including transaction-based business with customers and savings banks) and higher results from brokerage activities (EUR 15 million), caused among other things by one-off effects. Furthermore, the reduced guarantee portfolio generated lower expenses in relation to the guarantee commission for the State of Baden-Württemberg (EUR 5 million). This is countered by the lower net fee and commission income in the lending, trustee and guarantee (aval) business owing to the subdued credit demand (EUR – 22 million).

Total operating income/expenses from the trading portfolio improved year on year from EUR – 133 million to EUR 276 million. This encouraging result was derived in particular from securities and derivatives trading for customers. The previous year was considerably burdened by valuation adjustments (for market parameters, counterparty risks and legal risks, among other things). In light of the positive earnings trend, the sum of EUR 30 million (previous year: EUR 0 million) was allocated to the reserve for general banking risks in the reporting period from the statutory risk discount for the trading portfolio.

Administrative expenses fell by EUR 27 million year on year from EUR – 1,500 million to EUR – 1,474 million. There were structural changes in administrative expenses, influenced by the outsourcing of IT activities which began on 1 September 2013. As part of this outsourcing the Bank transferred its computer center and parts of application development. All told, staff costs were reduced by EUR 22 million. This figure already contains the higher expenses for state aid provisions due to changes made to the valuation methodology. Amortization and depreciation on intangible assets as well as property and equipment improved by EUR 16 million. By contrast, other administrative expense rose by EUR 11 million on account of more stringent regulatory requirements. This expense included the bank levy, which totaled EUR 67 million in 2013.

Other operating income/expenses improved by EUR 130 million to EUR 3 million thanks to a variety of one-off effects. In contrast to the previous year, allocations to, and reversals of, provisions connected to legal and litigation risks almost balanced each other out.

Allowances for losses on loans and advances/remeasurement gain or loss deteriorated overall compared with the previous year by EUR – 284 million to EUR – 199 million (previous year: EUR 85 million).

- The **remeasurement gain or loss on securities, borrower's note loans and derivatives from the liquidity reserve** fell by EUR – 12 million to EUR 12 million. This result was influenced partly by the continued decline in volume and run-down of risk in portfolios that are no longer part of the core business (credit substitute business). Here, repayments and divestments reduced the exposure to some countries in Southern Europe which are currently the focus of attention.
- The **remeasurement gain or loss on securities held as long-term investments** fell by EUR – 51 million to EUR 39 million. This decline stemmed principally from an increase in write-downs on securities held in the non-core banking portfolio compared with the previous year. Positions were also being purposefully scaled back here as part of the ongoing risk reduction measures. The result was positively influenced by the reductions in some large exposures.
- The **remeasurement gain or loss from equity investments and affiliated companies** declined by EUR – 83 million to EUR – 19 million, which was primarily due to lower reversals of impairment losses and higher expenses for losses accepted.
- **Allowances for losses on loans and advances** rose compared with the previous year by EUR – 138 million to EUR – 230 million, but still remained below the long-term average.

The **extraordinary result** improved by EUR 44 million to EUR 23 million. This was largely attributable to the reversal of restructuring provisions totaling EUR 52 million that were no longer required.

Net profit/loss before tax and hybrid servicing for the 2013 financial year amounted to EUR 531 million (previous year: EUR 535 million).

The **income tax expense** stood at EUR – 77 million for the 2013 financial year (previous year: EUR 51 million). Current income tax made up EUR – 18 million of this amount, while income tax relating to earlier years totaled EUR – 59 million. In the previous year, tax income was recorded from the reversal of provisions connected with the successful settlement of a tax dispute abroad.

Net profit/loss for the year after tax and before hybrid servicing thus came in at EUR 454 million (previous year: EUR 586 million). In spite of the Bank completing outstanding interest payments on the hybrid capital for the years 2009– 2011 and the current servicing for 2013, an unappropriated profit of EUR 72 million (previous year: EUR 0 million) was generated.

Net assets and financial position.

Assets	31 Dec. 2013 EUR million	31 Dec. 2012 EUR million	Change EUR million	Change in %
Cash and cash equivalents	2,101	2,666	– 565	– 21.2
Public-sector debt instruments and bills of exchange eligible for refinancing at central banks	52	43	9	20.9
Loans and advances to banks	48,412	51,083	– 2,671	– 5.2
Loans and advances to customers	109,049	121,319	– 12,270	– 10.1
Debentures and other fixed-income securities	44,163	53,304	– 9,141	– 17.1
Equities and other non-fixed-income securities	326	480	– 154	– 32.1
Trading portfolio	71,254	108,849	– 37,595	– 34.5
Equity investments	598	615	– 17	– 2.8
Shares in affiliates	2 761	3 242	– 481	– 14.8
Trust assets	886	883	3	0.3
Intangible assets	85	72	13	18.1
Property and equipment	399	448	– 49	– 10.9
Other assets	1,829	1,039	790	76.0
Deferred income	1,481	1,903	– 422	– 22.2
Total assets	**283,396**	**345,944**	**– 62,548**	**– 18.1**

Liabilities	31 Dec. 2013 EUR million	31 Dec. 2012 EUR million	Change EUR million	Change in %
Deposits from banks	59,089	65,378	– 6,289	– 9.6
Deposits from customers	86,613	92,865	– 6,252	– 6.7
Securitized liabilities	60,444	72,982	– 12,538	– 17.2
Trading portfolio	50,388	87,542	– 37,154	– 42.4
Trust liabilities	886	883	3	0.3
Other liabilities	1,023	1,181	– 158	– 13.4
Deferred income	1,531	1,767	– 236	– 13.4
Provisions	2,359	2,380	– 21	– 0.9
Subordinated liabilities	4,360	4,209	151	3.6
Capital generated from profit-participation rights	584	914	– 330	– 36.1
Fund for general banking risks	513	483	30	6.2
Equity	15,606	15,360	246	1.6
Total equity and liabilities	**283,396**	**345,944**	**– 62,548**	**– 18.1**
Contingent liabilities	13,747	17,016	– 3,269	– 19.2
Other liabilities	22,422	23,837	– 1,415	– 5.9
Business volume[1)]	**319,565**	**386,797**	**– 67,232**	**– 17.4**

1) In addition to total assets, the business volume includes off-balance-sheet contingent liabilities and other obligations.
Differences of +/- one unit are due to rounding up/down.

Business volume.

Total assets dropped sharply in the financial year by EUR – 62.5 billion or – 18.1% to EUR 283.4 billion.

The declining volumes of contingent liabilities (from guarantees and warranties) totaling roughly EUR – 3.3 billion as well as of other obligations (from irrevocable loan commitments) totaling around EUR – 1.4 billion contributed to the reduction too, bringing the business volume down by EUR – 67.2 billion or – 17.4% to EUR 319.6 billion.

Lending.

The volume of cash and cash equivalents as at 31 December 2013 came in at EUR 2.1 billion, or EUR – 0.6 billion less than at the previous year-end.

Loans and advances to banks fell by EUR – 2.7 billion to EUR 48.4 billion compared with the previous year. This decline was essentially due to a decrease of EUR – 5.1 billion in public-sector loan receivables, while the portfolio of collateralized securities repurchase transactions increased.

As at 31 December 2013, loans and advances to customers amounted to EUR 109.0 billion, or EUR – 12.3 billion less than at 2012 year-end. Nearly every type of credit was affected by the reduced volume, including public-sector loans and mortgage loans. Loan receivables with customers outside Germany declined sharply over the reporting year as a whole.

In the course of the period under review the portfolio of bonds and other fixed-income securities decreased by EUR – 9.1 billion, from EUR 53.3 billion to EUR 44.2 billion . This reduction was attributable both to maturities and disposals of securities from the banking book as well as the increased wind-down of the credit investment portfolio.

Trading assets fell sharply compared to the previous year by EUR – 37.6 billion to just EUR 71.3 billion. In 2013, derivatives with matching market values at portfolio level as at 2012 year-end were closed in the amount of roughly EUR – 11.7 billion. Furthermore, derivatives were transferred to a central liquidator and subsequently netted. As a result of netting, the positions which lead to a reduction in total assets increased by EUR 0.7 billion. Additionally, the moderate increase in interest resulted in a reduction of the market values of interest rate derivatives in particular. A substantial decline in money market transactions was also recorded, amounting to EUR – 7.2 billion.

Funding.

Deposits from banks dropped by EUR – 6.3 billion to EUR 59.1 billion in comparison with the previous year-end. Alongside maturing bonds in the shape of registered covered bonds and borrower's note loans, the reduction in this portfolio was also influenced by declining business volumes of money market and securities repurchase transactions.

Deposits from customers fell by EUR – 6.3 billion year on year, from EUR 92.9 billion to EUR 86.6 billion, which was largely due to maturing borrower's note loans and registered covered bonds as well as lower holdings of securities repurchase transactions. By contrast, giro liabilities increased.

Throughout the year, securitized liabilities fell sharply by EUR – 12.5 billion to EUR 60.4 billion. Against the backdrop of lower lending activity, only part of the maturing covered bonds and debentures had to be replaced. This meant the maturing covered bonds and debentures fell by roughly EUR – 11.0 billion and money market transactions by around EUR – 1.5 billion.

Trading liabilities slumped sharply year on year in line with the asset trends by EUR – 37.2 billion to EUR 50.4 billion.

Equity.

The Bank's equity rose slightly in the reporting year by EUR 0.2 billion to EUR 15.6 billion. The increase in share capital as well as in the capital reserve amounting to EUR 2.2 billion was offset by a related decline in silent partners' contributions totaling EUR 2.1 billion as a result of the conversion effective 1 January 2013.

Financial position.

LBBW's funding strategy is determined by the Asset Liability Committee (ALCo). Here the Bank focuses on ensuring a balanced structure in terms of groups of products and investors used. The Bank's financial position throughout the entire reporting year was satisfactory given the good liquidity. The Bank was always able to obtain funding on the market on the requisite scale. The liquidity indicator as per LiqV totaled 1.47 as of 31 December 2013 (previous year: 1.64).

Consolidated financial statements.

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The consolidated financial statements of Landesbank Baden-Württemberg for the 2013 financial year were prepared in accordance with International Financial Reporting Standards (IFRS) recognized by the European Union and the applicable provisions of the Handelsgesetzbuch (HGB, German Commercial Code) in accordance with section 315a (1) HGB.

Income statement

for the period 1 January to 31 December 2013.

EUR million	Notes	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012[1)]
Interest income	22	22,823	40,613
Interest expense	22	– 21,029	– 38,556
Net interest income	22	1,794	2,057
Allowances for losses on loans and advances	23	– 310	– 143
Fee and commission income	24	644	656
Fee and commission expenses	24	– 122	– 142
Net fee and commission income	24	522	514
Net gains/losses from financial instruments measured at fair value through profit or loss	25	373	24
Net gains/losses from financial investments	26	10	80
Net income/expenses from investments accounted for using the equity method	27	6	55
Other operating income/expenses	28	76	– 78
Net income/expenses from investment property	29	29	45
Administrative expenses	30	– 1,774	– 1,860
Guarantee commission for the State of Baden-Württemberg	6	– 300	– 305
Impairment of goodwill	41	– 3	0
Net income/expenses from restructuring	31	48	10
Net consolidated profit/loss before tax		**471**	**399**
Income tax	32	– 134	– 1
Net consolidated profit/loss		**337**	**398**
of which attributable to non-controlling interest after tax		– 6	– 1
of which attributable to shareholders after tax		343	399

1) Restatement of prior year amounts (see Note 2, changes in recognition).

Total comprehensive income

for the period 1 January to 31 December 2013.

EUR million	Notes	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012[1)]
Net consolidated profit/loss		**337**	**398**
Net consolidated profit/loss in equity			
Items that will not be transferred subsequently to the income statement			
Retained earnings			
Actuarial gains/losses before tax	50	89	– 511
Income tax	32	– 27	155
Items that will be transferred subsequently to the income statement when specific conditions are met			
Revaluation reserve			
Gains/losses on financial assets AfS before tax	21, 54	693	1,140
Transferred to income statement	21, 54	– 64	– 129
Income tax	32	– 153	– 194
Measurement gains/losses from investments accounted for using the equity method			
Changes before tax	21, 54	– 3	– 35
Measurement gains/losses from cash flow hedges			
Changes in fair value before tax	21, 54	1	– 5
Income tax	32	0	1
Currency translation differences			
Changes before tax	21, 54	– 9	4
Total net consolidated profit/loss in equity		**527**	**426**
of which from non-current assets held for sale and disposal groups		– 8	– 25
Net consolidated total comprehensive income		**864**	**824**
of which attributable to non-controlling interests after tax		– 6	– 1
of which attributable to shareholders after tax		870	825

1) Restatement of prior year amounts (see Note 2).

Balance sheet

as at 31 December 2013.

Assets.

EUR million	Notes	31 Dec. 2013	31 Dec. 2012[1)]
Cash and cash equivalents	8, 33	2,156	2,909
Loans and advances to banks	9, 34	47,577	50,080
Loans and advances to customers	9, 15, 35, 69	109,050	117,172
Allowances for losses on loans and advances	9, 36	– 2,179	– 2,505
Financial assets measured at fair value through profit or loss	6, 37	71,402	110,464
Financial investments	6, 38	40,660	52,771
Shares in investments accounted for using the equity method	3, 10, 39	297	303
Portfolio hedge adjustment attributable to assets	6	355	580
Non-current assets held for sale and disposal groups	11, 40	727	23
Intangible assets	12, 41	494	502
Investment property	13, 42	506	516
Property and equipment	14, 15, 43, 69	625	710
Current income tax assets	16, 44	179	182
Deferred income tax assets	16, 44	1,058	1,266
Other assets	17, 18, 45	616	1,364
Total assets		**273,523**	**336,337**

1) Restatement of prior year amounts (see Note 2).

Equity and liabilities.

EUR million	Notes	31 Dec. 2013	31 Dec. 2012[1)]
Deposits from banks	6, 46	58,030	64,236
Deposits from customers	6, 47	82,049	85,332
Securitized liabilities	6, 48	49,561	61,589
Financial liabilities measured at fair value through profit or loss	6, 49	57,654	99,732
Portfolio hedge adjustment attributable to liabilities	6	685	1,199
Provisions	19, 50	3,140	3,133
Liabilities from disposal groups	11, 40	915	0
Current income tax liabilities	16, 51	58	200
Deferred income tax liabilities	16, 51	169	170
Other liabilities	17, 52	756	698
Subordinated capital	20, 53	7,103	9,715
Equity	21, 54	**13,403**	**10,333**
Share capital		3,484	2,584
Capital reserve		8,240	6,910
Retained earnings		1,223	782
Other income		104	- 363
Unappropriated profit/loss		343	399
Shareholders' equity		**13,394**	**10,312**
Equity attributable to non-controlling interest		9	21
Total equity and liabilities		**273,523**	**336,337**

1) Restatement of prior year amounts (see Note 2).

Statement of changes in equity

for the period 1 January to 31 December 2013.

EUR million	Share capital	Capital reserve	Retained earnings[1]
Equity as at 31 December 2011	2,584	6,910	1,067
Restatement of prior year amounts	0	0	11
Adjusted equity as at 1 January 2012	**2,584**	**6,910**	**1,078**
Allocation to retained earnings	0	0	67
Actuarial gains/losses	0	0	- 356
Changes in AfS financial instruments	0	0	0
Measurement gains/losses from investments accounted for using the equity method	0	0	- 2
Measurement gains/losses from cash flow hedges	0	0	0
Currency translation differences	0	0	0
Net profit/loss in equity	**0**	**0**	**- 358**
Net consolidated profit/loss	0	0	0
Net consolidated total comprehensive income	**0**	**0**	**- 358**
Other changes in equity	0	0	- 5
Equity as at 1 January 2013	**2,584**	**6,910**	**782**
Allocation to retained earnings	0	0	399
Capital increase/capital reduction	900	1,330	0
Changes in the scope of consolidation	0	0	- 7
Actuarial gains/losses	0	0	62
Changes in AfS financial instruments	0	0	0
Measurement gains/losses from investments accounted for using the equity method	0	0	- 3
Measurement gains/losses from cash flow hedges	0	0	0
Currency translation differences	0	0	0
Net profit/loss in equity	**0**	**0**	**59**
Net consolidated profit/loss	0	0	0
Net consolidated total comprehensive income	**0**	**0**	**59**
Other changes in equity	0	0	- 10
Equity as at 31 December 2013	**3,484**	**8,240**	**1,223**

1) Restatement of prior year amounts (see Note 2).

The composition of equity is explained in Note 21 and Note 54.

Revaluation reserve	Measurement/ gains/losses from investments accounted for using the equity method	Measurement gains/losses from cash flow hedges	Currency translation reserve	Unappropriated profit/loss	Shareholders' equity[1)]	Equity attributable to non-controlling interest	Total[1)]
– 1,279	139	1	– 8	67	9,481	19	9,500
0	0	0	0	0	11	0	11
– 1,279	**139**	**1**	**– 8**	**67**	**9,492**	**19**	**9,511**
0	0	0	0	– 67	0	0	0
0	0	0	0	0	– 356	0	– 356
817	0	0	0	0	817	0	817
0	– 33	0	0	0	– 35	0	– 35
0	0	– 4	0	0	– 4	0	– 4
0	0	0	4	0	4	0	4
817	**– 33**	**– 4**	**4**	**0**	**426**	**0**	**426**
0	0	0	0	399	399	– 1	398
817	**– 33**	**– 4**	**4**	**399**	**825**	**– 1**	**824**
0	0	0	0	0	– 5	3	– 2
– 462	**106**	**– 3**	**– 4**	**399**	**10,312**	**21**	**10,333**
0	0	0	0	– 399	0	0	0
0	0	0	0	0	2,230	0	2,230
– 1	0	0	0	0	– 8	0	– 8
0	0	0	0	0	62	0	62
476	0	0	0	0	476	0	476
0	0	0	0	0	– 3	0	– 3
0	0	1	0	0	1	0	1
0	0	0	– 9	0	– 9	0	– 9
476	**0**	**1**	**– 9**	**0**	**527**	**0**	**527**
0	0	0	0	343	343	– 6	337
476	**0**	**1**	**– 9**	**343**	**870**	**– 6**	**864**
0	0	0	0	0	– 10	– 6	– 16
13	**106**	**– 2**	**– 13**	**343**	**13,394**	**9**	**13,403**

Cash flow statement

for the period 1 January to 31 December 2013.

EUR million	Notes	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Net consolidated profit/loss		**337**	**398**
Non-cash items in net consolidated profit/loss for the period and reconciliation to cash flow from operating activities			
Depreciation, write-downs and reversals of impairment losses on receivables, property and equipment, and financial investments		484	392
Increase in provisions		144	225
Other non-cash expenses		– 941	– 564
Gains/losses on the sale of financial investments and property and equipment		– 36	– 146
Other adjustments		– 1,585	– 2,083
		– 1,597	**– 1,778**
Changes in assets and liabilities from operating activities			
Loans and advances to banks		2,360	9,277
Loans and advances to customers		7,659	6,508
Financial assets measured at fair value through profit or loss		32,743	5,573
Financial investments		12,856	11,156
Other assets from operating activities		– 54	– 62
Deposits from banks		– 6,095	– 13,109
Deposits from customers		– 3,009	5,229
Securitized liabilities		– 11,836	– 9,843
Financial liabilities measured at fair value through profit or loss		– 35,572	– 16,750
Other liabilities from operating activities		920	– 716
Dividends received		98	103
Interest received		27,268	42,227
Interest paid		– 25,716	– 40,112
Income taxes paid		– 348	53
Cash flow from operating activities	74	**– 323**	**– 2,244**
Proceeds from the sale of			
equity investments		64	329
property and equipment		3	13
intangible assets		2	1
Payments for the acquisition of			
equity investments		– 9	– 27
property and equipment		– 18	– 30
intangible assets		– 52	– 44
Proceeds from the sale of consolidated companies		0	595
Cash flow from investing activities	74	**– 10**	**837**

EUR million	Notes	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Net change in cash and cash equivalents from other capital		– 420	– 1,532
Cash flow from financing activities	74	**– 420**	**– 1,532**
Cash and cash equivalents at the beginning of the period		**2,909**	**5,848**
Cash flow from operating activities		– 323	– 2,244
Cash flow from investing activities		– 10	837
Cash flow from financing activities		– 420	– 1,532
Cash and cash equivalents at the end of the period	33, 74	**2,156**	**2,909**

The cash flow statement shows the change in cash and cash equivalents resulting from cash flows from operating, investing and financing activities during the financial year.

Cash and cash equivalents correspond to the LBBW Group's cash reserve and include cash, balances with central banks, public-sector debt instruments eligible for refinancing operations and bills.

Cash flow from operating activities is determined indirectly from net consolidated profit/loss. Cash flows that are primarily connected with the revenue-producing activities of the LBBW Group or cash flows resulting from activities that cannot be allocated to investing or financing activities are allocated to cash flow from operating activities.

Cash flow from investing activities shows proceeds and payments relating to the disposal or acquisition of long-term assets.

All proceeds and payments from transactions relating to equity, subordinated capital, capital generated by profit participation certificates and typical silent partnership contributions are included in cash flow from financing activities.

Notes

for the 2013 financial year.

Basis of group accounting.

Landesbank Baden-Baden-Württemberg (LBBW (Bank)), as the parent company of the Group, is a public law institution (rechtsfähige Anstalt des öffentlichen Rechts) with registered offices in Stuttgart, Karlsruhe, Mannheim and Mainz.

The consolidated financial statements for the 2013 financial year were prepared in accordance with section 315a (1) of the German Commercial Code (HGB) and Commission Regulation (EU) no. 1606/2002 of the European Parliament and of the Council dated 19 July 2002 (IAS regulation) in accordance with the regulations of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The standards and interpretations published at the time of preparation of the financial statements, adopted by the European Union and relevant and binding for the Group, are authoritative.

The consolidated financial statements of LBBW were approved by the Board of Managing Directors for publication on 11 March 2014.

Accounting policies.

1. Accounting principles.

The consolidated financial statements are based on the going concern principle.

In accordance with IAS 27.24 and IAS 28.26, financial statements in the LBBW Group are prepared using uniform accounting policies. These were applied consistently to the reporting periods shown, unless stated otherwise. As a rule, the annual financial statements of the consolidated companies or investments accounted for using the equity method are prepared on the balance sheet date of the consolidated financial statements of LBBW. Different reporting dates exist only in one case. In this case too, the figures as at 31 December 2013 are taken into consideration in these consolidated financial statements.

The reporting currency is the euro (EUR). The amounts in these consolidated financial statements are generally rounded commercially to EUR millions. This may result in minor aggregation differences; however, these do not have any adverse effect on the reporting quality. The reporting year is the calendar year.

The consolidated financial statements are prepared on the basis of historical and amortized cost as well as fair value. The fair value is used in the case of investment property, financial investments classified as available for sale, and financial assets and liabilities measured at fair value through profit or loss.

Income and expenses are accrued. Interest income and expenses are presented using the effective interest method.

Borrowing costs for qualifying assets (inventories, non-current assets) are capitalized. A qualified asset is a non-financial asset that requires a considerable amount of time to prepare it for its intended use or state of sale.

Long-term construction orders exist within the Group. Given the immateriality of these transactions, no further details were provided.

2. Changes and estimates.

IFRS applied for the first time.

The following IFRS were applied for the first time in the 2013 financial year.

IFRS 13 Fair Value Measurement.

This standard includes criteria to determine the fair value and extends the reporting obligations to include the fair value.

In the course of the first-time application of IFRS 13, the reported status was subject to change: legal risks from ancillary obligations with derivatives are now recognized as provisions and no longer priced at the fair value of the derivative. In addition, the classifications were revised. The additional reporting requirements are included in Note 59.

IAS 19 Employee Benefits.

This standard changes the recording and measurement of performance-oriented pension plans and benefits consequent on ending the employment relationship, as well as the provisions for the disclosures. Actuarial gains and losses must be included in other income within equity immediately when occurred. In addition, an interest rate equal to the discount rate must be assumed in future from the plan assets, which is used to measure the associated pension obligations. Because of the changed definition for post-employment benefits in IAS 19, top-up contributions must now be accrued through installments within the scope of partial retirement agreements.

The first-time application has no material impact on the consolidated financial statements of LBBW, apart from the additional disclosures in the Notes (see Note 50). For this reason, no adjustment has been made to the prior year amounts.

Presentation of Items of Other Comprehensive Income – Amendments to IAS 1.

This standard leads to a change in the reported status of the items in Other income within the statement of comprehensive income. Items that still emerge as being recognized in income at a later stage must be identified separately from the other items in Other income.

In addition to the change in reported status stated above, the first-time application had no material impact on the consolidated financial statements of LBBW.

Annual Improvements to IFRSs (2009 –2011 Cycle).

This collective standard that was approved within the scope of the annual improvement projects is an IASB tool for implementing necessary but not otherwise urgent amendments to the existing IFRS framework. The changes may be of a purely editorial nature but they may also have an impact on the recognition, measurement and reporting of assets and liabilities as well as on the extent of the reporting obligations.

The first-time application had no material impact on the consolidated financial statements of LBBW.

Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7.

This standard enhances the reporting requirements in connection with the netting of financial instruments.

The first-time application had no material impact on the consolidated financial statements of LBBW. The additional reporting requirements are included in Note 67.

Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12.

This standard supplements IAS 12 with the addition of an exception in relation to the measurement of deferred tax liabilities or claims in connection with investment property that is measured at fair value.

The first-time application had no material impact on the consolidated financial statements of LBBW.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36.

This standard corrects an overly broad interpretation of reporting requirements from the adoption of IFRS 13 and will be applied early in LBBW's consolidated financial statements on a voluntarily basis.

Government Loans – Amendments to IFRS 1, Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

These IFRS are not relevant for the preparation of the consolidated financial statements of LBBW and therefore do not impact on them.

IFRS to be applied in future.

The following IFRS had not yet taken effect as at 31 December 2013. Unless otherwise stated, these IFRS are already recognized in European law and LBBW does not intend to apply them earlier on a voluntary basis:

IFRS 10 Consolidated Financial Statements.

This standard contains the new regulations on consolidation and replaces the corresponding provisions in IAS 27 »Consolidated and Separate Financial Statements« and SIC-12 »Consolidation – Special Purpose Entities«. At the core of the changes is the redefinition of the parent-subsidiary relationship and therefore the scope of consolidation. Full consolidation will be initiated in the future if the following three features have been cumulatively fulfilled:

- LBBW has direct or indirect decision-making authority to determine key business activities for the economic success of an enterprise.
- It is subject to variable returns from these companies that can be both positive and negative.
- It can use its decision-making authority to impact on the amount of the company's variable returns.

IFRS 10 is to be applied for the first time in the 2014 financial year.

IFRS 10 can impact on the IFRS scope of consolidation. The application of this new standard can lead to a scenario whereby subsidiaries or special-purpose entities consolidated in accordance with IAS 27/ SIC-12 no longer have to be consolidated or subsidiaries/special-purpose entities that were not consolidated pursuant to the previous regulations must be newly consolidated.

On the basis of the findings of our previous analyses, the existing interpretation of the standards and depending on materiality considerations, we expect that two additional securitization companies will be required to consolidate as a result of the first-time application of IFRS 10. The impact on current total assets is likely to be less than 1%. The consolidation of these companies is likely to reduce the irrevocable loan commitments by approx. 7%. Material effects on profitability are not expected.

Changes may arise in relation to the statements made on account of technical decisions that have not yet been concluded.

IFRS 11 Joint Arrangements.

This standard contains the new accounting rules for joint ventures and combined operations and replaced IAS 31 »Interests in Joint Ventures« and SIC-13 »Jointly Controlled Entities – Non-Monetary Contributions by Venturers«. The new IFRS distinguished between joint ventures and combined operations. Joint ventures may only be included in the consolidated financial statements in future using the equity method and no longer optionally using proportionate consolidation. In contrast, assets and liabilities applicable to the investor as well as expenses and income from combined operations are included proportionately in the consolidated financial statements.

IFRS 11 is to be applied in the 2014 financial year. The first-time application is not expected to have any material effect on the consolidated financial statements of LBBW.

IFRS 12 Disclosure of Interests in Other Entities.

The disclosure requirements in respect of IFRS 10, IFRS 11 and IAS 28 are included in this standard. Specifically, information must be disclosed that offers an insight into the risks and their financial implications that are associated with subsidiaries, joint ventures and associates. In addition, IFRS 12 requires details about structured companies that are not controlled. Structured companies always exist if the holder of voting rights or comparable rights cannot exercise a controlling influence over the company.

IFRS 12 is to be applied for the first time in the 2014 financial year and leads to an extension of the reporting requirements in the Notes, particularly in connection with structured companies.

IAS 27 Separate Financial Statements.

This standard replaces the previous IAS 27 »Consolidated and Separate Financial Statements«. Its scope of application extends exclusively to the preparation of separate financial statements.

The changes are applicable for the first time in the 2014 financial year and have no impact on the consolidated financial statements of LBBW.

IAS 28 Investments in Associates and Joint Ventures.

This standard contains mainly the definition of an associate and provisions for using the equity method for associates and joint ventures and replaces IAS 28 »Investments in Associates and Joint Ventures« in future.

These changes are applicable for the first time in the 2014 financial year and have no material impact on the consolidated financial statements of LBBW.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12.

This standard facilitates above all the easy transition to IFRS 10, IFRS 11 and IFRS 12. In particular, the mandatory presentation of comparative figures is restricted to the previous year. In addition, comparative data is no longer necessary for structured entities over which no control is exercised.

These changes are applicable for the first time in the 2014 financial year.

Investment Entities – Amendments to IFRS 10, IFRS 11 and IAS 27.

This standard provides for an exemption from the consolidation obligation for subsidiaries of specific parent companies in accordance with IFRS 10. This affects parent companies that meet the requirements of an investment entity within the meaning of this standard.

These changes are applicable for the first time in the 2014 financial year. The first-time application is not expected to have any impact on the consolidated financial statements of LBBW.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32.

This standard contains clarification concerning the requirements for offsetting financial assets and financial liabilities.

These changes are applicable for the first time in the 2014 financial year. The first-time application is not expected to have any impact on the consolidated financial statements of LBBW.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39.

This standard extends the scope of the applications that can provide relief from discontinuing hedge accounting in relation to a novation of hedging instruments. Under certain circumstances, novations of hedging instruments to a central counterparty may no longer lead to a discontinuation of hedge accounting.

The changes will become effective as of the 2014 financial year. Applications include, in particular, transfers of hedging derivatives concluded off-exchange to a central counterparty in conjunction with the European Market Infrastructure Regulation (EMIR). The first-time application is not expected to have any material effect on the consolidated financial statements.

Annual Improvements to IFRSs 2010– 2012 Cycle, Annual Improvements to IFRS 2011– 2013 Cycle.

This collective standard that was approved within the scope of the annual improvement projects is an IASB tool for implementing necessary but not otherwise urgent amendments to the existing IFRS framework. The changes may be of a purely editorial nature but they may also have an impact on the recognition, measurement and reporting of assets and liabilities as well as on the extent of the reporting obligations.

Some of the changes from the »Annual Improvements to IFRSs 2010– 2012 Cycle« standard will become effective for the first time as of 1 July 2014 while others will not be effective until the 2015 financial year. The first-time application is not expected to have any material impact on the consolidated financial statements of LBBW. It had not been recognized in European Law as at the balance sheet date.

The change to the »Annual Improvements to IFRSs 2011– 2013 Cycle« standard will become effective for the first time in the 2015 financial year. The first-time application is not expected to have any material impact on the consolidated financial statements of LBBW. It had not been recognized in European Law as at the balance sheet date.

IFRIC 21 Levies.

This interpretation governs the accounting of public levies. It sets out when and in what amount these levies should be recognized. Its scope of application also includes the banking levy imposed by the Financial Market Stabilization Authority (FMSA).

IFRIC 21 is expected to become effective for the first time in the 2014 financial year. The first-time application is not expected to have any impact on the consolidated financial statements. It had not been recognized in European Law as at the balance sheet date.

Defined Benefit Plans: Employee Contributions – Amendments to IAS 19.

This standard determines how contributions that the employees (or third parties) make themselves to defined benefit plans must be reported by the assenting company.

The changes will be effective for the first time in the 2015 financial year. The impact of the first-time application on the consolidated financial statements is still being reviewed. It had not been recognized in European Law as at the balance sheet date.

IFRS 9 Financial Instruments (2009), IFRS 9 Financial Instruments (2010), Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7, IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39.

IFRS 9 is intended to replace IAS 39 in the medium term. The preparations for IFRS 9 have not yet been concluded. As things stand at present, the following central changes are expected: For the classification and measurement of financial instruments, the underlying business model and the product characteristics will be decisive in future in relation to cash flows. Allowances for losses on loans and advances will no longer be restricted to losses already incurred but will also comprise expected losses, and hedge accounting will be oriented more closely to risk management.

Based on the current discussions in the IASB, the effective date for the mandatory first-time application is expected to be 2018. The rules adopted to date by the IASB have not yet been recognized in European law. In view of the final framework that is only just beginning to emerge, specific statements cannot be made about the expected impact of the first-time application on the consolidated financial statements.

Changes in recognition.

The classification of the product structure shown in the Notes was changed in the current year under review. This impacts on the items loans and advances to banks and customers, allowances for losses on loans and advances, as well as deposits from banks. In addition, the economic hedging derivatives that do not qualify as a hedging relationship pursuant to IAS 39 and the assets and liabilities that were previously designated at fair value will be reclassified in trading assets/trading liabilities. For the purpose of improved clarity, the relevant prior year values were adjusted accordingly. The said changes impact only on the disclosures in the Notes and have no effect on the balance sheet and the income statement.

For the purpose of uniform accounting of leasing transactions within the Group, the recognition of income and expenses of a fully consolidated company included in net interest income was changed from gross to net. The prior year figures were adjusted accordingly. This does not impact on net interest income.

Changes.

Estimates and assumptions were made in accordance with the accounting standards concerned for determining the assets, liabilities, income and expenses recognized in the consolidated financial statements. These are based on historical experiences and other factors such as plans and – as far as can be currently judged – probable expectations and forecasts of future events. Such significant estimates can change from time to time and significantly affect the net assets and financial position, as well as the results of operations.

In addition, discretionary decisions were reached when preparing the financial statements regarding the determination of the scope of consolidation, the classification of the financial instruments, investment property, the leasing relationships and the allocation to the levels pursuant to IFRS 13.

Estimates and assumptions mainly relate to the calculation of the fair value of financial instruments and investment property, the value of assets and the calculation of the allowances for losses on loans and advances, as well as the recognition and measurement of subordinated capital, provisions and deferred taxes. Moreover, estimates and assumptions are made regarding specific cash flows. Where significant estimates and/or complex judgements were required, the assumptions made are explained in detail in the Notes to the corresponding item.

The estimates and assumptions are each based on the level of knowledge currently available about the expected future business performance and trends in the global and sector-specific environment. Where actual values differ

from the estimates made, the underlying assumptions and – if necessary – the carrying amounts of the relevant assets and liabilities are adjusted accordingly on a prospective basis.

The following changes in estimates were applied on a prospective basis in accordance with IAS 8.39 in the financial year:

- During the year under review, model adjustments were made in determining the probability of default and the loss ratios for the CVA calculation of OTC derivatives, which led to a reduction of EUR 11.3 million in the valuation discounts.
- The estimate for valuing reserves for additional benefits is based on newly established statistical mathematical procedures. The EUR 39.0 million increase in these provisions was raised through the actuarial gains and losses in equity, of which EUR 37 million are attributable to the refinement of the estimation method.

The following matter was amended retrospectively in accordance with IAS 8.42 in the financial year:

Fee and commission income of EUR 15.5 million was received in the financial year that would have been allocated to the 2012 period. Given that this approach was also applied in the prior periods and the amounts were proven to be of similar size, the situation was broadly the same in the comparable periods. The correction was therefore applied retroactively as of the 2012 financial year, in equity as in loans and advances to banks (EUR +14 million), loans and advances to customers (EUR +2 million) and in the deferred income tax assets (EUR – 5 million).

3. Scope of consolidation.

In addition to LBBW (Bank) as the parent company, 111 subsidiaries (previous year: 106 subsidiaries) and 15 special-purpose entities (previous year: 17 special-purpose entities) were included in the consolidated financial statements.

A subsidiary is an entity that is controlled by another entity (known as the parent). The parent has the ability to control the entity if it directly or indirectly holds a majority of the voting rights in the entity or has the de facto ability to influence the entity. Control of special-purpose entities is assumed to exist when one of the following criteria is met in substance: (i) the business activities of the special-purpose entity (SPE) are conducted on behalf of the Group in accordance with its specific business needs in such a way that the LBBW Group obtains benefits from these operations, (ii) the Group has the direct or indirect decision-making power to obtain the majority of the benefits of the SPE's business activities, (iii) the Group has the right to obtain the majority of the benefits of the SPE and may therefore be exposed to risks incident to the activities of the SPE, (iv) the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its business activities.

Inclusion of SPEs in the consolidated financial statements does not depend on the extent of the equity investment or the proportion of voting rights.

With the consolidation of the SPEs, all the material risks arising from these entities are included in LBBW's consolidated financial statements.

The following subsidiaries were deconsolidated in the period under review:

- SüdLeasing Finance-Holding GmbH
- Einkaufszentrum Stachus München GmbH (LBBW Immobilien Management GmbH subgroup)
- HIRP Housing Initiative Rheinland-Pfalz Management- und Entwicklungsgesellschaft mbH i. L. (LBBW Immobilien Management GmbH subgroup)

In addition, the following special-purpose vehicles were deconsolidated:

- BWInvest-TR6-Fonds
- LBBW EuroLiquid

No major effects resulted from the above mentioned deconsolidations.

The following subsidiaries were consolidated for the first time in 2013:

- BW Capital Markets Inc. (inclusion as a subgroup, including four further companies)
- John Deere Leasing GmbH
- EAST Portfolio s.r.o.
- Rheinpromenade Mainz GmbH & Co. KG (LBBW Immobilien Management GmbH subgroup)

Four joint ventures (31 December 2012: six joint ventures) and an unchanged seven associates are accounted for using the equity method in the consolidated financial statements.

A joint venture is a contractual arrangement whereby two or more parties undertake activities subject to joint control or manage jointly controlled assets or jointly controlled entities. An associate is an entity over which the LBBW Group exercises significant influence. Associates are companies in which LBBW holds a voting interest of between 20% and 50% (rebuttable presumption of association).

A total of 176 (previous year: 181) subsidiaries and SPEs were not included in the consolidated financial statements because their individual and aggregate influence on the net assets, financial position and results of operations of the LBBW Group is not significant. These mainly include property management companies and shelf companies, as well as start-up financings in the area of equity investments. The interests in these entities are either measured at fair value or carried at amortized cost and reported under »Financial investments«.

We refer to the list of shareholdings recognized in the annual report for the subsidiaries, SPEs, joint ventures and associates included in the consolidated financial statements, as well as the entities and equity investments omitted on grounds of insignificance (see Note 76).

4. Principles of consolidation.

The subsidiaries and SPEs are consolidated according to the purchase method in accordance with IAS 27.18 in conjunction with IFRS 3. Accordingly, all of the subsidiaries' assets and liabilities recognized from the acquirer's perspective at the time of acquisition or at the time when controlling influence is acquired are recognized at their fair value. The remeasured assets and liabilities are taken over into the consolidated balance sheet, taking deferred taxes into account, and are treated according to the standards to be applied in the subsequent periods.

Where the cost for the business combination exceeds the fair value of the assets and liabilities at initial acquisition, goodwill (goodwill in proportion with the investment) is recorded under intangible assets. The share of the equity or in the net gain/loss of the fully consolidated companies of LBBW Group not attributable to shareholders is reported separately in »Equity attributable to non-controlling interest« or »Net income/loss of which attributable to non-controlling interest after tax« in the income statement.

Intra-group receivables and liabilities, as well as income, expenses and profits and losses resulting from intra-group transactions were adjusted in accordance with IAS 27.20 et seq. or the elimination of the interim result.

Joint ventures and associates are accounted for using the equity method provided they are not of minor significance for the presentation of the LBBW Group's net assets, financial position and results of operations. The pro rata share in profit or loss of the investments accounted for using the equity method is recorded in the consolidated financial statements at the same time. Investments accounted for using the equity method are measured on the basis of the Group's share in equity plus goodwill.

5. Currency translation.

The foreign currency translation in the Group is conducted in accordance with IAS 21. Each LBBW Group company determines its functional currency. The items included in the financial statements of the relevant group company are measured using this functional currency and translated into the reporting currency (euro).

A foreign currency transaction must be initially recognized at the spot rate between the functional currency and the foreign currency at the transaction date. Monetary assets and liabilities denominated in foreign currency and unsettled foreign currency spot transactions are always translated into euros at the prevailing closing rate. Non-monetary items measured at amortized cost are translated at the historical rate at the transaction date. Non-monetary items measured at fair value are translated at prevailing exchange rates on the date of the fair value measurement (closing rate).

Exchange differences are generally recognized in profit or loss in the period in which they occur. Exceptions are non-monetary items for which fair value adjustments are recognized in Other income. Resulting translation differences are recognized in the revaluation reserve.

In the consolidated financial statements, the balance sheet items of consolidated companies whose reporting currency is not the euro are translated at the exchange rate on the balance sheet date. Average annual rates are used to translate the expenses and income of these companies. Equity is translated at historic prices. All the resulting translation differences are recognized in Other income (currency translation reserve).

The exchange rates used for the most important currencies in the LBBW Group at the closing date are as follows:

Amount per 1 euro in the respective currency	31 Dec. 2013	31 Dec. 2012
USD	1.3814	1.3180
GBP	0.8358	0.8178
SGD	1.7506	1.6120
JPY	145.07	113.51
CHF	1.2245	1.2083

6. Financial instruments.

Financial assets and financial liabilities are initially recognized when the entity becomes a party to the contractual provisions of the instrument. Spot transactions of non-derivative financial instruments are recognized on the settlement date and spot transactions of derivative financial instruments on the trade date.

A financial asset is derecognized when the contractual rights to the cash flows from the financial assets expire or these are transferred to third parties and no substantial risks and rewards are retained from the financial assets.

In the case of transactions where all significant risks and rewards associated with ownership of the financial asset are neither retained nor transferred, the transferred asset is derecognized if control over this asset – i.e. the capacity to sell it – is given up. The claims and obligations retained in the context of the transfer are recognized separately as assets and liabilities. If control over the asset in question is retained, the asset continues to be reported in accordance with the scope of the continued involvement. This scope is defined according to the extent of the value fluctuations of the transferred asset to which the Group remains exposed.

Financial obligations are derecognized when the principal has been repaid.

Fair value measurement.

Fair value is defined in accordance with IFRS 13 as the price at which an asset or liability could be exchanged at the measurement date in an orderly transaction between market participants.

When determining the fair value, a company specifies the preferred, i.e. the principal market, for the asset or liability or, in the absence thereof, the most advantageous market. LBBW defines the principal market as the market with the highest trading volume and the highest level of market activity for the cash generating unit. It need not necessarily be the market on which LBBW conducts most of its trading activities. LBBW sees the most advantageous market as that market on which – taking transaction and transport costs into account – the maximum proceeds can be achieved or the lowest amount must be paid when transferring a liability.

When calculating fair values the LBBW Group uses prices (if available) from the principal market, provided these represent prices used within the scope of regular and current transactions. These are reviewed on the basis of the following criteria: timely availability, amount, executability and bid-offer spreads.

If no prices quoted on active markets are available, valuation procedures, prices for similar assets or liabilities on active markets, prices for identical or similar assets or liabilities on non-active markets are used. Input parameters used for valuation procedures relate to parameters observable on the markets, if available. The application of these models and the use of these parameters require assumptions and estimates on the part of the management, the extent of which depends on price transparency with regard to the financial instrument and its market and the complexity of the instrument. A significant amount of subjective estimation is necessary especially if no parameters observable on markets are available.

The aim of the application of the measurement procedures is to determine the price at which a transaction for a financial asset or liability could take place between knowledgeable third parties on the reporting date. Measurement procedures must therefore include all factors that a market participant would take into account when fixing prices.

The fair values of holdings measured at fair value are subject to the LBBW Group's internal controls and processes, in which the standards for the independent reviewing or validation of fair values are established. These controls and procedures are monitored by the Independent Price Verification (IPV) organizational unit within the Risk Controlling division. The models, inputs and resulting fair values are regularly checked by the Risk Methodology department.

The following table contains an overview of the valuation models applied for financial instruments:

Financial instruments	Valuation models	Material parameters
Interest rate swaps and options	Net present value method, Black-Scholes, replication and Copula-based models, Markov functional model and Libor market models	Yield curves, swaption volatility, cap volatility, correlations, mean reversion
Forward rate agreements	Net present value method	Yield curves
Forward commodity agreements, currency forwards	Net present value method	Commodity rates/exchange rates, yield curves
Stock/index options	Black-Scholes, local volatility model	Equity prices, share volatility, dividends, interest rates (swap, repo)
Currency options	Garman-Kohlhagen (modified Black-Scholes)	FX prices, yield curves, FX volatility
Commodity options	Garman-Kohlhagen (modified Black-Scholes)	Commodity rates, yield curves, volatility
Credit derivatives	Intensity model, Copula model, credit correlation model	Credit spreads, yield curves and index tranche prices for the Copula models, correlation
Money market transactions	Net present value method	Credit spreads, yield curves
Securities repurchase transactions	Net present value method	Yield curves
Borrower's note loans, loans	Net present value method	Credit spreads, yield curves
Securities, forward security transactions	Net present value method	Securities prices, credit spreads, yield curves
Own bearer bonds and borrower's note loans issued	Net present value method	Yield curves, own credit spread
Securitizations	Net present value method	Liquidity spreads, yield curves, prepayments, arrears and default rates, losses

The financial instruments stated above are allocated to the following main classes:

Class	Financial instruments
Assets carried at fair value	
Trading assets	Currency options, interest rate swaps and interest rate options, equity/index options, commodity options, forward rate agreements, securities, forward security agreements, money market transactions, borrower's note loans
Financial assets designated at fair value	Securities, forward security agreements, borrower's note loans, loans, money market transactions
Positive fair values from hedging derivatives	Interest rate swaps and cross-currency interest rate swaps
Financial investments (AfS)	Securitizations, securities, forward security transactions, money market transactions
Assets carried at amortized cost	
Loans and advances to banks	Loans, borrower's note loans, forward security transactions, term money, money market transactions
Loans and advances to customers	Loans, borrower's note loans, forward security transactions, term money, money market transactions
Loans and advances to customers – of which finance leases	Finance lease agreements
Financial investments (LaR)	Securities, forward security transactions
Non-current assets held for sale and disposal groups	According to the respective balance-sheet item
Liabilities measured at fair value	
Trading liabilities	Currency options, interest rate swaps and interest rate options, credit derivatives, equities, index options, commodity options, money market transactions, forward rate agreements
Financial liabilities designated at fair value	Own bearer bonds and borrower's note loans issued
Negative fair values from hedging derivatives	Interest rate swaps and cross-currency interest rate swaps
Liabilities carried at amortized cost	
Deposits from banks	Loans, borrower's note loans, term money, money market transactions, securities repurchase transactions
Deposits from banks – of which finance leases	Finance lease agreements
Deposits from customers	Loans, borrower's note loans, term money, money market transactions, securities repurchase transactions
Deposits from customers – of which finance leases	Finance lease agreements
Securitized liabilities	Own bearer bonds and borrower's note loans issued
Other liabilities – of which finance leases	Finance lease agreements
Subordinated capital	Bonds, participation certificates
Liabilities from disposal groups	According to the respective balance-sheet item
Irrevocable loan commitments	Credit line agreements

To the extent possible, the securities in the trading portfolio are valued via market prices or liquid prices of the relevant OTC market. If no active market price is available, fixed-income securities are valued using prices from non-active markets that are amended for valuation adjustments, or are derived from market data by means of the discounted cash flow method using rating- or sector-dependent yield curves and credit spreads.

Exchange-traded derivatives are valued using market prices, provided a current price exists. If not, they are valued using a recognized valuation model (e.g. Black-Scholes).

The fair value of OTC derivatives is calculated using valuation models. A distinction is drawn between derivatives traded on liquid markets (such as interest rate swaps, cross-currency interest rate swaps and currency options) and complex derivatives that are traded on illiquid markets.

Simple derivatives traded on active markets are valued using recognized valuation measures that resort to unobservable parameters on a minor scale.

For certain complex interest derivatives, the interest-interest correlations required for measurement by reference to option price models are based on expert estimates which are partially gained from historical observations and partially from market price-derived correlations. The Correlation parameter is assumed to be non-observable in this case and a day one Reserve is formed for these complex interest rate derivatives.

In addition, parts of the complex credit derivatives are measured using correlations regarding probabilities of default, which are calculated on a monthly basis from consensus prices for standard transactions by a price service agency. As these correlations are classified as being non-observable, a day one reserve is set aside for the credit derivatives to which this measurement method is applied.

The fair value of securitizations for which the market prices of market services providers are to hand is measured on the basis of these prices and the classification in Level II (see fair value hierarchy). The fair values for impaired securitizations, or such for which there are not sufficient market prices (Level III) are calculated using valuation models. These are standard market models based on the discounted cash flow method. Some of the parameters used by these models cannot be observed on the markets. In this case, the fair value is influenced by the assumptions and estimates made by LBBW. These assumptions are chosen with the greatest possible care by the back office of the LBBW Group. The parameters to be calculated comprise defaults, recovery rates and repayment ratios. These are calculated per asset class. Investment bank and rating agency research as well as own observations or derivations from the transactions are used to determine these parameters. The projections are calculated on the basis of expectations relating to the macroeconomic environment and taking the historically available data into account.

If the fair value of a financial instrument that is calculated using valuation methods does not take sufficient account of factors such as bid-offer spreads or close-out costs, liquidity, model, credit and/or counterparty risk, the Bank calculates valuation adjustments. The methods used do not always observe parameters observed on the market. Valuation adjustments are currently made within the LBBW Group, particularly for the following issues:

- Recognition of credit risks in relation to credit risks from receivables and counterparty default risks from OTC derivatives (credit valuation adjustment).
- Adjustments to mid-price based measurements on the use of bid/ask prices, for example, as close-out valuation adjustments for OTC interest rate and credit derivatives.
- Weaknesses in the models and/or parameters used, for example, so-called model valuation adjustments for specific interest rate and credit derivatives.
- Day one profit or loss for specific complex derivatives.
- Adjustments for using market prices from markets that are not active (Level II/Level III) for interest-bearing securities.

When calculating the fair value of listed equity holdings that are allocated to the available-for-sale category, prices traded on an active market are used, if available. For non-listed companies or if no prices traded on an active market are available, the fair value is measured via a valuation method. The LBBW Group measures fair value in these cases mainly by means of the net income value, the discounted cash flow or the net asset value method. The valuation method is selected on the basis of a fixed decision tree. The fair value of real estate leasing special-purpose vehicles is generally measured on the basis of the DCF method. The net income value approach is generally used for the measurements of all other major equity investments. If the application of the net income value approach is associated with considerable uncertainty or cannot be depended on to be reliable due to a lack of data, the net asset value method is used, provided the equity investment's business activities are stable.

The fair value of assets and liabilities measured at amortized cost is calculated by discounting the future cash flows, taking into account rating-dependent spreads (exception: repurchase transactions). If rating-dependent spreads are derived from rating information obtained from external sources, classification is in Level II. Rating information obtained from internal sources requires classification in Level III. The fair values of receivables with a default rating are determined on the basis of expected future cash flows. The carrying amount is stated as the fair value of short-term assets and liabilities (e.g. current account assets and liabilities).

Fair value hierarchy.

The fair values used when measuring financial instruments are to be classified in a three-level fair value hierarchy, taking into consideration the measurement methods and parameters used to carry out this measurement. If parameters from different levels are used to determine the fair value, the resulting fair value is assigned to the lowest level whose parameter has a material effect on the fair value measurement.

The three-level fair value hierarchy with Level I, Level II, and Level III – the terminology provided for in IFRS 13 – is defined as follows within the LBBW Group:

- All financial instruments with prices quoted on active markets are assigned to the first group (Level I).
- OTC derivatives measured using models, tradable credits, structured Group debt instruments designated at fair value, units in investment funds and certain corporate/financial and government bonds with automatic provision from market information systems (observable parameters) and liquid asset-backed securities are assigned to the second group (Level II).
- Level III comprises financial instruments for which one or more parameters are not based on observable market data and which exert a more than immaterial effect on the fair value of an instrument. This includes complex OTC derivatives, certain private equity investments, most of the loans and certain high-grade structured bonds including illiquid asset-backed securities and structured securitizations.

Exchange-traded derivatives and equity instruments, as well as debentures that are traded in very liquid markets are allocated as standard to Level I. OTC derivatives, and less liquid debentures and equity instruments, are allocated to Level II. Derivatives whose values are influenced by correlation are allocated to Level III.

If the main parameters used change in the course of the fair value measurement, the classification in the fair value hierarchy is also adjusted. At the end of the reporting period, the necessary reclassifications between levels I-III is carried out using quality criteria for the market data used in the valuation that are defined by risk controlling. Prompt availability, volume, executability and bid-offer spreads of the market data play a particular role.

Sensitivity analysis.

If the model value of financial instruments is based on non-observable market parameters, alternative parameters are used to determine the potential estimation uncertainties. The interest-interest correlations that are classified as unobservable are amplified in parallel (in relative terms) by +10% / – 20% in the stress scenario. The correlations for credit derivatives that are classified as non-observable are changed by +10% (absolute) or – 30% (absolute) in the stress scenario. The correlations for equity derivatives that are classified as unobservable are changed in the stress scenario by +15% (absolute) or – 25% (absolute).

For most of the securities classified as Level III only one non-observable parameter is included in the fair value calculation, preventing any interactions between Level III parameters. The overall sensitivity of the products whose fair value calculation includes more than one non-observable parameter is immaterial. A calculation of the interactions between these parameters has therefore been dispensed with.

For the investments classified as Level III the calculation of the sensitivities essentially takes place through an upshift/downshift of the individual beta factors. If no beta factors are used in the measurement, the sensitivities are calculated on the basis of the average percentage change in fair value. This is based on the upshift/downshift of the investments whose measurement is based on a beta factor.

The use of non-observable parameters for the measurement of financial instruments can lead to differences between the transaction price and the fair value. This deviation is referred to as day one profit or loss, which is distributed throughout the term of the financial instrument through profit or loss.

Financial assets or financial liabilities measured at fair value through profit or loss.

This category in IAS 39 makes a distinction between financial instruments classified as held for trading (HfT) and financial instruments irrevocably designated at fair value through profit or loss at the time of acquisition (designated at fair value/fair value option (FVO)). Financial assets and liabilities in this category are measured at fair value through profit or loss.

Derivatives, money market transactions, securities and borrower's note loans acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins are classified as held for trading. This subcategory includes those derivative financial instruments (broken down into trading derivatives and economic hedging derivatives) that are used for trading purposes or are part of an economic hedge and do not satisfy IAS 39 requirements for hedge accounting. Financial instruments held for trading are reported in the balance sheet under »Financial assets measured at fair value through profit or loss« or »Financial liabilities measured at fair value through profit or loss«. Unrealized measurement gains/losses as well as realized gains and losses are recognized in »Net gains/losses from financial instruments measured at fair value through profit or loss«.

The »Financial instruments designated at fair value« subcategory includes financial instruments that were not acquired nor are held for trading purposes, but are measured at fair value through profit or loss. Financial instruments with embedded derivatives which are required to be separated but are not spun off are assigned to the fair value option. Additionally, the fair value option is applied to eliminate or significantly reduce inconsistencies in the measurement or recognition of financial instruments. Compound financial instruments mainly include LBBW's own bearer bonds and borrower's note loans issued, which are structured with interest rate, credit, equity and/or currency derivatives. When eliminating measurement inconsistencies for financial instruments designated at fair value, this concerns securities and associated liabilities which would otherwise have been subject to different measurement conventions than the associated derivatives. Financial instruments that qualify for the fair value option on initial recognition are reported in the balance sheet under »Financial assets measured at fair value through profit or loss« or »Financial liabilities measured at fair value through profit or loss«. The effects of changes in the fair value of the designated financial instruments are carried in »Net gains/losses of financial instruments measured at fair value through profit or loss«.

Current income from financial instruments held for trading and designated at fair value is reported in the net interest income item.

Available-for-sale assets.

Available-for-sale financial assets include all non-derivative financial instruments that have not already been assigned to other categories. Financial instruments designated as available-for-sale financial assets are reported under »Financial investments«. Measurement is at fair value. The remeasurement gain or loss is reported in »Other income« under the subitem »Revaluation reserve« of AfS financial instruments. Impairment losses and realized remeasurement gains/ losses are reported in the income statement. Reversals of impairment losses on debt instruments are recognized through profit or loss (up to amortized cost), while reversals of impairment losses on equity instruments are reported in »Other income«.

In the case of debt instruments, a test is performed at each balance sheet date or when specific events arise in order to assess whether there is any objective evidence that individual financial assets are impaired. Objective evidence of impairment includes, in particular, significant financial difficulty for the borrower, a breach of contract, a strong likelihood that the borrower will enter bankruptcy or other financial reorganization. Impairments for securities that do not represent securitizations are identified through rating classes (default rating).

LBBW's entire securitization portfolio is subject to a regular (currently quarterly) review. Impairment is determined within the scope of this so-called clustering. The clustering aims to monitor the performance of all the ABS transactions in the portfolio and to identify those transactions for which impairments must be created. Clustering itself is a process that is based on the existence of specific cash flow model scenarios, the assessment of specific indicators and transactions details, an analyst's estimate regarding transaction-specific features and any guarantee that might be granted by a monoliner or other guarantor. The potential impairment on debt instruments identified on the basis of these criteria is checked as to whether the current fair value falls below the amortized costs less any repayments and amortization. The amortized costs less current fair value (and any impairment charges previously recognized through profit or loss) equal the impairment charge recognized for the period.

An equity instrument is impaired if there is a significant or prolonged decline in its fair value to below its cost. For available-for-sale assets, a significant impairment is assumed if the fair value at the measurement date is at least 20% below the cost of the asset. Permanent impairment exists if the fair value is permanently more than 5% below the cost of the asset over a period of twelve months.

Income or expenses from currency translation are reported for debt instruments (e.g. bonds and debentures) under currency gains/losses, while income and expenses from currency translation are reported for equity instruments (e.g. shares, equity investments, interests in companies) in the revaluation reserve in Other income. When a financial instrument is sold or in the event of impairment, the change in value accrued in the revaluation reserve is recorded under net gains/losses from financial investments.

Silent partnership contributions with participation in losses are also categorized as financial investments (AfS) and are measured accordingly at fair value.

Derivatives.

At LBBW Group, derivatives are used to hedge balance sheet and/or off-balance-sheet items within the scope of its asset/ liability management, to hedge value fluctuations in, for example, fixed-income securities against changes in the market interest rate and to hedge credit spreads for corporate bonds. Derivatives are also used to hedge fluctuations in interest rates or other market prices for trading transactions. Furthermore, derivative financial transactions are performed as trading transactions.

As at the balance sheet date, the LBBW Group has the following types of derivatives in its balance sheet portfolio:

- Forwards and futures are contractual agreements for the purchase or sale of a specific financial instrument at a specified price and at a specified time in the future. Forwards are non-standardized contracts traded on the OTC market. Futures are contracts for standardized volumes and are traded on stock exchanges.
- Swaps are contractual agreements between two parties where one stream of interest payments and/or currencies is exchanged for another based on a specified nominal value in the case of certain events arising.
- Credit derivatives (see Note 64).
- Options are contractual agreements that give the buyer the right to buy or sell a specific amount of a financial instrument at a specified price on a specified date or during a specified period of time.

Hedging transactions within the meaning of IAS 39 (hedge accounting) are reported under »financial assets measured at fair value through profit or loss« (positive fair values on the assets side) or under »financial liabilities measured at fair value through profit or loss« (negative fair values on the liabilities side).

Embedded derivatives.

Structured instruments are financial instruments that are composed of a host contract and one or more derivatives, where the embedded derivatives are a component of a contract and therefore not traded separately. In accordance with IAS 39, embedded derivatives are separated from the host contract and accounted for as standalone derivatives if all of the conditions below are satisfied:

- the structured instrument is not already measured at fair value through profit or loss,
- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract and
- the terms of the embedded derivative would meet the definition of a derivative.

If a structured product is separated for accounting purposes, the host contract must be accounted for in accordance with its category and the embedded derivative accounted for separately in the held-for-trading category. The host contract is measured subject to the category to which this host contract would be assigned. Embedded derivatives that are separated from their host contract are measured at fair value with changes in value recognized in profit or loss. If the criteria for separation of the embedded derivatives are not met, the host contract and the embedded derivative must be recognized and measured as one asset or one liability.

Hedge accounting.

The hedge relationship is documented at the inception of the hedge. The documentation clearly identifies the hedged item and the hedging transaction, it encompasses the definition of the risk being hedged, the description of the hedging strategy and the risk management objective, and defines the method used to assess the hedging instrument's effectiveness. In accordance with the provisions of IAS 39, the hedge relationship must be expected to be highly effective at its inception and throughout the entire term. In addition, effectiveness must also regularly be reviewed retrospectively. A hedge relationship is considered to be effective if the ratio of the changes in value from the hedging transaction to the hedged part of the hedged item is between 80% and 125%. An ineffective hedge relationship must be reversed. A reversed hedge relationship can be redesignated for the remaining term provided it is assumed to be effective for the remaining term (prospective test).

If the requirements for hedge accounting in accordance with IAS 39.71 et seq. are met, a decision is made as to whether the hedge relationship will be accounted for as a fair value hedge or as a cash flow hedge. Fair value hedges serve to hedge the exposure to market price risk and therefore the related changes in fair value. They exist in the form of micro fair value hedges and portfolio fair value hedges.

In a micro fair value hedge the carrying amount of the hedged item is adjusted for the change in the fair value of the hedged risk and recognized in profit or loss. This applies to the financial instruments valued at amortized cost as well as to the hedged item measured at fair value, whose changes in value are recorded in »Other income«. Changes in the fair value of the hedged item not attributable to the hedged risk are accounted for in accordance with the guidance applicable to the relevant category.

LBBW uses the portfolio fair value hedge to hedge interest rate risks within the meaning of IAS 39. The rules applicable to portfolio fair value hedges on interest rate risks enable LBBW to reproduce internal Bank management of interest rate risks. The portfolios contain both receivables and liabilities that are subject at regular intervals to prospective and retrospective measurement of effectiveness in a dynamic hedge accounting cycle. The cash flow is allocated to the appropriate time interval for each financial instrument according to the expected maturity.

In the case of portfolio fair value hedges, a separate line item (portfolio hedge adjustment attributable to assets/liabilities) is carried on the face of the balance sheet to record the valuation effect on the hedged items as regards the hedged risk.

The measurement gains and losses resulting from the measurement of the hedging transaction generally offset the measurement effect of the hedged items attributable to the hedged risk. These are recognized under »net income/loss from financial instruments measured at fair value through profit or loss«.

The cash flow hedge used to a limited extent in the Group hedges the risks arising from future cash flows. The hedging transaction is recognized in the balance sheet at fair value. The resulting changes in fair value are recognized in »Other income« in the revaluation reserve.

A hedging relationship ends when the hedged item or the hedging transaction expires, is sold, is terminated before maturity or is designated for other purposes, or if the hedge no longer meets the criteria to qualify for hedge accounting. If a financial instrument used to hedge changes in the fair value of a hedged item is terminated before maturity or designated for other purposes, the interest-related fair value adjustment included in the carrying amount of the hedged item is amortized over its remaining maturity and netted against interest income or expenses. In the event of disposal or early repayment of the hedged assets or liabilities, the adjustments in the fair value of the hedged item are recognized along with the realized gains/ losses from the disposal or repayment.

Securities repurchase and lending agreements.
The LBBW Group enters into both securities repurchase and lending agreements.

Genuine repurchase (repo) agreements are contracts providing for the transfer of securities against payment of a specified amount in which the return of the securities to the pledgor at a later date for a price agreed in advance is also agreed.

As the pledgor, the LBBW Group continues to carry the assets pledged on the balance sheet and also recognizes the proceeds received as a loan to the pledgee.

As the pledgee, the LBBW Group only recognizes a corresponding receivable from the pledgor as an asset.

These transactions are measured in accordance with the underlying categories in IAS 39. Interest payments on repurchase agreements are recorded as interest income or interest expense. Any premiums/discounts to be accrued/deferred (or differences between the amount received on transfer and the amount to be repaid on return) are recorded in the relevant balance sheet item. Amounts written back from premiums/discounts are reported under »Net interest income«.

Only genuine repurchase agreements are currently made in the LBBW Group.

Lending agreements are non-cash lending transactions in which ownership of securities or other tangible assets (commodities) is transferred with an obligation on the borrower to retransfer securities or tangible assets of the same type, quality, and quantity on expiration of the agreed period of time and pay a fee for the duration of the loan. As the borrower, the LBBW Group does not report the borrowed securities/tangible assets. If the borrowed securities/tangible assets are sold on to another party, a gain on disposal is recognized as an asset and an obligation to return the securities is recognized under »Trading liabilities« at the same time. The consideration paid by the borrower is reported under »Net interest income« depending on the category to which the security/tangible asset is assigned in accordance with IAS 39. The collection of interest or dividends depends on the form of the contract and can favor either the borrower or the lender. The interest and dividends are reported accordingly under »Net interest income«.

As the lender, the LBBW Group continues to report the securities and tangible assets in accordance with the rules applicable to the relevant category in IAS 39.

Financial guarantee contracts (assignor).
Obligations arising from guarantees provided by Group companies relate to contracts that require the Group to make specified payments to reimburse the holder for a loss which incurs because a specified borrower fails to make payment when due in accordance with the terms of a debt instrument. These contracts meet the

requirements for a financial guarantee within the meaning of IAS 39.9 and are therefore not to be measured as a derivative.

Financial guarantees are recognized at fair value within the scope of the initial valuation. The present value of the outstanding premium payments is netted against the present value of the obligations arising from the financial guarantee contracts; in arm's length transactions, the two amounts are the same.

Due to the insignificance of the amounts involved, no fair values are presented in the Notes.

Financial guarantee contracts (assignee).
Based on the agreement dated 26 June 2009, LBBW arranged risk protection with the State of Baden-Württemberg in the form of a guarantee structure with effect from 30 June 2009. GPBW GmbH & Co. KG, a guarantee company of the State of Baden-Württemberg, granted LBBW an original guarantee in the total amount of EUR 12.7 billion to hedge losses on set reference assets. The guarantee portfolio was reduced to EUR 10.4 billion as at 31 December 2013 through repayments and the sale of reference assets. The guarantee is made up of EUR 5.4 billion for an ABS portfolio of LBBW and various Group companies and EUR 5.0 billion for a (junior) loan in the same amount provided by LBBW to Sealink Funding Ltd. (Sealink), a non-consolidated SPE in which certain risk-bearing structured ABS were transferred in connection with the acquisition of the former Landesbank Sachsen AG. LBBW bears the first loss on assets in the ABS portfolio up to an as yet unpaid amount of EUR 0.9 billion until 31 December 2013 (original amount: EUR 1.9 billion).

The guarantee meets the requirements for a financial guarantee within the meaning of IAS 39.9 and is therefore not measured as a derivative. For accounting purposes, the hedging effect of the guarantee related to the loan to Sealink will be netted directly against the valuation of the loan (net method), while the hedging effect of the guarantee related to the securitization portfolio will be recorded separately as a reimbursement claim in the financial investments (at its gross value), since this is a maximum guarantee.

The fees incurred for providing the guarantee structure are reported in the »guarantee commission for the State of Baden-Württemberg« single line item within the income statement.

Measurement at amortized cost.
The amortized cost of a financial asset or liability is calculated on the basis of the cost of the asset at the time of acquisition, taking into account any principal repayments, plus or minus accumulated amortization of any difference between the original amount and the amount repayable at maturity using a process corresponding to the effective interest rate method less any write-down for impairment losses incurred.

Loans and receivables.
Loans and receivables (LaR) are all non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market, unless they are designated at fair value through profit and loss (aFV) at the date of initial recognition. Loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are tested for impairment at each closing date or whenever there are indications of potential impairment. Accordingly, write-downs must also be charged through profit or loss if necessary (see Note 6). Impairment losses are reversed in the income statement. Reversals are limited to the amortized cost that would have been recorded at the measurement date without impairment losses.

Loans and receivables include loans and advances to banks, loans and advances to customers and financial investments not classified as available for sale. Loans and advances to banks and loans and advances to customers primarily comprise originated loans, borrower's note loans, overnight and term money as well as pledgee transactions.

Other liabilities.
These financial liabilities include all financial liabilities under the scope of application of IAS 39 that are measured at amortized cost.

In accordance with IAS 39, own bonds held by LBBW are deducted from issued debentures. Own bonds held in the Group are offset at their respective redemption value against the amortized cost of the issued debentures. The difference between the redemption value and the amortized cost of the Group's own debentures is recognized in net »Net interest income«..

Held-to-maturity financial investments.
Currently, LBBW Group does not use the category of held-to-maturity financial investments.

7. Offset arrangements.

Financial assets and financial liabilities are mutually offset in balance sheet terms if the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to liquidate the respective asset and settle the associated liability simultaneously. In all other cases, they are recorded by way of gross disclosure.

If asset and liabilities, such as own issues repurchased, are reported as offset in the balance sheet, the associated income and expenditure in the income statement must also be offset, unless offsetting is expressly prohibited by an applicable accounting standard.

8. Cash and cash equivalents.

In addition to cash and balances with central banks due on demand, cash and cash equivalents include public-sector debt instruments and bills due in up to three months. All items are reported at their nominal value.

9. Allowances for losses on loans and advances.

The item »Allowances for losses on loans and advances« comprises write-downs on financial instruments reported as loans and advances. This includes all loans that are not subject to fair value measurement. Undrawn loan commitments and contingent liabilities are not taken into account here.

In the case of the write-downs, a difference is made between specific valuation allowances, collective valuation allowances and portfolio valuation allowances. A write-down is generally created where there are recognizable indications of impairment. If this is the case, specific valuation allowances are recognized for significant receivables and collective valuation allowances for insignificant receivables. If there are no indications, portfolio valuation allowances are created, since it can be assumed that certain risks have already occurred but were not yet recognized. If objective evidence of impairment exists in the case of significant receivables but no specific valuation allowance has to be recognized because the present value of the estimated cash flows at least equals its carrying amount, these significant receivables are also included in the portfolio valuation allowances. In the collective valuation of such cases, LBBW distinguished between two constellations. Receivables that feature a specific valuation allowance of 0 due to their comprehensive collateralization are also subject in the portfolio valuation allowance to a provisioning ratio of 0% calculated on the basis of an expert opinion. A portfolio valuation allowance totaling 10% of the unsecured exposure at default is recognized for all other receivables. Specific valuation allowances (IAS 39.63) are recognized for the credit and country risks associated with loans and advances to customers and banks according to standards uniform throughout the Group. For this a test is performed at each balance sheet date to assess whether there is any objective evidence that individual financial assets or a group of financial assets are impaired. Objective evidence of impairment includes, in particular, significant financial difficulty for the borrower, a breach of contract (default or past due interest or principal payments), a strong likelihood that the borrower will enter bankruptcy or other financial reorganization, and forbearance (granting by the lender, for economic or legal reasons relating to the borrower's financial difficulty, of a concession that the lender would not otherwise consider.

The impairment loss is measured as the carrying amount of the loan less the present value of the estimated cash flows. To calculate estimated future cash flows, the amounts and accrual date of all anticipated proceeds from the loan (interest and repayments) as well as any payments from the liquidation of collaterals are estimated.

Interest income from impaired receivables does not include the contractually agreed interest income or the accrual of any discounts; rather, it is calculated in accordance with IFRS on the basis of the change in the present value of estimated future cash flows at the next balance sheet date (so-called unwinding). Expected incoming payments reduce both the carrying amount of the receivables as well as the estimated cash flows, while unexpected payments reduce the allowances for losses on loans and advances recognized in profit or loss.

Collective valuation allowances and portfolio valuation allowances are calculated as the product of the carrying amount (capital balance, arrears and pro rata interest), the probability that the exposure will default within one year (PD), the individual loss ratio taking collateral into account (LGD), and a factor that values the duration of arrears in the flow of information (LIP) for the portfolio valuation allowances reported on the assets side of the balance sheet.

The impairment of loans or parts of loans not subject to impairment leads to a direct write-off (IAS 39.63). Recoveries on loans and advances already written off are recognized through profit or loss.

Loans are derecognized if they are uncollectible, where no surrogate substitutes the defaulted receivable. This is the case, for example, with:

- insolvency, when the collateral is realized or no insolvency ratio is expected,
- terminated exposures where the residual receivables are uncollectible,
- the claim is waived fully or partially, and
- sale of receivables with a loss.

To the extent that it relates to receivables reported on the face of the balance sheet, the total amount of allowances for losses on loans and advances is deducted as a separate item from loans and advances to banks and customers on the face of the balance sheet. On the other hand, allowances for losses on loans and advances for off-balance-sheet transactions are shown in the item »Provisions for credit risks«. Provisions for credit risks are recognized when current obligations exist and the settlement of these obligations can be expected to be associated with an outflow of resources. These obligations are recognized at the amount that LBBW would reasonably have to pay to settle the obligation or to transfer it to a third party according to the circumstances as of the reporting date.

10. Shares in investments accounted for using the equity method.

Investments in associates or joint ventures accounted for using the equity method are carried at cost in the consolidated balance sheet once a significant influence is obtained or on formation of the company. This also comprises goodwill from the acquisition of an associate or a joint venture. In subsequent years, the figure accounted for using the equity method is adjusted by the Group's share in the associate's equity. The proportion of profit or loss generated by the investment is reported in the income statement as net income/loss from companies accounted for using the equity method. Changes in the investment's revaluation reserve are recognized directly and proportionately in Other income.

Because of the valuation of the equity investment, the equity value must be adjusted if necessary. The impairment test is conducted on the basis of IAS 39 and IAS 36.

Investments in associates that are not incorporated in the consolidated financial statements on account of their immaterial importance, are carried under »Financial investments«.

11. Non-current assets held for sale and disposal groups.

The carrying amount of long-term assets or groups of assets and debt (disposal groups), whose disposal is planned, is realized largely through the disposal business and not through continued use.

With regard to the cumulative fulfillment of the conditions stated below, the assets or disposal groups in question should be classified as held for sale and shown separately from the other assets or debt in the balance sheet. The criteria for classification as held for sale are that the assets or disposal groups can be disposed of in their present condition at prevailing conditions and that the disposal is highly likely. The disposal is highly probable if the plan to sell the asset is completed, an active program to find a buyer and to complete the plan has been initiated to actively offer the asset or the disposal group at a price that is appropriate relative to the current fair value and the disposal is likely to be within one year from the date of classification.

Assets classified as held for sale are measured at the lower value comprising carrying amount and fair value less the cost of disposal. The depreciation of the assets is suspended from the date they are classified as held for sale. Assets or disposal groups classified as held for sale are recognized separately in the balance sheet item »Non-current assets held for sale and disposal groups«.

Gains/losses from the measurement and gains/losses from the disposal of these assets or disposal groups that are not included in a discontinued operation are contained in the income statement and are not separated. The total profit or loss from discontinued business divisions must be shown separately in the item »Profit or loss from discontinued operations«.

12. Intangible assets.

Goodwill and software acquired or developed inhouse are mainly recognized under »Intangible assets«.

Goodwill is calculated as the excess of the cost of the acquisition over the acquirer's interest in the fair value of the net assets of the purchased company, net of deferred taxes and is allocated to the appropriate cash-generating units (CGUs). The LBBW Group has identified the business segments Corporates I, Corporates II, International Business, and Financial Markets as CGUs.

When preparing the consolidated financial statements, goodwill is tested for impairment at least once a year, or during the year, if there are indications of potential impairment (triggering events, such as changes in the relevant market environment, legal conditions, the technical environment or the capitalization rate, or if results are expected to be negative or significantly lower than planned in the longer term).

The recoverable amount of the CGU, which recognizes goodwill, is compared with the carrying amount. The carrying amount is determined through the equity assigned to the CGU. The recoverable amount is the higher of the fair value less sales costs and the value in use. The Group calculates the achievable amount on the basis of the value in use. If the value in use exceeds the carrying amount of the cash-generating unit, the asset is not impaired and it is not necessary to estimate the fair value less selling costs. In addition to the profit forecasts, the fair value of a business segment is largely determined by the capitalization rate on which the profit forecasts are based and, to a much lesser extent, by the long-term growth discount. If the recoverable amount of the cash-generating unit is below its carrying amount, an impairment loss is recognized and reported in the income statement under the item »Impairment of goodwill«.

In order to determine the recoverable amount, the Group initially calculates the value in use of the business segments. The value in use is the present value of the future cash flows expected to be derived from the relevant business segments.

The Group's own income valuation model is used to calculate the value in use. The special conditions of the banking business and regulatory requirements are taken into account. The model is used to calculate the present value of estimated future income that can be distributed to shareholders after the relevant regulatory capital requirements have been fulfilled.

The discounted cash flow (DCF) model is based on profit forecasts on the basis of business plans agreed by management for a five-year period. The earnings components that are relevant to forecasts are determined using a top-down process followed by bottom-up validation, taking into account underlying macroeconomic data and market and competition analyses specific to the business field. Past experience is also taken into account when profit forecasts are made. In planning, the Bank differentiates between core bank activities to be continued and areas expected to finish or be wound down in the medium term. Whereas falling risk weighted assets and revenues are forecast for the individual areas to be discontinued, they are expected to rise in the medium term in the case of core bank activities. Due to the planned intensification of customer business, increasing revenues are expected to be accompanied by constant risk weighted assets in the Financial Markets segment.

The profit forecasts form the basis for the derivation of a sustainable profit level, which is discounted to the calculation date using the capitalization rate.

The capitalization rates applied are calculated on the basis of the Capital Asset Pricing Model, which includes a risk-free basic interest rate, a market risk premium, and a systematic risk factor (beta factor). The following external information sources are used: the values for the risk-free basic interest rate are calculated from historical market data using the Svensson method. The market risk premium is determined using empirical data. For each business segment, the beta factors for presenting risks specific to LBBW are derived from beta factors of comparable peer groups specific to the sector.

In validating the achievable amounts calculated for the business segments, the important value drivers of each business segment are reviewed at least once a year. As a test of the resilience of the achievable amounts calculated, the major parameters of the profit forecasts are subjected to a sensitivity test.

Purchased intangible assets are carried at amortized cost, i.e. less their cumulative write-downs and impairment. Internally developed software is capitalized at cost if the recognition criteria in accordance with IAS 38 are met. The capitalized costs mainly include total staff costs and expenses incurred for external services during development. As in the previous year, the internally developed or purchased software is amortized over three to ten years on a straight line basis. In connection with an acquisition, customer relationships were also capitalized which only have limited contractual use. These are amortized over six to 16 years on a straight line basis. Where indications of impairment exist, the recoverable amount is calculated and compared with the carrying amount. In the event of impairment, the amortization is adjusted over the remaining useful life of the intangible asset. Impairment losses are charged as write-downs through profit or loss. Amortization, write-downs and impairment losses on intangible assets, excluding goodwill, are recognized under »Administrative expenses« in the income statement. Income from reversals of impairment losses on intangible assets, excluding goodwill due to prohibition of reversal, is recognized under »Other operating income«.

Intangible assets are derecognized when sold. Gains and losses on disposal are the difference between the net proceeds from the disposal of the asset, if any, and its carrying amount. The profit or loss on the disposal of the asset is recognized through profit or loss at the date of derecognition.

13. Investment property.

Property leased out to third parties for purposes of generating profit is reported separately in the balance sheet as investment property according to IAS 40 as long as it is held to earn rental income and/or for capital appreciation. Where mixed-use properties exist and the non-owner-occupied parts can be sold separately or leased out separately, these parts are accounted for separately. Mixed-use properties with a leased portion of over 80% of the total area are consistently derecognized from property and equipment and classified in their entirety as investment property.

Investment property is measured initially at its cost including transaction costs. These can also include direct borrowing costs if the respective properties are so-called qualifying assets. Remeasurement is at fair value on the closing date. This is determined primarily from model-based valuations. Regular actuarial reports are obtained for some investment property to validate the fair value from the model-based valuations.

In the measurement of investment property, the estimating uncertainties are based on the assumptions used to calculate future cash flows. Changes in parameters such as the inflation rate, interest rate, anticipated cost trends and leasing, market conditions and vacancy rates affect future cash flows and, consequently, the fair value.

The value of investment property is assessed based on cash calculated per property on the basis of the discounted cash flow method. The contributions to earnings determined by this method are checked for plausibility and verified by means of reference figures from broker associations, past experience from LBBW's own disposals and appraisals by external experts. In order to ensure that the appraisals are available at the time the financial statements are drawn up, the management team responsible decides for which properties external appraisals are to be commissioned in the first quarter of each year. In line with internal provisions, it must be ensured that an appraisal of the main properties is conducted at least once every three years by an independent expert.

Fair value is calculated using the discounted cash flow method based on the following assumption. For valuation purposes, a property (building) is defined as an independent strategic cash-generating unit. The expected cash flows generated per cash-generating unit are calculated assuming income from property management. For a detailed planning period of ten years, the cash generated is calculated as the net amount of payments received and payments made in connection with management of the property. A residual value for the cash-generating unit is forecast for the end of the planning period by capitalizing the cash generated in the tenth year as a perpetual annuity.

In the case of commercial real estate, future income during the planning period is forecast based on the contractually agreed target rent or, after the contract period has expired, the property-specific market rent. The calculation is made on the basis of a valuation tool that is based on the discounted cash flow method.

Future expenditure is determined by means of a differentiated system, with administrative expenses based on standard market rates. Costs associated with loss of rental income are calculated at a flat rate on the basis of the target rents, depending on the sales cost and the credit standing of the tenant. Costs associated with vacancies, new rental costs, maintenance costs and maintenance backlogs are calculated for each specific property, supplemented by the Group's own experience if applicable. If ground rent (Erbbauzins) is to be taken into account, this is calculated individually on the basis of existing contracts.

The cash generated in each period is discounted to the valuation date by applying a property-specific market discount rate. The discount rate is derived from the capitalization rate plus a percentage-based risk premium. The capitalization rate takes into account the quality of the property, the type of property and the macro- and micro-location.

All other things being equal, an increase in the underlying market rents would lead to an increase in the fair value, while a decrease in the underlying market rents would lead to a decline in the fair value. All other things being equal, an increase in the underlying future expenditure would lead to a decline in the fair value, while a decline in the underlying future expenditure would lead to an increase in the fair value. Higher discount rates would, all other things being equal, lead to lower fair values, while lower discount rates would lead to correspondingly higher fair values.

A change in the assumptions on expected market rents generally leads to a corresponding change in the discount rate and to a reverse change in the vacancy ratios and therefore the vacancy costs.

14. Property and equipment.

Property and equipment includes commercially used land and buildings, technical equipment and machinery, operating and office equipment, advance payments and assets under construction, as well as leased assets under finance and operating leases.

Property and equipment is initially carried at cost and subsequently at amortized cost. Subsequent expenditure for property and equipment is capitalized if it is deemed to increase the future potential benefit. Property and equipment is depreciated over its expected economic life, mainly on a straight line basis and sometimes on a diminishing basis. Determination of the economic life reflects expected physical wear and tear, technical obsolescence and legal and contractual constraints.

	Estimated useful life in years	
	31 Dec. 2013	31 Dec. 2012
Buildings	25– 50	25– 50
Technical equipment and machinery	5– 10	5– 10
Operating and office equipment	1– 20	1– 20
Purchased IT systems	3– 7	3– 7

The determination of the useful life and depreciation method is reviewed at a minimum at the end of each financial year. After depreciation including the review of the depreciation method used, the underlying useful life and the residual value (recoverable amount of a comparable asset) of the asset in question, a check is performed at each balance sheet date as a minimum to ascertain whether there are any indications of impairment. Consequently, any impairments resulting from technical or economic obsolescence, wear and tear or a decline in market prices are taken into account. Where indications of impairment exist, the recoverable amount (the higher of the fair value minus sales costs or the value in use) is calculated and compared with the carrying amount. Impairment losses are charged to profit or loss as unscheduled write-downs.

Impairment losses must be reversed if the calculation of the recoverable amount has changed since the last time an impairment was recorded. Impairment losses are only reversed up to the amount by which the asset would have been depreciated until this date. If the carrying amount is increased by the reversal of impairment losses or reduced by impairment, the depreciation is adjusted over the remaining useful life of the asset.

The gain or loss on the disposal of property or equipment is calculated as the difference between the net proceeds from the disposal of the asset, if any, and its carrying amount. Depreciation, impairment losses and write-downs are reported under »Administrative expenses«. Gains and losses on the disposal of property and equipment are recorded under »Other operating income/expenses«.

15. Leasing business.

Leases are recognized in accordance with IAS 17 on the basis of their classification as a finance or operating lease. This classification takes place at the beginning of a lease and is based on the overall assessment of which risks and rewards lie with the lessor and the lessee. The underlying criteria are reviewed regularly. If a change to the overall assessment takes place, reclassification is necessary.

A finance lease is where essentially all risks and rewards incidental to ownership of an asset are transferred from the lessor to the lessee. In accordance with the principle of substance over form, beneficial ownership, not legal ownership, is the key factor here. An operating lease is referred to in all other constellations.

The lessor and lessee must classify a lease separately and independently of one another. This may lead to diverging representations of the lease by the lessor and lessee.

The finance lease contracts of the LBBW Group include full amortization, partial amortization and hire purchase agreements. Depending on its form, a finance lease can be a cancelable agreement or an agreement with an option to sell. The lease payments must generally be made in advance.

The LBBW Group as the lessor.

In the case of operating lease transactions concluded in the LBBW Group, beneficial ownership of the leased asset remains with the Group company. The leased assets – mainly buildings and land – are recognized as assets and reported in the consolidated balance sheet under »Property and equipment« or »Investment property«. Leased property is carried at cost and depreciated over its economic life and/or written down as necessary if subject to permanent impairment or at fair value in accordance with IAS 40. Both the lease income and received special payments and prepayments are recognized over the lease term. All the depreciation, write-downs and impairment losses and the income earned are reported under »Other operating income/expenses«.

With a finance lease, the leased asset is derecognized and a receivable due from the lessee equivalent to the net investment value on the date on which the contract is concluded is shown under the item »Loans and advances to customers« or »Loans and advances to banks«. Lease payments received are broken down into an interest component recognized in income and a repayment component. While income is recognized on an accrual basis as interest income and is reported in net interest income, the repayment part reduces the receivables carried on the balance sheet.

The direct costs incurred by the lessor on the date on which the contract is concluded are assigned to the leasing contract. The internal interest rate underlying the lease term is determined in such a way that the initial direct costs are included automatically in the lease receivables.

The LBBW Group as the lessee.

With a lease that is classified as operating lease, the lease payments are recorded as »Administrative expenses« over the lease term. T he breakdown of the lease payments corresponds to the time pattern of the user's benefit from the perspective of the LBBW Group. If the time pattern of the user's benefit differs from the actual payments of the expense to be recognized, the difference is recognized or deferred on the assets or the liabilities side of the balance sheet as appropriate.

If a lease term is classified as finance lease, the LBBW Group is the beneficial owner of the leased property and records this as an asset in the consolidated balance sheet. At the time of acquisition, the leased property is recognized at the fair value or at the present value of minimum lease payments, whichever is lower, and a payable in the corresponding amount is recognized as a liability. In subsequent remeasurement, the asset recognized is depreciated in accordance with IAS 16/IAS 38 or measured at fair value in accordance with IAS 40. If there is no reasonable certainty with property and equipment that LBBW or a consolidated subsidiary (lessee) will obtain ownership by the end of the lease term, the asset is depreciated over the (shorter) lease term (and not its economic life). If the lessee benefits from part of the residual value of the leased asset – essentially, buildings, operating and office equipment – the asset is depreciated to this value. The finance lease installments are apportioned into an interest component and a repayment component using the effective interest rate method. This repayment component is recognized against the liability, not affecting profit or loss while the interest component is recognized as interest expense.

As IAS 17 includes no special requirements for recognition of impairments, the general regulations on impairment (IAS 36) also apply to leases.

16. Income tax.

IAS 12 governs the recognition and measurement of income tax. Current income tax liabilities and assets are calculated at current tax rates and carried at the expected payment or refund amount.

Deferred income tax assets and liabilities are recognized in respect of temporary differences. Taxable and deductible temporary differences are calculated as the difference between the IFRS carrying amount of an asset or liability and its local tax base (adjusted for permanent differences). The tax base is determined based on the tax regulations of the country in which the taxation occurs. Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply when the asset is realized or the liability is settled. The effect of tax rate changes on deferred taxes is recognized in profit or loss during the period in which the changes were approved by legislative bodies.

Deferred tax liabilities are carried for temporary differences that will result in a tax expense when settled. Deferred tax assets are recognized if tax relief is expected and likely to be utilized when temporary differences are reversed. If temporary differences relate to items that are credited or charged directly to equity, the resulting deferred taxes are also recognized in »Other income« in the subitems revaluation reserve or retained earnings.

A deferred tax asset is recognized for a tax loss carryforward if it is probable that the carryforward will be used in a future period by reference to budget accounts. Unrecognized loss carryforwards are stated in accordance with their maturity. In recognizing deferred income tax assets owing to interest carryforwards, the same accounting policies and valuation methods are applied as for deferred income tax assets from tax loss carryforwards. Deferred tax assets arising from temporary differences and loss carryforwards are reviewed for impairment at each balance sheet date.

Deferred tax assets are set off against deferred tax liabilities in accordance with IAS 12.74.

17. Other assets and other liabilities.

»Other assets« includes assets which, considered separately, are not significant for the disclosure of balance sheet assets and cannot be allocated to any other balance sheet item. This also includes inventories, which are described in the following Note.

»Other liabilities« includes accruals and obligations which, considered separately, are not significant for the disclosure of balance sheet liabilities and cannot be allocated to any other balance sheet item.

Assets and liabilities in these items are measured at amortized cost.

18. Inventories.

The activities that are related to the real estate business of LBBW Immobilien Management GmbH are shown in »Inventories«. These include mainly specific land and similar rights with finished and/or unfinished buildings as well as project finance earmarked for sale in the course of ordinary business activities.

In accordance with IAS 2.9, inventories are measured at the lower of cost of inventories and net realizable value. The cost of inventories is calculated in accordance with IAS 2.10 et seq. using the weighted average cost formula, while the net realizable value is calculated in accordance with IAS 2.28 et seq. The cost of inventories that cannot be exchanged and of goods and products or services created and separated for special projects is calculated through allocation of their individual cost of purchase or production. The costs include the directly allocable costs of acquisitions and provision, the production costs include all directly allocable costs plus production and material costs. The expected, individually realizable sales proceeds less estimated completion costs and additional costs incurred until the sale are recognized as the net realizable value. The results of these operating activities are recognized under the »Other operating income/expenses« item, which also includes the changes in value.

The capitalization of borrowing costs on the basis of IAS 23 is conditional upon the property being a qualifying asset. These interest costs are largely incurred in connection with commercial project development, which can be attributed to the acquisition of land or the construction of buildings during the production period. No interest on debt capital was recognized during the financial year as all refinancing took place within the Group.

19. Provisions.

Provisions for pensions and other post-employment benefit obligations.

General information.

Provisions for pensions and similar post-employment benefit obligations primarily consist of provisions for the obligation to pay company pensions, on the occurrence of biometric risks (old age, invalidity, death) based on direct pension commitments. The nature and amount of the pension payable to employees entitled to pension benefits are governed by the applicable pension rules (incl. total commitments and company agreements), which depend largely on the date that employment commenced. Due to other commitments, further indirect entitlements or claims exist against LBBW's supplementary pension fund (Zusatzversorgungskasse – ZVK) and the benevolent fund (Unterstützungskasse LBBW e.V); both facilities are closed for new policies. All of the aforementioned pension commitments are defined benefit plans within the meaning of IAS 19.

As a result of indirect pension commitments that are entered as defined contribution plans within the meaning of IAS 19, pension benefits from predecessor institutions are taken over and continued. To finance this, the relevant Group company contributes set amounts to external pension funds with individual participation by employees.

Employer-funded pension plans within Germany.

For the LBBW merger in 1999, all existing pension arrangements were closed for new policies and a standard pension fund was introduced for new entrants in the form of a service contract; this is the so-called LBBW capital account plant that is classified and entered as a defined benefit plan. The company pensions will be disbursed primarily in the form of a one-off payment or in installments. The lump-sum benefits comprise annual components that are arrived at by multiplying a salary-related contribution with an age-related factor, which takes into account risk and biometric risks. The obligation to extend contributions applies for a limited period of time and features a dynamization provison.

Following the integration of Landesbank Sachsen, its pension arrangements from 2006 was also closed for new policies as at 31 December 2008 and the active employees were transferred to the LBBW capital account plan with an unlimited period of contribution. The entitlements accrued until the time of integration were credited to the Basiskonto of the LBBW capital account plan as an initial benefit module.

As at 1 January 2002, the persons with compulsory ZVK insurance were transferred to the LBBW capital account plan by way of a service agreement. To protect the vested rights, the contribution payable to the Basiskonto (retirement account financed by the employer) for this group of employees equates to the minimum contribution payable by the Bank as an apportionment contribution when applying the collective labor agreement on the additional pension provision for public-sector employees in the respective calendar year (minimum contribution).

Employer-financed commitments within Germany from predecessor institutions, acquired institutions and integrated institutions.

Various pension arrangements – closed to new entrants – exist from different predecessor, acquired and integrated institutions. These range from period of service and salary-dependent, total benefit commitments that sometimes relate to individual contractual provisions (retirement pension guidelines), limitation commitment and commitments with a split pension formula, through to pension component plans. Defined benefit plans should therefore be understood as commitments to grant a defined level of benefit in relation to the active salaries, taking into account additional pension payments (e.g. statutory pension), whereby a limitation commitment sets a defined level of benefit that may be not exceeded by the pension payments plus qualifying pension benefits.

Some current and former employees are entitled to aid (medical support). This was entered as defined benefit plans and the corresponding provisions pursuant to IAS 19 were created for employees that are still entitled to post-employment aid.

Employer-financed commitments within Germany.

In order to established further entitlements and to implement the legal claim to salary conversion, LBBW offers the so-called Aufbaukonto (retirement account to which contributions are made by the employee) of the LBBW capital account plan as a direct pension commitment. A standard model exists throughout the Group since January 2012, where the employees' individual gross conversion amount is converted into a benefit module by multiplying it by a market interest-related age factor. The age factors are set each year.

There are also employer-financed entitlements from earlier conversions of earnings into pension contributions, whose structures are largely similar. Reinsurance agreements are also concluded in some cases to fund the pension benefits. There are no provisioning requirements for the deferred compensation option that is also offered, as this is entered as a defined benefit plan within the meaning of IAS 19. Direct insurance agreements are concluded with provider from the savings banks' environment to secure long-term performance.

Commitments outside of Germany.

The employees of Landesbank Baden-Württemberg's London Branch were offered a direct final salary pension plan that is based on the number of years in service, which is closed for new policies and was replaced by a defined contribution plan within the meaning of IAS 19 for new employees. The pension plan's pension obligations are backed by plan assets managed by a pension trust. The pension plan as well as the pension trust are subject to UK regulations, according to which the Bank and the trustees responsible for the trust have to develop a funding strategy and plan contributions to the trust. The Bank bears the risks from the pension plan, including investment and demographic risks (longevity risk, in particular). Annuity contracts were concluded in the past to hedge risk when retirement began for those entitled to a pension. Term life insurance policies to cover mortality risk during active service exist for some beneficiaries. The pension plan bears the remaining risk.

The Bank and the trustees review the investment strategy every three years and adjust it if necessary. If there is a shortfall in cover, a contribution plan is agreed to reach the desired degree of cover. Some of the plan assets, such as the annuity contracts, are covered by the expected payment obligations with matching maturities (asset-liability matching).

For reasons of materiality, the information in Note 50 is not differentiated for the foreign plans.

Valuation and recognition in the balance sheet.

According to the provisions of IAS 19, the total obligations for the defined benefit plans are calculated annually by independent actuaries. In this process, the present value of the defined benefit obligation is calculated at each reporting date using the projected unit credit method. This calculation takes into consideration not only the pensions and entitlements known at the balance sheet date, but also the future expected rates of increase of pensionable salaries and pensions, the expected benefit cases (old age, invalidity, death) as well as fluctuation rates. In addition to the benefits trend, it is assumed in the measurement of the pension obligations that the active employees' benefit trend will be slightly higher than the average trend up to their 50th year, on account of career development. The present value of the pension obligations is based on a calculatory interest rate derived from the Towers Watson's RATE:Link methodology. The data basis for deter-mining the interest rate is the AA-rated corporate bonds compiled in Bloomberg for the eurozone by at least half of the rating agencies. Using actuarial methods, a yield curve is derived from this data, and from this a calculatory interest rate of similar maturity to the obligations is established. The probabilities of death, invalidity and probabilities of marriage are found in the mortality tables compiled by Prof. Klaus Heubeck. The earliest age for the start of retirement in the statutory pension scheme is generally used (mainly 63 years). The premises described above are reviewed annually and adjusted if necessary.

Deviations from the expected development of the pension obligations as well as changes to the calculation parameters (employee turnover rate, salary increase, pension increase or discount rate) lead to so-called actuarial gains or losses. These are recognized directly in retained earnings or »Other income« in their full amount in the year they arise, resulting in corresponding changes in equity.

The amount to be recorded as an asset or liability is calculated from the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets (if any) at the balance sheet date. The past service cost arises due to changes in the defined benefit plan that impact on the pension entitlements accrued. Interest expense is the share of the increase in the present value of the defined benefit obligation, or the existing plan assets of the pension provisions, that arise because the benefits are closer to settlement. The staff costs equate to the present value of the annual increase in the pension entitlements accrued plus unrecognized past service costs.

The income expected from the plan assets is offset against the interest expense, so that only net interest expense is recognized. The calculatory interest rate is used for calculating net interest income. Service costs and net interest income are reported in »Administrative expenses«.

Risks and management.

In the case of defined benefit plans, the relevant Group company is obligated to grant benefits pledged to former employees and their dependants. The associated risks are carried by the Group company in question, the parent having relieved individual Group companies of some obligations.

Material risks are balance sheet, liquidity and investment risks. In accordance with IAS 19, balance sheet risks arise especially in relation to the impact of pension obligations on equity, as the difference between expected and actual pension obligations is recognized in Other income and leads to changes in equity. The basis and amount of balance sheet risk determine the aforementioned actuarial gains or losses. They can therefore provide relief or be a burden. The main factor in relation to balance sheet risks are the calculatory interest rate, the yield of the plan assets, as well as the other economic and demographic measurement factors.

The calculatory interest rate plays a key role in determining the scope of obligations, not least on account of its volatility. The general lowering of interest rates in the last two years resulted in a markedly lower calculatory interest rate and therefore to a sharp increase in the pension obligations. Furthermore, portfolio and market development that deviate from the measurement assumptions impact on the obligation amount and therefore on the corresponding balance sheet item. Actual salary and pension increases that are higher or lower than assumed are reflected accordingly in losses or gains. With the general contribution and limit systems, the performance of the entitlements and claims in the event of external providers, such as BVV or the statutory pension scheme, impact on the level of provision to be made by the Group company, which can have a relatively strong impact on the pension obligations, especially with lasting trend changes. Besides the economic risks stated, so-called biometric risks also exist. Since a large proportion of the pension obligations is attributable to lifelong benefit entitlements, the risk of longevity in particular must be stated. Deviations in the actual mortality rates observed from the mortality tables also result in gains or losses.

Sensitivity analyses were carried our for the material parameters. In addition to the calculatory interest rate, the most influential parameters examined were the impact of the salary, pension and career trend, as well as the staff turnover probability. The mortality, salary and pension trend impact on the obligations arising from the capital accounts open to new entrants (Basiskonto and Aufbaukonto) and the fluctuation have comparatively little impact, since life-long benefits are generally not granted and the pension entitlements for active employees do not grow dynamically with the salaries. This will gradually reduce the balance sheet risk for the Group companies over time.

Meeting pension obligations entails the payment of pensions and therefore a capital outflow. Save for the calculatory interest rate, which does not impact on the amount of benefit payments, the balance sheet risk factors described above also affect the liquidity requirements. Since no plan assets were separated for the direct pension obligations, the benefit payments must be met from the assets of the Group companies. Plan assets that can be produced from the pension payments are available for the indirect obligations of LBBW's benevolent fund and supplementary pension fund. If sufficient cover is not available, the sponsoring undertakings are required to make additional contributions. The plan assets are subject to investment risk that is countered by careful asset management.

The mandatory protection against the insolvency of LBBW pension obligations applies to commitments given before the elimination of the guarantor's liability in 2005, via the pension insurance association. All pension commitments dating from before this date are insolvency-protected through the guarantor's liability and maintenance obligation.

Other provisions.

Provisions are recognized for uncertain obligations to third parties and anticipated losses from onerous contracts. Provisions are carried at the best estimate. This is the amount required to settle the present obligation at the balance sheet date (amount that LBBW or a consolidated subsidiary would rationally pay to settle the obligation or to transfer it to a third party) and which is most likely to occur. In doing so, management included empirical values from similar transactions and may have drawn on opinions by independent experts.

The other personnel-related provisions include provisions for staff anniversaries and provisions for early retirement and partial retirement.

According to the provisions governing long service awards, an anniversary bonus is awarded to employees who have been with the Company for 10, 25, 40 and 50 years, the amount of which is guided by company or collective bargaining agreements. The corresponding anniversary provisions are calculated and set aside.

Provisions are also created for concluded partial retirement agreements. The legally required capital preservation of accrued benefits in the case of partial retirement is covered by a two-sided trustee agreement. The appropriated assets held in the custodian accounts is invested in the money market and offset against the corresponding provisions.

Provisions are also created for concluded and potential early retirement agreements; potential provisions are weighted with a probability of 30%.

LBBW offers its employees in the Bank and some subsidiaries a long-term account, the so-called LBBW FlexiWertkonto. It offers employees the opportunity to pay in part of their remuneration in the FlexiWertkonto, which they can use again in the form of time (withdrawal time). A two-sided trustee agreement was drawn up to secure these accrued retirement benefits as prescribed by law. Provisions are created for obligations arising from these accounts and offset against the accrued retirement benefits.

As a rule, the same risks apply to all other provisions as for the post-retirement obligations, albeit to a much lesser extent owing to the shorter obligation period.

Provisions for off-balance sheet credit risks as well as other provisions that include provisions for restructuring and legal disputes are carried where the LBBW Group has a legal or constructive obligation from a past event where fulfilling the obligation is likely to lead to an outflow of resources embodying economic benefits and a reliable estimate of the amount of the obligation can be made.

Non-current provisions are discounted where the effect is material.

20. Subordinated capital.

The LBBW Group reports subordinated liabilities (e. g. borrower's note loans or issues), profit participation rights and typical silent partnership contributions under »Subordinated capital«. Subordinated capital constitutes both equity and debt for commercial law and banking regulatory purposes. In view of the contractually agreed repayment of capital, the subordinated liabilities and profit participation rights are classified as debt in accordance with IFRS. In accordance with IAS 32, the silent partnership contributions are also recognized as debt, on account of the existence of a contractual right of termination or repayment to the investor. This also applies to silent partnership contributions, which are recognized as liable equity for regulatory purposes and within the meaning of the German Banking Act (KWG).

Generally, subordinated capital is carried at amortized cost. In case of changes in interest and repayment cash flows, the carrying amount for capital from profit participation rights and silent partnership contributions is reported at present value in the balance sheet. LBBW assumes that nominal EUR 1 billion in silent partnership contributions will be repaid and has taken this into consideration in its estimates for future cash flow for calculating the present value. The repayment depends on the approval of BaFin that was still pending at the time of preparing the annual statements.

The amortized costs are adjusted for effects from hedge accounting. Explanations on hedge accounting can be found in the general accounting and valuation methods for the financial instruments (see Note 6).

21. Equity.

The share capital is the capital paid in by the owners of Landesbank Baden-Württemberg (the State of Baden-Württemberg, Sparkassenverband Baden-Württemberg (Savings Bank Association of Baden-Württemberg), the state capital Stuttgart, Landeskreditbank Baden-Württemberg – Förderbank – and Landesbeteiligungen Baden-Württemberg GmbH) in accordance with section 5 Gesetz über die Landesbank Baden-Württemberg (Landesbank Baden-Württemberg Act) in conjunction with section 3 of the ordinance of Landesbank Baden-Württemberg.

The capital reserve includes the amount in excess of the (theoretical) nominal value that is achieved when issuing units (offering premium).

In addition to transfers from the net consolidated profit/loss, retained earnings include the Group's share in the unappropriated profit/loss of the consolidated subsidiaries to the extent that these profits were generated since the inclusion of such subsidiaries in the scope of consolidation. The other retained earnings include the effects of the first time adoption of IFRS (with the exception of other income) as well as actuarial gains/losses and the associated deferred taxes in connection with the recognition of provisions for pensions.

The effects of the fair value measurement of the AfS securities and equity investments, as well as valuation changes recognized directly in equity from investments accounted for using the equity method, are reported under »Other income« under the item revaluation reserve, if necessary after deduction of any deferred taxes. These gains or losses are not recognized through profit or loss until the asset is sold or written off. The revaluation reserve also includes the offsetting item from the recognition of deferred tax assets or liabilities on measurement differences in equity. In addition, the remeasurement gain or loss from cash flow hedges includes the portion of the profit or loss with no effect on the income statement, and the offsetting item from the recognition of deferred tax assets and liabilities on cash flow hedges is also reported in this item. Cash flows from variable interest bonds with maximum maturities of five years and average maturities of approximately 2.5 years are hedged. The currency translation reserve is also included in this item. The balance of currency translation differences arising due to capital consolidation is allocated to the currency translation reserve. These amounts arise from the translation of the annual financial statements of an economically independent entity into the Group's reporting currency.

Non-controlling interests are stated as a separate subitem in equity; besides the shareholders of the parent company, other shareholders hold a stake in the equity of individual subsidiaries.

Segment reporting.

The segment reporting of the LBBW Group for the 2013 financial year is also drawn up in accordance with the provisions of IFRS 8. Following the management approach, segment reporting is therefore based on internal management reporting to the Group's Board of Managing Directors, which, in its function as the chief operating decision-maker, regularly makes decisions about the allocation of resources and the assessment of the performance of the segments on this basis.

Classification of segments.

The business segments presented below are defined as product and customer groups in accordance with the Group's internal organizational structures, in accordance with the internal management report. Subsidiaries and equity investments are assigned to the individual segments according to their business orientation.

Segment reporting at the LBBW Group is divided into the following segments:

- The **Corporates** segment is an aggregate reporting segment in accordance with IFRS 8.12 and includes the business segments Corporates I, Corporates II and International Business. This segment includes the following material subsidiaries: LBBW Immobilien Management GmbH, Süd-KapitalbeteiligungsGesellschaft mbH, SüdLeasing GmbH, MKB Mittelrheinische Bank GmbH and SüdFactoring GmbH. The Corporates segment comprises business with SMEs, with a focus on the core markets of Baden-Württemberg, Saxony and Rhineland-Palatinate, key accounts and business with the public sector. On the financing side, the solutions offered range from classic through structured to off-balance sheet financing. Services are also offered in the areas of international business, cash management, interest rate, currency and commodities management, asset and pension management. Products relating to the primary capital markets business for our customers in the Corporates segment and commercial real estate financing are also included here.
- Apart from trading activities in connection with the customer business, the **Financial Markets** segment also includes all sales activities with banks, sovereigns, insurance companies and pension funds. The product portfolio contains financial instruments for the management of liquidity and interest rate, currency and credit risks. Financing solutions are also offered on the primary market in the field of equity and debt, along with asset management services. The Corporates segment includes all results from financial market transactions with corporate customers. As a significant subsidiary, LBBW Asset Management Investmentgesellschaft mbH is allocated to the Financial Markets segment.
- The **Retail/Savings Bank** segment includes all activities in the private customer business involving retail, investment, private banking and wealth management customers. The products on offer cover classic checking accounts, real estate financing, investment advice, and specialized services – particularly for wealth management customers – such as financial planning, asset management, securities account management, and foundation management. Business activities connected with the Bank's function as the central bank for savings banks are also included in this segment
- The **Credit Investment** segment essentially pools the Group's credit substitute business. In particular, this includes the Bank's own investments in plain vanilla bonds, structured securitizations and credit derivatives. It also includes the financing of the special-purpose entity Sealink Funding.
- The **Corporate Items** segment comprises all business activities not included in the operating segments mentioned above. In addition to treasury activities (especially the result generated from the central investment of own funds, lending/deposit-taking operations, IFRS specifics in relation to the refinancing and the management of strategic investments and cover funds), this notably consists of equity investments not included in the consolidated interim financial statements, the costs of strategic projects for the Bank as a whole and to prepare for the new regulatory requirements, and extraordinary income in connection with the restructuring plan approved by the EU (e. g. restructuring income or expenses.
- The Reconciliation/Consolidation column includes matters related solely to consolidation. In addition, this segment reconciles internal financial control data with external financial reporting.

Valuation methods.

Segment information is based on the internal financial control data documented by Financial Controlling, which combine external financial reporting methods and economic valuation methods. The resulting differences in valuation and reporting compared with the IFRS Group figures are presented in the reconciliation statement.

As a rule, the income and expenses of the LBBW Group are allocated to the individual segments in which they arise. There is therefore no significant income resulting from transactions between the segments.

Net interest income is calculated using the market interest method. This also includes the capital benefit, i.e. investment income from equity.

Allowances for losses on loans and advances correspond to the carrying amounts in the income statement and are allocated to the segments in which they arise.

Net gains/losses from financial instruments measured at fair value through profit or loss include net trading gains/losses, net gains/losses from hedge accounting and net gains/losses from financial instruments designated at fair value.

Net gains/losses from financial investments are reported in a single item along with net income/expenses from investments accounted for using the equity method and net gains/losses from profit or loss transfer agreements, and allocated to the segments in which they arise.

Net income/expenses from investment property are recognized as part of other operating income/expenses.

Besides direct personnel and material expenses, the administrative expenses of a segment include expenses assigned on the basis of intragroup cost allocation. Bank levy is allocated to the segments. Overheads are allocated on a pro rata basis.

The assets on the balance sheet are reported as segment assets. They are allocated to the segments on the basis of internal management reporting.

In anticipation of the forthcoming conversion of the regulatory requirements from Basel 2.5 to Basel III as of 1 January 2014, LBBW integrated the new requirements already in the 2013 financial year, on the basis of the full implementation in internal management (fully loaded). The risk weighted assets in accordance with Basel III were not determined retrospectively for the 2012 financial year. To complement this and achieve better comparability, the risk weighted assets and the corresponding ratios of tied-up equity and return on equity (RoE) will be reported for information purposes according to the current regulatory requirements (Basel 2.5) in the 2013 financial year.

The average tied-up capital in the segments is calculated on the basis of the risk weighted assets and imputed Tier 1 capital backing.

A segment's return on equity (RoE) is calculated based on the ratio of net consolidated profit/loss before tax to average equity deemed to be tied up in accordance with regulatory requirements. The cost/income ratio (CIR) is calculated from the ratio of administrative expenses to the aggregate of net interest income, net fee and commission income, the net gains/losses of financial instruments measured at fair value and other operating income/expenses.

The corrections to the balance sheet owing to matters in accordance with IAS 8.42 were taken into account in the segment reporting in the 2013 financial year.

Segment results by business area.

1 Jan. – 31 Dec. 2013 EUR million	Corporates	Financial Markets	Retail/ Savings Banks	Credit Investment	Corporate Items/ Reconciliation/ Consolidation	LBBW Group
Net interest income	1,300	398	350	– 22	– 232	1,794
Allowances for losses on loans and advances	– 301	1	– 12	5	– 3	– 310
Net fee and commission income	321	92	216	– 5	– 102	522
Net gains/losses from financial instruments measured at fair value through profit or loss	36	152	0	186	– 2	373
Net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements[1]	1	0	0	– 121	137	16
Other operating income/expenses[2]	75	46	3	32	– 51	105
Total operating income/expenses (after allowances for losses on loans & advances)	**1,432**	**690**	**557**	**74**	**– 253**	**2,500**
Administrative expenses	– 706	– 368	– 457	– 64	– 178	– 1,774
Operating result	**726**	**322**	**100**	**10**	**– 431**	**726**
Guarantee commission for the State of Baden-Württemberg	0	0	0	– 300	0	– 300
Impairment of goodwill	– 3	0	0	0	0	– 3
Net income/expenses from restructuring	0	0	0	– 1	49	48
Net consolidated profit/loss before tax	**722**	**322**	**100**	**– 291**	**– 382**	**471**
Income tax						– 134
Net consolidated profit/loss						**337**
Segment assets (EUR billion)[3]	76.6	99.2	33.3	29.8	34.6	273.5
Risk weighted assets (cut-off date) (EUR billion)[4]	49.9	19.1	10.7	3.8	6.3	89.8
Tied-up equity (EUR billion)[4]	5.4	2.1	1.1	0.8	3.6	12.9
RoE (in %)[4]	**13.5**	**15.5**	**8.8**	**< 0**		**3.6**
CIR (in %)	**40.8**	**53.5**	**80.3**	**33.8**		**63.5**

1) The net gains/losses in the income statement from investments accounted for using the equity method allocated to the Corporates segment amounted to EUR 6 million in 2013.
2) Net income/expenses from investment property are recognized as part of the other operating income/expenses.
3) The shares of investments accounted for using the equity method allocated to the segments amounted to EUR 297 million for the Corporates segment in 2013.
4) Information is based on future regulatory provisions in accordance with Basel III, once it is implemented in full.

For information: comparison of risk weighted assets and corresponding parameters according to the current regulatory provisions (Basel 2.5):

Risk weighted assets (cut-off date) (EUR billion)	49.3	13.8	10.2	2.7	3.3	79.4
Tied-up equity (EUR billion)	4.7	1.3	1.0	0.5	5.4	12.9
RoE (in %)	15.2	24.3	10.4	< 0		3.6

1 Jan. – 31 Dec. 2012 EUR million	Corporates	Financial Markets	Retail/ Savings Banks	Credit Investment	Corporate Items/ Reconciliation/ Consolidation	LBBW Group[1]
Net interest income	1,427	423	361	– 23	– 132	2,057
Allowances for losses on loans and advances	– 133	7	– 11	– 2	– 6	– 143
Net fee and commission income	340	61	212	– 2	– 96	514
Net gains/losses from financial instruments measured at fair value through profit or loss	– 277	181	– 2	419	– 296	24
Net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements[2]	51	0	– 1	– 115	199	135
Other operating income/expenses[3]	207	– 44	– 8	– 8	– 180	– 33
Total operating income/expenses (after allowances for losses on loans & advances)	**1,615**	**628**	**551**	**270**	**– 511**	**2,554**
Administrative expenses	– 695	– 350	– 453	– 65	– 297	– 1,860
Operating result	**920**	**278**	**98**	**204**	**– 807**	**694**
Guarantee commission for the State of Baden-Württemberg	0	0	0	– 305	0	– 305
Net income/expenses from restructuring	– 7	– 1	0	– 5	22	10
Net consolidated profit/loss before tax	**913**	**278**	**98**	**– 105**	**– 785**	**399**
Income tax						– 1
Net consolidated profit/loss						**398**
Segment assets (EUR billion)[4]	82.9	125.2	34.5	41.3	52.5	336.3
Risk weighted assets (cut-off date) (EUR billion)[5]						
Tied-up equity (EUR billion)[5]						10.5
RoE (in %)[5]						**3.8**
CIR (in %)	**41.0**	**56.3**	**80.4**	**16.9**		**72.6**

1) Restatement of prior year amounts (see Note 2).
2) The net gains/losses in the income statement from investments accounted for using the equity method allocated to the Corporates segments amounted to EUR 55 million in 2012.
3) Net income/expenses from investment property are recognized as part of the other operating income/expenses.
4) The shares of investments accounted for using the equity method allocated to the segments amounted to EUR 303 million for the Corporates segment in 2012.
5) Information is based on future regulatory provisions in accordance with Basel III, once it is implemented in full.

For information: comparison of risk weighted assets and corresponding parameters according to the current regulatory provisions (Basel 2.5):

Risk weighted assets (cut-off date) (EUR billion)	56.9	14.9	11.5	7.6	4.9	95.8
Tied-up equity (EUR billion)	5.3	1.5	1.1	0.8	1.8	10.5
RoE (in %)	17.2	18.4	9.2	< 0		3.8

Details on Corporate Items, reconciliation and consolidation.

EUR million	Corporate Items 1 Jan. – 31 Dec. 2013	Corporate Items 1 Jan. – 31 Dec. 2012	Reconciliation/Consolidation 1 Jan. – 31 Dec. 2013	Reconciliation/Consolidation 1 Jan. – 31 Dec. 2012	Corporate Items/ Reconciliation/Consolidation 1 Jan. – 31 Dec. 2013	Corporate Items/ Reconciliation/Consolidation 1 Jan. – 31 Dec. 2012[1)]
Net interest income	– 211	– 30	– 22	– 101	– 232	– 132
Allowances for losses on loans and advances	– 3	– 6	0	0	– 3	– 6
Net fee and commission income	1	1	– 103	– 98	– 102	– 96
Net gains/losses from financial instruments measured at fair value through profit or loss	– 39	– 332	37	35	– 2	– 296
Net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements[2)]	5	18	133	182	137	199
Other operating income/expenses[3)]	11	– 53	– 62	– 127	– 51	– 180
Total operating income/expenses (after allowances for losses on loans and advances)	**– 236**	**– 402**	**– 17**	**– 109**	**– 253**	**– 511**
Administrative expenses	– 178	– 297	0	0	– 178	– 297
Operating result	**– 414**	**– 698**	**– 17**	**– 109**	**– 431**	**– 807**
Net income/expenses from restructuring	49	22	0	0	49	22
Net consolidated profit/loss before tax	**– 365**	**– 676**	**– 17**	**– 109**	**– 382**	**– 785**
Segment assets (EUR billion)[4)]	45.9	66.6	– 11.3	– 14.1	34.6	52.5
Risk weighted assets (cut-off date) (EUR billion)[5)]	8.4		– 2.1		6.3	
Tied-up equity (EUR billion)[5)]	3.9		– 0.3		3.6	

1) Restatement of prior year amounts (see Note 2).
2) The net gains/losses in the income statement from investments accounted for using the equity method allocated to the segments amounted to EUR 6 million in 2013 (previous year: EUR 55 million).
3) Net income/expenses from investment property are recognized as part of the other operating income/expenses.
4) The shares of investments accounted for using the equity method allocated to the segments amounted to EUR 297 million for the Corporates segment in 2013 (previous year: EUR 303 million).
5) Information is based on future regulatory provisions in accordance with Basel III, once it is implemented in full.

For information: comparison of risk weighted assets and corresponding parameters according to the current regulatory provisions (Basel 2.5):

Risk weighted assets (cut-off date) (EUR billion)	5.4	7.4	– 2.1	– 2.5	3.3	4.9
Tied-up equity (EUR billion)	5.6	2.1	– 0.3	– 0.2	5.4	1.8

Net consolidated profit/loss before tax at the LBBW Group amounted to EUR 471 million in the 2013 financial year, a EUR 72 million improvement over the previous year (EUR 399 million). There were differentiated developments in the segments. At EUR 1,144 million, net consolidated profit/loss before taxes in the three operating segments Corporates, Financial Markets and Retail/Savings Banks was down on the previous year's figure of EUR 1,289 million. Net consolidated profit/loss before taxes of EUR – 291 million in the Credit Investment segment was down on the previous year's result (EUR – 105 million), especially due to the consistent application of measures for reducing risk. By contrast, the Corporate Items segment reported net consolidated profit/loss before tax of EUR – 365 million (previous year: EUR – 676 million).

The cost/income ratio (CIR) of the LBBW Group improved by 9.1% to 63.5% following the positive development in both income and costs. LBBW Group's total assets fell significantly over the previous year, by EUR 62.8 billion to EUR 273.5 billion. This development was reflected accordingly in the segment assets of the individual segments. The risk weighted assets (Basel III) of LBBW Group amounted to EUR 89.8 billion in the 2013 financial year.

The Corporates segment reported net consolidated profit/loss before tax of EUR 722 million in the 2013 financial year and was therefore down on the previous year (EUR 913 million). This was mainly as a result of lower income generated from the sale of equity investments, lower results from investments accounted for using the equity method, the targeted reduction in non-core banking activities and the scaling back of risky and thus highly profitable large-volume exposures, as well as subdued credit demand. This development was offset almost completely by lower charges from legal risks. Thanks to the sound economic conditions in the core markets, allowances for losses on loans and advances remained moderate in 2013, but increased over the low prior year level to EUR – 301 million. As a result of the stable earnings and cost development in the segment, the CIR of around 41 % matched the previous year's level. The reduction in non-core banking activities and the decline in large-volume exposures led to a significant decline in the segment assets, which amounted to EUR 76.6 billion compared with EUR 82.9 billion the year before. Risk weighted assets (Basel III) came to EUR 49.9 billion in the 2013 financial year.

At EUR 322 million, net consolidated profit/loss before tax in the Financial Markets segment significantly exceeded the previous year's result (EUR 278 million). The operating business performed well but, unlike the year before, was unable to benefit from non-recurring effects within the scope of the central banks' crisis measures (falling interest rates and credit spread tightening for European sovereigns). The reversals of provisions in conjunction with legal risks that were created as a precautionary measures had a positive effect in the 2013 financial year. Thanks to the increase in earnings, in particular, the CIR showed a perceptible improvement to 53.5 % in 2013. The segment assets posted a marked year-on-year decline, from EUR 125.2 billion to EUR 99.2 billion, largely as a result of the development of the market value trends of derivatives. In addition to an interest-related decline, the closure of offsetting derivative positions and the on-balance sheet offsetting following the transfer to a central liquidator served to reduce the assets. Risk-weighted assets (Basel III) amounted to EUR 19.1 billion in the 2013 financial year.

At EUR 100 million, net consolidated profit/loss before tax in the Retail/Savings Banks segment exceeded the previous year (EUR 98 million), although performance was not uniform throughout. The securities business and asset management were particularly positive. Lending volume was down on the previous year. Despite the persistently low interest rate, a stable result was achieved in the deposit-taking business. As a result of this development, the CIR of 80.3 % is at the prior year level. Segment assets fell slightly to EUR 33.3 billion. Risk weighted assets (Basel III) for the segment amounted to EUR 10.7 billion in 2013.

Net consolidated profit/loss before tax of EUR – 291 million in the Credit Investment segment was down on the previous year (EUR – 109 million). The following developments were decisive. First of all, some EUR 135 million were reported from the reversal of impairment losses on CDS (sovereigns and financials) due to the positive market development in 2013; they were nonetheless lower than the previous year's figure of EUR 346 million. Secondly, further reductions in volume and risk as in 2012 led to charges to net income/loss from investment securities. In addition, the guarantee commission for the risk shield had a negative effect around EUR – 300 million (previous year: EUR – 305 million) on the segment result. The declining earnings trend drove the CIR to 33.8 % after 16.9 % the year before. As a result of the systematic efforts made to reduce risk, segment assets fell considerably to EUR 29.8 billion (previous year: EUR 41.3 billion). Risk weighted assets (Basel III) for the segment amounted to EUR 3.8 billion in 2013.

As in the previous years, net consolidated profit/loss before tax in the Corporate Items segment was strongly influenced by non-recurring and one-off effects in 2013, and amounted to EUR – 365 million, after EUR – 676 million in the previous year. Fewer charges from IFRS specifications in conjunction with refinancing, the decline in administrative expenses, which benefited from strict cost management as well as from a lower bank levy, the reversal of restructuring provisions and lower interest expense through the conversion of silent partnership contributions had a particularly positive effect on the segment. These effects were offset in part by the elimination of a positive one-off effect from the changed present values of expected interest payments from hybrid capital. The segment assets fell significantly from the previous year (EUR 66.6 billion) to EUR 45.9 billion, particularly as a result of the decline in the fair values of derivatives. Risk weighted assets (Basel III) for the segment amounted to EUR 8.4 billion in the 2013 financial year.

Reconciliation of segment results to the consolidated income statement.

In the 2013 financial year, the total of »Reconciliation/Consolidation« on the net consolidated profit/loss before tax amounted to EUR – 17 million (previous year: EUR – 109 million) and is essentially due to the following factors

- In internal management reporting, the net interest income is calculated on the basis of the market interest method. Differences compared with the income statement are therefore the result of net interest income for prior periods and IFRS-specific measurements not included in internal management reporting (e.g. net result from the repurchase of own issues).
- The valuation methods used in internal management reporting for part of the trading book holdings differ from those of IFRS accounting.
- Effects arise resulting from IFRS-specific matters connected with hedge accounting and the fair value option.

Disclosures at the company level.

Information on products and services.

With regard to the allocation of income to products and services required under IFRS 8.32, please refer to the explanations entitled »Notes to the income statement« in the Notes.

Segmentation according to geographical region.

The allocation of results to geographical regions is based on the head office of the branch or Group company and is as follows for the LBBW Group:

31 Dec. 2013 EUR million	Germany	Europe (excl. Germany)	America	Asia	Reconciliation/ consolidation	LBBW Group
Total operating income/expenses (after allowances for losses on loans & advances)	2,327	43	114	27	– 11	2,500
Net consolidated profit/loss before tax	434	– 41	77	11	– 10	471

31 Dec. 2012 EUR million	Germany	Europe (excl. Germany)	America	Asia	Reconciliation/ consolidation	LBBW Group
Total operating income/expenses (after allowances for losses on loans & advances)	2,208	267	68	19	– 8	2,554
Net consolidated profit/loss before tax	219	171	11	3	– 4	399

Notes to the income statement.

22. Net interest income.

The items Interest income and Interest expense also include the interest and dividend income and the associated refinancing expenses of financial instruments held for trading and designated at fair value. In addition, the payments to typical silent partnerships are reported under »Interest expense« due to the classification of silent partnership contributions as debt in accordance with IAS 32.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Trading derivatives	13,630	26,025
Lending and money market transactions	4,753	5,906
Hedging derivatives	1,798	5,356
Fixed-income securities and debentures	1,316	1,905
Early termination fees	90	136
Other	695	698
Interest income	**22,282**	**40,026**
Leasing business	443	484
Equities and other non-fixed-income securities	66	54
Equity investments and affiliates	24	37
Profit transfer agreements	8	12
Current income	**541**	**587**
Interest and current income	**22,823**	**40,613**
Trading derivatives	– 13,249	– 25,656
Hedging derivatives	– 2,098	– 5,655
Deposits	– 2,708	– 3,308
Securitized liabilities	– 1,112	– 1,748
Leasing business	– 75	– 73
Subordinated capital	– 382	– 297
Transfer of losses	– 2	– 3
Other	– 1,403	– 1,816
Interest expense	**– 21,029**	**– 38,556**
Total	**1,794**	**2,057**

The decline in interest income is mainly attributable to the further reduction in the volume of interest-bearing financial instruments and lower income from own investments as a consequence of a further decline in interest rates.

In the case of financial assets in the LaR category on which valuation allowances were charged, interest of EUR 51 million (previous year: EUR 56 million) was calculated in the year under review from the increase in the present value of the receivables (unwinding in accordance with IAS 39.AG93).

During the financial year, interest expense of EUR – 7 million (previous year: EUR – 11 million) was recognized from the netting of treasury and intragroup debentures in accordance with IAS 39.39 et seq.

Net interest income from financial assets and financial liabilities not measured at fair value through profit or loss comprises the following items:

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Interest income	6,457	7,721
Interest expense	– 5,173	– 6,291
Total	**1,284**	**1,430**

23. Allowances for losses on loans and advances.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Reversal of allowances for losses on loans and advances	360	518
Net gains/losses from provisions for lending business	11	90
Recoveries on loans and advances already written off	17	14
Direct loan write-offs	– 98	– 79
Additions to allowances for losses on loans and advances	– 592	– 679
Other expenses for the lending business	– 8	– 7
Total	**– 310**	**– 143**

24. Net fee and commission income.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Securities and custody business	194	187
Payments and international transactions	183	182
Brokerage business	110	113
Lending, trustee and guarantee (aval) business	84	98
Other	73	76
Fee and commission income	**644**	**656**
Securities and custody business	– 74	– 89
Payments and international transactions	– 24	– 21
Lending, trustee and guarantee (aval) business	– 11	– 10
Brokerage business	– 7	– 10
Leasing business	– 3	– 3
Other	– 3	– 9
Fee and commission expenses	**– 122**	**– 142**
Total	**522**	**514**

Other net fee and commission income mainly comprises income and expenses from asset management.

Net fee and commission income from financial assets and financial liabilities not measured at fair value through profit or loss totals EUR 79 million (previous year: EUR 80 million).

25. Net gains/losses from financial instruments measured at fair value through profit or loss.

Net gains/losses from financial instruments measured at fair value through profit or loss are comprised of the following:

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Net trading gains/losses	333	305
Net gains/losses from financial instruments designated at fair value	37	– 260
Net gains/losses from hedge accounting	3	– 21
Total	**373**	**24**

Net trading gains/losses.

All net gains/losses on the disposal and remeasurement of financial instruments in the held-for-trading category are reported under »Net trading gains/losses«. In addition, the income/loss from the foreign currency translation of items denominated in foreign currency and the remeasurement gains/losses from economic hedging derivatives are presented under this item. The interest and dividend income and the associated refinancing expenses of financial instruments are reported under »Net interest income«.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Rating-induced transactions	65	305
Equity transactions	121	129
Foreign exchange transactions	29	68
Economic hedging derivatives	– 102	80
Interest rate transactions	285	– 165
Gains/losses from foreign exchange/commodity products	– 65	– 112
Total	**333**	**305**

Positive profit contributions arose in particular from trading in interest rate derivatives that were burdened considerably by valuation adjustments the year before. The ongoing spread tightening of bank and sovereign issues led to a reversal of impairment losses on rating-induced transactions. However, this effect was less pronounced than in the previous year.

Gains/losses from foreign exchange/commodity products include gains and losses from foreign exchange spot, futures and options transactions, currency options and currency futures. Gains/losses from foreign exchange transactions represent the effects from the conversion of foreign currency assets or foreign currency liabilities. Currency translation differences recognized in net gains/losses from financial instruments not measured at fair value through profit or loss amounted to EUR – 450 million (previous year: EUR 180 million). These are offset by currency translation differences of EUR 479 million (previous year: EUR – 121 million) for financial instruments measured at fair value through profit or loss.

Net gains/losses from financial instruments designated at fair value.

Net gains/losses from financial instruments designated at fair value include all realized and unrealized gains and losses from assets and liabilities designated at fair value. Dividends and the interest income/interest expense from assets designated at fair value are reported under Net interest income. The fee and commission payments associated with purchases and sales are reported under »Net fee and commission income«.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Realized gains/losses	10	69
Unrealized gains/losses	27	– 329
Total	**37**	**– 260**

In addition to the improvement of LBBW's own credit quality, the financial liabilities designated to unrealized gains/losses include a valuation loss of EUR – 82 million (previous year: EUR – 144 million).

Net gains/losses from hedge accounting.

The net gains/losses from hedge accounting include the remeasurement gains/losses from effective hedging transactions as part of hedge accounting. The effect on profit or loss of hedging transactions not satisfying the effectiveness requirements of IAS 39 is reported under »Net trading gains/losses«.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Portfolio fair value hedge	5	– 17
of which hedged items	– 27	– 176
of which hedging instruments	32	159
Micro fair value hedge	– 2	– 4
of which hedged items	– 250	117
of which hedging instruments	248	– 121
Total	**3**	**– 21**

26. Net gains/losses from financial investments.

Net gains/losses from financial investments include disposal and remeasurement (including impairment) results on securities from the loans and receivables (LaR) and available for sale (AfS) categories, as well as on equity investments and shares in non-consolidated companies and investments not accounted for using the equity method. This item also includes reversals of impairment losses on debt instruments following credit-based write-downs to the amount of the amortized cost.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Net gains/losses on disposal	102	161
of which derivatives structure	0	– 19
of which securities	65	8
of which equity investments	37	172
Impairment	– 21	– 30
Reversals of impairment losses	7	14
Net gains/losses from financial investments (AfS)	**88**	**145**
Net gains/losses on disposal	– 41	– 9
of which securities	– 41	– 9
Impairment	– 30	– 70
Reversals of impairment losses	49	31
Net gains/losses from reimbursement rights (guarantee)	– 56	– 17
Net gains/losses from financial investments (LaR)	**– 78**	**– 65**
Total	**10**	**80**

Net gains/losses from AfS financial investment declined, particularly due to lower income from disposals. Positive effects were generated from bond sales during the year under review, while the previous year's result was influenced mainly by the disposal of equity investments.

The decline in earnings from the LaR financial investments is largely due to negative disposal transactions for securities and lower gains from reimbursement rights of the state guarantee. Lower impairment charges had a positive effect on the profit from the LaR financial assets.

Net gains/losses from reimbursement claims of the guarantee arise from the risk shield agreed with the State of Baden-Württemberg for a defined securitization portfolio sized at EUR 6.7 billion. The increased expense from reimbursement claims is attributable to changes in exchange rates, repayments and improvements in model prices.

27. Net income/expenses from investments accounted for using the equity method.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Current income – associates	42	58
Reversals of impairment losses	12	13
Current income – joint ventures	2	3
Income from investments accounted for using the equity method	**56**	**74**
Impairment – associates	– 37	– 17
Impairment – joint ventures	– 13	– 2
Expenses from investments accounted for using the equity method	**– 50**	**– 19**
Total	**6**	**55**

Goodwill accounts for EUR 0 million (previous year: EUR – 9 million) of impairments on associates.

28. Other operating income/expenses.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Disposal of inventories	945	228
Reversal of other provisions	215	50
Reversal of impairment on inventories	0	30
Revenues from property services	19	22
Income from cost refunds by third parties	34	21
Management of other property portfolios	17	20
Operating leases	25	20
Fixed assets and intangible assets	5	12
Miscellaneous operating income	133	102
Other operating income	**1,393**	**505**
Disposal of inventories	– 846	– 216
Additions to other provisions	– 190	– 161
Impairment of inventories	– 18	– 9
Management of other property portfolios	– 5	– 5
Operating leases	– 5	– 3
Miscellaneous operating expenses	– 253	– 189
Other operating expenses	**– 1,317**	**– 583**
Total	**76**	**– 78**

The income and expenses from the disposal of inventories primarily result from the sale of land and buildings, as well as development measures. The increase is largely down to projects realized during the year under review.

The released provisions and provisions added to in the year under review relate mainly to legal risks.

Income and expenses from the management of other property portfolios relate to land and buildings intended for sale, which are reported under »Other assets« in the inventories.

Miscellaneous operating expenses include write-downs on non-current assets held for sale of EUR – 30 million (previous year: EUR 0 million).

29. Net income/expenses from investment property.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Rental income	35	56
Income from disposals	0	6
Income from investment property	**35**	**62**
Operating expenses for leased properties	– 7	– 15
Other expenses	0	– 5
Expenses from investment property	**– 7**	**– 20**
Net gains/losses from fair value measurement	1	3
Total	**29**	**45**

The reduction in this item in the 2013 financial year is largely associated with the sale of the LBBW Immobilien GmbH subgroup in the first quarter of 2012.

30. Administrative expenses.

The LBBW Group's administrative expenses comprise staff costs and other administrative expenses, as well as depreciation, amortization and write-downs of intangible assets and property and equipment.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Wages and salaries	– 717	– 763
Expenses for pensions and benefits	– 135	– 136
Social security contributions	– 113	– 113
Other staff costs	– 50	– 47
Staff costs	**– 1,015**	**– 1,059**
IT costs	– 198	– 146
Legal and consulting expenses	– 113	– 119
Expenses from operating leases	– 57	– 58
Cost of premises	– 52	– 57
Association and other contributions	– 29	– 36
Advertising, public relations and representation costs	– 27	– 28
Audit costs	– 13	– 12
Other administrative expenses	– 171	– 214
Other administrative expenses	**– 660**	**– 670**
Amortization and write-downs of intangible assets[1)]	– 46	– 68
Depreciation and write-downs of property and equipment[1)]	– 53	– 63
Depreciation, amortization and write-downs	**– 99**	**– 131**
Total	**– 1,774**	**– 1,860**

1) This includes scheduled and unscheduled write-downs. The partial amount of the unscheduled write-downs can be found in Notes 41 and 43.

The structural changes in administrative expenses were influenced by the outsourcing of IT activities which began as at 1 September 2013.

Other administrative expenses of EUR – 171 million (previous year: EUR – 214 million) include expenses of EUR – 67 million (previous year: EUR – 92 million) for the bank levy charged in Germany. Other administrative expenses also include office and motor vehicle expenses of EUR – 17 million (previous year: EUR – 18 million) as well as postage, transportation and communication costs of EUR – 18 million (previous year: EUR – 19 million).

For further explanations on leasing business, please see Note 69.

Expenses for pensions and other benefits include:

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Expenses for defined benefit obligations	**– 125**	**– 126**
Net interest income from defined benefit plans	– 75	– 82
Current service cost	– 52	– 44
Other income and expenses, including income from the release of provisions for pension plans	2	0
Other expenses for pensions and benefits	**– 6**	**– 7**
Expenses for defined contribution obligations	**– 4**	**– 3**
Total	**– 135**	**– 136**

In addition to the expenses for pensions, the Company paid EUR – 65 million in the financial year (previous year: EUR – 64 million) into the German pension fund for employees and recorded this as an expense under »Social security contributions«.

The fee of EUR – 12 million (previous year: EUR – 12 million) for audit costs comprises the following items:

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Audit services	– 8	– 6
Audit-related services	– 1	– 1
Other services	– 4	– 5
Total	**– 13**	**– 12**

31. Net income/expenses from restructuring.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Reversal of provisions for restructuring measures	51	22
Additions to restructuring provisions	– 3	– 6
Ongoing expenses for restructuring measures	0	– 6
Total	**48**	**10**

32. Income tax.

Income and expenses from income taxes are broken down as follows:

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Income tax in the reporting period	– 50	– 23
Income tax from previous years	– 58	50
Current income tax	**– 108**	**27**
of which decrease in actual income tax expense from utilization of previously unrecognized loss carryforwards and tax credits	62	3
Deferred income tax	**– 26**	**– 28**
of which deferred income tax expense/income from change in temporary differences	50	57
of which deferred tax expense/income from change in tax rates	– 5	– 10
of which deferred tax expense/income from change in write-downs	0	– 48
of which decrease in deferred income tax expense from previously unrecognized prior period temporary differences	13	– 8
of which decrease in deferred income tax expense from previously unrecognized loss carryforwards and tax credits	48	11
Total	**– 134**	**– 1**

The following reconciliation shows the relationship between reported and expected income taxes:

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Net consolidated profit/loss before tax	**471**	**399**
Applicable tax rate	30.34,%	30.34,%
Expected income tax	**– 143**	**– 121**
Tax effects		
from non-deductible operating expenses	– 92	– 171
from value adjustments	85	– 80
from taxes from the previous year recorded in the financial year	– 138	67
from permanent tax effects	79	86
from changes in tax rates	– 4	– 5
from non-deductible income tax (withholding tax and foreign taxes)	0	– 1
from differing tax rates affecting on deferred taxes as shown in profit or loss	– 7	14
from other differences	– 5	3
from tax-free income	91	207
Total	**– 134**	**– 1**

The applicable tax rate for the reconciliation is calculated as the corporate income tax rate of 15.0% applicable in Germany at the reporting date (previous year: 15.0%), plus the solidarity surcharge of 5.5% (previous year: 5.5%) and the trade tax rate (average: 14.51%, previous year: 14.51%) depending on the relevant multiplier (Hebesatz). This results in a total domestic tax rate of 30.34% for the Group (previous year: 30.34%).

The impact of non-deductible operating expenses includes, in particular, tax effects arising from the disposal of equity investments and write-downs, from the bank levy and from »Interbranch expenses«.

The positive tax effects from value adjustments essentially comprise effects from the extrapolation of tax loss carryforwards.

Tax-free income includes, among other things, effects from the disposal of Group companies and tax-free dividend income.

No deferred taxes were stated for the following loss carryforwards and temporary differences:

EUR million	31 Dec. 2013	31 Dec. 2012
Unrecognized loss carryforwards as at the balance sheet date	3,724	3,954
of which expire in 2015 and thereafter	303	329
of which non-forfeitable	3,421	3,625
Unrecognized temporary differences at the balance sheet date	163	229

Deferred tax assets are potential tax benefits arising from temporary differences between the carrying amounts of the assets and liabilities in the IFRS consolidated balance sheet and the national tax base. Deferred income tax liabilities are potential income taxes payable arising from temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the tax base.

Deferred tax assets and liabilities were recognized in connection with the following items:

	Deferred tax assets		Deferred tax liabilities	
EUR million	2013	2012	2013	2012
Assets				
Loans and advances (including allowances for losses on loans and advances)	924	1,296	– 210	– 272
Financial assets measured at fair value through profit or loss	2,860	2,254	– 129	– 380
Financial investments	2,960	2,913	– 206	– 257
Non-current assets held for sale and disposal groups	4	0	0	0
Intangible assets	6	5	– 28	– 27
Property and equipment/investment property	28	27	– 189	– 206
Other assets	104	102	– 6	– 9
Equity and liabilities				
Liabilities	49	92	– 4,358	– 4,668
Financial liabilities measured at fair value through profit or loss	7	6	– 2,030	– 1,175
Provisions	362	417	– 4	– 2
Other liabilities	156	404	– 20	– 27
Loss and interest carryforwards	613	603	0	0
Net amount	– 7,011	– 6,853	7,011	6,853
Total[1)]	**1,062**	**1,266**	**– 169**	**– 170**
of which changes recognized in profit or loss	159	– 274	– 185	242
of which changes in other income	– 27	– 20	27	– 17
of which other changes recognized directly in equity	– 170	– 6	– 7	33
Change during the financial year	**– 38**	**– 300**	**– 165**	**258**

1) The prior year amounts include deferred tax assets and liabilities from disposal groups.

The excess of deferred tax assets over deferred tax liabilities totals EUR 893 million (previous year: EUR 1,096 million). The utilization of this tax benefit was accounted for with a corresponding budget account based on LBBW's stable and sustainable business model.

Notes to the balance sheet.

33. Cash and cash equivalents.

EUR million	31 Dec. 2013	31 Dec. 2012
Balances with central banks	1,969	2,737
Cash	135	129
Debt instruments issued by public-sector institutions and bills of exchange	52	43
Total	**2,156**	**2,909**

Balances with central banks include balances with Deutsche Bundesbank of EUR 282 million (previous year: EUR 1,102 million).

34. Loans and advances to banks.

Breakdown by business type.

EUR million	31 Dec. 2013	31 Dec. 2012
Public-sector loans	32,417	37,590
Current account claims	1,518	651
Securities repurchase transactions	7,439	4,826
Other loans	3,190	2,700
Borrower's note loans	1,150	1,590
Overnight and term money	231	474
Mortgage loans	137	214
Other receivables	1,495	2,035
Total	**47,577**	**50,080**
of which to central counterparties	**1,561**	**1,509**

Breakdown by region.

EUR million	31 Dec. 2013	31 Dec. 2012
Banks within Germany	38,924	43,840
Banks outside Germany	8,653	6,240
Total	**47,577**	**50,080**

35. Loans and advances to customers.

Breakdown by business type.

EUR million	31 Dec. 2013	31 Dec. 2012
Other loans	30,772	34,124
Mortgage loans	30,741	33,134
Public-sector loans	20,644	22,982
Receivables from finance leases	5,268	5,464
Transmitted loans	3,250	3,257
Securities repurchase transactions	6,171	5,096
Current account claims	3,595	4,390
Overnight and term money	4,260	4,038
Borrower's note loans	2,533	2,759
Other receivables	1,816	1,928
Total	**109,050**	**117,172**
of which to central counterparties	**80**	**704**

Breakdown by region.

EUR million	31 Dec. 2013	31 Dec. 2012
Customers within Germany	79,572	84,036
Customers outside Germany	29,478	33,136
Total	**109,050**	**117,172**

The item »Other loans« contains mainly syndicated loans in the amount of EUR 10,866 million (previous year: EUR 13,113 million), mortgage financing as well as unsecured portions of mortgage loans and loans backed by a public-sector guarantee.

For explanations on leasing business, see Note 69.

36. Allowances for losses on loans and advances.

The allowances for losses on loans and advances deducted from assets changed as follows in the financial year:

	Specific/collective valuation allowance			Portfolio valuation allowance		
EUR million	Loans and advances to banks	Loans and advances to customers	of which from finance leases	Loans and advances to banks	Loans and advances to customers	of which from finance leases
Balance as at 1 January 2013	**14**	**2,322**	**175**	**8**	**161**	**29**
Utilization	– 2	– 494	– 41	0	0	0
Additions	0	474	35	5	108	9
Reversals	– 10	– 248	– 22	– 6	– 92	– 15
Change in present value brought about by the change in remaining lifetime (unwinding)	0	– 51	– 2	0	0	0
Changes resulting from exchange rate fluctuations and other changes	0	– 8	3	0	– 2	4
Balance as at 31 December 2013	**2**	**1,995**	**148**	**7**	**175**	**27**

	Specific/collective valuation allowance			Portfolio valuation allowance		
EUR million	Loans and advances to banks	Loans and advances to customers	of which from finance leases	Loans and advances to banks	Loans and advances to customers	of which from finance leases
Balance as at 1 January 2012	**175**	**2,556**	**170**	**10**	**204**	**17**
Utilization	– 171	– 376	– 39	0	0	0
Additions	11	561	59	6	101	19
Reversals	0	– 369	– 16	– 8	– 141	– 4
Change in present value brought about by the change in remaining lifetime (unwinding)	0	– 56	– 2	0	0	0
Changes resulting from exchange rate fluctuations and other changes	– 1	6	3	0	– 3	– 3
Balance as at 31 December 2012	**14**	**2,322**	**175**	**8**	**161**	**29**

Please refer to Note 50 for explanations on provisions for credit risks. For explanations on leasing business, see Note 69.

37. Financial assets measured at fair value through profit or loss.

EUR million	31 Dec. 2013	31 Dec. 2012
Trading assets	66,687	102,542
Financial assets designated at fair value	1,316	1,896
Positive fair values from hedging derivatives	3,399	6,026
Total	**71,402**	**110,464**

Trading assets and financial assets designated at fair value.

EUR million	Trading assets		Financial assets designated at fair value	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Debentures and other fixed-income securities	21,294	19,523	623	1,067
Money market instruments	2,346	2,810	0	1
Bonds and debentures	18,948	16,713	623	1,066
Equities and other non-fixed-income securities	683	454	240	232
Equities	225	182	10	6
Investment units	458	272	215	219
Other securities	0	0	15	7
Other	22,422	28,850	453	597
Borrower's note loans	4,229	3,785	396	513
Other money market transactions	17,458	23,928	0	0
Other loans and receivables			57	28
Miscellaneous	735	1,137	0	56
Positive fair values from derivative financial instruments	22,288	53,715		
Total	**66,687**	**102,542**	**1,316**	**1,896**

The change in trading assets is largely due to derivative financial instruments. The decline is mainly down to interest rate derivatives, arising from the closing and from the transfer to a central counterparty and subsequent set-off.

This item contains EUR 6,460 million (previous year: EUR 6,987 million) in total collateral provided with the protection buyer's right to resell or pledge.

The securities in the trading assets and securities designated at fair value are classified based on their marketability and stock exchange listing status as follows:

EUR million	Trading assets		Financial assets designated at fair value	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Marketable and listed securities	18,614	16,336	216	533
Marketable and unlisted securities	3,363	3,641	641	759
Non-marketable securities	0	0	6	7
Total	**21,977**	**19,977**	**863**	**1,299**

Trading assets and money market instruments, bonds and debentures designated at fair value are divided between public-sector and other issuers as follows:

EUR million	Trading assets		Financial assets designated at fair value	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Public-sector issuers	5,999	6,104	25	200
Other issuers	15,295	13,419	598	867
Total	**21,294**	**19,523**	**623**	**1,067**

Positive fair values from hedging derivatives.

The positive fair values from derivatives which are used to secure hedged items against the interest rate risk are included in this item. Interest rate swaps and cross-currency interest rate swaps were designated as hedging instruments.

EUR million	31 Dec. 2013	31 Dec. 2012
Positive fair values from portfolio fair value hedges	2,822	4,801
Positive fair values from micro fair value hedges	577	1,222
Positive fair values from cash flow hedges	0	3
Total	**3,399**	**6,026**

The drop in positive fair values from hedging derivatives was largely due to the reduction in the volume of the designated underlying transaction as well as the lower volume of derivatives in the fair value hedge accounting portfolio.

The positive fair values from hedging derivatives are broken down by hedged items as follows:

EUR million	31 Dec. 2013	31 Dec. 2012
Assets		
Derivative hedges on loans and advances to customers	0	2
Derivative hedges on financial investments	5	6
AfS category	5	6
Derivative hedges on other assets	54	0
Equity and liabilities		
Derivative hedges on deposits from banks	49	90
Derivative hedges on deposits from customers	167	422
Derivative hedges on securitized liabilities	175	434
Derivative hedges on subordinated liabilities	127	271
Derivative hedges on portfolio fair value hedges	2,822	4,801
Total	**3,399**	**6,026**

38. Financial investments.

EUR million	31 Dec. 2013	31 Dec. 2012
Debentures and other fixed-income securities	39,246	51,207
Money market instruments	106	0
Bonds and debentures	39,133	51,144
Refund claim (guarantee)	7	63
Equities and other non-fixed-income securities	3	6
Investment units	1	3
Other securities	2	3
Equity investments	888	971
Shares in affiliates	523	587
Total	**40,660**	**52,771**

The decrease in financial investments in the past financial year is the result particularly of maturities and disposals of bonds and debentures of other issuers.

This item includes EUR 2,575 million (previous year: EUR 4,076 million) in total collateral provided where the protection buyer has the right to resell or pledge.

Under the item »Bonds and debentures«, financial investments include the ABS portfolio with nominal amount of EUR 6.2 billion still outstanding (original outstanding nominal amount: EUR 17.6 billion), which was secured up to EUR 6.7 billion (maximum guarantee) through a guarantee structure with a guarantee company of the State of Baden-Württemberg. The securitizations in the ABS portfolio are essentially assigned to the LaR category and only to a limited extent to the AfS and FVO categories. In a more specific agreement with the guarantee company, it was contractually agreed that defaults on structured securities would be borne by the Bank within the first loss to the amount of EUR 1.9 billion. The maximum guarantee therefore fulfills the requirements for recognition as a financial guarantee.

The maximum guarantee for the ABS portfolio is not an integral component of the respective financial assets. The expected default risks on the guaranteed reference assets in the LaR and AfS categories were addressed adequately through the creation of write-downs, taking into account the Bank's first loss of EUR 1.9 billion. A refund claim was capitalized as at 31 December 2013 at the amount of the impairment exceeding the first loss, amounting to EUR 7 million (previous year: EUR 63 million). In the income statement the amount of impairment and the refund claim are reported in »Net income/expenses from financial investments«.

The securities held as financial investments are classified as follows by marketability and stock exchange listing items:

EUR million	31 Dec. 2013	31 Dec. 2012
Marketable and listed securities	34,318	42,728
Marketable and unlisted securities	4,930	8,470
Non-marketable securities	1	15
Total	**39,249**	**51,213**

Money market instruments, bonds and debentures in financial investments are divided between public-sector and other issuers as follows:

EUR million	31 Dec. 2013	31 Dec. 2012
Public-sector issuers	5,669	10,268
Other issuers	33,570	40,876
Total	**39,239**	**51,144**

Changes in the non-current financial investments in the 2013 and 2012 financial years are shown in the table below:

EUR million	Equity investments	Shares in affiliates	Total
Historical cost			
Balance as at 1 January 2013	784	630	1,414
Additions	8	0	8
Disposals	– 17	– 28	– 45
Changes from foreign currency translation	– 4	0	– 4
Changes in the scope of consolidation	0	– 65	– 65
Transfer to non-current assets held for sale and disposal groups	– 45	0	– 45
Balance as at 31 December 2013	**726**	**537**	**1,263**
Depreciation, amortization and write-downs			
Balance as at 1 January 2013	– 283	– 191	– 474
Write-downs in the financial year	– 16	– 2	– 18
Changes from foreign currency translation	4	0	4
Reclassifications	1	16	17
Changes in the scope of consolidation	0	19	19
Transfer to non-current assets held for sale and disposal groups	8	0	8
Balance as at 31 December 2013	**– 286**	**– 158**	**– 444**
Changes in fair value			
Balance as at 1 January 2013	470	148	618
Changes in fair value	– 30	5	– 25
Changes from foreign currency translation	– 1	0	– 1
Transfers to income statement	10	– 6	4
Changes in the scope of consolidation	0	– 3	– 3
Transfer to non-current assets held for sale and disposal groups	– 1	0	– 1
Balance as at 31 December 2013	**448**	**144**	**592**
Carrying amount as at 31 December 2013	**888**	**523**	**1,411**

EUR million	Equity investments	Shares in affiliates	Total
Historical cost			
Balance as at 1 January 2012	856	671	1,527
Additions	8	19	27
Disposals	– 139	– 91	– 230
Changes from foreign currency translation	– 1	0	– 1
Transfer to non-current assets held for sale and disposal groups	– 9	0	– 9
Transfer from non-current assets held for sale and disposal groups	69	31	100
Balance as at 31 December 2012	**784**	**630**	**1,414**
Depreciation, amortization and write-downs			
Balance as at 1 January 2012	– 305	– 173	– 478
Write-downs in the financial year	– 15	– 12	– 27
Changes from foreign currency translation	1	0	1
Reclassifications	67	2	69
Transfer to non-current assets held for sale and disposal groups	4	0	4
Transfer from non-current assets held for sale and disposal groups	– 35	– 8	– 43
Balance as at 31 December 2012	**– 283**	**– 191**	**– 474**
Changes in fair value			
Balance as at 1 January 2012	563	120	683
Changes in fair value	43	15	58
Transfers to income statement	– 136	5	– 131
Transfer from non-current assets held for sale and disposal groups	0	8	8
Balance as at 31 December 2012	**470**	**148**	**618**
Carrying amount as at 31 December 2012	**971**	**587**	**1,558**

39. Shares in investments accounted for using the equity method.

EUR million	31 Dec. 2013	31 Dec. 2012
Associates	274	267
Joint ventures	23	36
Total	**297**	**303**

The aggregate assets, liabilities, revenues and profits and/or losses for the period of the associates accounted for using the equity method are presented in the following table:

EUR million	31 Dec. 2013	31 Dec. 2012
Total assets	14,882	15,043
Total liabilities	13,580	13,852
Total equity	1,302	1,191
Revenues	438	564
Profit or loss for the period	131	186

Associates that are not measured using the equity method due to non-materiality featured assets of EUR 1,868 million (previous year: EUR 2,043 million), liabilities of EUR 1,330 million (previous year: 1,381 million) and net profit of EUR 12 million for the period (previous year: EUR 20 million).

The following information was stated for the joint ventures measured using the equity method corresponding to the participation rate, in accordance with IAS 31.56:

EUR million	31 Dec. 2013	31 Dec. 2012
Current assets	60	83
Non-current assets	30	26
Short-term liabilities	42	63
Long-term liabilities	20	20
Expenses	– 26	– 26
Income	28	28

40. Non-current assets held for sale and disposal groups.

The restructuring plan for the reorganization of the LBBW Group resolved by the Board of Managing Directors envisages the disposal of various equity investments. The resolution was passed upon approval of the restructuring plan by the previous Supervisory Board and communication to the EU Commission dated 3 December 2009. Within the scope of the restructuring plan, negotiations were entered into or held during the current financial year on the sale of non-current assets and disposal groups.

Compared with 31 December 2012, the following changes arose in relation to the non-current assets classified as held for sale and disposal groups:

- An equity investment in Württembergische Lebensversicherung AG, Stuttgart, which was classified as a non-current asset held for sale, was disposed of in 2013. Until it was disposed of, the equity investment was allocated to the Corporate Items segment.
- An equity investment which was classified by a fully consolidated subsidiary as held-for-sale for the half-yearly financial report and allocated to the Corporates reporting segment, was sold in the second half of the year.
- Parts of LBBW IT, which were classified as IFRS 5 for the first time in the half-yearly financial report, were also transferred in Q3. All segments were affected by this.
- In the 2013 financial year LBBW entered into negotiations for the sale of a fully consolidated subsidiary which was classified as a disposal group. Within the scope of the sales talks in the second half of 2013, it was agreed that some of the loans and advances to the subsidiary's customers would not be transferred to the buyer, but would remain instead within the LBBW Group. Accordingly, this sub-portfolio was reclassified in the balance sheet item Loans and advances to customers. The sale of the remaining disposal group is expected in the first half of 2014. This affects the Corporates reporting segment.
- The process of selling a building used by a subsidiary that was classified as available-for-sale at the end of 2012 was ceased in the 2013 financial year. Consequently, the non-current asset was reclassified as at the balance sheet date of 31 December 2013. The change in the sales plans had no effect on net consolidated profit.

The reclassification of disposal groups and non-current assets in accordance with IFRS 5 resulted in impairments of EUR – 33 million.

The main groups of assets and liabilities held for sale are as follows:

EUR million	31 Dec. 2013	31 Dec. 2012
Assets		
Cash and cash equivalents	8	0
Loans and advances to banks	175	0
Loans and advances to customers	478	0
Allowances for losses on loans and advances	– 1	0
Financial assets measured at fair value through profit or loss	5	0
Financial investments	55	16
Investment property	2	0
Property and equipment	0	7
Income tax assets	4	0
Other assets	1	0
Total	**727**	**23**
Equity and liabilities		
Deposits from banks	23	0
Deposits from customers	880	0
Financial liabilities measured at fair value through profit or loss	8	0
Other liabilities	4	0
Total	**915**	**0**
Contingent liabilities and other obligations	118	0

41. Intangible assets.

The changes in intangible assets are shown in the following tables for 2012 and 2013:

EUR million	Software	Goodwill	Advance payments and acquisition costs for development and preparation.	Other intangible assets	Intangible assets developed inhouse	Total
Historical cost						
Balance as at 1 January 2013	662	933	20	44	1	1,660
Currency translation differences	– 1	0	0	– 1	0	– 2
Additions	22	0	29	0	1	52
Transfers	8	0	– 16	0	4	– 4
Disposals	– 19	0	0	0	0	– 19
Transfer to non-current assets held for sale and disposal groups	– 39	0	0	– 12	0	– 51
Balance as at 31 December 2013	**633**	**933**	**33**	**31**	**6**	**1,636**
Amortization and impairment losses/ reversals of impairment losses						
Balance as at 1 January 2013	– 587	– 534	0	– 37	0	– 1,158
Currency translation differences	0	0	0	1	0	1
Scheduled amortization	– 43	0	0	– 2	– 1	– 46
Unscheduled write-downs	0	– 3	0	0	0	– 3
Transfers	3	0	0	0	– 3	0
Disposals	19	0	0	0	0	19
Transfer to non-current assets held for sale and disposal groups	33	0	0	12	0	45
Balance as at 31 December 2013	**– 575**	**– 537**	**0**	**– 26**	**– 4**	**– 1,142**
Carrying amounts						
Balance as at 1 January 2013	75	399	20	7	1	502
Balance as at 31 December 2013	58	396	33	5	2	494

EUR million	Software	Goodwill	Advance payments and acquisition costs for development and preparation.	Other intangible assets	Intangible assets developed inhouse	Total
Historical cost						
Balance as at 1 January 2012	627	969	23	44	0	1,663
Changes in the scope of consolidation	– 1	– 36	0	0	0	– 37
Additions	28	0	15	0	1	44
Transfers	13	0	– 18	0	0	– 5
Disposals	– 5	0	0	0	0	– 5
Balance as at 31 December 2012	**662**	**933**	**20**	**44**	**1**	**1,660**
Amortization and impairment losses/ reversals of impairment losses						
Balance as at 1 January 2012	– 526	– 534	0	– 36	0	– 1,096
Changes in the scope of consolidation	1	0	0	0	0	1
Scheduled amortization	– 66	0	0	– 1	0	– 67
Unscheduled write-downs	– 1	0	0	0	0	– 1
Disposals	5	0	0	0	0	5
Balance as at 31 December 2012	**– 587**	**– 534**	**0**	**– 37**	**0**	**– 1,158**
Carrying amounts						
Balance as at 1 January 2012	101	435	23	8	0	567
Balance as at 31 December 2012	75	399	20	7	1	502

Amortization and write-downs of intangible assets, both scheduled and unscheduled – with the exception of goodwill (separate item in the income statement) – are recognized in the »Amortization and write-downs of intangible assets« item in »Administrative expenses«.

Intangible assets of EUR 71 million (previous year: EUR 60 million) have a remaining useful life of more than 12 months.

Goodwill.

Please refer to the explanations in the General Accounting and Valuation Methods with regard to the procedure for conducting an impairment test in accordance with IAS 36. The carrying amount of goodwill and the gross amounts and cumulative impairments in the business segments Corporates I, Corporates II, International Business and the Financial Markets segment developed as follows during the financial year:

	Corporates I		Corporates II		International Business		Financial Markets		Total	
EUR million	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Balance as at 1 January	198	198	185	221	0	0	16	16	399	435
Impairment	– 3	0	0	0	0	0	0	0	– 3	0
Changes in the scope of consolidation/other	0	0	0	– 36	0	0	0	0	0	– 36
Balance as at 31 December	**195**	**198**	**185**	**185**	**0**	**0**	**16**	**16**	**396**	**399**
Gross amount of goodwill	435	435	449	449	33	33	16	16	933	933
Cumulative impairment	– 240	– 237	– 264	– 264	– 33	– 33	0	0	– 537	– 534

There is no goodwill in business segments other than those presented above.

The sustainability review of the goodwill for the 2013 financial year resulted in impairment of EUR 3 million. This impairment is due solely to the fact that the provisions of IFRS 5 applied in relation to a subsidiary in the process of being disposed of. However, the recoverable amount for each business segment is higher than its respective carrying amount.

A capitalization rate used in the impairment tests for the Corporates I segment is 10.25% or 8.50% as a perpetual annuity. The corresponding values for the Corporates II and Financial Markets segments are 9.94% and 8.19%, and 10.81% and 9.81%.

The capitalization rate used for the Corporates I segment in 2012 was 10% or 8.25% as a perpetual annuity. The corresponding values for the Corporates II and Financial Markets segments were 9.70% and 7.95%, and 10.0% and 9.0%. The capitalization rates shown are post-tax interest rates. Pre-tax capitalization rates in accordance with IAS 36.55 have been calculated retrospectively.

As in 2012, no goodwill arose for the business segment International Business in 2013.

Sensitivity considerations were initiated in relation to the goodwill allocated to cash-generating units. In view of the fact that the recoverable amount was considerably higher than the carrying amount, management is of the opinion that realistic changes to important assumptions for calculating the recoverable amount of the goodwill-bearing Corporates I, Corpo-rates II and Financial Markets segments would not result in any further impairment over and above that induced by IFRS 5.

42. Investment property.

The carrying amounts of the investment property measured at fair value developed as follows in the year under review:

EUR million	2013	2012
Carrying amount as at 1 January	**516**	**469**
Additions	3	0
Disposals	- 11	- 12
Changes in the scope of consolidation	14	0
Transfer to non-current assets held for sale or disposal groups	- 4	0
Transfers out of/into inventories and property and equipment	- 14	54
Changes in fair value from assets	1	3
Changes in fair value due to disposals, impairment or transfer	1	2
Carrying amount as at 31 December	**506**	**516**

Transfers into/out of inventories and property and equipment resulted mainly from the reclassification of a property of LBBW Immobilien Management into inventories.

An investment property of EUR 506 million (previous year: EUR 516 million) has a remaining useful life of more than 12 months.

43. Property and equipment.

The following table shows the changes in property and equipment in the year under review and the previous year.

EUR million	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under construction	Leased assets under finance leases	Leased assets under operating leases	Total
Historical cost							
Balance as at 1 January 2013	**702**	**119**	**490**	**4**	**10**	**205**	**1,530**
Changes in the scope of consolidation	0	0	1	0	0	1	2
Currency translation differences	– 2	0	– 1	0	0	0	– 3
Additions	4	1	11	2	1	0	19
Transfers	– 5	0	5	– 3	0	5	2
Disposals	– 3	– 4	– 61	0	0	– 1	– 69
Transfer to non-current assets held for sale and disposal groups	– 13	– 19	– 132	0	0	0	– 164
Balance as at 31 December 2013	**683**	**97**	**313**	**3**	**11**	**210**	**1,317**
Amortization and impairment losses/ reversals of impairment losses							
Balance as at 1 January 2013	**– 301**	**– 89**	**– 343**	**0**	**– 6**	**– 81**	**– 820**
Scheduled amortization	– 23	– 5	– 25	0	– 1	– 4	– 58
Transfers	1	0	0	0	0	– 1	0
Disposals	3	3	56	0	0	1	63
Transfer to non-current assets held for sale and disposal groups	1	15	107	0	0	0	123
Balance as at 31 December 2013	**– 319**	**– 76**	**– 205**	**0**	**– 7**	**– 85**	**– 692**
Carrying amounts							
Balance as at 1 January 2013	401	30	147	4	4	124	710
Balance as at 31 December 2013	364	21	108	3	4	125	625

EUR million	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under construction	Leased assets under finance leases	Leased assets under operating leases	Total
Historical cost							
Balance as at 1 January 2012	**778**	**109**	**495**	**22**	**10**	**140**	**1,554**
Changes in the scope of consolidation	0	0	– 2	0	0	0	– 2
Currency translation differences	1	0	1	0	0	0	2
Additions	4	7	11	4	0	3	29
Transfers	– 71	4	23	– 21	0	65	0
Disposals	– 1	– 1	– 38	– 1	0	– 3	– 44
Transfer to non-current assets held for sale and disposal groups	– 9	0	0	0	0	0	– 9
Balance as at 31 December 2012	**702**	**119**	**490**	**4**	**10**	**205**	**1,530**
Amortization and impairment losses/ reversals of impairment losses							
Balance as at 1 January 2012	**– 287**	**– 83**	**– 344**	**0**	**– 5**	**– 77**	**– 796**
Changes in the scope of consolidation	0	0	2	0	0	0	2
Scheduled amortization	– 20	– 7	– 35	0	– 1	– 3	– 66
Transfers	6	0	– 1	0	0	– 3	2
Disposals	0	1	35	0	0	2	38
Balance as at 31 December 2012	**– 301**	**– 89**	**– 343**	**0**	**– 6**	**– 81**	**– 820**
Carrying amounts							
Balance as at 1 January 2012	491	26	151	22	5	63	758
Balance as at 31 December 2012	401	30	147	4	4	124	710

Amortization and write-downs are recognized in the »Depreciation of property and equipment« item in »Administrative expenses«.

Property and equipment in the amount of EUR 620 million (previous year: EUR 644 million) have a remaining useful life of more than 12 months.

44. Income tax assets.

EUR million	31 Dec. 2013	31 Dec. 2012
Current income tax assets	179	182
of which in Germany	167	162
of which outside Germany	12	20
Deferred income tax assets	1,058	1,266
Total	**1,237**	**1,448**

Of the current income tax assets, EUR 179 million is due within one year (previous year: EUR 182 million). Deferred income tax assets amounting to EUR 1,058 million have a term of over 12 months (previous year: EUR 1,266 million.

For a detailed description of income tax assets, see Note 32.

45. Other assets.

EUR million	31 Dec. 2013	31 Dec. 2012
Inventories	439	1,034
Receivables from tax authorities	47	13
Receivables from investment income received in the same period	5	7
Other miscellaneous assets	125	310
Total	**616**	**1,364**

»Other assets« include assets amounting to EUR 35 million (previous year: EUR 36 million) with a remaining useful life of more than 12 months.

The inventories can be broken down as follows:

EUR million	31 Dec. 2013	31 Dec. 2012
Land and land rights, with unfinished buildings	198	709
Work in progress and development measures	77	107
Land and land rights, with finished buildings	23	102
Land and land rights, without buildings	50	26
Other inventories	91	90
Total	**439**	**1,034**

The changes in inventories result mainly from projects realized in the year under review.

The carrying amount of inventories recognized at fair value less costs to sell is EUR 10 million (previous year: EUR 10 million). In the financial year, borrowing costs for inventories were capitalized at the amount of EUR 3 million (previous year: EUR 7 million).

LBBW recognizes precious metal portfolios, among other things, under »Other inventories«.

46. Deposits from banks.

Breakdown by business type.

EUR million	31 Dec. 2013	31 Dec. 2012
Securities repurchase transactions	14,259	15,388
Borrower's note loans	10,067	12,070
Overnight and term money	3,256	3,910
Public-sector registered covered bonds issued	2,238	3,815
Current account liabilities	1,972	2,487
Mortgage-backed registered covered bonds issued	506	439
Other liabilities	25,732	26,127
Total	**58,030**	**64,236**
of which to central counterparties	**4,884**	**6,993**

Breakdown by region.

EUR million	31 Dec. 2013	31 Dec. 2012
Banks within Germany	50,592	58,564
Banks outside Germany	7,438	5,672
Total	**58,030**	**64,236**

47. Deposits from customers.

Breakdown by business type.

EUR million	31 Dec. 2013	31 Dec. 2012
Current account liabilities	30,662	27,312
Overnight and term money	18,020	17,005
Borrower's note loans	8,828	10,755
Securities repurchase transactions	8,382	10,001
Public-sector registered covered bonds issued	6,785	9,232
Savings deposits	7,218	7,050
Mortgage-backed registered covered bonds issued	1,062	1,211
Other liabilities	1,092	2,766
Total	**82,049**	**85,332**
of which to central counterparties	**5,991**	**7,325**

Breakdown by region.

EUR million	31 Dec. 2013	31 Dec. 2012
Customers within Germany	71,195	71,892
Customers outside Germany	10,854	13,440
Total	**82,049**	**85,332**

48. Securitized liabilities.

Securitized liabilities primarily comprise issued debentures and other liabilities securitized in the form of transferable instruments.

EUR million	31 Dec. 2013	31 Dec. 2012
Issued debentures	49,374	59,879
Mortgage-backed covered bonds	4,369	5,906
public-sector covered bonds	10,577	17,202
Other bonds	34,428	36,771
Other securitized liabilities	187	1,710
Total	**49,561**	**61,589**

The decline in securitized liabilities is mainly due to maturities of public covered bonds and bearer debentures.

See Note 68 for explanations regarding issuing activity.

49. Financial liabilities measured at fair value through profit or loss.

EUR million	31 Dec. 2013	31 Dec. 2012
Trading liabilities	47,973	85,657
Financial liabilities designated at fair value	5,734	7,184
Negative fair values from hedging derivatives	3,947	6,891
Total	**57,654**	**99,732**

Trading liabilities and financial liabilities designated at fair value.

EUR million	Trading liabilities		Financial liabilities designated at fair value	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Negative fair values from trading derivatives and economic hedging derivatives	19,489	51,875		
Money market transactions	24,975	30,722	53	70
Securitized liabilities	2,864	2,064	2,933	3,757
Other financial liabilities	1	0	615	0
Delivery obligations from short sales of securities	603	958	0	0
Borrower's note loans	41	38	1,431	2,721
Subordinated liabilities			702	636
Total	**47,973**	**85,657**	**5,734**	**7,184**

The decline in trading liabilities is due for one to the transfer of derivatives to a central counterparty and the subsequent offsetting of the holdings, in line with the development on the assets side. The maturities exceeded new business on the other.

Negative fair values from hedging derivatives.

The negative fair values from derivatives that are used to secure hedged items against interest rate risks are reported in this item. Interest rate swaps and cross-currency interest rate swaps were designated as hedging instruments.

EUR million	31 Dec. 2013	31 Dec. 2012
Negative fair values from portfolio fair value hedges	2,661	4,941
Negative fair values from micro fair value hedges	1,286	1,945
Negative fair values from cash flow hedges	0	5
Total	**3,947**	**6,891**

The decline in negative fair values from hedging derivatives is due to circumstances in line with Note 37.

The negative fair values from hedging derivatives are broken down by hedged item as follows:

EUR million	31 Dec. 2013	31 Dec. 2012
Assets		
Derivative hedges on loans and advances to banks	17	35
Derivative hedges on loans and advances to customers	285	509
Derivative hedges on financial investments	916	1,391
AfS category	915	1,386
LaR category	1	5
Equity and liabilities		
Derivative hedges on deposits from customers	10	5
Derivative hedges on securitized liabilities	58	10
Derivative hedges on portfolio fair value hedges	2,661	4,941
Total	**3,947**	**6,891**

50. Provisions.

EUR million	31 Dec. 2013	31 Dec. 2012
Provisions for pensions	2,288	2,293
Other provisions	684	613
of which restructuring-related provisions	165	254
Provisions for lending business	82	99
Other personnel-related provisions	86	128
Total	**3,140**	**3,133**

Provisions of EUR 512 million (previous year: EUR 299 million) have a remaining term to maturity of less than 12 months.

Provisions for pensions.

The composition of net additions to provisions for pensions and other post-employment benefit obligations is shown in the following table:

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Net interest income from defined benefit plans	– 75	– 82
Current service cost including the release of pension liabilities	– 50	– 44
Net additions to provisions for pensions and other post-employment benefit obligations	**– 125**	**– 126**

The present value of the defined benefit obligations is broken down into the following components:

EUR million	2013	2012
Balance as at 1 January	2,512	1,947
Adjustment to the previous year's figures including changes in the scope of consolidation[1)]	101	2
Adjusted balance as at 1 January	**2,613**	**1,949**
Changes recognized in the income statement	134	134
Interest expense/income	82	90
Current service cost	52	44
Changes recognized in other income	– 88	519
Actuarial gains(+)/losses(-) from changes to the demographic assumptions	2	0
Actuarial gains(+)/losses(-) from changes to the financial assumptions	– 157	470
Experience-based actuarial gains(+)/losses(-)	67	49
Other changes	– 130	– 90
Pension benefits paid	– 98	– 87
Payments within the scope of settlements	– 29	– 3
Business combinations/disposals	– 3	0
Balance as at 31 December	**2,529**	**2,512**

1) The adjustment in the 2013 financial year is largely as a result of the reclassification of the pecuniary aid provisions in the pension obligations.

The present value of the defined pension obligations are classified as follows by the type of beneficiary:

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Present value of the pension obligations for active employers	826	860
Present value of the pension obligations for candidates	385	414
Present value of the pension obligations for retirees	1,318	1,238
Total	**2,529**	**2,512**

This present value is broken down as follows by type of benefit:

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Present value of the accrued but non-vested pension obligations	163	192
Present value of the vested pension obligations	2,366	2,320
Total	**2,529**	**2,512**

The present value of the defined benefit plans arises from the following commitments or benefits:

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Present value of the pension obligations based on conditional benefits	3	3
Present value of the pension obligations based on future salary increases	161	176
Present value of the pension obligations based on other benefits	2,365	2,333
Total	**2,529**	**2,512**

Obligations under defined benefit plans were calculated using the following actuarial assumptions:

in %	31 Dec. 2013	31 Dec. 2012
Employee turnover	4.50	5.50
Discount rate	3.50	3.25
Expected rate of salary increase	2.00	2.00
Expected rate of pension increase	1.90	1.90
Career dynamics	0.50	0.50

Life expectancy, marriage probability and disability were calculated using the 2005 Heubeck mortality tables. Commencement of retirement is determined using the retirement age in accordance with actuarial assumptions.

The following overview shows the sensitivity of the pension obligation as at the balance sheet date with regard to each isolated change to important assumptions. A change in the individual parameters of 0.5 percentage points would have had the following impact on the pension obligation at the end of the year under review, if all other assumptions remained constant:

31 Dec. 2013 EUR million	Increase of 0.5 % pp	Decrease of 0.5 pp
Defined benefit pensions		
Change in calculatory interest rate	– 169	190
Change in expected income development	83	– 77
Change in expected pension growth	37	– 34
Change in career dynamics	5	– 5
Change in fluctuation	– 1	1

A one-year increase in life expectancy would lead to a EUR 91 million increase in the defined benefits.

When calculating the sensitivities, each parameter was stressed, all other things remaining equal. A correlation between the valuation assumptions was therefore not taken into account.

The fair value of plan assets consists of the following at year-end:

EUR million	31 Dec. 2013	31 Dec. 2012
Time deposits and other cash and cash equivalents	4	4
Level 1 measurement	3	4
Level 2 measurement	1	0
Securities	231	212
Securities – equity instruments	53	30
Equity instruments from banks	39	30
Level 1 measurement	39	30
Equity instruments from other financial corporations	14	0
Level 2 measurement	14	0
Securities – debt instruments	178	182
Debt instruments from financial institutions	166	182
Level 1 measurement	166	182
Debt instruments from other financial corporations	12	0
Level 2 measurement	12	0
Real estate	2	0
Investment funds	4	3
Level 2 measurement	4	3
Plan assets	**241**	**219**

None of the above assets are used directly by the LBBW Group.

The fair value of plan assets changed as follows during the financial year:

EUR million	2013	2012
Balance as at 1 January	219	213
Adjustment of prior year values	27	0
Adjusted balance as at 1 January	246	213
Changes recognized in the income statement	8	8
Interest income/expense	8	8
Changes recognized in other income	1	7
Income/expense from the plan assets (less the income included in net interest income)	1	7
Other changes	– 14	– 9
Employer contributions	1	1
Pension benefits paid	– 12	– 10
Business combinations/disposals	– 3	0
Balance as at 31 December	**241**	**219**

For the coming financial year estimated contributions to plan assets to be paid by the employer amount to approximately EUR 1 million (previous year: EUR 1 million).

The present value of defined benefit obligations and the fair value of plan assets can be reconciled with the assets and liabilities as reported in the balance sheet as follows:

EUR million	31 Dec. 2013	31 Dec. 2012
Present value of defined benefit obligations	2,529	2,512
Present value of defined benefit obligations from unfunded plans	2,197	2,196
Present value of defined benefit obligations from wholly or partially funded plans	332	316
Fair value of plan assets	– 241	– 219
Obligations not covered by plan assets	2,288	2,293
Provisions for pensions	**2,288**	**2,293**

The actuarial reports required for measurement of plan assets, pension obligations and sensitivity analyses were prepared as at 31 December 2013 and 31 December 2012.

The weighted average maturity of the defined benefit obligation is 14.98 years (previous year: 15.69 years).

Other provisions.

The following table shows changes in other provisions in the year under review:

EUR million	Other personnel-related provisions	Provisions for credit risk	Other provisions	Total
Balance as at 1 January 2013	**128**	**99**	**614**	**841**
Utilization	– 18	– 5	– 444	– 467
Reversals	– 6	– 45	– 266	– 317
Additions	48	34	241	323
Transfers	– 71	– 4	529	454
Discounting and compounding of non-current provisions	0	3	1	4
Changes not recognized in profit or loss	5	0	0	5
Currency translation differences	0	0	9	9
Balance as at 31 December 2013	**86**	**82**	**684**	**852**

The other personnel-related provisions include mainly provisions for early retirement and partial retirement. The transfer of EUR 71 million is based on pecuniary aid provisions that were reclassified in Provisions for pensions in the financial year.

Plan assets amounting to EUR 0 million (previous year: EUR 11 million) were set up as at the balance sheet date for the obligation for settlement arrears from partial retirement contracts. The provisions for settlement arrears from partial retirement contracts amounting to EUR 0 million (previous year: EUR 14 million) were offset against the plan assets in line with IAS 19.128.

In total, provisions with a term of over 12 months worth EUR 342 million (previous year: EUR 543 million) were discounted.

The Group is faced with various legal proceedings and court actions arising in the ordinary course of business. Provisions were recognized for the risks involved if the management and the Group's legal advisers deem payments to be made by LBBW likely and the amounts involved can be estimated with sufficient reliability. There are other legal disputes where the Board of Managing Directors, after consultation with its legal advisers, holds the view that the final settlement of these disputes does not affect the present consolidated financial statements in any material way.

Transfers to »Other provisions« are based mainly on the first-time application of IFRS 13 (see Note 2).

51. Income tax liabilities.

Income tax liabilities include income taxes for the current and previous periods payable, but not yet paid, as at the balance sheet date.

EUR million	31 Dec. 2013	31 Dec. 2012
Current income tax liabilities	58	200
of which provisions for income tax	55	195
of which income tax liabilities to tax authorities	3	5
Deferred income tax liabilities	169	170
Total	**227**	**370**

Of the current income tax liabilities, EUR 58 million is due within one year (previous year: EUR 200 million). Deferred income tax liabilities amounting to EUR 169 million have a term of over 12 months (previous year: EUR 170 million).

For a detailed description of income tax liabilities, see Note 32.

52. Other liabilities.

EUR million	31 Dec. 2013	31 Dec. 2012
Liabilities from		
Other taxes	191	205
Employment	47	65
Deliveries and services	51	51
Non-controlling interests	6	11
Finance leases	8	11
Advances received	172	153
Other miscellaneous liabilities	281	202
Total	**756**	**698**

Other liabilities with maturities of more than 12 months amounted to EUR 39 million (previous year: EUR 53 million).

For a detailed description of leasing business, see Note 69.

53. Subordinated capital.

In the event of insolvency proceedings or liquidation, the reported subordinated capital may not be repaid until all non-subordinated creditors have been satisfied. Subordinated capital is broken down as follows:

EUR million	31 Dec. 2013	31 Dec. 2012
Typical silent partnership contributions	2,687	5,100
Subordinated liabilities	4,027	3,856
Capital generated from profit-participation rights	389	759
Total	**7,103**	**9,715**

As a consequence of the loss reported in the 2009 financial statements prepared using German GAAP rules (HGB), the profit-participation rights and silent partnership contributions participated in the loss. The capital in the profit-participation rights and the silent partnership contributions were completely refilled in 2011. LBBW succeeded for the first time in 2012 in servicing the silent partnership contributions and profit-participation certificates and of restituting 40.8% of the omitted distributions. In 2013, LBBW was also able to include the still outstanding obligations for restitution in the income statement. The disbursement of the current distribution and restitution will be made in the months of March to July 2014, depending on the contract in question.

Owing to changes in estimated cash flows (interest, restitution and repayment), the capital generated from profit-participation certificates and silent partnership contributions is reported at present value in the balance sheet. If the cash flows remain unchanged from the previous year's estimate, the previous year's present value is merely compounded by the effective interest rate. However, if the cash flows change, the present value must be recalculated using the new cash flows and the difference taken into account in the income statement (IAS 39 AG 8).

The conversion of silent partnership contributions and repayment of profit-participation certificates and subordinated liabilities led to a reduction in the subordinated capital of EUR 2,727 million (nominal: EUR 2,457 million). This was offset by subordinated new issues in the amount of EUR 331 million.

In addition, the present value of the capital generated from profit-participation rights and silent partners' certificates fell by EUR 133 million (previous year: EUR 74 million). EUR 157 million from the compounding on the basis of the present value as at 31 December 2012 and EUR 3 million from the recognition at the applicable present value on the basis of new cash flows must be taken into consideration. Interest payments lowered the present value by EUR 293 million.

Premiums and discounts and measurements are reported in subordinated capital.

Subordinated liabilities.

The following subordinated liabilities (incl. subordinated liabilities designated at fair value) exist at the balance sheet date, broken down according to product type.

	31 Dec. 2013			31 Dec. 2012		
EUR million	Capital	Interest accrued in year under review	Total	Capital	Interest accrued in year under review	Total
Subordinated DM/EUR registered securities/bonds	1,847	28	1,875	1,880	28	1,908
Subordinated DM/EUR borrower's note loans	1,449	16	1,465	1,181	14	1,195
Subordinated foreign currency bonds	1,005	15	1,020	1,090	16	1,106
Total	**4,301**	**59**	**4,360**	**4,151**	**58**	**4,209**

The table above includes subordinated registered securities and bonds designated at fair value with nominal capital in the amount of EUR 514 million (previous year: EUR 600 million).

The interest expense on subordinated liabilities (incl. subordinated liabilities designated at fair value) is EUR 188 million (previous year: EUR – 224 million).

Capital generated by profit-participation rights.

The capital generated from profit-participation rights fulfills the requirements of section 10 (5) KWG. Notwithstanding the issues with a remaining maturity of less than two years, all contracts can be allocated to supplementary capital in accordance with section 10 (2b) KWG.

The terms of material profit participation rights (incl. profit-participation rights designated at fair value) were as follows at the balance sheet date:

31 Dec. 2013 EUR million	Year of issue	Nominal amount	Interest rate in % p. a.	Maturity
Participation rights in bearer form				
	2001	85	6.85	2014
	2010	17	4.22	2020
Registered participation rights				
	Company	377	4.77 to 7.22	up to 2022
	Banks	15	4.82 to 5.85	up to 2020
Total amount		**494**		

The table above include registered participation certificates designated at fair value with nominal capital in the amount of EUR 137 million (previous year: EUR 137 million).

Net interest income for capital generated from profit-participation rights for the financial year (including profit-participation rights designated at fair value) totaled EUR – 66 million (previous year: EUR – 28 million). Interest expense results, first of all, from the compounding of the present values. Secondly, EUR – 26 million was taken into account for the current interest level for profit-participation certificates designated at fair value in 2013 and the remaining missed payments for distributions not made. The changed estimate in the cash flows of the profit-participation certificates in the previous year resulted in a reverse effect of EUR 24 million in the previous year.

Typical silent partnership contributions.

The silent partnership contributions fulfill the requirements of section 10 (4) KWG in conjunction with section 64m KWG. Notwithstanding the issues with a remaining maturity of less than two years, all contracts can be allocated to supplementary capital in accordance with section 10 (2a) KWG.

At the end of the financial year, the following material contributions had been made by silent partnerships:

Duration[1]	Dividend payout as a percentage of the nominal amount	Nominal amount 31 Dec. 2013 EUR million	Nominal amount 31 Dec. 2012 EUR million
30 Sept. 1999 – 31 Dec. 2012[2]		0.0	766.9
31 Aug. 2001 – 31 Dec. 2012 (nominal USD 197.5,million)[2]		0.0	149.8
31 Oct. 2001 – 31 Dec. 2012 (nominal USD 302.5,million.)[2]		0.0	229.5
1 Oct. 2001 – 31 Dec. 2012[3]		0.0	384.7
31 Oct. 2001 – 31 Dec. 2012[3]		0.0	525.9
14 Jul. 1999 – 31 Dec. 2013	7.26	16.4	16.4
16 Apr. 1999 – 31 Dec. 2014	6.17 – 6.75	89.0	89.0
31 Dec. 1993 – 31 Dec. 2014 (terminated)	1.61	50.8	50.8
15 Feb. 1994 – 31 Dec. 2015[4] (terminated)	5.69	6.0	6.0
23 Nov. 1999 – 31 Dec. 2015	7.76	40.0	40.0
8 Dec. 1999 – 31 Dec. 2016	7.8 – 8.0	64.5	64.5
15 Nov. 1999 – 31 Dec. 2019	7.87	10.0	10.0
25 Apr. 1999 – 31 Dec. 2019	5.05	30.0	30.0
5 Jan. 2000 – 31 Dec. 2020	8.25	30.0	30.0
19 May 1999 – 31 Dec. 2024	7.11	20.0	20.0
13 Jul. 2001 – 31 Dec. 2026[5]	2.64	15.0	15.0
10 Jan. 1999 – 31 Dec. 2029	8.03 – 8.20	49.0	49.0
10 Mar. 2000 – 31 Dec. 2030	8.05 – 8.25	10.0	10.0
2 Jul. 2001 – 31 Dec. 2031	8.46	20.0	20.0
Silent partnership contributions with a fixed end of term		**450.7**	**2507.5**

Expiry of the fixed interest period	Dividend payout as a percentage of the nominal amount	Nominal amount 31 Dec. 2013 EUR million	Nominal amount 31 Dec. 2012 EUR million
31 Dec. 2014[6]	4.96	64.7	64.7
31 Dec. 2015[6]	4.69	19.5	19.5
26 Jun. 2017	2.83	200.0	200.0
30 Sept. 2021[7]	3.93	405.3	405.3
28 Oct. 2021[7]	3.92	408.5	408.5
30 Oct. 2021[7]	3.92	275.6	275.6
31 Dec. 2021	5.69	8.9	8.9
31 Dec 2022	3.74	4.7	4.7
31 Dec 2023	7.05	222.7	222.7
No expiry of the fixed interest period[8]	4.56	300.0	300.0
Silent partnership contributions without a fixed end of term		**1909.9**	**1909.9**
Total		**2360.6**	**4417.4**

1) Repayment takes place after approval of the annual financial statements in accordance with HGB at a contractually fixed date.
2) Conversion of the complete tranche to equity as at 1 January 2013.
3) Partial conversion of the tranche in equity as 1 January 2013. See footnote 7.
4) The future interest rate will be 1.73 %.
5) Annual adjustment of interest rates.
6) Part of termination notice: 31 Dec. 2014 = EUR 3.2 million; 31 Dec. 2015 = EUR 3.4 million).
7) Unconverted part of the issue. See footnote 3.
8) Interest rate is fixed. Only specific changes in the tax legislation have an impact on the interest rate.

The interest expense for silent partnership contributions totaled EUR – 128 million for the financial year (previous year: EUR – 44 million) and resulted mainly from the compounding of the present values. The absence of interest rate cash flows (restitution) on the silent partnership contributions converted as at 1 January 2013 resulted in a reverse effect of EUR 162 million the previous year.

54. Equity.

EUR million	31 Dec. 2013	31 Dec. 2012
Share capital	3,484	2,584
Capital reserve	8,240	6,910
Retained earnings	1,223	782
Other income	104	– 363
Unappropriated profit/loss	343	399
Shareholders' equity	**13,394**	**10,312**
Equity attributable to non-controlling interest	9	21
Total	**13,403**	**10,333**

LBBW's fully paid-in ordinary share capital of 25.0% (previous year: 25.0%) was held in the year under review by the State of Baden-Württemberg (25.0%), the city of Stuttgart with 19.0% (previous year: 19.0%), the Savings Bank Association of Baden-Württemberg (including equity investments held by savings banks in Baden-Württemberg) with 40.5% (previous year: 40.5%), Landeskreditbank Baden-Württemberg with 2.0% (previous year: 2.0%) and Landesbeteiligungen Baden-Württemberg GmbH with 13.5% (previous year: 13.5%).

In accordance with the decision dated 7 December 2012 to increase the Bank's capital without any alteration to the share ratios, the State of Baden-Württemberg, the Savings Bank Association of Baden-Württemberg, and the city of Stuttgart provided LBBW with the total proceeds from the repayment of the silent partnership contributions and the currency swaps by contributing share capital of EUR 900 million and injecting a sum of EUR 1,330 million into the capital reserve on 1 January 2013.

The item »Equity« still includes accumulated actuarial gains and losses amounting to EUR – 295 million (previous year: EUR – 356 million), as well as taxes recognized directly in equity totaling EUR 195 million (previous year: EUR 376 million).

Notes on financial instruments.

55. Financial instruments designated at fair value.

The maximum default risk for loans and receivables designated at fair value amounts to EUR 453 million as at the balance sheet date (previous year: EUR 597 million). The changes to the fair value of these financial assets induced by changes to credit ratings amounted to EUR – 1 million in the year under review (previous year: EUR 5 million), or to EUR – 7 million since they were so designated (previous year: EUR – 7 million).

The changes to the fair value of financial liabilities designated at fair value, induced by changes to credit ratings, amounted to EUR – 89 million in the year under review (previous year: EUR – 262 million), or to EUR 82 million since they were so designated (previous year: EUR 171 million). EUR – 82 million of this amount was attributed to changes in the credit ratings of the LBBW Group (previous year: EUR – 144 million).

Two values – one based on the original spread and one based on the current spread – are calculated to determine the changes to fair value induced by changes to credit ratings. The changes to fair value induced by changes to credit ratings are implicitly derived from these two measurements. The fair value option includes own issues which contains external credit risk only within the scope of economic hedges with credit derivatives. The rating-induced fair value adjustments due to external credit risks in own structured issues are based on the changes in value of the underlying hedging credit derivatives.

The contractually agreed repayment amount of the issued liabilities at maturity exceeds the current fair value at the amount of EUR 740 million (previous year: EUR 884 million).

56. Net gains/losses from financial instruments.

The net gains or losses, broken down by category according to IAS 39, comprise gains and losses on disposal, changes in fair value, impairments, reversals of impairment losses, and subsequent income from financial instruments already written off. They also include changes in value from economic hedging derivatives and the income/loss from changes in the value of hedged items from micro fair value hedges.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Financial assets carried at amortized cost	– 632	26
Financial liabilities/assets held for trading	333	305
Financial liabilities/assets designated at fair value	37	– 260
Available-for-sale financial assets	– 162	516
Financial liabilities measured at amortized cost	– 318	754

57. Impairment losses on financial assets.

EUR million	1 Jan. – 31 Dec. 2013	1 Jan. – 31 Dec. 2012
Assets carried at fair value		
Financial investments (AfS)	– 21	– 30
Equity instruments	– 18	– 27
Securities	– 3	– 3
Assets carried at amortized cost		
Loans and advances to banks	– 5	– 50
Public-sector loans	0	– 2
Other receivables	– 5	– 48
Loans and advances to customers	– 685	– 708
Public-sector loans	– 12	– 7
Mortgage loans	– 96	– 116
Other receivables	– 577	– 585
of which finance leases	– 45	– 79
Financial investments (LaR)	– 30	– 70
Equity instruments	– 1	0
Securitizations	– 29	– 70
Total	**– 741**	**– 858**

58. Fair value of financial instruments.

The following tables compares the carrying amounts and the fair values of financial instruments.

Assets.

EUR million	31 Dec. 2013 Carrying amount	31 Dec. 2013 Fair value	31 Dec. 2012 Carrying amount	31 Dec. 2012 Fair value
Cash and cash equivalents	**2,156**	**2,156**	**2,909**	**2,909**
Assets carried at fair value				
Trading assets	66,687	66,687	102,542	102,542
Derivatives	22,288	22,288	53,715	53,715
Currency-related derivatives	2,695	2,695	3,675	3,675
Interest rate-related derivatives	18,903	18,903	49,191	49,191
Credit derivatives	258	258	489	489
Share/index derivatives	370	370	306	306
Commodity-related and other derivatives	62	62	54	54
Equity instruments	683	683	454	454
Securities	21,294	21,294	19,523	19,523
Receivables	22,422	22,422	28,850	28,850
Financial assets designated at fair value	1,316	1,316	1,896	1,896
Equity instruments	240	240	232	232
Securities	623	623	1,067	1,067
Loans and receivables	453	453	597	597
Positive fair values from hedging derivatives	3,399	3,399	6,026	6,026
Interest rate derivatives	3,296	3,296	5,668	5,668
Cross-currency interest rate swaps	103	103	358	358
Financial investments (AfS)	21,451	21,451	28,942	28,942
Equity instruments	1,408	1,408	1,568	1,568
Securities	20,043	20,043	27,374	27,374
Assets carried at amortized cost				
Loans and advances to banks after allowances for losses on loans and advances	47,568	48,679	50,058	51,994
Public-sector loans	32,415	33,362	37,586	39,151
Securities repurchase transactions	7,439	7,496	4,826	4,825
Other receivables	7,714	7,821	7,646	8,018
Loans and advances to customers after allowances for losses on loans and advances	106,880	108,885	114,689	119,321
Public-sector loans	20,621	22,157	22,955	25,546
Mortgage loans	30,442	31,471	32,791	35,872
Securities repurchase transactions	6,171	6,176	5,096	5,264
Other receivables	49,646	49,081	53,847	52,639
of which finance leases	5,093	5,538	5,260	5,568
Financial investments (LaR)	19,209	19,173	23,829	23,705
Equity instruments	6	6	7	7
Securitizations	5,526	4,879	9,306	8,362
Government bonds	60	60	77	77
Other securities	13,617	14,228	14,439	15,259
Non-current assets held for sale and disposal groups	**720**	**720**	**16**	**16**

Equity and liabilities.

EUR million	31 Dec. 2013 Carrying amount	31 Dec. 2013 Fair value	31 Dec. 2012 Carrying amount	31 Dec. 2012 Fair value
Liabilities measured at fair value				
Trading liabilities	47,973	47,973	85,657	85,657
Derivatives	19,489	19,489	51,875	51,875
Currency-related derivatives	2,501	2,501	3,588	3,588
Interest rate-related derivatives	15,995	15,995	46,735	46,735
Credit derivatives	391	391	913	913
Share/index derivatives	561	561	582	582
Commodity-related and other derivatives	41	41	57	57
Delivery obligations from short sales of securities	603	603	958	958
Deposits	25,016	25,016	30,760	30,760
Securitized liabilities	2,864	2,864	2,064	2,064
Other financial liabilities	1	1	0	0
Financial liabilities designated at fair value	5,734	5,734	7,184	7,184
Deposits	1,706	1,706	3,427	3,427
Securitized liabilities	3,413	3,413	3,757	3,757
Other financial liabilities	615	615	0	0
Negative fair values from hedging derivatives	3,947	3,947	6,891	6,891
Interest rate derivatives	3,835	3,835	6,714	6,714
Cross-currency interest rate swaps	112	112	177	177
Liabilities carried at amortized cost				
Deposits from banks	58,030	60,156	64,236	59,904
Securities repurchase transactions	14,259	14,256	15,388	14,142
Borrower's note loans	10,067	10,377	12,070	12,671
Other liabilities	33,704	35,523	36,778	33,091
Deposits from customers	82,049	83,738	85,332	88,611
Current account liabilities	30,662	30,656	27,312	27,308
Borrower's note loans	8,828	9,215	10,755	11,532
Registered covered bonds	7,847	8,580	10,443	11,632
Securities repurchase transactions	8,382	8,385	10,001	10,185
Other liabilities	26,330	26,902	26,821	27,954
Securitized liabilities	49,561	50,447	61,589	63,375
Other liabilities – of which finance leases	8	8	11	11
Subordinated capital	7,103	6,993	9,715	9,298
Subordinated liabilities	4,027	4,061	3,856	4,071
Capital generated from profit-participation rights	389	440	759	836
Silent partnership contributions	2,687	2,492	5,100	4,391
Liabilities from disposal groups	**911**	**911**	**0**	**0**

59. Fair value hierarchy.

The following tables show the carrying amounts of financial instruments designated at fair value and the investment property, divided into the valuation methods:

Assets.

EUR million	Prices traded on active markets (Level I)		Valuation method – on the basis of externally observable parameters (Level II)		Valuation method – on the basis of not externally observable parameters (Level III)	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Cash and cash equivalents	**135**	**0**	**1,969**	**0**	**52**	**2,909**
Assets carried at fair value						
Trading assets	12,801	11,913	53,242	90,627	644	2
Derivatives	301	250	21,355	53,463	632	2
Currency-related derivatives	0	0	2,654	3,675	41	0
Interest rate-related derivatives	0	0	18,337	49,192	566	– 1
Credit derivatives	0	0	255	486	3	3
Share/index derivatives	283	234	65	72	22	0
Commodity-related and other derivatives	18	16	44	38	0	0
Equity instruments	225	181	458	273	0	0
Securities	12,274	11,482	9,020	8,041	0	0
Receivables	1	0	22,409	28,850	12	0
Financial assets designated at fair value	33	129	1,199	1,547	84	220
Equity instruments	0	0	199	173	41	59
Securities	33	129	547	777	43	161
Receivables	0	0	453	597	0	0
Positive fair values from hedging derivatives	0	0	3,399	6,026	0	0
Interest rate derivatives	0	0	3,296	5,668	0	0
Cross-currency interest rate swaps	0	0	103	358	0	0
Financial investments (AfS)	15,490	20,447	4,992	7,360	969	1,135
Equity instruments	458	477	12	25	938	1,066
Securities	15,032	19,970	4,980	7,335	31	69
Investment property	0	0	0	4	506	512

Equity and liabilities.

EUR million	Prices traded on active markets (Level I) 31 Dec. 2013	Prices traded on active markets (Level I) 31 Dec. 2012	Valuation method – on the basis of externally observable parameters (Level II) 31 Dec. 2013	Valuation method – on the basis of externally observable parameters (Level II) 31 Dec. 2012	Valuation method – on the basis of not externally observable parameters (Level III) 31 Dec. 2013	Valuation method – on the basis of not externally observable parameters (Level III) 31 Dec. 2012
Liabilities measured at fair value						
Trading liabilities	999	3,441	46,416	82,160	558	56
Derivatives	382	419	18,549	51,400	558	56
Currency-related derivatives	0	2	2,536	3,586	– 35 [1]	0
Interest rate-related derivatives	0	2	15,446	46,725	549	8
Credit derivatives	0	0	369	865	22	48
Share/index derivatives	350	398	189	184	22	0
Commodity-related and other derivatives	32	17	9	40	0	0
Delivery obligations from short sales of securities	602	958	1	0	0	0
Deposits	0	0	25,016	30,760	0	0
Securitized liabilities	15	2,064	2,849	0	0	0
Other financial liabilities	0	0	1	0	0	0
Financial liabilities designated at fair value	0	0	5,028	7,072	706	112
Deposits	0	0	1,548	3,382	158	45
Securitized liabilities	0	0	2,865	3,690	548	67
Other financial liabilities	0	0	615	0	0	0
Negative fair values from hedging derivatives.	0	11	3,947	6,880	0	0
Interest rate derivatives	0	11	3,835	6,703	0	0
Cross-currency interest rate swaps	0	0	112	177	0	0

1) This is a product with differing risks that are shown separately here and feature contrasting effects.

The following tables show the fair value of financial instruments valued at amortized cost, broken down by valuation method. All fair value of financial instruments held for sale are also shown.

Assets.

31 Dec. 2013 EUR million	Prices traded on active markets (Level I)	Valuation method – on the basis of externally observable parameters (Level II)	Valuation method – on the basis of not externally observable parameters (Level III)
Assets carried at amortized cost			
Loans and advances to banks	2	24,240	24,437
Public-sector loans	0	13,735	19,627
Securities repurchase transactions	0	7,496	0
Other receivables	2	3,009	4,810
Loans and advances to customers	0	31,208	77,677
Public-sector loans	0	7,126	15,031
Mortgage loans	0	1,346	30,125
Securities repurchase transactions	0	6,176	0
Other receivables	0	16,560	32,521
of which finance leases	0	160	5,378
Financial investments (LaR)	350	16,793	2,030
Equity instruments	0	2	4
Securitizations	0	2,907	1,972
Government bonds	0	10	50
Other securities	350	13,874	4
Non-current assets held for sale and disposal groups	**36**	**24**	**652**

Equity and liabilities.

31 Dec. 2013 EUR million	Prices traded on active markets (Level I)	Valuation method – on the basis of externally observable parameters (Level II)	Valuation method – on the basis of not externally observable parameters (Level III)
Liabilities carried at amortized cost			
Deposits from banks	0	56,260	3,896
Securities repurchase transactions	0	14,256	0
Borrower's note loans	0	10,342	35
Other liabilities	0	31,662	3,861
Deposits from customers	0	82,604	1,134
Current account liabilities	0	30,582	74
Borrower's note loans	0	9,189	26
Registered covered bonds	0	8,580	0
Securities repurchase transactions	0	8,385	0
Other liabilities	0	25,868	1,034
Securitized liabilities	0	49,185	1,262
Subordinated capital	0	6,893	100
Subordinated liabilities	0	3,961	100
Capital generated from profit-participation rights	0	440	0
Silent partnership contributions	0	2,492	0
Liabilities from disposal groups	**0**	**8**	**903**

Transfers to levels.

The following transfers were made between Levels I and II in the fair value hierarchy since the last reporting date:

Assets.

EUR million	Transfers from Level I to Level II 1 Jan. – 31 Dec. 2013	Transfers from Level I to Level II 1 Jan. – 31 Dec. 2012	Transfers from Level II to Level I 1 Jan. – 31 Dec. 2013	Transfers from Level II to Level I 1 Jan. – 31 Dec. 2012
Assets carried at fair value				
Trading assets	107	57	82	51
Equity instruments	0	0	0	11
Securities	107	57	82	40
Receivables	0	0	0	0
Financial assets designated at fair value	0	46	13	17
Securities	0	46	13	17
Financial investments (AfS)	1,139	2,630	1,377	1,794
Securities	1,139	2,630	1,377	1,794
Investment property	0	58	0	0

In the 2013 financial year, LBBW reclassified securities held for trading purposes as well as AfS from Level I to Level II, since there were no traded prices from active markets available for these securities.

Conversely, securities were reclassified in the 2013 financial year, since traded market prices from active markets were available again.

LBBW made no transfers between Level I and Level III on the liabilities side.

Development of Level III.

Changes per class in the portfolios of financial instruments measured at fair value and investment property, which were calculated using valuation models which include material non-observable parameters (Level III), were as follows:

Assets.

	Trading assets				
	Derivatives				Receivables
EUR million	Currency related derivatives	Interest rate derivatives	Credit derivatives	Equities/index-based derivatives	
Carrying amount as at 31 December 2012	**0**	**– 1**	**3**	**0**	**0**
Adjustment of prior year values[1)]	**154**	**666**	**0**	**3**	**0**
Carrying amount as at 1 January 2013	**154**	**665**	**3**	**3**	**0**
Gains and losses recognized in net consolidated profit/loss	– 113	– 98	0	19	0
of which net interest income	0	0	– 2	0	0
of which net trading income	– 113	– 98	2	19	0
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	0
of which net gains/losses from financial investments	0	0	0	0	0
of which other earnings items	0	0	0	0	0
Income and expenses recognized in Other income	0	0	0	0	0
Additions through acquisitions/issues	0	0	0	0	12
Disposals through sales	0	0	0	0	0
Repayments/offsetting	0	– 1	0	0	0
Changes in the scope of consolidation	0	0	0	0	0
Changes from foreign currency translation	0	0	0	0	0
Transfers	0	0	0	0	0
Transfers to Level III	0	0	0	0	0
Transfers from Level III	0	0	0	0	0
Transfers in accordance with IFRS 5	0	0	0	0	0
Carrying amount as at 31 December 2013	**41**	**566**	**3**	**22**	**12**
of which unrealized gains and losses recognized in net consolidated profit/loss for financial instruments held as at the reporting date	– 113	– 98	0	19	0
of which net interest income	0	0	– 2	0	0
of which net trading income	– 113	– 98	2	19	0
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	0
of which net gains/losses from financial investments	0	0	0	0	0
of which other earnings items	0	0	0	0	0

1) The prior-year values have been restated, since as of the year under review, underlying and hedging transactions of the fair value options and back-to-back transactions are subject to a gross observation for the level classifications. Because of the risk compensation, these transactions were allocated to Level II in the previous year.

	Financial assets designated at fair value		Financial investments (AfS)		Investment property.	Specific non-current assets held for sale and disposal group	Total
	Equity instruments	Securities	Equity instruments	Securities			
	59	**161**	**1,066**	**69**	**512**	**0**	**1,869**
	0	**0**	**0**	**0**	**0**	**0**	**823**
	59	**161**	**1,066**	**69**	**512**	**0**	**2,692**
	– 1	25	– 14	2	1	0	– 179
	– 2	1	0	– 1	0	0	– 4
	0	– 1	0	0	0	0	– 191
	1	25	0	0	0	0	26
	0	0	– 14	3	0	0	– 11
	0	0	0	0	1	0	1
	0	0	– 6	0	0	0	– 6
	0	0	8	2	3	0	25
	– 14	– 7	– 36	– 21	– 9	0	– 87
	– 6	– 87	– 4	– 11	0	0	– 109
	0	0	– 45	0	14	0	– 31
	0	0	– 1	0	0	0	– 1
	3	– 3	0	0	– 14	0	– 14
	0	0	9	0	0	0	9
	0	– 46	– 1	– 10	– 1	– 38	– 96
	0	0	– 38	0	0	38	0
	41	**43**	**938**	**31**	**506**	**0**	**2,203**
	– 1	32	– 14	3	1	0	– 171
	– 2	1	0	0	0	0	– 3
	0	– 1	0	0	0	0	– 191
	1	32	0	0	0	0	33
	0	0	– 14	3	0	0	– 11
	0	0	0	0	1	0	1

EUR million	Trading assets				Receivables
	Derivatives				
	Currency related derivatives	Interest rate derivatives	Credit derivatives	Equities/ind ex-based derivatives	
Carrying amount as at 31 December 2011	**0**	**0**	**323**	**0**	**0**
Restatement of prior year amounts	**0**	**0**	**0**	**0**	**0**
Carrying amount as at 1 January 2012	**0**	**0**	**323**	**0**	**0**
Gains and losses recognized in net consolidated profit/loss	0	– 1	– 79	0	0
of which net interest income	0	0	0	0	0
of which net trading income	0	– 1	– 79	0	0
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	0
of which net gains/losses from financial investments	0	0	0	0	0
of which other earnings items	0	0	0	0	0
Income and expenses recognized in Other income	0	0	0	0	0
Additions through acquisitions/issues	0	0	0	0	0
Disposals through sales	0	0	– 58	0	0
Repayments/offsetting	0	0	– 183	0	0
Changes in the scope of consolidation	0	0	0	0	0
Transfers	0	0	0	0	0
Transfers to Level III	0	0	0	0	0
Transfers from Level III	0	0	0	0	0
Transfers in accordance with IFRS 5	0	0	0	0	0
Carrying amount as at 31 December 2012	**0**	**– 1**	**3**	**0**	**0**
of which unrealized gains and losses recognized in net consolidated profit/loss for financial instruments held as at the reporting date	0	– 1	– 79	0	0
of which net interest income	0	0	0	0	0
of which net trading income	0	– 1	– 79	0	0
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	0
of which net gains/losses from financial investments	0	0	0	0	0
of which other earnings items	0	0	0	0	0

Financial assets designated at fair value		Financial investments (AfS)		Investment property.	Specific non-current assets held for sale and disposal group	Total
Equity instruments	Securities	Equity instruments	Securities			
102	**283**	**900**	**195**	**469**	**140**	**2,412**
0	**0**	**0**	**0**	**0**	**0**	**0**
102	**283**	**900**	**195**	**469**	**140**	**2,412**
– 6	51	– 24	7	5	5	– 42
0	0	0	0	0	0	0
0	– 1	0	0	0	0	– 81
– 6	52	0	0	0	0	46
0	0	– 24	7	0	5	– 12
0	0	0	0	5	0	5
0	0	72	0	0	– 15	57
20	16	4	0	0	0	40
– 57	– 216	– 25	– 61	– 12	– 70	– 499
0	– 15	– 82	– 72	0	0	– 352
0	0	9	0	0	0	9
0	0	0	0	50	0	50
0	42	179	0	0	0	221
0	0	– 1	0	0	– 26	– 27
0	0	34	0	0	– 34	0
59	**161**	**1,066**	**69**	**512**	**0**	**1,869**
– 7	44	– 23	8	3	0	– 55
0	0	0	0	0	0	0
0	– 1	0	0	0	0	– 81
– 7	45	0	0	0	0	38
0	0	– 23	8	0	0	– 15
0	0	0	0	3	0	3

Equity and liabilities.

EUR million	Trading liabilities				Financial liabilities designated at fair value		Total
	Derivatives				Deposits	Securitized liabilities	
	Currency-related derivatives	Index-related derivatives	Credit derivatives	Share/index derivatives			
Carrying amount as at 31 December 2012	**0**	**8**	**48**	**0**	**45**	**67**	**168**
Adjustment of prior year values[1]	**13**	**595**	**0**	**3**	**111**	**547**	**1,269**
Carrying amount as at 1 January 2013	**13**	**603**	**48**	**3**	**156**	**614**	**1,437**
Gains and losses recognized in net consolidated profit/loss	– 48	– 51	– 18	19	2	– 66	– 162
of which net interest income	0	7	0	0	0	0	7
of which net trading income	– 48	– 58	– 18	19	0	0	– 105
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	2	– 66	– 64
Disposals through sales	0	– 3	0	0	0	0	– 3
Repayments/offsetting	0	0	– 7	0	0	0	– 7
Transfers from Level III	0	0	– 1	0	0	0	– 1
Carrying amount as at 31 December 2013	**– 35**	**549**	**22**	**22**	**158**	**548**	**1,264**
of which unrealized gains and losses recognized in net consolidated profit/loss for financial instruments held as at the reporting date	– 47	– 51	– 18	19	2	– 66	– 161
of which net interest income	0	7	0	0	0	0	7
of which net trading income	– 47	– 58	– 18	19	0	0	– 104
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	2	– 66	– 64

1) The prior-year values have been restated, since as of the year under review, underlying and hedging transactions of the fair value options and back-to-back transactions are subject to a gross observation for the level classifications. Because of the risk compensation, these transactions were allocated to Level II in the previous year.

EUR million	Trading liabilities				Financial liabilities designated at fair value		Total
	Derivatives				Deposits	Securitized liabilities	
	Currency-related derivatives	Index-related derivatives	Credit derivatives	Share/index derivatives			
Carrying amount as at 1 January 2012	**0**	**14**	**455**	**0**	**104**	**87**	**660**
Gains and losses recognized in net consolidated profit/loss	0	– 6	– 76	0	– 59	– 20	– 161
of which net interest income	0	1	0	0	0	0	1
of which net trading income	0	– 7	– 76	0	0	0	– 83
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	– 59	– 20	– 79
Disposals through sales	0	0	– 143	0	0	0	– 143
Repayments/offsetting	0	0	– 188	0	0	0	– 188
Carrying amount as at 31 December 2012	**0**	**8**	**48**	**0**	**45**	**67**	**168**
of which unrealized gains and losses recognized in net consolidated profit/loss for financial instruments held as at the reporting date	0	– 6	– 68	0	– 59	– 20	– 153
of which net interest income	0	1	0	0	0	0	1
of which net trading income	0	– 7	– 68	0	0	0	– 75
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	– 59	– 20	– 79

The unrealized profit and loss on Level III financial instruments is based on both observable and non-observable parameters. Many of these financial instruments are hedged for economic purposes by financial instruments assigned to other hierarchical levels.

Sensitivity analysis Level III.

If the model value of financial instruments is based on non-observable market parameters, alternative parameters are used to determine the potential estimation uncertainties. The information is intended to show the potential effects of the relative uncertainty in the fair values of financial instruments, the measurement of which is based on non-observable input parameters.

Assets.

31 Dec. 2013 EUR million	Positive changes in fair value Net gains/losses from financial instruments measured at fair value and revaluation reserve	Negative changes in fair value Net gains/losses from financial instruments measured at fair value and revaluation reserve
Assets carried at fair value		
Trading assets	10.8	– 8.0
Derivatives	10.6	– 7.8
Interest rate-related derivatives	9.1	– 6.3
Credit derivatives	0.1	– 0.2
Share/index derivatives	0.2	– 0.4
Index derivatives	1.2	– 0.9
Receivables	0.2	– 0.2
Financial assets designated at fair value	0.6	– 0.9
Equity instruments	0.4	– 0.3
Securities	0.2	– 0.6
Financial investments (AfS)	30.9	– 29.9
Equity instruments	30.6	– 28.1
Securities	0.3	– 1.8
Total	**42.3**	**– 38.8**

Equity and liabilities.

31 Dec. 2013 EUR million	Positive changes in fair value Net gains/losses from financial instruments measured at fair value and revaluation reserve	Negative changes in fair value Net gains/losses from financial instruments measured at fair value and revaluation reserve
Liabilities measured at fair value		
Trading liabilities	8.7	– 10.4
Derivatives	8.7	– 10.4
Interest rate-related derivatives	7.6	– 9.8
Credit derivatives	0.7	– 0.4
Share/index derivatives	0.4	– 0.2
Financial liabilities designated at fair value	1.1	– 1.3
Securitized liabilities	1.1	– 1.3
Total	**9.8**	**– 11.7**

31 Dec. 2012 EUR million	Positive changes in fair value Net gains/losses from financial instruments measured at fair value and revaluation reserve	Negative changes in fair value Net gains/losses from financial instruments measured at fair value and revaluation reserve
Financial instruments measured at fair value		
Derivatives	5.0	– 5.0
Securities	6.2	– 6.2
Cash CDOs	4.1	– 4.1
Synthetic CDOs	0.1	– 0.1
Bonds	2.0	– 2.0
Financial investments (AfS)	34.9	– 30.3
Securities	0.8	– 0.8
Cash CDOs	0.5	– 0.5
Bonds	0.3	– 0.3
Equity investments	34.1	– 29.5
Total	**46.1**	**– 41.5**

Significant non-observable Level III parameters.

The significant non-observable parameters of the financial instruments measured at fair value and classified as Level III and investment property are shown in the following tables:

Assets.

31 Dec. 2013 EUR million	Valuation techniques	Significant non-observable parameters	Spread
Assets carried at fair value			
Trading assets			
Derivatives			
Interest rate derivatives	Option price model	Interest rate correlation	20,% – 99,%
Credit derivatives	Correlation price model	Credit correlation	70,% – 90,%
Share/index derivatives	Option price model	Volatility correlation	0,% – 5,%
Currency-related derivatives	Option price model	Currency correlation	43,%
Receivables	Net present value method	Credit spread (bp)	100 – 265
Financial assets designated at fair value			
Equity instruments	Net present value method	Credit spread (bp)	2,200
Securities	Price method	Share price	5,%– 88,%
Financial investments (AfS)			
Equity instruments	Net asset value method Discounted cash flow method Income value method	 Capitalization rate Beta factor	n/a 1.43 % – 5.06 % 0.49 % – 1.23 %
Securities	Price method	Share price	0,% – 72,%
Investment property	Discounted cash flow method	Rent dynamization ---- Discounting interest rate ---- Basic maintenance costs ---- Administrative costs (as a % of the target rent)	 1.5 % – 1.6 % ---- 6.1 % – 8.75 % ---- EUR 0 – 15 / m^2 1 % – 5 %

Equity and liabilities.

31 Dec. 2013 EUR million	Valuation techniques	Significant non-observable parameters	Spread
Liabilities measured at fair value			
Trading liabilities			
Derivatives			
Interest rate-related derivatives	Option price model	Interest rate correlation	20,% – 99,%
Credit derivatives	Correlation price model	Credit correlation	70,% – 90,%
Share/index derivatives	Option price model	Equity-foreign exchange correlation	0,% – 5,%
Currency-related derivatives	Option price model	Currency correlation	43,%
Financial liabilities designated at fair value			
Deposits	Option price model	Interest rate correlation	20,% – 99,%
Securitized liabilities	Option price model Option price model	Interest rate correlation Currency correlation	20,% – 99,% 43,%

Day one profit or loss.

The following table shows the development of the day one profit in the 2012 and 2013 financial years:

EUR million	2013	2012
Balance as at 1 January	**5**	**4**
New transactions (additions)	0	2
Gains/losses recognized in the income statement during the reporting period (reversals)	– 3	– 1
Balance as at 31 December	**2**	**5**

60. Reconciliation of carrying amounts to categories.

The following table shows the breakdown of the financial instruments by category:

31 Dec. 2013 EUR million	Loans and receivables	Available for sale	Held for trading	Fair value option	Other liabilities	Total
Loans and advances to banks after allowances for losses on loans and advances	47,568					47,568
Loans and advances to customers after allowances for losses on loans and advances	106,880					106,880
Financial assets measured at fair value through profit or loss[1]			66,687	1,316		68,003
Financial investments	19,209	21,451				40,660
Non-current assets held for sale and disposal groups[1]	652	55	4	0		711
Deposits from banks					58,030	58,030
Deposits from customers					82,049	82,049
Securitized liabilities					49,561	49,561
Financial liabilities measured at fair value through profit or loss[2]			47,973	5,734		53,707
Liabilities from disposal groups[2]			2	0	903	905
Subordinated capital					7,103	7,103

1) Excluding positive fair values from hedging derivatives.
2) Excluding negative fair values from hedging derivatives.

31 Dec. 2012 EUR million	Loans and receivables	Available for sale	Held for trading	Fair value option	Other liabilities	Total
Loans and advances to banks after allowances for losses on loans and advances	50,058					50,058
Loans and advances to customers after allowances for losses on loans and advances	114,689					114,689
Financial assets measured at fair value through profit or loss[1]			102,542	1,896		104,438
Financial investments	23,829	28,942				52,771
Non-current assets held for sale and disposal groups[1]	0	16	0	0		16
Deposits from banks					64,236	64,236
Deposits from customers					85,332	85,332
Securitized liabilities					61,589	61,589
Financial liabilities measured at fair value through profit or loss[2]			85,657	7,184		92,841
Liabilities from disposal groups[2]			0	0	0	0
Subordinated capital					9,715	9,715

1) Excluding positive fair values from hedging derivatives.
2) Excluding negative fair values from hedging derivatives.

61. Breakdown of financial instruments by remaining maturity.

The remaining maturity is defined as the period between the balance sheet date and the contractual maturity date of a receivable or liability, or installments thereof. Equity instruments have been allocated to the »up to 3 months and without a fixed term« maturity bracket. Trading assets or liabilities are generally recognized in accordance with their contractual maturity. The remaining maturity of the derivative financial instruments is also reported under Note 64.

31 Dec. 2013 EUR million	Up to 3 months and without a fixed term	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Loans and advances to banks	11,365	8,941	18,443	8,828	47,577
Loans and advances to customers	17,109	14,959	34,880	42,102	109,050
Financial assets measured at fair value through profit or loss	25,812	8,966	20,443	16,181	71,402
Financial investments	2,746	15,070	16,624	6,220	40,660
Non-current assets held for sale and disposal groups	251	64	104	294	713
Deposits from banks	15,495	8,353	21,970	12,212	58,030
Deposits from customers	50,769	16,014	9,084	6,182	82,049
Securitized liabilities	5,309	4,859	34,957	4,436	49,561
Financial liabilities measured at fair value through profit or loss	26,154	5,858	11,200	14,442	57,654
Liabilities from disposal groups	815	36	18	42	911
Subordinated capital	875	165	2,587	3,476	7,103

31 Dec. 2012 EUR million	Up to 3 months and without a fixed term	Between 3 and 1 year	Between 1 year and 5 years	More than 5 years	Total
Loans and advances to banks	10,190	7,447	24,347	8,096	50,080
Loans and advances to customers	21,567	13,439	30,754	51,412	117,172
Financial assets measured at fair value through profit or loss	29,689	10,467	28,590	41,718	110,464
Financial investments	3,338	3,771	35,282	10,380	52,771
Non-current assets held for sale and disposal groups	0	16	0	0	16
Deposits from banks	12,111	15,638	22,084	14,403	64,236
Deposits from customers	48,799	4,916	24,215	7,402	85,332
Securitized liabilities	5,300	9,549	41,280	5,460	61,589
Financial liabilities measured at fair value through profit or loss	26,613	11,696	22,403	39,020	99,732
Subordinated capital	2,200	1,233	2,994	3,288	9,715

62. Maturity analysis.

The following table divides the undiscounted financial liabilities into derivative and non-derivative transactions for the remaining contractual maturities. Given that the reporting is undiscounted and includes interest payments, the figures differentiate in part from the carrying amounts shown in the balance sheet.

Financial liabilities according to contractually agreed maturity structures in accordance with IFRS 7.39 as at the balance sheet date are as follows:

31 Dec. 2013 EUR million	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 year and 5 years	More than 5 years
Financial liabilities	– 48,588	– 12,206	– 23,207	– 76,003	– 25,079
Liabilities from derivatives	– 47	– 71	– 316	– 639	– 941
Total	**– 48,635**	**– 12,277**	**– 23,523**	**– 76,642**	**– 26,020**
Irrevocable loan commitments and guarantees[1)]	– 21,218	0	0	0	0
Savings and demand deposits, securitization from interbank accounts	– 37,739	0	0	0	0

1) Basis: for the LiqV relevant loan commitments and guarantees, excluding intra-Group commitments, since the funding risk associated with these commitments is already reflected in the consolidation of the inflow and outflow of funds, and not including undisbursed loans.

31 Dec. 2012 EUR million	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 year and 5 years	More than 5 years
Financial liabilities	– 45,041	– 17,278	– 41,260	– 87,712	– 31,913
Liabilities from derivatives	– 31	21	– 306	– 793	– 1,064
Total	**– 45,073**	**– 17,258**	**– 41,567**	**– 88,505**	**– 32,977**
Irrevocable loan commitments and guarantees[1)]	– 22,997	0	0	0	0
Savings and demand deposits, securitization from interbank accounts	– 35,139	0	0	0	0

1) Basis: for the LiqV relevant loan commitments and guarantees, excluding intra-Group commitments, since the funding risk associated with these commitments is already reflected in the consolidation of the inflow and outflow of funds, and not including undisbursed loans.

For explanations on the manner in which LBBW manages liquidity risk, see the section on liquidity risk in the risk report.

63. Reclassifications.

Modifications to IAS 39 and to IFRS 7 (Reclassification of Financial Assets) were passed by the IASB and adopted by the EU in the course of the financial market crisis in 2008, where results were burdened significantly by fair value fluctuations (mainly in securitization products). On this basis, certain non-derivative financial instruments could be reclassified retrospectively from 1 July 2008 into the LaR category, leading to measurement at amortized cost instead of the – usually lower – current fair value.

In the LBBW Group, certain trading assets and AfS securities with a total carrying amount of EUR 28 billion were reclassified as loans and receivables as at 1 July 2008 in line with these changes. The reclassification has also resulted in changing the way in which the assets are shown in the balance sheet.

The following table shows the carrying amounts and the fair values of the reclassified securities:

EUR million	31 Dec. 2013 Carrying amount	31 Dec. 2013 Fair value	31 Dec. 2012 Carrying amount	31 Dec. 2012 Fair value	1 Jul. 2008 Nominal amount	1 Jul. 2008 Carrying amount
Held for trading reclassified as loans and receivables	**58**	**55**	**113**	**100**	**935**	**913**
of which securitization transactions	31	27	55	43	134	128
of which other securities	27	28	58	57	801	785
Available for sale reclassified as loans and receivables	**3,727**	**3,320**	**6,534**	**5,898**	**29,023**	**27,373**
of which securitization transactions	3,309	2,893	5,490	4,839	14,643	13,302
of which other securities	418	427	1,044	1,059	14,380	14,071
Total	**3,785**	**3,375**	**6,647**	**5,998**	**29,958**	**28,286**

The nominal volume of the securities reclassified out of the held-for-trading category was EUR 65 million as at 31 December 2013 (previous year: EUR 120 million), with securitization transactions accounting for EUR 32 million (previous year: EUR 57 million) thereof and other securities for EUR 33 million (previous year: EUR 63 million).

The nominal volume of securities reclassified as available for sale as at 31 December 2013 was EUR 4,050 million (previous year: EUR 7,091 million), with securitization transactions accounting for EUR 3,637 million (previous year: EUR 6,067 million) thereof and other securities for EUR 413 million (previous year: EUR 1,044 million).

The reclassified portfolios contributed EUR – 45 million (previous year: EUR 49 million) to the net consolidated profit/loss in the financial year.

If there had been no reclassification, the positive contribution to the results would have been EUR 64 million (previous year: EUR 127 million) as at 31 December 2013. The fair value changes of reclassified AfS securities would have eased the »Other income« by EUR 355 million (previous year: EUR 756 million).

Over the year as a whole, original interest payments in the amount of EUR 54 million were collected from reclassified portfolios (previous year: EUR 118 million).

At the time of the reclassification, the effective interest rates for the reclassified trading assets ranged from 2.74% to 9.32%, with expected achievable cash flows of EUR 935 million. The effective interest rates of the

financial assets reclassified as available for sale ranged between 0.54% and 19.69%, with expected achievable cash flows of EUR 28,778 million.

No further financial instruments were reclassified in the subsequent financial years.

64. Details about the volume of derivatives.

31 Dec. 2013	Nominal values – remaining maturities					Fair value	
EUR million	Up to 3 months	Between 3 months and 1 year	More than 1 year to 5 years	More than 5 years	Total	Positive	Negative
Currency forwards	51,414	22,583	10,090	769	84,856	1,536	1,419
Currency options	976	1,710	536	4	3,226	74	42
Purchases	538	918	263	1	1,720	75	0
Sales	438	792	273	3	1,506	– 1	42
Cross-currency interest rate swaps	2,146	7,611	23,088	8,725	41,570	1,192	1,153
Currency-related derivatives	**54,536**	**31,904**	**33,714**	**9,498**	**129,652**	**2,802**	**2,614**
Forward rate agreements	1,684	12,675	602	0	14,961	1	3
Interest rate swaps	108,888	158,302	336,790	287,388	891,368	19,806	17,146
Interest rate options	2,080	6,664	27,066	33,303	69,113	1,853	2,319
Purchases	590	3,110	11,698	13,549	28,947	1,565	132
Sales	1,490	3,554	15,368	19,754	40,166	288	2,187
Caps/floors/collars	1,405	4,482	13,244	17,360	36,491	507	324
Exchange-traded interest rate products	30,154	24,329	14,515	0	68,998	0	0
Other interest rate contracts	2,385	144	697	0	3,226	33	45
Interest rate-related derivatives	**146,596**	**206,596**	**392,914**	**338,051**	**1,084,157**	**22,200**	**19,837**
Credit derivatives (protection seller)	1,966	3,860	15,285	871	21,982	237	104
Credit derivatives (protection buyer)	1,704	3,518	13,601	892	19,715	21	287
Credit derivatives	**3,670**	**7,378**	**28,886**	**1,763**	**41,697**	**258**	**391**
Exchange-traded products	1,101	4,442	5,659	62	11,264	283	350
Equity forward contracts	128	0	0	0	128	0	1
Stock options	577	575	1,146	1,583	3,881	87	210
Purchases	295	285	499	610	1,689	87	0
Sales	282	290	647	973	2,192	0	210
Share/index derivatives	**1,806**	**5,017**	**6,805**	**1,645**	**15,273**	**370**	**561**
Commodities	1,111	1,783	45	0	2,939	62	41
Commodity-related and other derivatives	**1,111**	**1,783**	**45**	**0**	**2,939**	**62**	**41**
Total	**207,719**	**252,678**	**462,364**	**350,957**	**1,273,718**	**25,692**	**23,444**

The figures above include derivative financial instruments held for sale as at 31 December 2013 in accordance with IFRS 5, with a positive fair value of EUR 5 million and a negative far value of EUR 8 million.

31 Dec. 2012	Nominal values – remaining maturities					Fair value	
EUR million	Up to 3 months	Between 3 months and 1 year	More than 1 year to 5 years	More than 5 years	Total	Positive	Negative
Currency forwards	92,568	37,715	14,504	399	145,186	1,872	1,764
Currency options	1,800	1,562	905	4	4,271	72	40
Purchases	1,026	853	429	1	2,309	72	0
Sales	774	709	476	3	1,962	0	40
Cross-currency interest rate swaps	3,926	7,352	28,304	10,217	49,799	2,089	1,961
Currency-related derivatives	**98,294**	**46,629**	**43,713**	**10,620**	**199,256**	**4,033**	**3,765**
Forward rate agreements	2,298	84,849	785	0	87,932	33	37
Interest rate swaps	136,666	194,741	476,997	411,977	1,220,381	51,699	48,835
Interest rate options	5,393	5,996	26,984	32,727	71,100	2,483	4,109
Purchases	2,144	1,999	11,432	13,453	29,028	2,395	89
Sales	3,249	3,997	15,552	19,274	42,072	88	4,020
Caps/floors/collars	3,012	10,286	15,909	18,032	47,239	585	355
Exchange-traded interest rate products	32,661	48,776	12,024	0	93,461	0	0
Other interest rate contracts	2,105	654	222	0	2,981	59	113
Interest rate-related derivatives	**182,135**	**345,302**	**532,921**	**462,736**	**1,523,094**	**54,859**	**53,449**
Credit derivatives (protection seller)	1,060	8,098	20,237	1,223	30,618	247	462
Credit derivatives (protection buyer)	937	7,453	17,210	1,174	26,774	242	451
Credit derivatives	**1,997**	**15,551**	**37,447**	**2,397**	**57,392**	**489**	**913**
Exchange-traded products	751	4,119	4,126	66	9,062	234	398
Equity forward contracts	18	0	0	0	18	1	0
Stock options	84	110,813	1,315	1,668	113,880	71	184
Purchases	32	55,397	584	644	56,657	71	0
Sales	52	55,416	731	1,024	57,223	0	184
Share/index derivatives	**853**	**114,932**	**5,441**	**1,734**	**122,960**	**306**	**582**
Commodities	805	1,680	1,179	0	3,664	54	57
Commodity-related and other derivatives	**805**	**1,680**	**1,179**	**0**	**3,664**	**54**	**57**
Total	**284,084**	**524,094**	**620,701**	**477,487**	**1,906,366**	**59,741**	**58,766**

The treatment of the fair values of exchange-traded futures and of interest rate swaps that are cleared via a central counterparty follows the accounting methods. Accordingly, the variation margin received is offset by the fair values that have already been recognized through profit or loss.

The following table shows the positive and negative fair values as well as the nominal values of the derivative transactions, broken down by counterparty:

	Nominal values		Fair value			
EUR million	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013 Positive	31 Dec. 2012 Positive	31 Dec. 2013 Negative	31 Dec. 2012 Negative
Banks in OECD countries	624,269	1,570,048	19,170	49,836	19,119	51,801
Banks in non-OECD countries	3,762	9,538	66	79	143	379
Public-sector agencies in OECD countries	46,794	48,036	2,927	4,549	1,053	1,912
Other counterparties	598,893	278,744	3,529	5,277	3,129	4,674
Total	**1,273,718**	**1,906,366**	**25,692**	**59,741**	**23,444**	**58,766**

Derivatives with OECD banks are generally secured by the corresponding cash collateral. The nominal amounts serve as reference amounts for determining mutually agreed settlement payments and represent the gross volume of all sales and purchases.

The following table shows a breakdown by purpose of the derivative financial instruments held as at the balance sheet date:

EUR million	Fair value 31 Dec. 2013 Positive	31 Dec. 2012 Positive	31 Dec. 2013 Negative	31 Dec. 2012 Negative
Derivative financial instruments and economic hedging derivatives used for trading	22,293	53,715	19,491	51,875
Derivative financial instruments used for fair value hedging	3,399	6,023	3,950	6,886
Derivative financial instruments used for cash flow hedging	0	3	3	5
Total	**25,692**	**59,741**	**23,444**	**58,766**

65. Transfer of financial assets.

Financial assets that have been transferred but not fully derecognized.

The transferred assets comprise mainly own assets that LBBW Group transferred (borrower) or lent in securities lending or repurchase transactions. The right to use the securities expires with the transfer. The counterparties of the associated liabilities do not have exclusive access to these assets.

The transferred assets continue to be fully recognized in the balance sheet. This can potentially lead to counterparty, default and/or market price risk. As at the reporting date, there are no issues that would have led to continuing involvement despite the transfer.

31 Dec. 2013 EUR million	Transferred assets continue to be recognized in full Carrying amount of transferred assets	Carrying amount of the associated liabilities
Assets carried at fair value		
Trading assets	6,259	5,955
Securities	6,259	5,955
Financial investments (AfS)	11,438	3,824
Securities	11,438	3,824
Assets carried at amortized cost		
Loans and advances to banks	16,733	16,614
Public-sector loans	16,733	16,614
Loans and advances to customers	5,512	5,473
Public-sector loans	344	342
Mortgage loans	1,796	1,783
Other receivables	3,372	3,348
Financial investments (LaR)	20	0
Other securities	20	0

31 Dec. 2012 EUR million	Transferred assets continue to be recognized in full Carrying amount of transferred assets	Carrying amount of the associated liabilities
Assets carried at fair value		
Trading assets	7,953	6,219
Securities	6,608	6,219
Receivables	1,345	0
Financial assets designated at fair value	43	43
Securities	43	43
Financial investments (AfS)	14,774	7,576
Securities	14,774	7,576
Assets carried at amortized cost		
Loans and advances to banks	16,338	15,795
Public-sector loans	16,338	15,795
Loans and advances to customers	7,165	5,203
Public-sector loans	1,294	325
Mortgage loans	1,935	1,695
Other receivables	3,936	3,183
Financial investments (LaR)	29	29
Other securities	29	29

66. Collateral.

Assignor.

Pledged assets serve exclusively as collateral for the respective counterparty. The collateral is returned upon conclusion of the underlying transaction. In accordance with IFRS 7.14, assets in the amount of EUR 50,329 million (previous year: EUR 58,752 million) were assigned as collateral for liabilities or contingent liabilities.

Assignee.

The fair value of the financial or non-financial assets received as collateral, which the LBBW Group may sell or repledge even if the owner of such collateral is not in default, totals EUR 19,490 million (previous year: EUR 22,928 million). The fair value of collateral disposed of or forwarded amounts to EUR 2,941 million (previous year EUR 6,799 million). Of the collateral received, the LBBW Group is required to return collateral with a total fair value of EUR 18,586 million (previous year: EUR 22,928 million) to its owners.

67. Offsetting financial assets and liabilities.

The Group is obliged to report specific financial assets and liabilities at their net value in the balance sheet. The following tables contain details about the offsetting effects on the consolidated balance sheet and the financial impact of netting in the case of instruments that are the subject of a legally enforceable master netting agreement or similar agreement

Assets.

31 Dec. 2013				Amounts that are not subject to offsetting		
EUR million	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities that are subject to netting	Net amount of recognized financial assets	Effect of master netting agreements	Collateral received (including cash collateral)	Net amount
Loans and advances to banks after allowances for losses on loans and advances	48,687	– 1,119	47,568	0	0	47,568
Loans and advances to customers after allowances for losses on loans and advances	109,044	– 2,164	106,880	0	0	106,880
Financial assets measured at fair value through profit or loss	81,500	– 10,098	71,402	0	0	71,402
Financial investments	40,660	0	40,660	0	0	40,660
Other assets	616	0	616	0	0	616
Remaining assets	6,397	0	6,397	0	0	6,397
Total	**286,904**	**– 13,381**	**273,523**	**0**	**0**	**273,523**

31 Dec. 2012				Amounts that are not subject to offsetting		
EUR million	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities that are subject to netting	Net amount of recognized financial assets	Effect of master netting agreements	Collateral received (including cash collateral)	Net amount
Loans and advances to banks after allowances for losses on loans and advances	51,045	– 987	50,058	0	0	50,058
Loans and advances to customers after allowances for losses on loans and advances	119,867	– 5,178	114,689	0	0	114,689
Financial assets measured at fair value through profit or loss	119,567	– 9,103	110,464	0	0	110,464
Financial investments	52,771	0	52,771	0	0	52,771
Other assets	1,364	0	1,364	0	0	1,364
Remaining assets	6,991	0	6,991	0	0	6,991
Total	**351,605**	**– 15,268**	**336,337**	**0**	**0**	**336,337**

Securities repurchase agreements of EUR 986 million in loans and advances to banks and of EUR 2,121 million in loans and advances to customers are subject to netting. Furthermore, loans and advances to banks contain EUR 151 million in current account claims, while loans and advances to customer include a sum of EUR 43 million. Financial assets measured at fair value through profit or loss include derivatives in the amount of EUR 10,098 million.

Equity and liabilities.

31 Dec. 2013				Amounts that are not subject to offsetting		
EUR million	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets subject to netting	Net amount of recognized financial liabilities	Effect of master netting agreements	Pledged collateral (including cash collateral)	Net amount
Deposits from banks	59,149	– 1,119	58,030	0	0	58,030
Deposits from customers	84,213	– 2,164	82,049	0	0	82,049
Financial liabilities measured at fair value through profit or loss	67,752	– 10,098	57,654	0	0	57,654
Other liabilities	756	0	756	0	0	756
Remaining equity and liabilities	75,034	0	75,034	0	0	75,034
Total	**286,904**	**– 13,381**	**273,523**	**0**	**0**	**273,523**

31 Dec. 2012				Amounts that are not subject to offsetting		
EUR million	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets subject to netting	Net amount of recognized financial liabilities	Effect of master netting agreements	Pledged collateral (including cash collateral)	Net amount
Deposits from banks	65,223	– 987	64,236	0	0	64,236
Deposits from customers	90,510	– 5,178	85,332	0	0	85,332
Financial liabilities measured at fair value through profit or loss	108,835	– 9,103	99,732	0	0	99,732
Other liabilities	698	0	698	0	0	698
Remaining equity and liabilities	86,339	0	86,339	0	0	86,339
Total	**351,605**	**– 15,268**	**336,337**	**0**	**0**	**336,337**

The aforementioned netting affects on the products are counter-reflected on the liabilities side of the balance sheet.

68. Information on issuing activities.

31 Dec. 2013 EUR million	Amount	Volume	Primary sale[1)]	Repayments
Covered bonds	47	615	613	7,568
Money market transactions	152	6,087	6,087	7,524
Other bearer bonds	5,422	272,274	4,311	7,749
Other bonds	0	0	0	483
Total	**5,621**	**278,976**	**11,011**	**23,324**

1) Primary sale also includes volume from previous years.

31 Dec. 2012 EUR million	Amount	Volume	Primary sale[1)]	Repayments
Covered bonds	69	3,220	2,936	8,871
Money market transactions	270	12,129	12,129	11,728
Other bearer bonds	5,922	305,846	6,755	8,997
Other bonds	0	0	0	105
Total	**6,261**	**321,195**	**21,820**	**29,701**

1) Primary sale also includes volume from previous years.

In accordance with IAS 39, own debentures held by the Group amounting to a nominal EUR 11,366 million (previous year: EUR 11,608 million) were offset against the debentures issued.

Other notes.

69. Leasing business.

Finance lease – LBBW as a lessor.

The following reconciliation of the gross investment value to the present value of the minimum leasing payments has been prepared for finance lease transactions which are shown under loans and advances to customers:

EUR million	31 Dec. 2013	31 Dec. 2012
Gross investment value	**6,192**	**6,392**
Up to 1 year	1,190	1,823
Between 1 year and 5 years	2,919	2,818
More than 5 years	2,083	1,751
– Unrealized financial income	**– 924**	**– 928**
= Net investment value	**5,268**	**5,464**
– Present value of unguaranteed residual values	– 123	– 130
= Present value of receivables from minimum leasing payments	**5,145**	**5,334**
Up to 1 year	1,027	457
Between 1 year and 5 years	2,619	2,008
More than 5 years	1,499	2,869

From the standpoint of the lessor gross investment in the lease is the aggregate of the minimum leasing payments under a finance lease and any unguaranteed residual value accruing to the lessor. Minimum leasing payments are the payments over the lease term that the lessee is, or can be required, to make excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with any guaranteed residual values. The net investment value is the present value of the gross investment; the discount is thus based on the interest rate implicit in the lease from the lessor's perspective. The net investment value is the present value of the gross investment; the discount is thus based on the interest rate implicit in the lease from the lessor's perspective.

The cumulative write-downs for uncollectible outstanding minimum leasing payments amounted to EUR – 62 million on the reporting date (previous year: EUR – 70 million).

Finance lease – LBBW as a lessee.

The lease objects from finance leases shown under property and equipment are comprised of the following types:

EUR million	31 Dec. 2013	31 Dec. 2012
Buildings	2	4
Operating and office equipment	1	0
Land	1	0
Total leased assets under finance leases	**4**	**4**

The carrying amount of finance lease assets in property and equipment in the amount of EUR 4 million (previous year: EUR 4 million) refers mainly to one building. A property management company as the lessor and LBBW as the lessee entered into a lease agreement for an administrative building in Mainz, Germany. The lease term is 20 years with a conversion point of 31 August 2020. The lessee has an option to buy at the end of the 10th or 15th year of the lease term when the lessee may purchase the leased office building at the present value of the rents and contributions to administrative expenses payable until the end of the lease term, plus the present value of the market value of the leased office building at the end of its lease term. At the end of the lease term, the lessee has an option to buy the leased building at the commercial value specified in the contract. The following reconciliation of the gross investment value to the present value of the minimum lease payments has been prepared for the liabilities from finance lease transactions included in »other liabilities«, among other things:

EUR million	31 Dec. 2013	31 Dec. 2012
Future minimum leasing payments	**9**	**12**
Up to 1 year	4	11
Between 1 year and 5 years	5	1
– Discount amount	**– 1**	**0**
= Present value of future minimum leasing payments	**8**	**12**
Up to 1 year	3	11
Between 1 year and 5 years	5	1

Operating lease – LBBW as a lessor.

The carrying amounts of assets leased within operating leases under property and equipment, which mainly constitute agreements concerning leasing of LBBW's own properties and buildings, are broken down as follows:

EUR million	31 Dec. 2013	31 Dec. 2012
Buildings	87	88
Land	38	36
Total operating lease	**125**	**124**

The following payments are expected from the leases mentioned:

EUR million	31 Dec. 2013	31 Dec. 2012
Up to 1 year	25	14
Between 1 year and 5 years	78	58
More than 5 years	88	77
Future minimum leasing payments from non-terminable leasing contracts	**191**	**149**

Operating lease – LBBW as a lessee.

Leases for which LBBW is the lessee yield payment obligations of:

EUR million	31 Dec. 2013	31 Dec. 2012
Up to 1 year	41	49
Between 1 year and 5 years	88	81
More than 5 years	245	210
Future minimum leasing payments from non-terminable leasing contracts	**374**	**340**

In the 2013 financial year, minimum leasing payments of EUR – 57 million (previous year: EUR – 58 million) were recorded as expenses. These items comprise mainly expenses for rent for business premises, motor vehicles, photocopiers and fax machines. Payments from sub-leases amounted to EUR 0 million (previous year: EUR – 1 million

70. Related party disclosures.

Related party transactions are concluded at arm's length terms in the ordinary course of business. The following tables show the scope of such transactions:

31 Dec. 2013 EUR million	Shareholders	Members of the Board of Managing Directors and Supervisory Board	Non-consolidated subsidiaries	Associates	Joint ventures	Other related parties/companies
Loans and advances to banks	188	0	228	169	0	0
Loans and advances to customers	3,475	2	507	110	58	38
Allowances for losses on loans and advances	0	0	– 43	– 1	– 4	0
Financial assets measured at fair value through profit or loss	3,110	0	1,333	102	4	0
Financial investments	32	0	89	18	1	12,722
Total assets	**6,805**	**2**	**2,114**	**398**	**59**	**12,760**
Deposits from banks	6,515	0	52	131	0	0
Deposits from customers	114	4	156	163	9	13,080
Financial liabilities measured at fair value through profit or loss	2,011	0	116	62	0	0
Subordinated capital	1,249	0	0	8	0	0
Total equity and liabilities	**9,889**	**4**	**324**	**364**	**9**	**13,080**
Contingent liabilities	**0**	**0**	**1**	**12**	**0**	**0**

31 Dec. 2012 EUR million	Shareholders	Members of the Board of Managing Directors and Supervisory Board	Non-consolidated subsidiaries	Associates	Joint ventures	Other related parties/companies
Loans and advances to banks	188	0	81	228	0	0
Loans and advances to customers	3,501	4	759	231	42	38
Allowances for losses on loans and advances	0	0	– 38	– 7	– 1	0
Financial assets measured at fair value through profit or loss	3,859	0	1,663	161	5	0
Financial investments	33	0	100	17	3	12,722
Total assets	**7,581**	**4**	**2,565**	**630**	**49**	**12,760**
Deposits from banks	5,891	0	35	213	0	0
Deposits from customers	206	5	255	104	15	12,758
Financial liabilities measured at fair value through profit or loss	2,360	0	38	94	0	0
Subordinated capital	3,734	0	100	10	0	0
Total equity and liabilities	**12,191**	**5**	**428**	**421**	**15**	**12,758**
Contingent liabilities	**0**	**0**	**17**	**22**	**0**	**0**

The change to receivables and liabilities in relation to other related parties and companies was due to the ordinary course of business.

Individuals regarded as related parties pursuant to IAS 24 are members of the Board of Managing Directors and of the Supervisory Board, including their relatives, of LBBW (Bank) as the parent company. Information on the compensation of and transactions with key management individuals is shown in Note 78.

Given the immateriality of business transactions with companies controlled by the shareholders of LBBW or under considerable influence, LBBW claims an exemption in accordance with IAS 24.25.

71. Off-balance sheet transactions and obligations.

Contingent liabilities and other obligations.

Contingent liabilities and other liabilities arise from contractually agreed possible future obligations that are not yet likely to materialize (likelihood of occurrence less than 50%). These obligations may arise both from guarantees given and credit lines granted to customers for a specified period but not yet drawn down. Recognized amounts reflect the possible obligations that may arise if credit lines or guarantees granted are utilized at the maximum amount. The probability of an outflow of assets is regularly reviewed. If a drawdown

appears more likely than not, a provision for credit risks is entered into the accounts and the amount thereof offset by the amount of the off-balance sheet obligation.

EUR million	31 Dec. 2013	31 Dec. 2012
Contingent liabilities	**5,911**	**6,476**
Sureties and guarantee agreements	5,870	6,464
Investments accounted for using the equity method	5	0
of which obligations entered into jointly	5	0
Liability for the granting of collateral for third-party liabilities	0	10
Rediscounted bills of exchange	1	2
Other contingent liabilities	35	0
Other obligations	**22,268**	**22,887**
Irrevocable loan commitments	21,528	22,381
Payment obligations and joint liability	373	231
Obligations from rental or leasing contracts	248	155
Obligations from investment projects started	38	68
Placement and underwriting commitments	27	29
Other obligations	54	23
Total	**28,179**	**29,363**

Contingent liabilities and other obligations from a fully-consolidated subsidiary available for sale increased the Group's off-balance sheet obligations by a further EUR 118 million (previous year: EUR 0 million) (see Note 11), of which EUR 64 million (previous year: EUR 0 million) is accounted for by sureties and guarantee agreements and EUR 54 million (previous year: EUR 0 million) by irrevocable loan commitments.

Payment obligations and joint liability consist of additional funding obligations to central counterparties in the amount of EUR 109 million (previous year: EUR 143 million) and to Liquiditäts- und Konsortialbank GmbH, Frankfurt am Main, totaling EUR 76 million (previous year: EUR 76 million).

LBBW and the other ICON partners have extended a guaranty (law of the federal state of Florida) for the obligations of ICON. Within the scope of necessary debt restructuring, a special-purpose vehicle – ICON Brickell LLC (ICON) was established in the syndicate. LBBW is an indirect participant in ICON via Yankee Properties LLC (Yankee). ICON's business purpose of selling the financed apartments has meanwhile been fulfilled. This is based on payment obligations and on all other covenants and undertakings of Yankee towards ICON. As a result, unlimited claims could still (i.e. until the guarantee is surrendered) be referred to LBBW.

Guarantee fund.

There are additional funding obligations to the Sicherungsreserve der Landesbanken und Girozentralen (»Guarantee Fund of the Landesbanken and Central Savings Banks«) totaling EUR 174 million (previous year: EUR 230 million). Payment of these additional contributions can be demanded immediately in the event that an institution requires assistance.

Pursuant to section 5 (10) of the bylaws of the German Deposit Protection Fund, LBBW undertook to indemnify Bundesverband Deutscher Banken e.V., Berlin, against any and all losses incurred by the latter as a result of assistance provided to credit institutions that are majority-owned by Landesbank Baden-Württemberg. Such a case did not occur in the year under review.

Liability exemptions.

In its capacity as guarantor, LBBW continues to be liable for liabilities of DekaBank Deutsche Girozentrale, Berlin and Frankfurt am Main, and LBS Landesbausparkasse Baden-Württemberg, Stuttgart and Karlsruhe, incurred until 18 July 2005 (elimination of the guarantor's liability), in certain cases depending on the time when the liabilities arose and upon their term; however, LBBW is in no event liable as guarantor for any liabilities that have arisen after this date.

This also applies externally to the liabilities of the following credit institutions, provided that these liabilities arose during the time when LBBW was a guarantor of these credit institutions: the former Landesbank Schleswig-Holstein Girozentrale, Kiel, the former Sachsen LB Landesbank Sachsen Girozentrale, Leipzig, and the former LRP Landesbank Rheinland-Pfalz, Mainz.

LBBW (Bank) will also release the trustors and former guarantors of SachsenLB inter partes from all claims for liabilities arising from the guarantors' liability (Gewährträgerhaftung) and maintenance obligation (Anstaltslast) they have assumed for SachsenLB that are asserted against the trustors and former guarantors of SachsenLB for the first time after 31 December 2007. This applies only and insofar as and to the extent that the guarantor's

liability exists due to claims by LBBW (Bank) or affiliates of LBBW (Bank) within the meaning of section 15 et seq. of the German Stock Corporation Act (Aktiengesetz – AktG) in connection with the Ormond Quay structure including one or more Castle View vehicles to the extent that these entities have assets that were originally included in the Ormond Quay portfolio (Issuer Valuation Agreement dated 6 May 2004 as amended 7 July 2005 between SachsenLB Europe Plc and Ormond Quay Funding Plc, Eden Quay Asset Limited, Ellis Quay Asset Management Limited and Merchants Quay Asset Management Limited).

LBBW will also release the trustors and former guarantors of Sachsen LB inter partes from all claims for liabilities arising from the guarantor's liability and maintenance obligation they assumed for Sachsen LB that are asserted against the trustors and former guarantors of Sachsen LB for the first time after 31 December 2010.

Contingent claims.

EUR million	31 Dec. 2013	31 Dec. 2012
Legal disputes	8	7
Total	**8**	**7**

Fiduciary transactions.

The trust activities which are not carried in the balance sheet involve the following types of assets and liabilities and break down as follows:

EUR million	31 Dec. 2013	31 Dec. 2012
Loans and advances to banks	547	592
Loans and advances to customers	311	225
Financial investments	3	9
Property and equipment	3	3
Other assets	28	32
Trust assets[1)]	**892**	**861**
Deposits from banks	885	854
Deposits from customers	6	6
Other liabilities	1	1
Trust liabilities	**892**	**861**

1) Including transmitted loans.

72. PIIS exposure.

In addition to the breakdown by region shown in the risk and opportunity report, the details of exposure to PIIS states (Portugal, Italy, Ireland and Spain), on the basis of the IFRS balance sheet values per issuer's country of origin and per borrower or balance sheet category, as well the specific valuation allowances created are shown below.

The claims of LBBW Group against financial institutions, corporates and public-sector bodies from these four countries have fallen by EUR 5.5 billion since year-end 2012 to EUR 5.4 billion. A large part of this development is attributable to the public-sector bodies, whose exposure was more than halved to EUR 3,271 million in 2013 (2012: EUR 7,178 million). Exposure to public-sector bodies in Italy was reduced by – 32% to EUR 2,300 million, in Spain by – 74% to EUR 718 million and in Portugal by – 72% to EUR 252 million.

To banks.

EUR million	Ireland		Italy		Portugal		Spain	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Receivables	0.6	52.3	156.3	194.4	26.7	27.8	4.4	4.2
Financial instruments measured at fair value through profit or loss (net)	– 13.1	7.7	12.5	76.3	– 0.2	0.3	258.9	404.5
Derivatives	– 96.8	– 105.2	5.8	6.6	– 1.9	– 2.3	– 37.6	– 56.0
Financial investments (AfS)	0.0	151.3	48.9	202.9	0.0	0.0	295.8	364.4
Revaluation reserve	0.0	– 1.1	2.2	– 1.5	0.0	0.0	5.0	– 8.4
Financial investments (LaR)	0.0	0.0	0.0	4.9	0.0	54.4	0.0	25.5
Total	**– 12.5**	**211.2**	**217.7**	**478.5**	**26.5**	**82.5**	**559.1**	**798.6**
Additional CDS information on the above item »Derivatives«								
CDS asset items	0.0	0.0	0.8	– 14.7	– 0.1	– 0.8	4.0	– 6.8
CDS liability items	0.0	0.0	– 0.4	16.4	0.1	0.8	– 2.8	7.0
Nominals of CDS assets	0.0	0.0	448.0	801.0	20.0	25.0	465.0	719.0
Nominals of CDS liabilities	0.0	0.0	434.0	787.0	20.0	25.0	455.0	710.1

To corporates.

EUR million	Ireland		Italy		Portugal		Spain	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Receivables	375.9	345.0	174.8	152.2	22.6	24.0	761.0	765.1
Allowances for losses on loans and advances (specific loan loss provisions)	0.0	0.0	– 1.5	0.0	0.0	0.0	– 20.8	– 79.7
Financial instruments measured at fair value through profit or loss (net)	– 13.3	34.6	7.2	13.1	0.0	0.5	44.5	61.9
Derivatives	6.1	4.7	6.9	12.9	0.0	0.5	41.1	58.3
Financial investments (AfS)	6.5	51.2	0.0	10.7	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	– 0.2	0.0	– 0.2	0.0	0.0	0.0	0.0
Financial investments (LaR)	19.4	249.6	0.0	69.1	0.0	20.8	0.0	468.7
Total	**388.5**	**680.4**	**180.5**	**245.1**	**22.6**	**45.2**	**784.7**	**1,216.0**
Additional CDS information on the above item »Derivatives«								
CDS asset items	0.1	1.0	2.0	5.1	0.1	0.2	1.7	0.7
CDS liability items	– 0.1	– 0.9	– 1.8	– 4.4	– 0.1	0.2	– 1.2	0.0
Nominals of CDS assets	5.0	15.0	225.7	553.3	12.0	25.0	156.5	222.0
Nominals of CDS liabilities	6.0	16.0	172.1	503.9	10.0	25.0	147.0	207.0

To public sector.

EUR million	Ireland		Italy		Portugal		Spain	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Receivables	0.0	0.0	0.0	0.0	0.0	40.0	7.5	10.3
Financial instruments measured at fair value through profit or loss (net)	1.2	– 7.6	– 0.6	– 35.4	– 0.4	– 23.7	1.7	– 38.3
Derivatives	– 0.1	– 7.8	– 0.6	– 40.6	– 0.5	– 23.8	0.0	– 79.8
Financial investments (AfS)	0.0	98.5	2,300.4	3,436.8	251.9	884.5	709.2	2,813.0
Revaluation reserve	0.0	16.6	– 377.2	– 575.9	– 40.6	1.8	– 92.2	– 198.5
Total	**1.2**	**90.9**	**2,299.8**	**3,401.4**	**251.5**	**900.8**	**718.4**	**2,785.0**
Additional CDS information on the above item »Derivatives«								
CDS asset items	– 0.7	– 11.1	– 17.1	– 76.4	– 6.6	– 65.8	– 31.0	– 133.9
CDS liability items	0.7	3.3	– 2.7	35.9	6.1	45.5	– 8.9	56.0
Nominals of CDS assets	89.0	285.3	728.3	1,879.6	123.0	704.2	1,359.6	2,052.8
Nominals of CDS liabilities	86.1	272.2	754.4	1,831.0	120.9	653.9	1,393.3	1,932.1

No ABS whose issuers have registered offices in these four countries are included in the figures above.

73. Credit portfolio.

Structure of the credit portfolio by balance sheet class.

There is a difference in presentation compared to the 2012 annual report resulting from the greater differentiation in presenting exposures introduced in 2013. For additional information, please refer to the risk and opportunity report.

The following table describes LBBW's credit portfolio by balance sheet class:

31 Dec. 2013 EUR million	Gross exposure	Netting/ collateral	Credit derivatives (protection buy)	Credit collateral	Net exposure
Cash and cash equivalents	2,369	0	0	0	2,369
Assets carried at fair value					
Trading assets	98,699	29,341	20,500	1,314	47,544
Financial assets designated at fair value	761	0	0	24	737
Positive fair values from hedging derivatives	4,891	4,652	0	15	224
Financial investments (AfS)	21,265	0	50	130	21,085
interest-bearing assets	18,585	0	50	130	18,405
non-interest-bearing assets	2,680	0	0	0	2,680
Assets carried at amortized cost					
Loans and advances to banks	66,929	20,219	0	2,331	44,379
Loans and advances to customers	114,631	13,790	0	35,790	65,051
of which finance leases	5,552	0	0	574	4,978
Financial investments (LaR)	16,160	500	0	23	15,637
interest-bearing assets	16,101	500	0	23	15,578
non-interest-bearing assets	59	0	0	0	59
Non-current assets held for sale and disposal groups	58	0	0	0	58
Total	**325,763**	**68,502**	**20,550**	**39,627**	**197,084**
Loan commitments and other agreements	48,880	0	0	3,154	45,726
Total exposure	**374,643**	**68,502**	**20,550**	**42,781**	**242,810**

31 Dec. 2012 EUR million	Gross exposure	Netting/ collateral	Credit derivatives (protection buy)	Credit collateral	Net exposure
Cash and cash equivalents	2,347	0	0	0	2,347
Assets carried at fair value					
Trading assets	143,035	60,009	25,770	1,724	55,532
Financial assets designated at fair value	2,353	1,160	60	27	1,106
Positive fair values from hedging derivatives	7,042	6,837	0	18	187
Financial investments (AfS)	29,008	0	3,509	0	25,499
interest-bearing assets	25,693	0	3,509	0	22,184
non-interest-bearing assets	3,315	0	0	0	3,315
Investment property	7	0	0	0	7
Assets carried at amortized cost					
Loans and advances to banks	56,435	4,025	0	2,540	49,870
Loans and advances to customers	115,122	4,971	0	35,102	75,049
of which finance leases	5,763	0	0	517	5,246
Financial investments (LaR)	18,495	0	0	33	18,462
interest-bearing assets	18,495	0	0	33	18,462
Non-current assets held for sale and disposal groups	7	0	0	0	7
Total	**373,844**	**77,002**	**29,339**	**39,444**	**228,059**
Loan commitments and other agreements	52,738	0	0	3,233	49,505
Total exposure	**426,582**	**77,002**	**29,338**	**42,677**	**277,564**

Portfolio quality – exposure in arrears and not impaired.

Exposures to customers that are more than five days in arrears but which have not been impaired are defined as assets in arrears for which no provisions are created. As at the balance sheet date of 31 December 2013, this applied to gross exposure of EUR 91 million, equivalent to 0.02% of the portfolio.

The following table illustrates the maturity structure of this sub-portfolio:

31 Dec. 2013 EUR million	<=1 month	>1 to 3 months	>3 to 6 months	>6 to 9 months	>9 to 12 months	>12 months	Total
Assets carried at amortized cost							
Loans and advances to customers	8	12	22	1	2	45	91
Total exposure	**8**	**12**	**22**	**1**	**2**	**45**	**91**

31 Dec. 2012 EUR million	<=1 month	>1 to 3 months	>3 to 6 months	>6 to 9 months	>9 to 12 months	>12 months	Total
Assets carried at amortized cost							
Loans and advances to customers	10	18	6	5	25	71	136
Total exposure	**10**	**18**	**6**	**5**	**25**	**71**	**136**

Portfolio quality – impaired assets.

In addition to impaired financial investments, the following table shows loans and advances to customers for which impairments are recognized.

EUR million	31 Dec. 2013	31 Dec. 2012
Assets carried at fair value		
Financial investments (AfS)	408	421
interest-bearing assets	408	421
Assets carried at amortized cost		
Loans and advances to banks	20	38
Loans and advances to customers	3,414	4,573
of which finance leases	167	150
Total	**3,842**	**5,033**
Loan commitments and other agreements	235	250
Total exposure	**4,077**	**5,283**

Impaired assets dropped by EUR 1.2 billion compared with 31 December 2012. The change primarily related to loans and advances to customers. The decline in the impaired exposure has increased the share of the portfolio of assets that are neither impaired nor in arrears to 98.9% (previous year: 98.7%).

74. Capital management.

Capital management at LBBW is designed to ensure solid capitalization within the LBBW Group. In order to guarantee adequate capital from various perspectives, the Bank analyzes capital ratios and structures both from the perspective of regulatory capital requirements and that of economic capital. LBBW's capital management system is embedded in the overall bank management process, strategies, rules, monitoring mechanisms and organizational structures of the LBBW Group.

The integrated risk and capital management is carried out by the Group's Board of Managing Directors. Among other things, the Asset Liability Committee (ALCo) supports the Board of Managing Directors in ensuring the adequacy of the capital resources and asset/liability management, as well as in defining and complying with target figures. The ALCo prepares decisions in this respect that are subsequently met by the Group's Board of Managing Directors.

On matters relating to risk management and capital management under economic aspects, the Risk Committee (RiskCom) helps prepare decisions for the Board of Managing Directors, among other things in the cross-disciplinary monitoring of the risk-bearing capacity and of material risks. The Regulatory/Accounting Committee was established in 2013 in order to evaluate in good time the requirements of the large number of provisions of banking supervisory law and accounting that are relevant for management purposes, and to take the measures required.

Capital allocation and longer-term strategic capital management is carried out during the planning process integrated on an annual basis (with a five-year planning horizon) with the forecast during the year, and is decided and monitored continuously by the Group's Board of Managing Directors. The Supervisory Board ultimately decides on the business plan.

Economic capital.

Besides the capital backing stipulated by regulatory bodies, the capital backing required from LBBW's point of view for economic purposes, calculated using the Bank's own risk models, is monitored in an additional steering circle.

See the risk and opportunity report for details.

Regulatory capital.

The LBBW Group's own funds are determined in accordance with the requirements of the Kreditwesengesetz (German Banking Act – KWG) and are based on the relevant capital adequacy requirements stipulated by the supervisory authorities.

The overall ratio of the LBBW Group is determined in accordance with the provisions of section 3 Solvabilitätsverordnung (German Solvency Ordinance) in conjunction with section 10a KWG.

Accordingly, the ratio of creditable equity to the total, weighted by a factor of 12.5, of the capital charges for counterparty risk, operational risk and market risk positions including option contracts must not fall below 8.0% (overall ratio) at the close of any business day. The ratios required by the supervisory authorities were maintained at all times during the 2013 financial year.

The LBBW Group's own funds are composed of its Tier 1, Tier 2 and Tier 3 capital. The entirety of supplementary capital is limited to the amount of the core capital. The lower Tier 2 capital must not exceed 50% of the total Tier 1 capital. The recognition of Tier 3 capital and the freely available Tier 2 capital is limited to 250% of the freely available Tier 1 capital (core capital not required to cover counterparty risks and operational risks).

Core capital or Tier 1 capital consists of the paid-in capital, the capital reserve and other reserves, other capital in the meaning of section 10 (4) KWG (silent partnership contributions), the preference shares, reserves for general banking risks in accordance with section 340g HGB and deductible items (largely intangible assets). A material part of the LBBW Group's other capital (the contributions by silent partnership) is permanent and is held by the owners of LBBW. Supplementary capital, or Tier 2 capital, consists of higher Tier 2 capital composed of liabilities arising from profit participation certificates as well as the lower Tier 2 capital composed of long-term subordinated liabilities.

As Tier 3 capital, profit participation certificates and longer-term subordinated liabilities that have a Tier 3 clause may be recognized during the last two years before maturity. Tier 3 capital may only be used to back eligible amounts of market risk positions.

Up to 3% of the aggregate nominal amount can be repurchased in securitized equity components as part of market support. After reporting to BaFin, LBBW utilizes the option for market support for profit participation rights and non-current and current subordinated liabilities. The upper limit was complied with at all times during the 2013 financial year.

Half of each of the following items must also be deducted from Tier 1 and Tier 2 capital: deductible items in accordance with section 10 (6) KWG (direct equity investments in institutions and financial companies in which over 10% of the capital is held but which are not consolidated in accordance with section 10a KWG, and equity surrogates issued by these companies, equity investments in insurance companies in accordance with section 271 HGB and equity surrogates issued by these insurance companies) and deductible items in accordance with section 10 (6a) KWG (losses on valuation allowances for IRBA counterparty risk items and expected losses for IRBA investment items, as well as advance payment risks for securities, foreign currency and raw materials transactions in the trading book, for which the service rendered in return has not yet been effectively provided five working days after the due date.

As at 1 January 2008, LBBW received permission from Bundesanstalt für Finanzdienstleistungsaufsicht (the Germany Federal Financial Supervisory Authority – BaFin) to use the approach based on internal ratings to calculate capital adequacy for counterparty risks arising from the major classes of receivables. Equity requirements for receivables for which permission has not been received to use a rating procedure are calculated in accordance with the credit risk standardized approach (CRSA).

The own funds as defined by the German Banking Act are calculated based on the separate financial statements of the entities included in the basis of consolidation, taking the applicable national accounting regulations into account.

The following table shows the structure of the LBBW Group's own funds:

EUR million	31 Dec. 2013	31 Dec. 2012
Equity	**17,853**	**18,828**
Core capital (Tier 1)	14,711	14,675
Supplementary capital (Tier 2)	2,927	3,696
Tier 3 capital	215	457
Qualifying items	**79,351**	**95,776**
Risk weighted counterparty risk items	64,463	78,538
Market risk positions	10,288	10,963
Operational risk	4,600	6,275
Total ratio in accordance with SolvV in %	**22.5**	**19.7**
Core capital ratio (Tier 1 ratio) in %	**18.5**	**15.3**

EUR million	31 Dec. 2013	31 Dec. 2012
Core capital (Tier 1)	**14,711**	**14,675**
Paid-in capital	3,484	2,584
Capital reserve	8,240	6,910
Other capital (silent partnership contributions)	2,274	4,461
Other reserves and differences in assets in accordance with section 10a (6) clause 9 and 10 KWG	748	837
Reserve for general banking risks in accordance with section 340g HGB	495	484
Deductible from core capital incl. 50% deduction, section 10 (2a), 6, 6a KWG	– 530	– 601

Explanation of the changes in 2012 versus 2013.
As at 1 January 2013, LBBW converted EUR 2.2 billion (including USD 500 million) of million of silent partnership contributions that had been held by the owners into common equity Tier 1 capital. This resulted in a pro rata increase in the »Paid-in capital« and »Capital reserves« items. The item »Other capital« did not decline to the same extent due to currency translation effects when converting the silent partnership contributions issued in USD.

Due to the restitution of omitted distributions on silent partnership contributions and profit-participation certificates that were reduced in 2009, LBBW reported no net income for the 2012 financial year in accordance with HGB.

Supplementary capital as at 31 December 2013 declined by EUR 769 million during the year. New issues of long-term subordinated liabilities were offset by a higher volume of profit-participation rights and long-term subordinated liabilities, which fell below the remaining term to maturity of two years during the year under review.

The portfolio of Tier 3 capital is also reduced as a result of maturities.

The write-down deficit determined in accordance with section 10 (6a) KWG also led to a lower deduction than in the previous year.

The qualifying items were reduced primarily as a result of the reduction of counterparty default risk items from non-strategic transactions.

75. Events after the balance sheet date.

No significant events have occurred since 1 January 2014 which LBBW expects to affect LBBW's net assets, financial position and results of operations in any material way.

76. List of shareholdings and information on subsidiaries, associates and joint ventures.

The associates' shares in the aggregate assets and liabilities, as well as revenues and profits/losses for the period are presented in Note 39.

The share of the capital held by LBBW in Schlossgartenbau-Aktiengesellschaft remained unchanged compared with the previous year at 92.68%. Schlossgartenbau-Aktiengesellschaft has issued the declaration prescribed in section 161 Aktiengesetz (German Stock Corporation Act) and has made it available online to all interested parties (http://www.bahnhofplatzgesellschaften.de/bahnhof2003/index_schlossgartenbau.htm).

LBBW Immobilien-Holding GmbH, Stuttgart, LBBW Leasing GmbH, Mannheim, LBBW Spezialprodukte-Holding GmbH, Stuttgart and LBBW Service GmbH, Stuttgart made use of the exemption under section 264 (3) HGB.

The following overview shows the full list of shareholdings of the LBBW Group in accordance with section 313 (2) HGB in the consolidated financial statements and section 285 (11) HGB in the annual financial statements of Landesbank Baden-Württemberg including the statements pursuant to section 285 (11 a) HGB as at the reporting date. The list of shareholdings shows the companies for which a letter of comfort has been issued.

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
I. Companies included in the consolidated financial statements						
a. Fully consolidated subsidiaries						
Alpha Real Estate (Luxembourg) S.à.r.l. [1) 14)]	Luxembourg, Luxembourg	100.00		EUR	– 18.53	20.26
ALVG Anlagenvermietung GmbH [1) 4a)]	Stuttgart	100.00		EUR	19,000.00	0.00
Austria Beteiligungsgesellschaft mbH [14)]	Stuttgart	66.67		EUR	35,458.65	108.05
Bahnhofplatz Objekt-GmbH & Co. KG [1) 4a) 14)]	Stuttgart	100.00		EUR	13,441.51	0.00
Bahnhofplatz Objektverwaltungs-GmbH [1) 14)]	Stuttgart	100.00		EUR	13.77	0.08
Bahnhofplatz-Gesellschaft Stuttgart AG [1) 4a) 14)]	Stuttgart	93.22		EUR	4,452.44	0.00
Bauwerk-Stuttgart GmbH [1) 14)]	Stuttgart	75.00		EUR	– 923.74	– 467.42
BETA REAL ESTATE (Luxembourg) S.à.r.l. [1) 14)]	Luxembourg, Luxembourg	100.00		EUR	2.18	– 5.75
BW Bank Capital Funding LLC I [1) 3) 14)]	Wilmington, New Castle County, USA	100.00		EUR	50,004.00	2,096.66
BW Bank Capital Funding LLC II [1) 3) 14)]	Wilmington, New Castle County, USA	100.00		EUR	50,003.00	2,172.56
BW Bank Capital Funding Trust I [1)]	Wilmington, New Castle County, USA	0.00	100.00		n.a.	n.a.
BW Bank Capital Funding Trust II [1)]	Wilmington, New Castle County, USA	0.00	100.00		n.a.	n.a.
BW Capital Markets Inc. [3) 14)]	Wilmington, New Castle County, USA	100.00		USD	4,049.48	2,290.32
BW-Immobilien GmbH [1) 4a) 14)]	Stuttgart	100.00		EUR	3,200.07	0.00
CFH Beteiligungsgesellschaft mbH [1) 14)]	Leipzig	100.00		EUR	96,761.66	4,575.62
Château de Beggen Participations S.A. [1) 14)]	Luxembourg, Luxembourg	100.00		EUR	– 26.01	– 63.91
Dritte Industriehof Objekt-GmbH & Co. KG [1) 4a) 14)]	Stuttgart	100.00		EUR	701.91	0.00
EAST Portfolio s.r.o. [3b)]	Prague 1, Czech Republic	100.00			n.a.	n.a.
Employrion Komplementär GmbH [1) 14)]	Weil	100.00		EUR	27.15	0.40
Entwicklungsgesellschaft Grunewaldstraße 61– 62 mbH & Co. KG [1) 14)]	Stuttgart	94.84	94.90	EUR	– 3,591.70	1,219.30
Entwicklungsgesellschaft Uhlandstraße 187 GmbH & Co. KG [1) 14)]	Stuttgart	94.90		EUR	– 2,842.83	– 225.25
Erste IMBW Capital & Consulting Komplementär GmbH [1) 14)]	Weil	100.00		EUR	26.04	– 0.70
Erste Industriehof Objekt-GmbH & Co. KG [1) 4a) 14)]	Stuttgart	100.00		EUR	67.33	0.00
EuroCityCenterWest GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 15,215.99	– 1,194.86
EuroCityCenterWest Verwaltungs-GmbH [1) 14)]	Stuttgart	94.80		EUR	34.80	0.21
FOM / LEG Verwaltungs GmbH [1) 14)]	Heidelberg	50.00		EUR	11.75	– 15.09
Fünfte Industriehof Objekt-GmbH & Co. KG [1) 4a) 14)]	Stuttgart	100.00		EUR	634.23	0.00
Gewerbepark Königstraße Kaiserslautern GmbH [1) 14)]	Stuttgart	100.00		EUR	79.19	– 13.93
Grundstücksgesellschaft Einkaufszentrum Haerder-Center Lübeck mbH & Co. KG [1) 14)]	Stuttgart	94.00		EUR	– 23,226.94	– 643.72
Grunewaldstraße 61 – 62 GmbH [1) 14)]	Stuttgart	100.00		EUR	26.64	0.88
IMBW Capital & Consulting GmbH [1) 4a) 14)]	Stuttgart	100.00		EUR	250.00	0.00
Immobilienvermittlung BW GmbH [14)]	Stuttgart	100.00		EUR	3,349.29	849.29
Industriehof Objektverwaltungs-GmbH [1) 14)]	Stuttgart	100.00		EUR	35.88	– 0.58
Industriehof-Aktiengesellschaft [1) 4a) 14)]	Stuttgart	93.63		EUR	23,281.64	0.00
IRP Immobilien-Gesellschaft Rheinland-Pfalz mbH [1) 14)]	Mainz	51.41		EUR	186.13	– 432.34
John Deere Leasing GmbH [1)]	Mannheim	100.00		EUR	578.97	210.97
Kiesel Finance Management GmbH [1)]	Baienfurt	90.00		EUR	31.61	2.11
Kommunalbau Rheinland-Pfalz GmbH [1) 14)]	Mainz	51.40		EUR	941.51	– 257.08
Landesbank Baden-Württemberg Capital Markets Plc [3) 14)]	London, Great Britain	100.00		EUR	5,867.00	173.00
LBBW Asset Management Investmentgesellschaft mbH [3) 14)]	Stuttgart	100.00		EUR	30,448.42	10,678.35
LBBW Bank CZ a.s. [14)]	Prague 5,Czech Republic	100.00		CZK	101,253.10	2,733.58
LBBW Dublin Management GmbH [3) 4) 14)]	Mainz	100.00		EUR	20,845.91	0.00
LBBW Grundstücksverwaltungsgesellschaft mbH & Co. KG Objekt am Pariser Platz Stuttgart [14)]	Stuttgart	100.00		EUR	57,317.26	792.79
LBBW Immobilien Capital Fischertor GmbH & Co. KG [1) 14)]	Munich	93.98	94.00	EUR	– 5,167.84	– 40.75
LBBW Immobilien Capital GmbH [1) 14)]	Stuttgart	100.00		EUR	– 2,844.54	11.65
LBBW Immobilien Development GmbH [1) 4a) 14)]	Stuttgart	94.90		EUR	15,783.69	0.00
LBBW Immobilien GmbH & Co. Beteiligung KG [1) 14)]	Stuttgart	100.00		EUR	62,279.89	1,756.90
LBBW Immobilien Kommunalentwicklung GmbH [1) 4a) 14)]	Stuttgart	81.62		EUR	2,016.51	0.00

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
LBBW Immobilien Luxembourg S. A. [1) 14)]	Luxembourg, Luxembourg	100.00		EUR	– 75,858.79	– 387.09
LBBW Immobilien Management Gewerbe GmbH [1) 4a) 14)]	Stuttgart	94.90		EUR	3,303.97	0.00
LBBW Immobilien Management GmbH [1) 4a) 14)]	Stuttgart	100.00		EUR	425,694.37	0.00
LBBW Immobilien Romania S.R.L. [1) 14)]	Bucharest, Romania	100.00		EUR	– 24,061.44	– 2,955.61
LBBW Immobilien Versicherungsvermittlung GmbH [1) 4a) 14)]	Stuttgart	100.00		EUR	25.00	0.00
LBBW Immobilien-Holding GmbH [4) 14)]	Stuttgart	100.00		EUR	959,050.54	0.00
LBBW Leasing GmbH [4) 14)]	Mannheim	100.00		EUR	266,088.54	0.00
LBBW Luxemburg S.A. [3) 14)]	Munsbach, Luxembourg	100.00		EUR	315,639.00	9,125.00
LBBW Service GmbH [4) 14)]	Stuttgart	100.00		EUR	25.00	0.00
LBBW Spezialprodukte-Holding GmbH [4) 14)]	Stuttgart	100.00		EUR	101,871.73	0.00
LBBW US Real Estate Investment LLC [14)]	Wilmington, Delaware, USA	100.00		USD	39,955.89	132.36
LBBW Venture Capital Gesellschaft mit beschränkter Haftung [14)]	Stuttgart	100.00		EUR	29,894.13	1,481.70
LEG Baden-Württemberg Verwaltungs-GmbH [1) 14)]	Stuttgart	100.00		EUR	24.68	– 0.29
LEG Projektgesellschaft 2 GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	5,004.54	6,419.38
LEG Projektgesellschaft 4 GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 44,618.22	484.76
LEG Verwaltungsgesellschaft 2 mbH [1) 14)]	Stuttgart	100.00		EUR	27.71	0.20
LOOP GmbH [1) 14)]	Stuttgart	100.00		EUR	– 55.90	– 185.77
LRP Capital GmbH [1) 14)]	Stuttgart	100.00		EUR	15,386.91	1,386.91
Mannheim O 4 Projektgesellschaft mbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 163.51	– 150.57
MANUKA Grundstücks-Verwaltungsgesellschaft mbH [1) 14)]	Stuttgart	100.00		EUR	56.92	– 1.52
MKB Mittelrheinische Bank Gesellschaft mit beschränkter Haftung [14)]	Koblenz	100.00		EUR	47,458.48	6,094.70
MKB Versicherungsdienst GmbH [1) 4a) 14)]	Koblenz	100.00		EUR	27.05	0.00
MMV Leasing Gesellschaft mit beschränkter Haftung [1) 4a) 14)]	Koblenz	100.00		EUR	21,000.00	0.00
MMV-Mobilien Verwaltungs- und Vermietungsgesellschaft mbH [1) 4a) 14)]	Koblenz	100.00		EUR	26.00	0.00
Nagatino Property S.à.r.l. [1) 14)]	Luxembourg, Luxembourg	100.00		EUR	– 27,906.64	10,443.86
Parc Helfent Participations S.A. [1) 14)]	Luxembourg, Luxembourg	100.00		EUR	976.52	– 69.24
Projekt 20 Verwaltungs GmbH [1) 14)]	Munich	100.00		EUR	33.12	1.65
Projektgesellschaft Bockenheimer Landstraße 33– 35 GmbH & Co. KG i. L. [1) 14)]	Stuttgart	94.00	50.00	EUR	– 389.15	515.79
Rebstockpark 7.1 Entwicklungsgesellschaft mbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 45.47	242.38
Rheinpromenade Mainz GmbH & Co. KG [1)]	Stuttgart	100.00			n.a.	n.a.
Schlossgartenbau Objekt-GmbH & Co. KG [1) 4a) 14)]	Stuttgart	100.00		EUR	18,548.97	0.00
Schlossgartenbau Objektverwaltungs-GmbH [1) 14)]	Stuttgart	100.00		EUR	11.71	0.07
Schlossgartenbau-Aktiengesellschaft [1) 4a) 14)]	Stuttgart	92.68		EUR	6,592.42	0.00
Schockenried GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 4,150.95	– 8.51
Schockenriedverwaltungs GmbH [1) 14)]	Stuttgart	94.80		EUR	25.78	0.34
Sechste Industriehof Objekt-GmbH & Co. KG [1) 4a) 14)]	Stuttgart	100.00		EUR	287.71	0.00
SG Management GmbH [1) 14)]	Stuttgart	100.00		EUR	9,281.95	1,643.72
SGB – Hotel GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 1,346.76	– 84.85
SLN Maschinen-Leasing Verwaltungs-GmbH [1)]	Stuttgart	100.00		EUR	1,180.63	141.31
SLP Mobilien-Leasing Verwaltungs-GmbH [1)]	Mannheim	100.00		EUR	5,370.98	196.41
Süd Beteiligungen GmbH [14)]	Stuttgart	100.00		EUR	340,797.13	80,813.44
Süd KB Unternehmensbeteiligungsgesellschaft mbH [1) 14)]	Stuttgart	100.00		EUR	48,108.67	– 611.92
SüdFactoring GmbH [3) 4) 14)]	Stuttgart	100.00		EUR	70,000.00	0.00
Süd-Kapitalbeteiligungs-Gesellschaft mbH [1) 4a) 14)]	Stuttgart	100.00		EUR	88,981.87	0.00
SüdLeasing GmbH [2) 4a) 14)]	Stuttgart	100.00		EUR	32,085.00	0.00
Turtle Beteiligungs-Ehningen II GmbH [1) 14)]	Frankfurt am Main	100.00		EUR	26.48	0.60
Turtle Beteiligungs-Hannover-City GmbH [1) 14)]	Frankfurt am Main	100.00		EUR	7.62	– 3.12
Turtle Beteiligungs-Portfolio GmbH [1) 14)]	Frankfurt am Main	100.00		EUR	15.16	– 1.93
Turtle Ehningen II GmbH & Co. KG [1) 14)]	Frankfurt am Main	100.00		EUR	– 42.02	– 4.89
Turtle Portfolio GmbH & Co. KG [1) 14)]	Frankfurt am Main	100.00		EUR	– 43,517.65	– 3,004.20
Turtle 1. Verwaltungs-GmbH [1) 14)]	Frankfurt am Main	100.00		EUR	43.96	1.37
Uhlandstraße 187 GmbH [1) 14)]	Stuttgart	100.00		EUR	26.06	1.09
Vermietungs- und Verwaltungsgesellschaft Sendlinger Straße GmbH & CO. KG [1) 3a) 14)]	Stuttgart	99.00		EUR	– 35,227.02	17,773.67
Vermietungs- und Verwaltungsgesellschaft Sendlinger Straße mbH [1) 14)]	Stuttgart	100.00		EUR	20.39	– 1.15
Vierte Industriehof Objekt-GmbH & Co. KG [1) 4a) 14)]	Stuttgart	100.00		EUR	1,176.78	0.00

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
VVS II GmbH & Co. KG [1) 3a) 14)]	Stuttgart	99.00		EUR	- 4,103.53	- 500.23
VVS II Verwaltungs-GmbH [1) 14)]	Stuttgart	100.00		EUR	17.65	- 1.00
VVS III GmbH & Co. KG [1) 3a) 14)]	Stuttgart	99.00		EUR	- 6,338.56	- 1,304.72
VVS III Verwaltungs-GmbH [1) 14)]	Stuttgart	100.00		EUR	17.10	- 1.00
Zorilla Mobilien-Leasing GmbH [1)]	Mannheim	100.00		EUR	59.61	- 3.21
Zweite IMBW Capital & Consulting Komplementär GmbH [1) 14)]	Stuttgart	100.00		EUR	22.57	- 1.27
Zweite Industriehof Objekt-GmbH & Co. KG [1) 4a) 14)]	Stuttgart	100.00		EUR	19,825.72	0.00
Zweite LBBW US Real Estate GmbH [14)]	Leipzig	100.00		EUR	51,545.60	3,544.91
b. Fully consolidated subsidiaries (SIC 12)						
aiP Gärtnerplatz GmbH & Co. KG [1) 14)]	Oberhaching	45.00	50.00	EUR	- 16,099.44	- 2,916.15
aiP Isarauen GmbH & Co. KG [1) 3a) 14)]	Oberhaching	45.00	50.00	EUR	- 615.64	- 33.24
Employrion Immobilien GmbH & Co. KG [1) 14)]	Weil	35.00	50.00	EUR	714.75	2,316.97
Erste IMBW Capital & Consulting Objektgesellschaft mbH & Co. KG [1) 14)]	Weil	40.00	50.00	EUR	- 19,096.37	- 2,164.26
FOM/LEG Generalübernehmer GmbH & Co. KG [1) 14)]	Heidelberg	50.00		EUR	- 8,698.80	- 136.44
Georges Quay Funding I Limited [14)]	Dublin 1, Ireland			EUR	9.64	0.41
Grundstücksgesellschaft Einkaufszentrum Kröpeliner-Tor-Center Rostock mbH & Co. KG [1) 14)]	Berlin	39.94	50.00	EUR	- 8,557.85	- 244.73
Humboldt Multi Invest B SICAV-FIS Sachsen LB Depot A [10)]	Luxembourg, Luxembourg	99.99		EUR	43,734.67	- 2,431.96
Kyma Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Löhr's Carré KG [14)]	Haar	2.50	0.00	EUR	- 2,410.40	4,237.09
LAAM-Fonds I (LAAM Subtrust I) [14)]	George Town, Cayman Islands	100.00	0.00	EUR	84,798.39	- 2,190.22
LAAM-Fonds II [14)]	George Town, Cayman Islands	100.00	0.00	EUR	87,302.05	917.90
LAAM-Fonds XI [14)]	George Town, Cayman Islands	100.00	0.00	EUR	47,226.75	1,038.62
Parcul Banatului SRL [1) 14)]	Bucharest, Romania	50.00		EUR	- 18,200.40	- 3,670.59
Spencerview Asset Management Ltd. [14)]	Dublin 2, Ireland			EUR	1.32	0.32
Turtle Vermögensverwaltungs-GmbH & Co. KG [1) 14)]	Frankfurt a. M.	49.00	50.00	EUR	- 90.34	59.05
2. Joint ventures accounted for using the equity method						
ARGE ParkQuartier Berg [1) 14)]	Stuttgart	50.00		EUR	- 735.50	- 1,210.85
Bad Kreuznacher Entwicklungsgesellschaft mbH (BKEG) [1) 14)]	Bad Kreuznach	50.00		EUR	- 23.62	525.60
LHI Leasing GmbH [1) 14)]	Pullach i. Isartal	51.00		EUR	48,750.03	6,057.79
TCD LEG/FOM GbR [1) 14)]	Stuttgart	50.00		EUR	189.80	0.82
3. Associates accounted for using the equity method						
Altstadt-Palais Immobilien GmbH & Co. KG [1) 14)]	Weil	40.00	50.00	EUR	- 495.46	- 111.11
Bauland Kruft Süd GmbH [1) 8)]	Mainz	51.00		EUR	- 1,161.35	- 130.15
BWK GmbH Unternehmensbeteiligungsgesellschaft [1) 5) 14)]	Stuttgart	55.00		EUR	260,047.33	44,474.44
EGH Entwicklungsgesellschaft Heidelberg GmbH & Co. KG [1) 14)]	Heidelberg	33.33		EUR	807.78	- 202.83
EGH Projektgesellschaft Heidelberg GmbH [14)]	Heidelberg	0.00		EUR	33.72	1.58
SGB - Hotel - Verwaltung GmbH [1) 14)]	Stuttgart	50.00		EUR	12.57	16.55
Vorarlberger Landes- und Hypothekenbank AG [1) 14)]	Bregenz, Austria	23.97		EUR	730,928.25	99,259.51
II. Companies not included in the consolidated financial statements due to being of minor influence						
1.1. Subsidiaries not included						
aiP Gärtnerplatz Verwaltungs GmbH [1) 14)]	Oberhaching	100.00		EUR	21.82	- 0.11
aiP Hirschgarten 1 Verwaltungs GmbH [1) 14)]	Oberhaching	100.00		EUR	28.75	0.81
aiP Isarauen Verwaltungs GmbH [1) 14)]	Oberhaching	100.00		EUR	24.39	0.19
B. & C. Leasing GmbH & Co. KG [1) 14)]	Mannheim	0.00	75.00	EUR	1,737.53	15.62
Baden-Württembergische Equity Gesellschaft mit beschränkter Haftung [14)]	Stuttgart	100.00		EUR	997.15	184.49
Britta Grundstücksverwaltungsgesellschaft mbH [1) 4a) 14)]	Mannheim	100.00		EUR	25.56	0.00
BW Leasing GmbH & Co. KG [1) 14)]	Mannheim	100.00		EUR	112.90	- 27.55
CARGO SL Mobilien-Leasing GmbH & Co. KG [1) 14)]	Mannheim	0.00	75.00	EUR	475.56	70.19
cellent AG [1) 15)]	Vienna, Austria	100.00		EUR	3,958.00	520.16
cellent AG [14)]	Stuttgart	100.00		EUR	13,087.59	30.60
Cellent Finance Solutions GmbH [14)]	Stuttgart	100.00		EUR	1,998.43	741.39
cellent Mittelstandsberatung GmbH [1) 14)]	Böblingen	100.00		EUR	1,818.68	189.05
Centro Alemán de Industria y Comercio de México S.de R.L.de C.V. [2) 14)]	México, D. F., Mexico	100.00		MXN	- 10,962.19	2,195.26
DBW Advanced Fiber Technologies GmbH [1) 14)]	Bovenden	100.00		EUR	27,322.18	3,041.23
DBW Automotive Components Shanghai Co., Ltd. [1) 14)]	Shanghai, China	80.00		CNY	783.85	228.39
DBW Fiber Corporation [1) 14)]	Summerville, SC 29483, USA	100.00		USD	1,536.11	299.60

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
DBW Holding GmbH [1) 14)]	Bovenden	99.16	94.64	EUR	22,061.11	– 9.93
DBW Hungary KFT [1) 14)]	Tapolca, Hungary	100.00		HUF	3,249.16	1,872.33
DBW Ibérica Industria Automoción, S.A. [1) 14)]	Vall d'Uxo Castellón, Spain	100.00		EUR	749.08	64.52
DBW Japan Ltd. [1) 14)]	Tokyo, Japan	100.00		JPY	89.57	22.12
DBW Kaliningrad O.O.O. [1) 14)]	Kaliningrad, Russia	99.00		RUB	– 46.71	– 54.70
DBW Metallverarbeitung GmbH [1) 4a) 14)]	Ueckermünde	100.00		EUR	1,233.88	0.00
DBW Polska Sp.z. o.o. [1) 14)]	Cigacice, Poland	100.00		PLN	2,579.38	681.06
DBW-Fiber-Neuhaus GmbH [1) 4a) 14)]	Neuhaus am Rennweg	100.00		EUR	3,000.00	0.00
Dritte LBBW US Real Estate GmbH [14)]	Leipzig	100.00		EUR	2,198.37	1,164.90
Euro Leasing AG [1) 6)]	Luxembourg, Luxembourg	100.00		EUR	162.39	– 0.31
Finclusive Alfmeier Leasing Services GmbH & Co. KG i.L. [1) 14)]	Mannheim	100.00		EUR	67.13	12.26
FIRKO Betreuungs GmbH [1) 14)]	Leipzig	100.00		EUR	484.26	35.67
FIRKO Betreuungs GmbH & Co. Windpark Zaulsdorf KG [14)]	Leipzig	100.00		EUR	130.56	87.91
FLANTIR PROPERTIES LIMITED [1) 14)]	Nicosia, Cyprus	100.00		RUB	– 15,208.16	– 1,256.44
Franca Grundstücksverwaltungsgesellschaft mbH [1) 4a) 14)]	Mannheim	100.00		EUR	525.81	0.00
Franca Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien KG [8)]	Mannheim	100.00		EUR	2,334.79	– 2.02
FRONTWORX Informationstechnologie AG [1) 14)]	Vienna, Austria	100.00		EUR	– 774.50	– 191.00
German Centre for Industry and Trade Beijing Co., Ltd. [14)]	Beijing, China	100.00		CNY	2,089.96	382.23
German Centre for Industry and Trade GmbH, Beteiligungsgesellschaft [4) 14)]	Stuttgart	100.00		EUR	3,942.99	0.00
German Centre for Industry and Trade Pte. Ltd. Singapore [1) 14)]	Singapore, Singapore	100.00		SGD	14,212.54	2,110.61
Gmeinder Lokomotivenfabrik GmbH i.I. [1) 8)]	Mosbach	90.00		EUR	306.00	– 641.00
Grundstücks-, Vermögens- und Verwaltungs-GbR 41, Leinfelden/ Echterdingen [1) 14)]	Stuttgart	57.91		EUR	24,980.34	– 642.36
GVZ NORD PLANT GmbH [1) 14)]	Leipzig	100.00		EUR	18.07	– 66.22
Haerder-Center Lübeck Verwaltungsgesellschaft mbH [1) 14)]	Stuttgart	100.00		EUR	30.51	1.12
Heurika Mobilien-Leasing GmbH [1) 3a) 8)]	Mannheim	100.00		EUR	– 1,075.47	– 565.22
HÜCO Circuit Technology GmbH i.I. [1) 8)]	Espelkamp	90.00		EUR	113.41	12.92
Hüco electronic GmbH [1) 4a) 7)]	Espelkamp	90.00		EUR	3,333.39	0.00
Ina Grundstücksverwaltungsgesellschaft mbH i. L. [1) 14)]	Mannheim	100.00		EUR	6.54	2.12
Iris Grundstücksverwaltungsgesellschaft mbH i. L. [1) 14)]	Mannheim	100.00		EUR	6.60	2.19
Karin Mobilien-Leasing GmbH i.L. [1) 14)]	Mannheim	100.00		EUR	884.31	3.00
KB Projekt GmbH [1) 14)]	Mainz	100.00		EUR	1.78	– 23.81
Kiesel Finance GmbH & Co. KG [1) 14)]	Baienfurt	0.00	75.00	EUR	352.93	– 187.54
Kröpeliner-Tor-Center Rostock Verwaltungsgesellschaft mbH [1) 14)]	Berlin	100.00		EUR	18.49	1.80
KURIMA Grundstücksgesellschaft mbH & Co. KG [1) 14)]	Grünwald	1.00	84.00	EUR	– 1.90	– 6.62
LA electronic Holding GmbH [1) 8)]	Espelkamp	100.00		EUR	– 11,349.61	– 843.93
Laurus Grundstücksverwaltungsgesellschaft mbH [1) 14)]	Mannheim	100.00		EUR	1,621.62	– 12.67
LBBW Equity Partners GmbH & Co. KG [14)]	Munich	100.00		EUR	1,735.35	62.93
LBBW Equity Partners Verwaltungs GmbH [14)]	Munich	100.00		EUR	16.71	0.22
LBBW Gastro Event GmbH [4) 14)]	Stuttgart	100.00		EUR	130.00	0.00
LBBW Grundstücksverwaltungsgesellschaft mbH [4) 14)]	Stuttgart	100.00		EUR	25.99	0.00
LBBW Grundstücksverwaltungsgesellschaft mbH & Co. OHG Objekt Am Hauptbahnhof Stuttgart [14)]	Stuttgart	100.00		EUR	– 118,231.86	3,111.24
LBBW GVZ Entwicklungsgesellschaft Leipzig mbH [14)]	Leipzig	100.00		EUR	2,522.82	397.96
LBBW México [2) 14)]	México, Mexico	100.00		MXN	2,901.02	423.32
LBBW Pensionsmanagement GmbH [4) 14)]	Stuttgart	100.00		EUR	25.00	0.00
LBBW Representative office Sao Paulo Ltda. [2) 14)]	Itaim-Bibi/Sao Paulo, Brazil	100.00		BRL	124.01	– 11.42
LBBW (Schweiz) AG [14)]	Zurich, Switzerland	100.00		CHF	12,005.98	82.52
LBBW Trust GmbH i.L. [12)]	Stuttgart	100.00		EUR	2,792.60	– 16.50
LBBW Verwaltungsgesellschaft Leipzig mbH [1) 14)]	Leipzig	100.00		EUR	37.86	– 5.25
LBBW Verwaltungsgesellschaft Leipzig mbH & Co. Parking KG [14)]	Leipzig	100.00		EUR	369.87	76.92
LBBW Verwaltungsgesellschaft Leipzig mbH & Co. REKIM KG [14)]	Leipzig	100.00		EUR	8,504.09	178.18
LEG Osiris 4 GmbH [1) 14)]	Stuttgart	100.00		EUR	34.59	– 0.88
LEG Osiris 5 GmbH [1) 14)]	Stuttgart	100.00		EUR	19.22	– 0.92
LEG Verwaltungsgesellschaft 4 mbH [1) 14)]	Stuttgart	100.00		EUR	27.43	0.77
LG Grundstücksanlagen-Gesellschaft mbH [14)]	Stuttgart	100.00		EUR	0.03	0.00
LGZ-Anlagen-Gesellschaft mit beschränkter Haftung [4) 14)]	Mainz	100.00		EUR	110.00	0.00
L-Immobilien GmbH [4) 14)]	Mannheim	100.00		EUR	180.95	0.00
LLC German Centre for Industry and Trade [14)]	Moscow, Russia	100.00		RUB	1,763.95	– 300.52

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
LRI Support Personenvereinigung [2)]	Luxembourg, Luxembourg	100.00			n.a.	n.a.
Mannheim O4 Verwaltungsgesellschaft mbH [1) 14)]	Stuttgart	100.00		EUR	27.16	0.27
MDL Mitteldeutsche Leasing GmbH [1) 14)]	Leipzig	100.00		EUR	– 21,075.23	– 292.32
MLP Leasing GmbH & Co. KG i.L. [1) 14)]	Mannheim	100.00		EUR	– 19.73	– 0.74
MLP Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	117.57	– 0.17
MLS GmbH & Co. KG [1) 14)]	Mannheim	100.00		EUR	3.50	275.62
MMV-Mittelrheinische Leasing Gesellschaft mit beschränkter Haftung [1) 4a) 8)]	Koblenz	100.00		EUR	26.43	0.00
Palmsche Park GbR Esslingen [1) 14)]	Stuttgart	93.91	50.00	EUR	– 392.47	– 392.47
Pollux Vierte Beteiligungsgesellschaft mbH [14)]	Stuttgart	100.00		EUR	4,968.50	– 31.73
Radon Verwaltungs-GmbH [14)]	Stuttgart	100.00		EUR	20,090.15	– 656.20
Remseck Grundstücksverwaltungsgesellschaft mbH in Stuttgart [1) 4a) 14)]	Stuttgart	100.00		EUR	26.00	0.00
Rheinpromenade Mainz Komplementär GmbH [1)]	Stuttgart	100.00			n.a.	n.a.
Rhenus Mobilien GmbH & Co KG [1) 14)]	Holzwickede	0.00	51.00	EUR	2,850.00	2,691.46
Rhenus Mobilien II GmbH & Co. KG [1) 14)]	Holzwickede	0.00	51.00	EUR	1,940.79	1,685.16
Rhin-Neckar S.A. [14)]	Munsbach, Luxembourg	100.00		EUR	192.44	– 112.10
Sachsen LB FIRKO Betreuungs GmbH & Co. Windpark Reichenbach KG [2) 14)]	Leipzig	96.54	97.24	EUR	1,822.93	810.39
Sachsen V.C. GmbH & Co. KG [1) 14)]	Leipzig	75.19		EUR	1,731.37	– 794.83
Sachsen V.C. Verwaltungsgesellschaft mbH [1) 14)]	Leipzig	100.00		EUR	15.96	– 2.27
SachsenFonds International Equity Holding I GmbH [1) 14)]	Aschheim-Dornach	100.00		EUR	2,948.83	– 105.24
SachsenFonds International Equity I GmbH & Co. KG [1) 8)]	Leipzig	96.15		EUR	11,601.22	1,901.12
SBF Sächsische Beteiligungsfonds GmbH [1) 14)]	Leipzig	100.00		EUR	304.66	405.83
SBG – BW GmbH [1) 8)]	Stuttgart	100.00		EUR	2,578.69	927.71
Schmidt W & K Leasing GmbH & Co. KG i.L. [1) 14)]	Mannheim	100.00		EUR	– 37.29	9.93
SDD Holding GmbH [1) 8)]	Stuttgart	100.00		EUR	– 3,197.28	– 18.05
SDT – Stanz und Dämmtechnik GmbH [1) 4a) 8)]	Berga	100.00		EUR	138.40	0.00
SKH Beteiligungs Holding GmbH [14)]	Stuttgart	100.00		EUR	2,492.16	– 37.27
SL Bayern Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	1,014.51	– 9.70
SL Bremen Verwaltungs-GmbH [1) 14)]	Mannheim	100.00		EUR	474.58	216.03
SL BW Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	588.04	31.11
SL Düsseldorf Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	568.22	7.00
SL ENERCON Verwaltungs GmbH i.L. [1) 14)]	Mannheim	100.00		EUR	0.00	0.00
SL FINANCIAL MEXICO, S.A. DE C.V., SOFOM, E. N. R. [1) 14)]	Col. Lomas de Santa Fe, Mexico	100.00		MXN	347.70	63.55
SL Financial Services Corporation [1) 14)]	Norwalk, USA	100.00		USD	495.24	3,140.87
SL Mobilien-Leasing GmbH & Co. ENERCON KG [1) 14)]	Mannheim	0.00	80.00	EUR	29,133.29	2,679.51
SL Mobilien-Leasing GmbH & Co. Hafis KG [1) 14)]	Mannheim	0.00	51.00	EUR	2,026.44	0.34
SL Nordlease GmbH & Co KG [1) 14)]	Mannheim	0.00	60.00	EUR	– 2,499.13	410.95
SL Operating Services GmbH i.L. [1) 14)]	Mannheim	100.00		EUR	80.41	9.60
SL RheinMainSaar Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	514.86	2.13
SL Schleswig-Holstein Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	126.41	– 0.15
SL Ventus GmbH & Co. KG [1) 14)]	Mannheim	100.00		EUR	– 193.72	361.82
SLKS GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	2,769.34	2,260.52
SLN Maschinen Leasing GmbH & Co. OHG [1) 14)]	Stuttgart	0.00	75.00	EUR	– 361.67	– 92.48
SLP Mobilien-Leasing GmbH & Co. OHG [1) 14)]	Mannheim	0.00	75.00	EUR	570.07	80.62
SPI SüdProject International GmbH i.L. [11a)]	Stuttgart	100.00		EUR	5,125.15	3.40
Städtische Pfandleihanstalt Stuttgart Aktiengesellschaft, Gemeinnützige Kreditanstalt [14)]	Stuttgart	100.00		EUR	6,410.71	481.24
Steelcase Leasing GmbH & Co KG [1) 14)]	Mannheim	100.00		EUR	241.48	10.76
Stuttgarter Aufbau Bau- und Verwaltungs-Gesellschaft mbH [4) 14)]	Stuttgart	100.00		EUR	153.39	0.00
Süd Mobilien-Leasing GmbH [1) 4a)]	Stuttgart	100.00		EUR	28.28	0.00
Süddeutsche Allgemeine Finanz- und Wirtschaftsgesellschaft mit beschränkter Haftung [1) 4a) 14)]	Mannheim	100.00		EUR	511.29	0.00
SüdImmobilien GmbH [4) 14)]	Mannheim	100.00		EUR	2,574.87	0.00
SüdLeasing d.o.o. Zagreb i. L. [1) 8)]	Zagreb, Croatia	100.00		HRK	1,483.46	– 60.32
SüdLeasing Finance-Holding GmbH [1)]	Stuttgart	100.00		EUR	180.06	– 9.30
SüdLeasing Kft. [1) 8)]	Szekszard, Hungary	100.00		HUF	328.19	– 464.55
SüdLeasing s.r.o. (Prague) [1) 14)]	Prague 1, Czech Republic	100.00		CZK	907.86	182.16
SüdLeasing Suisse AG [1)]	Unterengstringen, Switzerland	100.00		CHF	17,679.80	103.90

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
SÜDRENTING ESPANA, S.A. [1) 14)]	Barcelona, Spain	100.00		EUR	19,324.07	- 384.84
SuedLeasing Romania IFN S.A. i. L. [1)]	Bucharest, Romania	100.00		RON	822.39	- 14.49
Technologiegründerfonds Sachsen Verwaltung GmbH [1) 14)]	Leipzig	100.00		EUR	22.31	2.05
Thömen Leasing GmbH & Co. KG i.L. [1) 8)]	Mannheim	0.00	75.00	EUR	1,085.99	- 11.64
Truck Trailer Leasing GmbH & Co. KG i.L. [1) 14)]	Mannheim	0.00	60.00	EUR	- 11.15	- 6.07
Wachstumsfonds Mittelstand Sachsen Verwaltung GmbH [1) 14)]	Leipzig	100.00		EUR	30.03	4.68
WM Mobilien-Leasing GmbH & Co. KG [1) 14)]	Mannheim	0.00	75.00	EUR	1,621.93	505.76
Yankee Properties II LLC	Wilmington/Delaware, USA	0.00	100.00		n.a.	n.a.
Yankee Properties LLC [14)]	Wilmington/Delaware, USA	100.00		USD	1,115.18	- 300.49
YOZMA III GmbH & Co. KG [1) 14)]	Munich	77.14		USD	157.84	2,564.98
Zenon Mobilien-Leasing GmbH [1) 14)]	Mannheim	100.00		EUR	398.84	45.90
Zweite Karl-Scharnagl-Ring Immobilien Verwaltung GmbH [1) 14)]	Munich	100.00		EUR	33.21	1.51
1.2. Subsidiaries not included, no consolidation (SIC 12)						
AROSA FUNDING LIMITED, Series 2006-10 [14)]	St. Helier JE4 8ZB, Jersey			EUR	0.00	0.00
AROSA FUNDING LIMITED, Series 2007-4 [14)]	St. Helier JE4 8ZB, Jersey			EUR	0.00	0.00
ASPEN Lucian Ltd. [14)]	Kaim George Town, G.C. KY1 - 1104, Cayman Islands			EUR	0.00	0.00
Cairn Company Jersey No.6 Limited [14)]	St. Helier JE4 8ZB, Jersey			EUR	0.00	0.00
Cloverie Public Limited Company [14)]	Dublin 1, Ireland			EUR	0.00	0.00
HG ABS Fund plc [14)]	Dublin 1, Ireland	100.00	0.00	EUR	8,157.54	- 946.26
Hirschgarten GÜ GmbH & Co. KG [1) 14)]	Oberhaching	45.00	50.00	EUR	140.50	14.04
Kopal Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Löhr's Carré OHG [14)]	Mainz	94.00	24.00	EUR	- 11,750.45	700.95
LBBW AM-1252 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-1253 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-1254 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-1255 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-1256 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-1257 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-1258 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-1259 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-1260 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-1261 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-1262 [1) 9)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-3124 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-3125 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-3126 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW AM-7404 [1) 16)]	Stuttgart	100.00		EUR	5.00	0.00
LBBW Covered Bonds Euro Select [1)]	Stuttgart	100.00	0.00	EUR	n.a.	n.a.
LBBW Pro-Fund Absolute Return Rates [11)]	Stuttgart	100.00	0.00	EUR	11,854.06	- 149.10
Mainau Funding Ltd. [7)]	Dublin 2, Ireland			EUR	10.75	1.50
MALC Fin Fifteen Limited [8)]	Nassau, Bahamas			USD	- 10,829.75	- 6,486.73
MALC Lease Fifteen Limited [1)]	Nassau, Bahamas	100.00			n.a.	n.a.
M-Korb Funding No.1 Ltd. [7)]	Dublin 2, Ireland			EUR	- 18,975.47	- 402.63
Peter Pike Funding LLC / Rathlin Loan Ltd. [7)]	Dublin 2, Ireland			EUR	0.00	0.00
Platino S.A. [14)]	Luxembourg, Luxembourg			EUR	49.97	- 10.03
S-Fix 1 GmbH [14)]	Frankfurt			EUR	25.75	0.08
Weinberg Capital LLC	Wilmington, Delaware, USA				n.a.	n.a.
Weinberg Capital Ltd. [14)]	Dublin 2, Ireland			EUR	124.29	65.73
Weinberg Funding Ltd. [14)]	St. Helier JE4 8ZB, Jersey			EUR	5.24	0.19
Xelo plc (formerly Xelo V plc) [14)]	Dublin 2, Ireland			EUR	0.00	0.00

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
2. Joint ventures not accounted for using the equity method						
Aaron Grundstücksverwaltungsgesellschaft mbH i.L. [1) 8)]	Oberursel	50.00		EUR	– 2,051.65	– 1,350.53
Abrosa Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Sachsen I KG [14)]	Wiesbaden, Mz-Kastel	100.00	50.00	EUR	– 2,844.65	360.98
Alida Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG [1) 14)]	Pullach, Munich region	99.89	50.00	EUR	5,254.76	2,433.49
Bietigheimer Wohnungsprivatisierungsgesellschaft mbH [14)]	Bietigheim-Bissingen	50.00		EUR	14,469.07	2,530.76
Dresden Fonds GmbH [1) 14)]	Dresden	50.05		EUR	5,095.83	29.85
German Centre for Industry and Trade India Holding-GmbH [1) 14)]	Munich	50.00		EUR	1,231.36	– 1,678.58
LBBW Immobilien Verwaltung GmbH [1) 14)]	Stuttgart	50.00		EUR	40.72	5.68
MIG Immobiliengesellschaft mbH i.L [13)]	Mainz	36.36		EUR	19.95	– 13.19
Residenzpost Planen + Bauen GmbH & Co. KG [1) 14)]	Munich	50.00		EUR	– 4.03	– 2.82
Residenzpost Planen + Bauen Verwaltung GmbH [1) 14)]	Munich	50.00		EUR	4.36	– 3.82
RN Beteiligungs-GmbH i.L. [11a)]	Stuttgart	50.00		EUR	945.89	– 3.10
SHS Gesellschaft für Beteiligungen mbH & Co. Mittelstand KG [1) 8)]	Tübingen	75.02		EUR	4,833.00	340.00
SHS Venture Capital GmbH & Co. KG [1) 8)]	Tübingen	95.45		EUR	1,323.00	– 296.00
Viola Grundstücksverwaltungs-GmbH & Co. Verpachtungs KG [14)]	Pullach	99.41	50.00	EUR	3,368.29	693.62
3. Associates not accounted for using the equity method						
B+S Card Service GmbH [17)]	Frankfurt am Main	25.10		EUR	16,510.89	– 2,589.37
Bubbles and Beyond GmbH [1) 8)]	Leipzig	26.00		EUR	105.00	– 67.00
Cäcilienpark am Neckar GbR [1) 14)]	Heilbronn	33.33		EUR	763.02	164.13
CheckMobile GmbH – The Process Solution Company [1) 14)]	Stuttgart	41.13		EUR	787.88	– 261.60
Cortex Biophysik GmbH [1) 14)]	Leipzig	47.70		EUR	– 632.70	137.40
Doughty Hanson & Co. Funds III Partnership No.15 [1) 14)]	London, Great Britain	21.74		USD	9,835.82	– 151.08
Egerland Lease GmbH & Co. KG [1) 14)]	Mannheim	0.00	50.00	EUR	1,944.07	328.53
FEAG GmbH [1) 14)]	Forchheim	20.00		EUR	7,287.94	– 593.62
GLB-Verwaltungs-GmbH [14)]	Frankfurt am Main	30.00		EUR	42.13	2.68
Global Teleport GmbH i.I. [1) 8)]	Leipzig	21.42		EUR	– 2,261.03	7.24
Grundstücks-, Vermögens- und Verwaltungs- GbR 33, Leinfelden-Echterdingen/Stuttgart-Möhringen [1) 14)]	Stuttgart	24.48		EUR	52,735.39	– 1,350.40
Grundstücks-, Vermögens- und Verwaltungs- GbR 34, Wolfstor 2, Esslingen [1) 14)]	Stuttgart	27.65		EUR	10,370.04	362.74
Grundstücks-, Vermögens- und Verwaltungs- GbR 36, Stuttgart/Leinfelden-Echterdingen [1) 14)]	Stuttgart	24.99		EUR	33,055.24	– 802.81
Grundstücks-, Vermögens- und Verwaltungs- GbR 38, Stuttgart-Filderstadt [1) 14)]	Stuttgart	21.64		EUR	27,979.57	– 358.48
Grundstücks-, Vermögens- und Verwaltungs- GbR 39, Stuttgart-Fellbach [1) 14)]	Stuttgart	39.90		EUR	27,314.05	– 397.35
Grundstücks-, Vermögens- und Verwaltungs-GbR 40, Ludwigsburg »Am Schloßpark« [1) 14)]	Stuttgart	42.36		EUR	27,350.09	– 21.79
HM Grundstücks GmbH & Co. KG i.L. [1) 14)]	Leipzig	49.00		EUR	– 90.25	– 16.50
Keßler Real Estate Solutions GmbH [1) 14)]	Leipzig	27.97		EUR	543.42	260.43
Kreditgarantiegemeinschaft in Baden-Württemberg Verwaltungs-GmbH [14)]	Stuttgart	20.00		EUR	1,022.58	0.00
LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Landesfunkhaus Erfurt KG [14)]	Erfurt	99.77	24.00	EUR	– 11,909.08	751.20
M Cap Finance Deutsche Mezzanine Fonds Zweite GmbH & Co. KG [1) 14)]	Leipzig	49.75		EUR	29,481.74	690.68
Mittelständische Beteiligungsgesellschaft Sachsen mbH [14)]	Dresden	25.27		EUR	35,563.18	3,001.50
MOLWANKUM Vermietungsgesellschaft mbH & Co. Objekt Landkreis Hildburghausen KG [14)]	Düsseldorf	94.00	49.00	EUR	– 1,104.82	352.29
Prime 2006– 1 Funding L.P. [11)]	St. Helier JE4 8ZB, Jersey	47.50		EUR	0.00	– 12,214.60
RESprotect GmbH [1) 14)]	Dresden	32.80		EUR	– 1,307.98	– 125.33
Rhein-Neckar Wohnwerte Beteiligungs-Unternehmergesellschaft (limited liability) [1) 14)]	Heidelberg	33.33		EUR	– 1.07	– 0.77
Rhein-Neckar Wohnwerte Projekt-Unternehmergesellschaft (limited liability) & Co. KG [1) 14)]	Heidelberg	33.33		EUR	– 667.64	– 174.63
Ritterwand Metall-Systembau Beteiligungs GmbH [1) 14)]	Nufringen	49.97		EUR	7,366.52	1,048.74
SachsenFonds Immobilien GmbH [1) 14)]	Aschheim-Dornach	49.00		EUR	58.03	– 1.17
Siedlungswerk GmbH Wohnungs- und Städtebau [14)]	Stuttgart	25.00		EUR	205,841.45	9,296.15
SLB Leasing-Fonds GmbH & Co. Portos KG i.L. [1) 14)]	Pöcking	35.12		EUR	348.86	– 4.92
Stollmann Entwicklungs- und Vertriebs GmbH [1) 14)]	Hamburg-Bahrenfeld	29.00		EUR	1,815.28	13.51
svt Holding GmbH [1) 14)]	Seevetal	25.00	27.78	EUR	9,806.52	910.09

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
TC Objekt Bonn Beteiligungs-GmbH [1) 8)]	Soest	25.00		EUR	22.75	– 2.25
TC Objekt Darmstadt Beteiligungs-GmbH [1) 8)]	Soest	25.00		EUR	22.87	– 2.13
TC Objekt Münster Nord Beteiligungs-GmbH [1) 8)]	Soest	25.00		EUR	22.63	– 2.37
TC Objekt Münster Süd Beteiligungs-GmbH [1) 8)]	Soest	25.00		EUR	22.55	– 2.45
Technologiegründerfonds Sachsen Holding GmbH & Co. KG [1) 14)]	Leipzig	0.00	100.00	EUR	0.00	0.00
Technologiegründerfonds Sachsen Initiatoren GmbH & Co. KG [1) 14)]	Leipzig	25.00		EUR	2.24	– 0.22
Technologiegründerfonds Sachsen Management GmbH & Co. KG [1) 14)]	Leipzig	25.00		EUR	4.00	1,033.39
Technologiegründerfonds Sachsen Seed GmbH & Co. KG [1) 14)]	Leipzig	3.34		EUR	4,007.44	– 1,104.07
Technologiegründerfonds Sachsen Start up GmbH & Co. KG [1) 14)]	Leipzig	10.83		EUR	9,839.74	– 1,407.12
Wachstumsfonds Mittelstand Sachsen GmbH & Co. KG [1) 14)]	Leipzig	27.55		EUR	30,421.36	4,753.38
Wachstumsfonds Mittelstand Sachsen Initiatoren GmbH & Co. KG [1) 14)]	Leipzig	25.00		EUR	1.13	– 0.43
Wachstumsfonds Mittelstand Sachsen Management GmbH & Co. KG [1) 14)]	Leipzig	25.00		EUR	4.00	1,561.84
Wachstumsfonds Mittelstand Sachsen Plus GmbH & Co. KG [1) 14)]	Leipzig	12.72	13.72	EUR	1,808.18	– 1,493.82
Wolff & Müller Wohnbau GmbH & Co. Objekt Fürth KG [14)]	Pullach i. Isartal	5.00	25.00	EUR	– 1,473.60	96.73
yourTime Solutions GmbH [1) 14)]	Potsdam	20.11		EUR	– 626.23	– 701.76
4. Investments with a capital share of 20 % and more						
Bürgschaftsbank Sachsen GmbH [14)]	Dresden	27.96	18.44	EUR	32,831.59	2,257.43
Candover 2001 GmbH & Co. KG [1) 14)]	Frankfurt am Main	25.64		EUR	5,016.73	– 151.68
Dr. Gubelt Immobilien Vermietungs-Gesellschaft mbH & Co. Objekt Feuerwache Dresden KG [14)]	Düsseldorf	90.00	15.00	EUR	– 4,053.07	138.85
FP Lux Investments S.A. SICAV-SIF [1)]	Luxembourg, Luxembourg	28.55	15.15		n.a.	n.a.
GLB GmbH & Co. OHG [14)]	Frankfurt am Main	30.05		EUR	4,858.82	452.84
Helmut Fischer GmbH i.L. [1)]	Talheim	48.35	0.00		n.a.	n.a.
Humboldt Multi Invest B S.C.A., SICAV-FIS [2)]	Luxembourg, Luxembourg	100.00			n.a.	n.a.
INULA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG [14)]	Grünwald	80.00	18.25	EUR	– 34,312.40	2,908.38
Korin Grundstücksgesellschaft mbH & Co.Projekt 19 KG i.L. [1) 14)]	Grünwald	80.00	19.00	EUR	162.00	86.59
LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Polizei Nordhausen KG [14)]	Erfurt	100.00	15.00	EUR	– 6,257.25	396.46
LUTEA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Flöha KG [14)]	Berlin	100.00	15.00	EUR	– 4,847.53	602.80
MBG Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH [14)]	Mainz	21.74		EUR	9,653.52	730.21
PARAMOUNT GROUP REAL ESTATE FUND I, L.P. [1) 14)]	Wilmington, Delaware, USA	29.13	28.29	USD	285,370.15	– 4,340.36
Paramount Group Real Estate Fund II, L.P. [1) 14)]	Wilmington, Delaware, USA	29.13	28.29	USD	89,564.12	– 412.39
Paramount Group Real Estate Fund V (Core) [1) 14)]	Wilmington, Delaware, USA	24.51	4.99	USD	88,087.02	– 721.87
5. Investments in major corporations with a share of voting rights of at least 5 %						
Clean Car AG [1) 11)]	Meerbusch	15.00		EUR	21,560.08	2,332.40
Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung [14)]	Stuttgart	8.11		EUR	119,519.15	8,470.20
HSBC Trinkaus & Burkhardt AG [14)]	Düsseldorf	18.66		EUR	1,188,196.50	125,120.57
Imagelinx plc [1) 8)]	Kirkby-in-Ashfield, Nottinghamshire NG17 5HN, Great Britain	7.46		GBP	9,105.05	– 494.14
Südwestdeutsche Salzwerke AG [14)]	Heilbronn	6.40		EUR	102,822.00	22,308.00
VITA 34 AG [1) 14)]	Leipzig	13.84		EUR	8,676.66	– 2,214.29

1) Held indirectly.
2) Including shares held indirectly.
3) A letter of comfort exists.
3a) A letter of comfort exists on the part of a Group subsidiary for the duration of the equity investment.
3b) A letter of comfort exists as long as LBBW holds 100 % of shares.
4) A profit transfer agreement has been concluded with the company.
4a) A profit transfer and/or control agreement has been concluded with another company.
5) Equity and voting rights limited to 40 % due to the UBG status.
6) Data available only as at 31 December 2009.
7) Data available only as at 31 December 2010.
8) Data available only as at 31 December 2011.
9) Data available only as at 17 July 2012.
10) Data available only as at 31 July 2012.
11) Data available only as at 30 September 2012.
11a) Data available only as at 30 September 2012 (closing liquidation balance sheet).
12) Data available only as at 30 November 2012 (closing liquidation balance sheet).
13) Data available only as at 16 December 2012 (closing liquidation balance sheet).
14) Data available only as at 31 December 2012.
15) Data available only as at 30 April 2013.
16) Data available only as at 17 July 2013.
17) Data available only as at 30 September 2013.

77. Employees.

On average, the number of employees in the LBBW Group was as follows:

	2013			2012		
	Male	Female	Total	Male	Female	Total
Full-time	5,205	3,618	8,823	5,356	3,682	9,038
Part-time	209	2,408	2,617	247	2,354	2,601
Trainees [1)]	274	192	466	269	215	484
Total	**5,688**	**6,218**	**11,906**	**5,872**	**6,251**	**12,123**

1) Including students at universities of cooperative education.

78. Executive and supervisory bodies and positions held.

Members of the Board of Managing Directors and supervisory bodies.

Board of Managing Directors.

Chairman.

HANS-JÖRG VETTER

Deputy Chairman.

MICHAEL HORN

Members.

KARL MANFRED LOCHNER

INGO MANDT

HANS-JOACHIM STRÜDER
up to 31 Mar. 2013

DR. MARTIN SETZER
since 1 Jan. 2014

VOLKER WIRTH
since 1 Jan. 2014

Supervisory Board.

Chairman.

HANS WAGENER
Auditor, tax consultant

Deputy Chairman.

DR. NILS SCHMID MDL
Deputy Minister-President, Minister of Finance and Economics of the State of Baden-Württemberg

Members.

HANS BAUER
Employee Representative of Landesbank Baden-Württemberg

CARSTEN CLAUS
as of 1 August 2013
Chairman of the Board of Managing Directors of Kreissparkasse Böblingen

HARALD COBLENZ
Employee Representative of Landesbank Baden-Württemberg

WOLFGANG DIETZ
Lord Mayor of the town of Weil am Rhein

WALTER FRÖSCHLE
Employee Representative of Landesbank Baden-Württemberg

HELMUT HIMMELSBACH
Chairman of the Supervisory Board of Südwestdeutsche Salzwerke AG

PROF. DR. SC. TECHN. DIETER HUNDT
Chairman of the Supervisory Board of Allgaier Werke GmbH

JENS JUNGBAUER
Employee Representative of Landesbank Baden-Württemberg

BETTINA KIES-HARTMANN
Employee Representative of Landesbank Baden-Württemberg

FRITZ KUHN
from 7 January 2013
Lord Mayor of the State Capital Stuttgart

KLAUS-PETER MURAWSKI
State Secretary in the State Ministry of Baden-Württemberg and Head of the State Chancellery

GÜNTHER NOLLERT
Employee Representative of Landesbank Baden-Württemberg

DR. FRITZ OESTERLE
Attorney at law, law firm Oesterle

MARTIN PETERS
Managing Partner of the Eberspächer group of companies

NORBERT H. QUACK
Attorney at law, notary, law firm Quack Gutterer & Partner

CLAUS SCHMIEDEL MDL
Chairman of the SPD Parliamentary Group in the State Parliament of Baden-Württemberg

PETER SCHNEIDER
President of the Sparkassenverband Baden-Württemberg (the Savings Bank Association of Baden-Württemberg)

PROF. DR. WOLFGANG SCHUSTER
up to 6 January 2013
Retired Lord Mayor of the State Capital Stuttgart

DR.-ING. HANS-JOCHEM STEIM
Chairman of the Board of Hugo Kern und Liebers GmbH & Co. KG

VOLKER WIRTH
up to 30 June 2013,
Savings Bank Director, Chairman of the Board of Managing Directors of Sparkasse Singen-Radolfzell
up to 31 July 2013

NORBERT ZIPF
Employee Representative of Landesbank Baden-Württemberg

The compensation of and defined benefit pension commitments to members of the committees are broken down as follows:

EUR million	Board of Managing Directors 2013	Board of Managing Directors 2012	Member of the Supervisory Board 2013	Member of the Supervisory Board 2012
Remuneration				
Salaries, compensation and short-term benefits	4.9	4.1	1.0	1.0
Post-employment benefits (total obligations from defined benefit obligations)	9.8	12.0	0.0	0.0
Remuneration for former members and their dependents				
Salaries, compensation and short-term benefits	11.1	10.7	0.0	0.0
Post-employment benefits (total obligations from defined benefit obligations)	145.8	147.6	0.0	0.0

As at 31 December 2013, loans and advances granted to members of the Board of Managing Directors and members of the Supervisory Board amounted to EUR 3 million (previous year: EUR 3 million), with the Supervisory Board accounting for most of this amount. In addition, a guarantee in the amount of EUR 1 million (previous year: EUR 1 million) is currently in place for a member of the Supervisory Board.

Positions held.

Offices held by legal representatives of LBBW and members of the AidA[1)] Board of Managing Directors on statutory supervisory boards and similar supervisory bodies of large companies and banks, as well as offices held by employees of LBBW on statutory supervisory boards of large companies and banks are listed below:

1) Institution within the institution.

Company	Position	Incumbent
AdCapital AG, Tuttlingen	Member of the Supervisory Board	Hans-Joachim Strüder until 1 March 2013
AKA Ausfuhrkredit GmbH, Frankfurt am Main	Member of the Supervisory Board Deputy Member of the Supervisory Board	Joachim Landgraf Elvira Bergmann
Allgaier Automotive GmbH, Uhingen	Member of the Supervisory Board	Hans-Jörg Vetter as of 16 May 2013
Allgaier Werke GmbH, Uhingen	Member of the Supervisory Board	Hans-Jörg Vetter
B+S Card Service GmbH, Frankfurt am Main	Deputy Chairman of the Supervisory Board	Michael Horn
Börse-Stuttgart AG, Stuttgart	Member of the Supervisory Board Member of the Supervisory Board	Hans-Joachim Strüder until 31 March 2013 Ingo Mandt as of 1 December 2013
Bürgschaftsbank Baden-Württemberg GmbH, Stuttgart	Member of the Supervisory Board	Jürgen Kugler
Bürgschaftsbank Sachsen GmbH, Dresden	Member of the Board of Directors	Prof. Harald R. Pfab until 31 December 2013
cellent AG, Stuttgart	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board	Dr. Martin Setzer Andreas Zimber up to 10 September 2013 Eike Wahl since 15 January 2013 Günter Mattinger up to 15 January 2013 Frank Hammann since 12 September 2013
Deutscher Sparkassenverlag GmbH, Stuttgart	Member of the Supervisory Board	Hans-Jörg Vetter
European Commodity Clearing AG, Leipzig	Deputy Chairman of the Supervisory Board	Prof. Harald R. Pfab until 31 December 2013
Euwax AG, Stuttgart	Member of the Supervisory Board Member of the Supervisory Board	Hans-Joachim Strüder until 31 March 2013 Ingo Mandt as of 2 December 2013
Grieshaber Logistik AG, Weingarten	Member of the Supervisory Board	Michael Horn
HERRENKNECHT Aktiengesellschaft, Schwanau	Chairman of the Supervisory Board	Hans-Jörg Vetter
HSBC Trinkaus & Burkhardt AG, Düsseldorf	Member of the Supervisory Board	Hans-Jörg Vetter
LBBW Asset Management Investmentgesellschaft mbH, Stuttgart	Chairman of the Supervisory Board Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board	Hans-Joachim Strüder up to 31 March 2013 Hans-Jörg Vetter Member since 1 August 2013, Chairman since 9 September 2013 Dr. Peter M. Haid Deputy Chairman up to 31 March 2013, Chairman since 1 April 2013, Deputy Chairman since 9 September 2013 Helmut Dohmen Uwe Burkert from 1 April 2013 to 31 July 2013 Norwin Graf Leutrum von Ertingen Member until 31 March 2013 Deputy Chairman since 1 April 2013 Member since 6 September 2013
LBBW Bank CZ a.s., Prague	Chairman of the Supervisory Board Chairman of the Supervisory Board Member of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board	Michael Horn until 3 May 2013 Ingo Mandt Deputy Chairman until 31 May 2013, Chairman as of 1 June 2013 Dr. Armin Brendle as of 15 May 2013 Prof. Harald R. Pfab Member until 31 May 2013, Deputy Chairman until 31 December 2013 Anastasios Agathagelidis

Company	Position	Incumbent
LBBW Luxemburg S.A., Luxembourg	Chairman of the Supervisory Board	Ingo Mandt
	Deputy Chairman of the Supervisory Board	Hans-Joachim Strüder until 31 March 2013
	Deputy Chairman of the Supervisory Board	Berthold Veil Member until 23 April 2013 Deputy Chairman since 24 April 2013
	Member of the Supervisory Board	Torsten Biesel since 1 April 2013
LBBW (Schweiz) AG, Zurich	Chairman of the Board of Directors	Dr. Peter M. Haid
LHI Leasing GmbH, Pullach	Chairman of the Supervisory Board	Hans-Jörg Vetter
	Member of the Supervisory Board	Ingo Mandt
	Member of the Supervisory Board	Karl Manfred Lochner
MKB Mittelrheinische Bank GmbH, Koblenz	Chairman of the Supervisory Board	Karl Manfred Lochner
	Deputy Chairman of the Supervisory Board	Ingo Mandt up to 31 July 2013
	Member of the Supervisory Board	Stefan Zeidler up to 28 March 2013
	Deputy Chairman of the Supervisory Board	Volker Wirth Member since 1 August 2013, Deputy Chairman since 12 September 2013
	Member of the Supervisory Board	Peter Hähner since 1 December 2013
MMV-Leasing GmbH, Koblenz	Chairman of the Advisory Board	Karl Manfred Lochner
	Deputy Chairman of the Advisory Board	Ingo Mandt up to 31 July 2013
	Member of the Advisory Board	Stefan Zeidler up to 28 March 2013
	Deputy Chairman of the Advisory Board	Volker Wirth Member since 1 August 2013, Deputy Chairman since 12 September 2013
	Member of the Advisory Board	Peter Hähner since 1 December 2013
Progress-Werke Oberkirch AG, Oberkirch	Member of the Supervisory Board	Dr. Georg Hengstberger since 22 May 2013
Schlossgartenbau AG, Stuttgart	Chairman of the Supervisory Board	Achim Kern
	Deputy Chairman of the Supervisory Board	Dieter Hildebrand
Schweizerische National-Versicherungs-Gesellschaft, Basel	Member of the Board of Directors	Hans-Jörg Vetter up to 6 May 2013
Siedlungswerk GmbH Wohnungs- und Städtebau, Stuttgart	Deputy Chairman of the Supervisory Board	Michael Horn
	Member of the Supervisory Board	Thorsten Schönenberger
	Member of the Supervisory Board	Thomas Christian Schulz since 1 April 2013
	Member of the Supervisory Board	Peter Grosse Wiesmann up to 31 March 2013
SüdFactoring GmbH, Stuttgar	Chairman of the Supervisory Board	Karl Manfred Lochner
	Deputy Chairman of the Supervisory Board	Ingo Mandt up to 31 July 2013
	Deputy Chairman of the Supervisory Board	Volker Wirth Member since 1 August 2013 Deputy Chairman since 19 September 2013
	Member of the Supervisory Board	Norwin Graf Leutrum von Ertingen
SüdLeasing GmbH, Stuttgart	Chairman of the Supervisory Board	Karl Manfred Lochner
	Deputy Chairman of the Supervisory Board	Ingo Mandt up to 31 July 2013
	Deputy Chairman of the Supervisory Board	Volker Wirth Member since 1 August 2013 Deputy Chairman since 19 September 2013
	Member of the Supervisory Board	Norwin Graf Leutrum von Ertingen
Universal-Investment-Gesellschaft mbH, Frankfurt am Main	Supervisory Board	Hans-Joachim Strüder up to 31 March 22013
Vorarlberger Landes- und Hypothekenbank AG, Bregenz	Member of the Supervisory Board	Michael Horn
VPV Lebensversicherungs-Aktiengesellschaft, Stuttgart	Member of the Supervisory Board	Claudia Diem since 21 June 2013
Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg	Member of the Supervisory Board	Hans-Joachim Strüder up to 31 March 2013
Wieland-Werke AG, Ulm	Supervisory Board	Hans-Jörg Vetter since 8 March 2013

Further information.

Responsibility statement.

To the best of our knowledge, and in accordance with the applicable financial reporting framework, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the combined management report gives a true and fair view 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 future development of the Group.

Stuttgart, Karlsruhe, Mannheim and Mainz, 4 March 2014

The Board of Managing Directors



HANS-JÖRG VETTER
Chairman



MICHAEL HORN
Deputy Chairman



DR. MARTIN SETZER



INGO MANDT



VOLKER WIRTH



KARL MANFRED LOCHNER

Auditor's report.

»We have audited the consolidated financial statements prepared by Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim and Mainz, comprising the income statement, total comprehensive income, balance sheet, statement of changes in equity, cash flow statement and the notes to the financial statements, together with its report on the position of the Company and the Group (combined management report) for the financial year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [HGB] are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code [HGB] and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [HGB] and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.«

Stuttgart, 11 March 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

KOCHOLL
Wirtschaftsprüfer
(German Public Auditor)

EISELE
Wirtschaftsprüfer
(German Public Auditor)

Note regarding forward-looking statements.

This Annual Report contains forward-looking statements. Forward-looking statements are identified by the use of words such as »expect«, »intend«, »anticipate«, »plan«, »believe«, »assume«, »aim«, »estimate«, »will«, »shall«, »forecast« and similar expressions. These statements are based on the current estimates and forecasts by the Board of Managing Directors as well as on currently available information. Forward-looking statements are not deemed to be guarantees of the future developments and results set out therein and involve a number of risks and uncertainties. If any of these or other risks or uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may differ materially from those expressed or implied by such statements.

The LBBW Group assumes no obligation to continuously update any forward-looking statements, as these are based solely on the circumstances valid on the day of publication.

Advisory Board of LBBW/BW-Bank.

PROF. DR. ULRICH ABSHAGEN
until 31 December 2013
Sole shareholder of Heidelberg Innovation Fonds Management GmbH, Heidelberg

WILLEM G. VAN AGTMAEL
Honorary Consul of the Kingdom of the Netherlands,
Managing Shareholder of catalpa GmbH, Stuttgart

THOMAS ARTMANN
Karlsruhe

DR. STEFAN ASENKERSCHBAUMER
Deputy Chairman of Management of Robert Bosch GmbH,
Gerlingen

HELMUT AURENZ
Honorary Consul of Estonia, Senator h.c.,
Isny in Allgäu

BARBARA BAUER
Member of the Board of Evangelische Landeskirche in Baden, Karlsruhe

HUBERTUS VON BAUMBACH
Member of the Management of Boehringer Ingelheim GmbH,
Ingelheim am Rhein

ALBERT BERNER
Chairman of the Supervisory Board of Berner Gruppe, Künzelsau

DIETMAR BICHLER
as of 1 January 2014
Chairman of the Board of Managing Directors of Bertrandt AG, Ehningen

DR. CHRISTOF BOSCH
Königsdorf

PETER BOUDGOUST
until 31 July 2013
Director of Südwestrundfunk, Stuttgart

PEER-MICHAEL DICK
Lawyer, General Manager of SÜDWESTMETALL Verband der Metall- und Elektroindustrie Baden-Württemberg e. V., Stuttgart

DIPL.-KFM. WOLF-GERD DIEFFENBACHER
Managing Shareholder of Dieffenbacher GmbH + Co. KG,
Eppingen

RALF DIETER
Chairman of the Board of Managing Directors of Dürr AG, Bietigheim-Bissingen

PROF. DR. RER. POL. ANDREAS DULGER
Honorary Consul of the Republic of Paraguay,
Chairman of the Management of ProMinent Dosiertechnik GmbH, Heidelberg

DR. HANS-ULRICH ENGEL
Member of the Board of Managing Directors of BASF SE, Ludwigshafen

DIPL.-ING. LIC. OEC. KLAUS ENSINGER
Managing Director of Ensinger GmbH Technische Kunststoffe, Nufringen

DR. ALEXANDER ERDLAND
Chairman of the Board of Managing Directors of Wüstenrot & Württembergische AG, Stuttgart

DR. MARKUS FAULHABER
Chairman of the Board of Managing Directors of Allianz Lebensversicherungs-AG, Stuttgart

PROF. E. H. KLAUS FISCHER
Senator E. h. mult.
Owner and Chairman of the Management of the fischer Group,
fischer holding GmbH & Co. KG, Waldachtal

DR. WOLFGANG FISCHER
Member of the Boards of Managing Directors of Stuttgarter Versicherungsgruppe, Stuttgart

PROF. DR. DR. H. C. MULT. WOLFGANG FRANZ
until 31 December 2013
Mannheim

DR. WOLFRAM FREUDENBERG
Chairman of the Board of Partners of Freudenberg & Co. KG, Weinheim

HANS-GEORG FREY
Chairman of the Board of Managing Directors of Jungheinrich AG, Hamburg

DIPL.-KFM. KLAUS FURLER
until 31 December 2013
Managing Partner of Koehler Holding GmbH & Co. KG, Stuttgart

DIPL.-KFM. HORST H. GEIDEL
until 31 December 2013
Chairman of the Supervisory Board of Behr GmbH & Co. KG, Stuttgart

DR. JÜRGEN GUTBROD
until 31 December 2013
Managing Shareholder of W. Kohlhammer GmbH, Stuttgart

DR. RAINER HÄGELE
until 31 December 2013
Director General (retired), Stuttgart

THOMAS HANDTMANN
as of 25 February 2013
Managing Director of Albert Handtmann Holding GmbH & Co. KG, Biberach

HANS-JOACHIM HAUG
Director, Chairman of the Board of Managing Directors of Württembergische Gemeinde-Versicherung a.G., Stuttgart

DR. JOHANNES HAUPT
Chairman of the Management/CEO of E.G.O. Elektro-Gerätebau GmbH, Oberderdingen

DIPL.-ING. BERNDT HELLER
until 31 December 2013
Senator E. h., Chairman of the Supervisory Board of Gebr. Heller Maschinenfabrik GmbH, Nürtingen

HANS JOCHEN HENKE
until 31 December 2013
Lawyer, State Secretary (retired), Stuttgart

DR. CHRISTOPHER HERMANN
Chairman of the Board of Managing Directors of AOK Baden-Württemberg, Stuttgart

TILMANN HESSELBARTH
Chairman of the Board of Managing Directors of LBS Landesbausparkasse Baden-Württemberg, Stuttgart

MICHAEL HIMMELSBACH
Archiepiscopal Bishopric, Seat of the Freiburg Archdiocese, Freiburg i. Br.

DR.-ING. RAINER HOFMEISTER
until 31 December 2013
Managing Partner of HGI Gewerbeimmobilien GmbH & Co. KG and Managing Director of industrie automation GmbH & Co. KG, Heidelberg

S. D. KRAFT ERBPRINZ ZU HOHENLOHE-OEHRINGEN
Fürst zu Hohenlohe-Oehringen'sche Verwaltung, Öhringen

S. H. KARL FRIEDRICH FÜRST VON HOHENZOLLERN LIC. RER. POL.
Company Group
Fürst von Hohenzollern, Sigmaringen

FRANK B. JEHLE
as of 1 January 2014
Deputy Chairman of the Management of MANN + HUMMEL Holding GmbH, Ludwigsburg

HARTMUT JENNER
Chairman of the Management of Alfred Kärcher GmbH & Co. KG Reinigungssysteme, Winnenden

PROF. DR.-ING. HEINZ K. JUNKER
Chairman of the Management of MAHLE GmbH, Stuttgart

DANIEL F. JUST
as of 25 February 2013
Chairman of the Board of Managing Directors of Bayerische Versorgungskammer, Munich

HEINZ KÄLBERER
until 31 December 2013
Lord Mayor (retired) of the Town of Vaihingen an der Enz

DIPL.-KFM. DIRK KALIEBE
Member of the Board of Managing Directors of Heidelberger Druckmaschinen AG, Heidelberg

JOACHIM KALTMAIER
Member of the Management of Würth-Gruppe, Künzelsau

DR. BERTRAM KANDZIORA
as of 1 January 2014
Chairman of the Board of Managing Directors of Stihl AG, Waiblingen

DR. MARTIN KASTRUP
Member of the Board and Head of Finance and IT at Evangelische Landeskirche in Württemberg, Stuttgart

DR. RER. POL. ERWIN KERN
Chairman of the Board of Managing Directors of Kies und Beton AG Baden-Baden, Iffezheim

DR. HANS-EBERHARD KOCH
Managing Director of Witzenmann GmbH, Pforzheim

PROF. DR. RENATE KÖCHER
Managing Director of Institut für Demoskopie Allensbach Gesellschaft zum Studium der öffentlichen Meinung mbH, Allensbach am Bodensee

DIPL.-VOLKSWIRT STEFAN KÖLBL
Chairman of the Boards of Managing Directors of DEKRA e.V./DEKRA AG, Stuttgart

THOMAS KÖLBL
Member of the Board of Managing Directors of Südzucker AG, Mannheim/ Ochsenfurt, Mannheim

ANDREAS KOHM
Shareholder of mail-order business Klingel K-Mail-Order GmbH & Co. KG, Pforzheim

DIETMAR KRAUSS
Managing Director, Seat of the Rottenburg-Stuttgart Diocese, Rottenburg

DR.-ING. DIETER KRESS
Managing Partner of MAPAL Präzisionswerkzeuge Dr. Kress KG, Aalen

HARALD KROENER
Chairman of the Board of Managing Directors of Wieland-Werke AG, Ulm

DR. PETER KULITZ
President of the Ulm Chamber of Industry and Commerce, Managing Partner of ESTA Apparatebau GmbH & Co. KG, Ulm

ANDREAS LAPP
Honorary Consul of India,
Chairman of the Board of Managing Directors of Lapp Holding AG, Stuttgart

VITTORIO LAZARIDIS
City Councilor, Stuttgart

DIETER LEBZELTER
as of 1 January 2014
Managing Director of IMS Gear GmbH, Donaueschingen

DR. PHIL. NICOLA LEIBINGER-KAMMÜLLER
Chairman of the Management, Managing Partner of TRUMPF GmbH + Co. KG, Ditzingen

DR. HUBERT LIENHARD
Chairman of the Management of Voith GmbH, Heidenheim

REINHARD LOHMANN
as of 1 January 2014
Chairman of the Board of Managing Directors of Rethmann AG & Co. KG, Selm

DIETER MAIER
until 31 December 2013
Stuttgart

DR. UTE MAIER
Chairman of the Board of Managing Directors of Kassenzahnärztliche Vereinigung Baden-Württemberg, Tübingen

DIPL.-VOLKSWIRT DR. VOLKMAR MAIR
until 31 December 2013
Chairman of the Advisory Board of MAIRDUMONT GmbH & Co. KG, Ostfildern

DR. HARALD MARQUARDT
Managing Director of Marquardt GmbH, Rietheim-Weilheim

DR. FRANK MASTIAUX
as of 1 January 2014
Chairman of the Board of Managing Directors of EnBW Energie Baden-Württemberg AG, Karlsruhe

DIPL.-KFM. MICHAEL MÖLLEKEN
Member of the Board of Managing Directors of Festo AG & Co. KG, Esslingen

DR. HERBERT MÜLLER
until 31 December 2013
Honorary Consul of Finland, Hessigheim

JOACHIM MÜLLER
as of 1 January 2014
Member of the Board of Managing Directors of Bilfinger SE, Mannheim

DR. MICHAEL MÜNZING
Managing Shareholder of Münzing Chemie GmbH, Heilbronn

KLAUS MUTSCHLER
Zurich

ASS. JUR. HEINZ OHNMACHT
Managing Director, Chairman of the Boards of Managing Directors of Badischer Gemeinde-Versicherungs-Verband, Badische Allgemeine Versicherung AG, Karlsruhe

DR. JOACHIM OTT
until 31 December 2013
Chairman of the Management of Bilfinger Berger Facility Services GmbH, Neu-Isenburg

DR. WOLFGANG PALM
Managing Partner of Papierfabrik Palm GmbH & Co. KG, Aalen

MARTIN PETERS
CFO/Managing Partner of Eberspächer Group, Esslingen

HANS H. PFEIFER
City Councilor, Stuttgart

DIPL.-WIRTSCH.-ING.
HANS DIETER PÖTSCH
Member of the Board of Managing Directors of VOLKSWAGEN Aktiengesellschaft, Wolfsburg

MARTIN PUTSCH, MBA
Managing Shareholder of RECARO Holding GmbH, Stuttgart

DR. RICHARD REBMANN
Managing Director of Südwestdeutsche Medien Holding GmbH, Stuttgart

FRANK REIMOLD
Director of Kommunaler Versorgungsverband Baden-Württemberg, Karlsruhe

DIPL.-BETRIEBSWIRT
CLEMENS ROSENSTIEL
until 31 December 2013
Friedenweiler

DIPL.-ING. ULRICH RUETZ
until 31 December 2013
Ludwigsburg

DR. THOMAS SCHÄUBLE
until 3 January 2013
Sole Managing Director of Badische Staatsbrauerei Rothaus AG, Grafenhausen-Rothaus

PROF. H. C. DIPL.-ING.
KARL SCHLECHT
Senator h.c., Chairman of the Board of Managing Directors of Karl Schlecht-Gemeinnützige Stiftung (K.S.G.), Aichtal

DIPL.-KFM. EDUARD SCHLEICHER
Shareholder of SCHWENK Zement KG, Ulm

DR. STEFAN SCHMALE
as of 1 January 2014
Managing Director of Paulaner Brauerei GmbH & Co. KG, Munich

DIPL.-BETRIEBSWIRT
MARTIN SCHOMAKER
Chairman of the Board of Managing Directors of R. Stahl AG, Waldenburg

DR. ROBERT SCHULER-VOITH
Managing Shareholder of Mercura Capital GmbH, Munich

DIETER SCHWARZ
General Manager of Unternehmensgruppe Schwarz, Neckarsulm

HEINZ SEIFFERT
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THOMAS WEIDINGER
Attorney at law, law firm Weidinger/Richtscheid Rechtsanwälte, Leipzig

DR.-ING. FLORIAN WENDT
Managing Director of ACTech GmbH, Freiberg

LBBW

www.LBBW.de
kontakt@LBBW.de

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www.LBBW.de
kontakt@lbbw.de

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The LBBW Group at a glance.

Landesbank Baden-Württemberg (LBBW).

As a universal and commercial bank, LBBW, together with its regional retail banks BW-Bank, Rheinland-Pfalz Bank, and Sachsen Bank, offers every type of business provided by a modern bank at around 200 branches and offices nationwide.

Strategically, LBBW focuses on its customer-oriented core business with growth prospects especially in the regions of Baden-Württemberg, Rhineland-Palatinate, and Saxony, and the respective neighboring regions. Business activities focus on corporate and private customers as well as the savings banks there. This is accompanied by efficient real estate financing and capital market products, which are also targeted at institutional customers. A further aspect of the business model is customer-oriented foreign business.

As the umbrella of the LBBW Group, LBBW (Bank) performs a controlling function within the Group. The management of large corporates operating across Germany and internationally, capital markets business, real estate financing and the Bank's function as the central bank for savings banks in Baden-Württemberg, Rhineland-Palatinate, and Saxony are also based here.

Baden-Württembergische Bank (BW-Bank).

BW-Bank's customer portfolio comprises corporate and private customers primarily in the core market of Baden-Württemberg; it also selectively supports corporate customers in Bavaria. BW-Bank targets SMEs and wealthy private customers. In addition, it provides wealth management services for high-net-worth customers.

Within the state capital of Stuttgart BW-Bank acts as a municipal savings bank.

Rheinland-Pfalz Bank.

Rheinland-Pfalz Bank focuses particularly on SME business in Rhineland-Palatinate, North-Rhine Westphalia and Hesse. It also addresses wealthy private customers in its core market of Rhineland-Palatinate and neighboring regions.

Sachsen Bank.

The LBBW Group uses Sachsen Bank to pool its medium-sized corporate customer and wealthy private customer business in Saxony and the neighboring economic areas.

Additional Group companies.

The range of services and products offered by LBBW is enhanced by subsidiaries specializing in specific business areas, such as leasing, factoring, asset management, real estate, and equity funding.

Landesbank Baden-Württemberg
Headquarters

Stuttgart
70144 Stuttgart, Germany
Am Hauptbahnhof 2
70173 Stuttgart, Germany
Phone +49 (0) 711 127-0
Fax +49 (0) 711 127-43544
www.LBBW.de
kontakt@LBBW.de

Karlsruhe
D-76245 Karlsruhe
Ludwig-Erhard-Allee 4
D-76131 Karlsruhe
Phone +49 (0) 721 142-0
Fax +49 (0) 721 142-23012
www.LBBW.de
kontakt@LBBW.de

Mannheim
P. O. Box 100352
D-68003 Mannheim
Augustaanlage 33
D-68165 Mannheim
Phone +49 (0) 621 428-0
Fax +49 (0) 621 428-72591
www.LBBW.de
kontakt@LBBW.de

Mainz
D-55098 Mainz
Grosse Bleiche 54–56
D-55116 Mainz
Phone +49 (0) 6131 64-37800
Fax +49 (0) 6131 64-35701
www.LBBW.de
kontakt@LBBW.de

LBBW