Half-yearly Financial Report 2011.

Landesbank Baden-Württemberg

LBBW

Key Figures of the LBBW Group.

Income statement (EUR million)	Jan. 1, – June 30, 2011	Jan. 1, – June 30, 2010
Net interest income	1 203	1 257
Allowance for losses on loans and advances	– 84	– 297
Net fee and commission income	272	316
Net trading income/loss [1]	460	– 710
Other operating income [2]	103	73
Administrative expenses	– 861	– 877
Net income/loss from investment securities	– 321	136
Net income/loss from investments accounted for using the equity method and from profit/loss transfer agreements	– 3	– 12
Operating loss/profit	769	– 114
Goodwill impairment	– 15	0
Restructuring expenses	– 1	– 54
Guarantee commission for Baden-Württemberg	– 152	– 153
Consolidated profit/loss before tax	601	– 321
Income tax income (+)/income tax expense (–)	– 225	31
Consolidated loss for the period (–)/profit for the period (+)	376	– 290

Balance sheet figures (EUR billion)	June 30, 2011	Dec. 31, 2010
Total assets	354.8	374.4
Risk position	106.4	120.7
Equity [3]	21.2	21.1

Regulatory figures	June 30, 2011	Dec. 31, 2010
Core capital (EUR billion)	14.2	13.8
Own funds (EUR billion)	18.9	18.5
Core capital ratio (Tier 1 ratio) (in %)	13.3	11.4
Total ratio in accordance with SolvV (in %)	17.7	15.3

Employees	June 30, 2011	Dec. 31, 2010
Group	12 526	13 061

Rating (August 11, 2011)

Rating agency	Long-term rating	Long-term rating	Financial strength	»Pfandbriefe« (public covered bonds)	»Pfandbriefe« (mortgage-backed covered bonds
	guaranteed obligations	unguaranteed obligations			
Moody's Investors Service	Aaa	Aa2 [4]	C– [4]	Aaa	Aaa
Fitch Ratings	AAA	A+	bbb – [5]	AAA	–

1) In addition to net trading income/loss, this item also includes net income/loss from financial instruments designated at fair value and the net income/loss from hedging transactions.
2) In addition to other operating income/expenses, this item also includes net income from investment property.
3) Equity plus subordinated debt.
4) Outlook: Rating watch negative.
5) Rescaling of the previous financial strength rating (now: viability rating) by the rating agency in line with the long-term rating.

2011

Foreword by the Board of Managing Directors.

DEAR CUSTOMERS, DEAR BUSINESS PARTNERS OF THE LBBW GROUP,

Despite continued difficult conditions, which again have recently assumed unmistakably crisis-like elements, we are able to report on generally encouraging performance in our customer business as well as in our ongoing restructuring efforts in the first half of 2011. This allowed us to achieve consolidated earnings before tax of EUR 601 million.

Our corporate customer business in particular was encouraging against the backdrop of robust growth in the German economy, accompanied by a manageable level of allowances for losses on loans and advances and favorable exceptional effects. At the same time, we were able to rely on stable performance in our business with private customers, while customer-oriented capital market business also made a positive contribution to earnings.

Given the increasingly volatile conditions in the financial markets in the second quarter in particular, LBBW's decision to step up efforts to reduce credit derivatives and securities holdings involving heavy exposure to market volatility was vindicated despite the expense which this entailed. In the first six months of 2011, we were able to again reduce our credit investment portfolio substantially by a further EUR 14 billion compared with the end of 2010 to EUR 40 billion. Thereof about EUR 29 billion relate to the non-guaranteed portfolio. In the same period of time, our risk-weighted assets contracted from EUR 121 billion to EUR 106 billion, while our total assets dropped from EUR 374 billion to EUR 355 billion. This currently puts us substantially ahead of our restructuring schedule.

Despite the considerable progress made in running off the credit investment portfolio, developments in Greece exerted considerable pressure on our financial statements in the first half of the year. As of June 30, 2011, we had written down Greek government bonds to market value by around 50%, resulting in expense of EUR 300 million, which showed in the consolidated income statement. Further Greek-related expense of EUR 156 million arose in connection with the dissolution of a derivative structure.

The cost-cutting activities adopted as part of the restructuring program are making sound progress. However, the savings achieved in the first half of the year are concealed somewhat by the bank levy, which was included within administrative expenses for the first time on a time-proportionate basis to the amount of EUR 29 million. This levy will considerably burden the bank this year.

We are also on schedule with our efforts to reduce our equity holdings. The sale of our share in DekaBank to the German savings banks in the first half of 2011 marked an important milestone in this respect and, alongside the sale of other smaller equity holdings, visibly had a positive effect on our financial accounts for the first half of the year.

In the first six months of 2011, the LBBW Group's core tier 1 capital ratio improved again substantially and now stands at 13.3 %. Accordingly, we consider ourselves to have solid capital resources. Further proof of this can also be seen in our favorable performance in this year's bank stress test conducted by the new European Banking Authority (EBA).

Given the currently ongoing loss of confidence in an imminent solution to the sovereign debt crisis and mounting concerns at the prospect of slower growth in the global economy, we expect the remaining months of the year to prove challenging. Against the backdrop of the pronounced prevailing uncertainty and market turmoil as well as the exceptionals included in our earnings for the first half of the year, our performance in the first six months cannot be taken as guidance for our full-year earnings. However, looking forward to the second half of the year, we will be doing everything we can together with our employees to achieve our goal of posting a profit for 2011.

We would like to take this opportunity to thank our customers, our business partners and our owners for their confidence and the excellent relations in which they demonstrate their commitment to us.

Sincerely,

The Board of Managing Directors

HANS-JÖRG VETTER
Chairman

MICHAEL HORN
Deputy Chairman

INGO MANDT

JOACHIM E. SCHIELKE

HANS-JOACHIM STRÜDER

RUDOLF ZIPF

Interim Group Management Report.

Economic Development in the First Half of 2011.

The economic environment worldwide worsened in 2011 compared to the previous year. According to IMF estimates from June 2011, the global economy is set to grow by 4.3 % this year following 5.1 % growth in 2010. In the IMF's view, the industrial countries will grow by 2.2 %. The group of developing countries, or the emerging markets, is forecast to boost its economic performance by 6.6 % this year, after 7.4 % in 2010. In the USA the upturn continued in the reporting period, but its momentum remained far below expectations. After the U.S. economy grew at an annualized rate of 3.1 % in the final quarter of last year, a growth rate of just 0.4 % was posted in the first quarter of this year.

In the euro zone as a whole economic growth of 0.8 % was achieved in the first quarter, supported by positive developments in Germany among other factors. In several euro-zone countries pressures due to the debt crisis, and especially the sharp increase in the real interest rate, had a negative impact. Greece, for example, posted real GDP growth of just 0.2 % in the first quarter of 2011 versus the previous quarter. Compared to the previous year economic output even fell by 5.5 %. This means that the country is in a deep recession, and Portugal is in the same position.

Among the major industrial countries Germany was one of the strongest growth countries in the first half of the year. Supported by strong demand for exports and capital goods (+ 2.3 % and + 4.2 %, respectively), as well as a construction industry that has more than compensated for the collapse in winter 2010 (+ 6.2 %, up from – 2.6 %), Germany posted growth of 1.3 % in the first quarter of 2011 versus the previous quarter. The real economic losses resulting from the financial and economic crisis of 2008/2009 could be fully recuperated by the first quarter of 2011 and far more quickly than expected. In the second quarter of 2011 the pace of expansion of the German economy slowed down substantially, however. With economic growth of only 0.1 % quarter on quarter it fell substantially short of expectations. High average economic growth in the first six months was reflected in the sustained improvement in the employment market. The seasonally adjusted unemployment rate fell to 7 % in June 2011. Employment numbers increased to 40.982 million in June 2011, the last month for which figures are already available. In June 2010 this figure had stood at 40.368 million.

The higher inflation rate turned into a strain factor. Driven primarily by high oil prices – North Sea Brent rose from USD 95/barrel at the beginning of the year to USD 125/barrel in April, before decreasing slightly to a range of USD 110 – 120/barrel – the increase in consumer prices in the euro zone accelerated from 1.9 % in November 2010 to 2.8 % in April 2011. In June the inflation rate of 2.7 % was also still clearly above the area of »below, but close to 2 %« considered acceptable by the ECB. In Germany the inflation rate rose from 1.6 % in November 2010 to a temporary high of 2.4 % in April on the basis of the national consumer price index.

In the financial markets concerns over state finances dominated events in the reporting period. Initially the euro zone was the focus of attention. For over one and a half years the euro zone has been plagued by the fear of a payment default by one or several of its members. The first half of this year was also overshadowed by the debt crisis, which even intensified during this period. After Greece was obliged to accept aid from the other EMU states in April 2010, followed by Ireland in November 2010, Portugal was next in April 2011. As a result of soaring risk premiums Portugal was effectively cut off from financing via the capital market. Moreover, it became increasingly clear that, contrary to the original plan of May 2010, Greece’s return to the capital market in 2011 or 2012 is not realistic and that a second aid package would thus be required. Skepticism in the financial markets with regard to Greece was reinforced by further downgrades by the three major rating agencies, which ultimately rated Greece with CCC (S&P and Fitch) and Caa1 (Moody’s), thus signaling the danger of an imminent payment default. In this environment, yields on 10-year Greek bonds increased to almost 18 %, while at the short end of the market, yields on 2-year bonds came to around 40 %. In the wake of fears over Greece, yields for Ireland and Portugal also increased strongly to over 13 % and almost 14 %, respectively, for 10-year residual terms. Against this backdrop, German Federal bonds were sought after as a safe haven and their yields reached record annual lows in the summer of 2011. Ten-year bonds yielded 3.01 % on June 30 despite two rate hikes by the ECB, which, after almost two years of sticking to a low of 1.00 %, raised its rate by 25 basis points for the first time in April, followed by another interest rate hike in July to 1.50 %. In view of this tightening of monetary policy, the 3 month Euribor increased from 0.99 % to 1.55 % at the end of June.

Due to an agreement reached between the euro-zone states with the help of the banking sector the debt crisis was initially contained. At the summit on July 21, 2011 the states agreed to a second bailout package for Greece totaling EUR 109 billion. In addition, the remit of the European Financial Stability Facility (EFSF) created in May 2010 was broadened to enable the EFSF to also act preventatively and buy euro-zone sovereign bonds in the secondary market. In addition, the Institute of International Finance (IIF) proposed an agreement regarding the voluntary exchange of existing Greece bonds for new bonds with a longer maturity. The choices agreed upon provide for the exchange of existing bonds for new longer-dated bonds, as well as reduced nominal values if necessary. The new bonds will be fully or partially secured according to the Brady bond model used to help surmount the Latin American debt crisis in the 1980s. In the view of heads of state or government, this bond swap should give Greece debt relief worth EUR 37 billion. On the markets, investors’ favorable response was short-lived.

In the foreign exchange markets concern over the cohesion of monetary union led to a drop in the value of the euro against the Swiss franc, which is deemed safer. Whereas almost 1.25 Swiss francs had to be paid for one euro in January 2011, by June 30, 2011 this figure had slipped to around 1.21. In fact, a low of 1.15 Swiss francs per euro was reached in the first half of the year. Against the Japanese yen and the U.S. dollar, on the other hand, the euro hardly lost any ground. While concerns over a break-up of monetary union seemed to be a reasonably hypothetical event for many market participants, the heavy earthquake in Japan in March 2011 and the discussion in the United States over raising the debt ceiling were real events. 1 euro was worth 116 yen on June 30, 2011, while this figure was just over 108 yen at the start of the year. The euro strengthened against the U.S. dollar from 1.34 to 1.45 over the same period.

The LBBW Group's Business Performance.

Results of Net Assets, Financial Position and Operations.

Results of Operations.

The Group closed the first six months of 2011 with encouraging earnings before tax of EUR 601 million given the underlying macroeconomic conditions.

In condensed form, the figures of the income statement are as follows:

	Jan. 1 – June 30, 2011	Jan. 1 – – June 30, 2010	Change	
	EUR million	EUR million	EUR million	in %
1. Net interest income	1 203	1 257	– 54	– 4.3
2. Allowance for losses on loans and advances	– 84	– 297	213	– 71.7
3. Net fee and commission income [1]	272	316	– 44	– 13.9
4. Net trading income/loss [2]	460	– 710	1 170	–
5. Other operating income [3]	103	73	30	41.1
6. Total operating income (after allowance for losses on loans and advances)	**1 954**	**639**	**1 315**	**>100.0**
7. Administrative expenses	– 861	– 877	16	– 1.8
8. Net income/loss from investment securities	– 321	136	– 457	–
9. Net income/loss from investments accounted for using the equity method and from profit/loss transfer agreements	– 3	– 12	9	– 75.0
10. Operating loss/profit	**769**	**– 114**	**883**	**–**
11. Goodwill impairment	– 15	0	– 15	100.0
12. Restructuring expenses	– 1	– 54	53	– 98.1
13. Guarantee commission for Baden-Württemberg	– 152	– 153	1	– 0.7
14. Consolidated profit/loss before tax	**601**	**– 321**	**922**	**–**
15. Income tax income (+)/income tax expense (–)	– 225	31	– 256	–
16. Consolidated loss for the period (–)/ profit for the period (+)	**376**	**– 290**	**666**	**–**

1) For the sake of transparency commission income is reported without the commission guarantee for Baden-Württemberg (see item Nr. 13).
2) In addition to net trading income/loss, this item also includes net income/loss from financial instruments designated at fair value and the net income/loss from hedging transactions.
3) In addition to other operating income/expenses, this item also includes net income from investment property.

LBBW Group Asserting Itself in Difficult Market Conditions.

The difficult conditions in the financial markets in the second quarter again formed the backdrop for the LBBW Group's business performance in the first half of 2011. The state of the real economy in Germany had a positive effect on the Group's operating business. Thus, the LBBW Group was able to make substantial progress in regaining its profitability in the first six months of 2011. At EUR 769 million, the operating result was positive. In addition to still profitable core banking business, exceptional effects furthermore made themselves felt in the first half of 2011. In addition to declining credit spreads in credit-sensitive financial products, proceeds were generated from the sale of equity interests. Operating earnings were weighed down from a risk aspect by the continuing run-off of the credit investment portfolio (CIP) and the impact of the sovereign debt crisis in the euro zone on earnings.

In March of this year, Portugal was forced to seek financial aid from the other members of the euro zone, the third euro-zone country to do so. Thereafter, it became increasingly clear that Greece would require an additional bail-out program. Toward the middle of the year, this crisis worsened to such a degree that an extraordinary EU summit was held in July, 2011. This summit adopted a new bail-out package that, contrary to earlier ones, provided for the voluntary involvement of private creditors for the first time. At the special euro-zone summit held on July 21, 2011, banks and insurers agreed to make a contribution to support Greece. According to calculations by the IIF (Institute of International Finance), the potential exchange of bonds would result in impairments of 21 % on instruments expiring by 2020.
During the reporting period LBBW wrote down Greek bonds to their fair value of EUR 300 million, equivalent to around 50% of their nominal value. Furthermore, a derivatives structure was reversed in the context of the reduction of the Bank's Greek exposure, resulting in the realization of expenditure totaling EUR – 156 million.

LBBW's Consolidated Income Statement.

The LBBW Group generated **net interest income** of EUR 1 203 million in the first half of 2011, down 4.3 % or EUR – 54 million on the same period in the previous year. The decline in net interest income is attributable mainly to the reduction of loan volumes, particularly the CIP. It should also be noted that valuation gains in the double-digit millions was recorded in connection with the adjustment to a contract underlying a loan commitment.

At EUR – 84 million, **allowances for losses on loans and advances** were well down on the previous year. Thanks to favorable economic conditions, **allowances for losses on loans and advances** dropped substantially compared with the previous year (EUR – 297 million). Among other things, improved ratings resulted in the reversal of portfolio valuation allowances. The increase in direct depreciation is due to the sale of loans and advances in connection with EU restructuring.

Net fee and commission income came to EUR 272 million in the first half of 2011, roughly 13.9% or EUR – 44 million down on the previous year. First of all, additional non-recurring expenditure was incurred with regard to the run-down of the Credit Investment Portfolio (totaling EUR – 15 million). Secondly, income from securities and custody business (EUR – 13 million) was down during the reporting period.

Net trading income/loss in the wider sense improved significantly by EUR 1 170 million, from EUR – 710 million to EUR 460 million. This trend was underpinned above all by net trading income in the narrower sense, which recorded a substantial improvement of EUR 1 237 million to EUR 428 million. This figure is marked by the positive earnings contribution made by credit derivatives that are allocated to the Credit Investment Portfolio. This was caused by narrowing spreads as well as the run-off of positions and the establishment of counter-positions. By contrast, net income from economic hedging derivatives exerted strain. These were particularly transacted to hedge interest risks, but do not satisfy the criteria stipulated in IAS 39 for hedge accounting. The resultant opposite effects are recorded within net interest income. **Net income from financial instruments designated at fair value** dropped by EUR – 74 million to EUR 49 million. This includes expense of EUR 56 million in connection with the measurement of the Group's own rating.

At EUR 103 million, **other operating income** was substantially higher than the previous year's figure of EUR 73 million. This was chiefly due to reduced impairment expense from the remeasurement of investment property.

Administrative expenses came to EUR – 861 million in the first half of the year, down 2% or EUR 16 million on the previous year, particularly due to a reduction in staff costs (EUR 29 million). This was partially offset by an increase in other administrative expenses (EUR – 15 million). The decline in staff costs was particularly due to a reduced workforce. The 5.7% increase in operating expenses was caused by the first-time recognition of the time-proportionate bank levy of EUR – 29 million.

Net income/loss from investment securities dropped significantly by EUR 457 million over the previous year to EUR – 321 million mainly due to impairments of EUR 300 million on Greek government bonds and the realization of expenditure resulting from the dissolution of a derivatives structure totaling EUR – 156 million in connection with a reduction in the Bank's Greek exposure. In the wake of exchange-rate changes and the recovery in the prices of securities coming under the risk shield, the reimbursement claims arising from the guarantee granted by the state of Baden-Württemberg of EUR 117 million as of the end of 2010 dropped by EUR – 97 million to EUR 20 million. There was again no payment obligation for the state of Baden-Württemberg as at June 30, 2011. Due to the systematic implementation of the EU requirements, a reverse trend was recorded for associated results from the sale of non-consolidated equity interests. In this connection, approx. EUR 252 million in proceeds from the sale of equity investments were realized in the first six months of 2011.

Substantial Improvement in Earnings in the First Half of the Year.

Operating result improved by EUR 883 million over the previous year to EUR 769 million in line with the afore-mentioned trend of earnings items.

Including the expense arising from the **guarantee commission** for the state of Baden-Württemberg of EUR – 152 million and the impairment of goodwill of EUR – 15 million, the Group sustained a consolidated net loss before tax of EUR – 601 million.

The **taxes on income** of EUR – 225 million include adjustments to deferred income tax assets of EUR 121 million. **Consolidated profit for the period after tax** comes to EUR 376 million, up from EUR – 290 million in the pre-year period.

Net Assets and Financial Position.

	June 30, 2011	Dec. 31, 2010	Change 2010/2011	
Assets	EUR million	EUR million	EUR million	in %
1. Cash reserve	4 650	400	4 250	>100.0
2. Loans and advances to banks	65 022	66 217	– 1 195	– 1.8
3. Loans and advances to customers	125 822	132 309	– 6 487	– 4.9
4. Allowance for losses on loans and advances	– 3 316	– 3 717	401	– 10.8
5. Positive market figures from derivative hedging instruments	4 513	20 399	– 15 886	– 77.9
6. Trading assets	77 709	68 786	8 923	13.0
7. Financial assets designated fair value	5 095	6 342	– 1 247	– 19.7
8. Financial assets	68 872	75 075	– 6 203	– 8.3
9. Shares in investments accounted for using the equity method	293	322	– 29	– 9.0
10. Portfolio hedge adjustment attributable to assets	243	287	– 44	– 15.3
11. Long-term assets or disposal groups held for sale	409	2 203	– 1 794	– 81.4
12. Intangible assets	577	604	– 27	– 4.5
13. Property held as a financial investment	1 728	1 725	3	0.2
14. Fixed assets	723	721	2	0.3
15. Current actual tax assets	215	277	– 62	– 22.4
16. Deferred tax assets	929	1 148	– 219	– 19.1
17. Other assets	1 364	1 315	49	3.7
Total assets	**354 848**	**374 413**	**– 19 565**	**– 5.2**

Equity and liabilities	June 30, 2011 EUR million	Dec. 31, 2010 EUR million	Change 2010/2011 EUR million	in %
1. Liabilities to banks	86 876	79 328	7 548	9.5
2. Liabilities to customers	81 796	87 931	-6 135	-7.0
3. Securitized liabilities	73 688	81 692	-8 004	-9.8
4. Negative market values from derivative hedging instruments	4 546	19 763	-15 217	-77.0
5. Trading liabilities	73 058	68 246	4 812	7.1
6. Financial liabilities designated fair value	9 099	9 794	-695	-7.1
7. Portfolio hedge adjustment attributable to liabilities	311	584	-273	-46.7
8. Provisions	2 430	2 427	3	0.1
9. Liabilities from disposal groups	654	2225	-1571	-70.6
10. Current tax liabilities	289	301	-12	-4.0
11. Deferred tax liabilities	216	228	-12	-5.3
12. Other liabilities	696	783	-87	-11.1
13. Subordinated capital	10 740	11 151	-411	-3.7
14. Equity	10 449	9 960	489	4.9
Share capital	2 584	2 584	0	0.0
Capital reserve	6 910	6 910	0	0.0
Revenue reserves	1 054	1 392	-338	-24.3
Cumulative income recognized directly in equity	-495	-590	95	-16.1
Net profits/losses	375	-347	722	–
Minority interests	21	11	10	90.9
Total liabilities	**354 848**	**374 413**	**-19 565**	**-5.2**
Off-balance sheet guarantee and surety obligations	6 151	6 934	-783	-11.3
Irrevocable lending commitments	21 523	21 457	66	0.3
Business volume	**382 522**	**402 804**	**-20 282**	**-5.0**

Consolidated Total Assets Further Reduced.

The LBBW Group's **total assets** came to EUR 354.8 billion as of June 30, 2011. Thus, as in the first quarter, LBBW reduced its total assets substantially by 5.2% or EUR 19.6 billion compared with the end of 2010.

On the assets side of the balance sheet, the decline was materially due to the lower positive fair values from derivative hedging instruments of EUR –15.9 billion, the drop in loans and advances to customers of EUR –6.5 billion and in financial assets of EUR –6.2 billion. On the other hand, trading assets rose by EUR 8.9 billion. On the equity and liabilities side of the balance sheet, the negative fair values from derivative hedging instruments declined by EUR –15.2 billion, securitized liabilities by EUR –8.0 billion and amounts due to customers by EUR –6.1 billion. On the other hand, deposits from other banks climbed by EUR 7.5 billion and trading liabilities by EUR 4.8 billion.

The **trading volume** also declined substantially in the same period by 5.0% or EUR 20.3 billion to EUR 382.5 billion.

Lending.

The **cash reserve** rose by EUR 4.3 billion over the end of the previous year to EUR 4.7 billion on account of the reporting date, chiefly due to the increase in cash and balances with central banks.

Loans and allowances to other banks declined slightly by –1.8% or EUR –1.2 billion compared with the end of the previous year to EUR 65.0 billion. This was primarily due to lower holdings of borrower's note loans (EUR –3.0 billion).

Loans and advances to customers contracted by around –4.9% or EUR –6.5 billion to EUR 125.8 billion primarily due to the decline in municipal and mortgage loans (approximately EUR –2.6 billion) and a drop in money market transactions (approximately EUR –3.7 billion).

The drop in **positive fair values from derivative hedging instruments** of EUR –15.9 billion to EUR 4.5 billion is chiefly due to the fact that substantially fewer hedging derivatives were included in fair value hedge accounting portfolio as of June 30, 2011, compared with the end of 2010 due to an optimized hedged accounting process. These are reported within **trading assets** and are the chief reason for the increase of EUR 8.9 billion or approximately 13,0% in this item to EUR 77.7 billion.

The fall in **financial assets** by EUR –6.2 billion or around –8.3% to EUR 68.9 billion should particularly be viewed in the context of the reduction in the Credit Investment Portfolio.

Funding.

At EUR 86.9 billion, **deposits from other banks** continued to constitute one of the LBBW Group's three main funding pillars as of the end of the first half of 2011.
Compared with December 31, 2010, this item was up EUR 7.5 billion or 9.5%. The changes within deposits from other banks primarily reflect an increase in securities repurchase agreements of EUR 5.9 billion since the beginning of the year. This increase was particularly due to the reclassification of one counterparty's holdings, which had previously been allocated to amounts due to customers.

Amounts due to customers declined by around EUR 6.1 billion in the first half of 2011 to EUR 81.8 billion, equivalent to a drop of 7.0%. Of this, securities repurchase agreements accounted for a drop of EUR – 4.7 billion, current account liabilities EUR – 2.8 billion and bonds issued EUR – 1.0 billion. By contrast, other liabilities rose by EUR 2.4 billion.

The third main funding pillar, **securitized liabilities,** was valued at EUR 73.7 billion as of the end of the reporting period and was therefore also down by – 9.8% or EUR – 8.0 billion. This reduction was due to repayments and expiries particularly in the case of public-sector covered bonds, bearer bonds and certificates.

With respect to the decline in the **negative fair values from derivative hedging instruments** of EUR – 15.2 billion to EUR 4.5 billion and the increase of EUR 4.8 billion in trading liabilities to EUR 73.1 billion, reference should be made to the corresponding items on the assets side.

Equity.

Consolidated equity increased by 4.9% to EUR 10.5 billion as of June 30, 2011 and resulted chiefly from net retained profit of EUR 375 million and a slight improvement in the revaluation reserve.

Risk Report.

The risk management methods and processes presented in the 2010 annual report generally continue to be applied by the LBBW Group as of June 30, 2011. Changes are explained below. LBBW's summarized definition of the relevant risk categories is shown in the table below:

Risk Categories.

	Risk category	Describes possible ...
Material risks	**Credit risks**	... losses arising from the default or credit rating deterioration of business partners. ... defaults by state borrowers and payment restrictions. ... losses arising from low proceeds from the liquidation of collateral.
Material risks	**Market price risks**	... losses caused by changes in interest rates, credit spreads, share prices, exchange rates, commodities prices, volatilities.
Material risks	**Operational risks**	... losses arising due to the unsuitability or failure of internal processes and systems, people, or due to external events, including legal risks.
Material risks	**Liquidity risks**	... problems meeting payment obligations in the short term, or not being able to quickly close out larger positions at market value.
Material risks	**Real estate risks**	... losses in value of the Group's real estate holdings.
Material risks	**Development risks**	... losses resulting especially from potential plan variances in the project development business of LBBW Immobilien GmbH.
Material risks	**Investment risks**	... losses in value of Group companies and equity investments to the extent that these are not included in the above risk categories.
Material risks	**Strategic risks**	... losses in value due to strategic decisions.
Material risks	**Reputation risks**	... losses in value due to damage to the Bank's reputation.
Material risks	**Business performance risks**	... losses in value due to less favorable business performance than expected, provided these do not relate to the above risks typical to banks.
	Pension risks	... increases in pension provisions.
	Own credit rating risks	... additional expenses due to increase in funding costs.
	Model risks	... misrepresentations of actual risk.
	Dilution risks	... losses in value due to a lack of legal payment obligations for purchased receivables.
	Fund placement risks	... losses in value due to non-placement of equity components in the case of closed-end funds.

Detailed information on the definition and management of all risks can be found in the risk report of the 2010 annual report.

Credit Risks.[1)]

Risk Situation.

The risk situation is presented on the basis of the methods and tools for managing credit risks as described in the 2010 annual report.

The maximum default risk (hereinafter described as gross exposure) is defined as »utilization/fair values plus open external commitments«. Broken down into balance sheet categories, the following trend is seen compared to December 31, 2010[2)]:

Gross Exposure.

EUR million	June 30, 2011	Dec. 31, 2010
Cash reserve	0	0
Receivables	186 556	195 543
whereof loans and advances to other banks	64 978	66 403
whereof loans and advances to customers	121 578	129 140
whereof receivables from finance leases	3 834	4 074
Investment securities	62 179	66 312
whereof interest-bearing assets	58 454	62 564
whereof non-interest-bearing assets	3 726	3 748
Non-current assets or disposal groups held for sale	313	1 008
Hedging derivatives	4 511	37 308
Trading assets	124 601	113 876
whereof FVO	3 999	5 194
whereof Hft	120 601	108 682
Lending commitments/other agreements	55 948	56 052
Total	**434 108**	**470 099**

The overall portfolio is reduced significantly by EUR 36 billion to EUR 434 billion. The strong drop in hedging derivatives is largely due to the fact that substantially fewer hedging derivatives were included in the fair value hedge accounting portfolio than at year-end. In return, trading assets increased accordingly (for details see notes). Excluding this trend, all balance sheet categories would have been reduced.

1) Statements concerning the risk situation are based on the management approach. Differences compared with amounts stated in relation to accounting are due to the reasons presented in the 2010 risk management report.
2) Due to rounding, deviations by +/–1 million are possible in the following tables.

In the regional split of the gross exposure, the share of domestic transactions continued to rise from 60.9% to 62.6%. This reflects the disproportionately high reduction of foreign commitments, particularly in Western Europe and North America.

The illustration of the credit portfolio on the basis of the gross exposure neglects the reduction of risk through collateral effects totaling EUR 116 billion, which are made up of the following types of security:

EUR million	
Gross exposure	**434 108**
Netting/collateral	– 36 549
Credit derivatives	– 31 486
Classic credit collateral	– 47 887
Net exposure	**318 186**

The net exposure defined after deducting collateral offers a more precise picture of the risk situation and is therefore shown in the following illustration of the credit portfolio by sector* and rating. The »Other« column lists investments not characterized as non-performing where rating/scoring has not been carried out, e.g. for reasons of risk relevance. This is particularly the case in the small-scale retail business.

* The industry classification is based on a risk-oriented industry key, which groups together companies with high loss dependence along the output chain into industries.

Net Exposure by Rating[1] and Industry.

EUR million	AAA – BBB –	BB+ – B+	B – C	Other	Default[2]	Total
Financial institutions	**149 927**	**4 118**	**686**	**1 902**	**959**	**157 592**
Banks	122 390	2 164	263	181	369	125 368
Financial services	27 537	1 953	423	1 721	590	32 224
Companies	**51 954**	**20 441**	**2 972**	**1 427**	**4 364**	**81 158**
Automotive	6 072	3 109	150	39	601	9 970
Construction	3 374	2 260	435	161	492	6 722
Cross-industry manufactured goods	2 736	721	97	72	82	3 708
Renewable energies	2 004	391	54	9	116	2 574
Health care	1 811	494	34	116	66	2 521
Commercial real estate (CRE)	4 737	2 945	546	43	1 498	9 770
Foodstuffs trade and other non-cyclical consumer goods	2 431	680	81	12	52	3 257
Non-industry-specific engineering and tooling	1 323	958	84	32	148	2 544
Transport and logistics	2 310	756	746	89	138	4 039
Insurance	2 613	142	28	30	22	2 835
Utilities	5 311	529	50	45	23	5 957
Housing industry	1 251	2 287	71	43	165	3 817
Other sectors[3]	15 981	5 168	597	736	962	23 444
Public sector	**67 514**	**407**	**1 950**	**11**	**4**	**69 886**
Private individuals	**3 319**	**751**	**146**	**5 107**	**228**	**9 551**
Total	**272 714**	**25 717**	**5 754**	**8 446**	**5 556**	**318 186**
Total in %	**85.7**	**8.1**	**1.8**	**2.7**	**1.7**	**100.0**

1) Equivalent external rating classes.
2) The default column shows commitments for which a default event as per § 125 SolvV has occurred, such as 90 days in arrears, improbability of repayment or recognized valuation allowances.
3) Sectors with a share of < 3 % of the companies portfolio are summarized under »Other sectors«.

Compared to December 31, 2010, the portfolio structure changed as follows:

- Net exposure was reduced by EUR 28 billion to EUR 318 billion.
- The percentage of very good to good credit ratings (investment grade) decreased from 86.4 % to 85.7 %. Among other things, this is a result of the portfolio rundown affecting, in particular, financial institutions (EUR – 15 billion) and the public sector (EUR – 9 billion) with higher than average credit ratings.
- Commitments with weaker credit ratings (B – C) increased their portfolio share by 0.2 of a percentage point to 1.8 %. Roughly half of this comes from the baseline effect with regard to the reduced portfolio. Additionally, rating downgrades of parts of euro periphery states are seen here.
- Some commitments that were still non-performing as of December 31, 2010 are on a path toward economic recovery after successful restructuring and are now back in a performing rating category. In connection with write-offs the exposure shown as »Default« has been reduced by 10 %.

Compared to year-end 2010, the credit risk has been reduced overall, and the CVaR has fallen from EUR 6.6 billion to EUR 6.2 billion.

As for the composition of the portfolio, financial institutions are still the largest main sector. Given the decline in public-sector budgets, the corporate portfolio now trails by far as the second largest main sector. The granular portfolio of private customers continues to offer diversification of the portfolio.

As described above, individual euro periphery states weighed on the risk situation. The following table gives an overview of the commitments involving state borrowers in these countries. Basis net exposure (as of June 30, 2011):

EUR million	Total
Greece*	404
Ireland	92
Italy	3 468
Portugal	1 211
Spain	2 809
Total	7 984

* After impairment (EUR 300 million) of the bonds classified as available for sale.

A more detailed breakdown by balance sheet category is provided by the following illustrations on the basis of stated IFRS values. The amount shown in the balance sheet differs from the internal amount by net exposure. The differences between internal management and external accounting are mainly due to the fact that for credit derivatives fair value vs. nominal value is used, and that the allocation of risk country and the booking place might differ for securitizations.

	Balance sheet value of sovereign exposures			
EUR million	Loans and advances to customers	Assets/liabilities designated at fair value through profit or loss	Investment securities	Total
Greece	57	20	349	426
Ireland	0	–8	63	55
Italy	3	–38	3 111	3 076
Portugal	0	–35	788	753
Spain	20	–128	1 608	1 500
Total	80	–189	5 919	5 811

Exposure to peripheral euro-zone countries within financial assets comprises solely securities classified as available for sale. As of June 30, 2011, unrealized losses on Greek government bonds of EUR 300 million, which had hitherto been reported within the revaluation reserve, were taken to the income statement.

The carrying amounts of the assets and liabilities at fair value through profit and loss stand at EUR – 189 million.

EUR million	Trading Assets	Derivatives transacted with sovereigns (net position)	Financial Assets Designated at Fair Value	Total
Greece	0	– 13	33	20
Ireland	0	– 9	0	– 8
Italy	21	– 59	0	– 38
Portugal	0	– 35	0	– 35
Spain	18	– 147	0	– 128
Total	40	– 262	33	– 189

Additional Information in Accordance with IFRS 7.36 – 38.

Commitments for which follow-up negotiations took place amounted to EUR 4 million and therefore declined slightly (December 31, 2010: EUR 17 million).

The share of the non-impaired and non-past due portfolio amounts to 98.3 % of the gross exposure and is distributed across the balance sheet categories as follows:

Non-impaired and Non-past Due Assets.

EUR million	Gross exposure June 30, 2011	Non-impaired and non-past due assets June 30, 2011	Gross exposure Dec. 31, 2010	Non-impaired and non-past due assets Dec. 31, 2010
Cash reserve	0	0	0	0
Receivables	186 556	181 034	195 543	188 645
whereof loans and advances to other banks	64 978	64 636	66 403	65 817
whereof loans and advances to customers	121 578	116 399	129 140	122 827
whereof receivables from finance leases	3 834	3 515	4 074	3 678
Investment securities	62 179	60 979	66 312	65 580
whereof interest-bearing assets	58 453	57 256	62 564	61 832
whereof non-interest-bearing assets	3 726	3 723	3 748	3 748
Non-current assets or disposal groups held for sale	313	313	1 008	1 008
Hedging derivatives	4 511	4 511	37 308	37 308
Trading assets	124 601	124 601	113 876	113 876
whereof FVO	3 999	3 999	5 194	5 194
whereof Hft	120 601	120 601	108 682	108 682
Lending commitments/ other agreements	55 948	55 418	56 052	55 734
Total	**434 108**	**426 856**	**470 099**	**462 151**

Past due and non-impaired assets amounted to EUR 128 million on the reporting date and were thus nearly unchanged from the end of the year:

Non-impaired and Past Due Assets, June 30, 2011.

EUR million	Gross exposure Total	< 1 month	> 1 to 3 months	> 3 to 6 months	> 6 to 9 months	> 9 to 12 months	> 12 months
Receivables	128	16	30	10	7	4	61
whereof loans and advances to other banks	6	6	0	0	0	0	0
whereof loans and advances to customers	123	11	30	10	7	4	61
whereof receivables from finance leases	19	7	9	0	1	0	1
Investment securities	0	0	0	0	0	0	0
whereof interest-bearing assets	0	0	0	0	0	0	0
whereof non-interest-bearing assets	0	0	0	0	0	0	0
Non-current assets or disposal groups held for sale	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0
Trading assets	0	0	0	0	0	0	0
whereof FVO	0	0	0	0	0	0	0
whereof Hft	0	0	0	0	0	0	0
Lending commitments/ other agreements	0	0	0	0	0	0	0
Total *	**128**	**16**	**30**	**10**	**7**	**4**	**61**

* Figures may be subject to rounding differences.

Non-impaired and Past Due Assets, Dec. 31, 2010.

EUR million	Gross exposure Total	< 1 month	> 1 to 3 months	> 3 to 6 months	> 6 to 9 months	> 9 to 12 months	> 12 months
Receivables	132	12	37	3	5	7	67
whereof loans and advances to other banks	0	0	0	0	0	0	0
whereof loans and advances to customers	132	12	37	3	5	7	67
whereof receivables from finance leases	24	9	12	0	1	0	2
Investment securities	0	0	0	0	0	0	0
whereof interest-bearing assets	0	0	0	0	0	0	0
whereof non-interest-bearing assets	0	0	0	0	0	0	0
Non-current assets or disposal groups held for sale	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0
Trading assets	0	0	0	0	0	0	0
whereof FVO	0	0	0	0	0	0	0
whereof Hft	0	0	0	0	0	0	0
Lending commitments/ other agreements	0	0	0	0	0	0	0
Total *	**132**	**12**	**38**	**3**	**5**	**8**	**67**

* Figures may be subject to rounding differences.

Impaired assets dropped from EUR 7.8 billion to EUR 7.1 billion. This corresponds to 1.6% of the gross exposure. Exposure to customers for whom an SLLP (specific loan loss provision) or a PLLP impaired (portfolio loan loss provision) has been set aside are defined as impaired assets. Impairment on investment securities also causes this transaction to be declared as impaired. The following table shows the distribution of impaired assets across the balance sheet categories:

Impaired Assets.

EUR million	Gross exposure 30.06.2011	Gross exposuree 31.12.2010
Receivables	5 393	6 767
whereof loans and advances to other banks	337	586
whereof loans and advances to customers	5 056	6 181
whereof receivables from finance leases	300	372
Investment securities	1 200	732
whereof interest-bearing assets	1 198	732
whereof non-interest-bearing assets	3	0
Non-current assets or disposal groups held for sale	0	0
Hedging derivatives	0	0
Trading assets	0	0
whereof FVO	0	0
whereof Hft	0	0
Lending commitments/other agreements	530	317
Total	**7 124**	**7 816**

The decrease in impaired commitments is largely notable in loans and advances to customers and overall compensates for the rise in impaired investment securities.

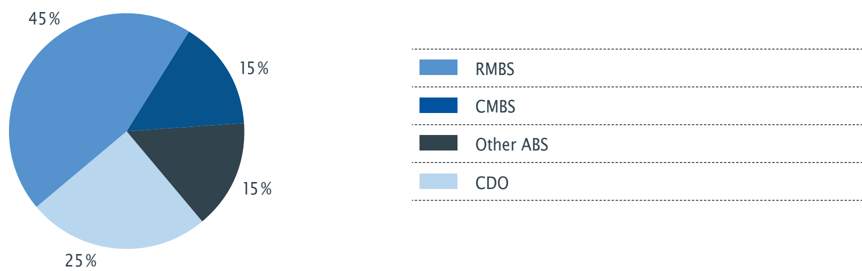
The past due and impaired assets are pitted against collectively and conservatively valued securities with a valuation of EUR 1 343 million. This valuation only accounts for collective liquidation rates and no recovery rates whatsoever. Risk provisioning in individual cases, in contrast, accounts for individual security valuations as well as an individual assessment of the recovery rate.

Securitization Portfolio as of June 30, 2011.

LBBW's securitization portfolio (including the guarantee portfolio) features a volume of around EUR 17.1 billion* as of June 30, 2011. As such, this has been continuously reduced by roughly EUR 3.9 billion from EUR 21.0 billion in December 31, 2010. The volume decline of approx. EUR 3.3 billion is a result of repayments, write-downs and sales (repayment effect). The remaining difference of around EUR 0.6 billion is a result of favorable exchange-rate trends (currency effect).

* Statements concerning the risk situation are based on the management approach in the following.

Outstanding Volume per Asset Class



In a comparison with the first reporting period (December 2008), the overall securitization portfolio volume declined by EUR 12.6 billion (42.6%). As such, LBBW systematically continues to pursue restructuring goals of gradually reducing risk through the orderly reduction of the securitization volume and opportunistic sales.
The vast majority of the portfolio (some 74%) is characterized by securitization positions categorized as investment grade (rating class AAA to BBB). 28% of the exposure (amounting to EUR 4.8 billion) has the highest rating.

The financial market crisis had led to a significant decline in market values in LBBW's securitization portfolio since 2007. The positive trend discernible over the last year of stabilizing average market prices continued in the period under review, although market liquidity being still only partly in evidence.

Rating Reporting.

The allocation to the different rating classes was carried out on the basis of information from external providers. In line with a conservative approach, the lowest available rating from Moody's, Standard & Poor's or Fitch was applied in each case. These may differ considerably from each other. For transactions without an external rating but with an internal credit rating, the lowest internal rating was transferred to the corresponding S&P rating.

Transactions reported with NR (»not rated«) are mainly securitization positions written down by LBBW, from which the external rating was withdrawn or which arose from restructuring measures.

Assets not Secured by the Risk Shield Provided by the State.

The nominal securitization volume not protected by the guarantee of the State of Baden-Württemberg dropped by 26% compared with December 31, 2010 to some EUR 5.6 billion. This decline was due to redemptions and write-downs of EUR 2.0 billion predominantly in the CDO (45%) and Other ABS (38%) asset classes. The higher nominal euro exchange rate during the reporting period likewise contributed to the reduction of the portfolio volume by way of moderate currency effects to the tune of EUR 53 million.

Assets not Secured by the Risk Shield-Portfolio by Asset Class and Rating.

Outstanding Volume as of June 30, 2011

EUR million	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	in %
CDO	91	510	141	124	104	27	0	5	1 002	18.0
RMBS	2 294	432	120	85	132	1	0	0	3 064	55.2
CMBS	22	122	84	20	23	0	0	0	271	4.9
Other ABS	480	293	241	150	0	0	0	54	1 218	21.9
Total Investments	2 887 52.0 %	1 357 24.4 %	585 10.5 %	379 6.8 %	259 4.7 %	28 0.5 %	0 0.0 %	59 1.1 %	5 555 100.0 %	100.0

The lowest external rating has been applied in each case or the corresponding S&P rating code has been used in line with the internal rating methodology.
Figures may be subject to rounding differences.

As was the case in the previous periods, the vast majority (EUR 5.2 billion, 94 %) of the non-guaranteed portfolio volume is characterized by an investment-grade rating. The average rating level overall improved slightly during the reporting period.

Assets Secured by the Risk Shield Provided by the State – Guarantee Portfolio.

As of the reporting date, the guarantee portfolio contains securitization positions with an outstanding nominal volume of EUR 11.5 billion. Compared with the previous period (December 31, 2010), the volume has continued to decline substantially by EUR 1.9 billion over the past six months (overall effect). This overall effect is a result of repayments and write-downs of EUR 1.4 billion and the currency effects aligned with the portfolio reduction in the amount of EUR 0.5 billion (devaluation of foreign currencies and appreciation of the euro).

Assets Secured by the Risk Shield Provided by the State – Guarantee Portfolio by Asset Class and Rating.

Outstanding Volume as of June 30, 2011 – Sub Asset Class

EUR million	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	in %
CDO	178	890	249	246	594	809	189	109	3 262	28.3
RMBS	1 239	658	843	101	393	1 136	281	0	4 651	40.3
CMBS	299	558	977	283	84	134	0	0	2 336	20.3
Other ABS	205	351	148	268	149	74	29	52	1 278	11.1
Total Investments	1 922 16.7 %	2 458 21.3 %	2 217 19.2 %	897 7.8 %	1 220 10.6 %	2 153 18.7 %	499 4.3 %	161 1.4 %	11 527 100.0 %	100.0

The lowest external rating was generally applied and mapped to S&P's rating sale. Figures may be subject to rounding differences.

In the guarantee portfolio, the majority of the investments (EUR 7.5 billion, 65 %) are nearly unchanged with investment-grade ratings.

Guarantee Structure.

The guarantee structure provides for LBBW to assume the first losses from the reference assets up to a total amount of EUR 1.9 billion (»first loss«). Losses in excess of the first loss are absorbed by the guarantee of the State of Baden-Württemberg, which amounts to EUR 6.7 billion. Aggregate losses from the guaranteed portfolio which exceed the figure of EUR 8.6 billion are in turn borne by LBBW. As of June 30, 2011, the first loss was placed in full on the balance sheet.

Customer Transactions.

In addition to the ABS investment portfolio previously shown, LBBW is involved in the segment of customer transactions as part of the Weinberg Asset Backed Commercial Paper program (ABCP program). The sole purpose of the Weinberg ABCP program is to finance trade receivables and interest-bearing receivables sold to the program by target customers of LBBW.

As of June 30, 2011, LBBW is providing the purchasing companies Weinberg Funding Ltd. and Weinberg Capital Ltd. with liquidity lines amounting to EUR 2.2 billion, roughly EUR 1.0 billion of which pertains to transactions with trade receivables and some EUR 1.2 billion to transactions with interest-bearing receivables (above all leasing receivables). Neither Weinberg Funding Ltd. nor Weinberg Capital Ltd. is consolidated in the LBBW consolidated financial statements for the first half of 2011.*

Further details of the LBBW Group's ABS portfolio and customer transactions are covered in the Financial Stability Board Report (FSB report), which will be published separately.

Loan Granted by LBBW to the Special-purpose Entity Sealink Funding.

When Sachsen LB was acquired by LBBW in 2008, the structured portfolios Ormond Quay and Sachsen Funding I were excluded from the transaction. These portfolios with an aggregated nominal outstanding of originally EUR 17.3 billion were transferred to an Irish special purpose vehicle, Sealink Funding Ltd., established in 2008.

The currency-congruent refinancing of the securities denominated in EUR, USD, and GBP is carried out using subordinate financing by LBBW and the senior loan from a syndicate of state banks.

The Free State of Saxony has issued a first loss guarantee in the amount of EUR 2.75 billion to cover losses arising from the Sealink portfolio. The next losses to accrue for the subordinate financing of LBBW will be covered by the state of Baden-Württemberg up to an amount of EUR 6.0 billion as part of the risk shield in place since June 30, 2009.

LBBW expects that the guarantee of the Free State of Saxony and the guarantee of the state of Baden-Württemberg will cover all risks arising from the portfolios transferred to Sealink.

* The individual receivables portfolios with their applicable refinancing in Weinberg Funding Ltd. and Weinberg Capital Ltd. represent »cells« (transactions definable on the basis of opportunities and risks). Under IAS 27 in conjunction with SIC 12, Weinberg Funding Ltd. and Weinberg Capital Ltd. must be consolidated. However, as they serve merely as shells they do not fulfil the materiality criteria and are therefore not consolidated. The individual cells do not have to be consolidated. The majority of the opportunities and risks of each cell remain with the seller of the receivable or with third parties.

Market Price Risks.

The model for determining the interest rate risk was revised in the first half of 2011. In doing so, the focus was on the following:

- The risk factors for CDS spreads have been added term dependent.
- The basis risk between the bond and the CDS market is now better reflected.
- The modeling of interest rates and CDS spreads is now additive. The result is that volatilities are no longer distorted, even with very low interest rates.
- The changes improved the stability of the risk figures.

The market price risk within the LBBW Group declined substantially in H1 2011. This is attributable particularly to the reduction of holdings in the Credit Investment Portfolio (CIP). This portfolio features capital market-ready products in the asset classes of Corporates, Financial Institutions, Sovereigns and ABS Investments.

The following table shows the development of the LBBW Group after taking into account the risk shield of the guarantors:

VaR 99%/10 days

EUR million	Average	Maximum	Minimum	June 30, 2011	Dec. 31, 2010
LBBW Group	**510**	**746**	**366**	**397**	**724**
Interest rate risks	500	729	344	390	704
Equity risks	24	41	15	16	40
Currency risks	38	89	23	33	45

Up to and including June 30, 2011, in the backtesting for the previous 250 trading days no exceptions were recorded for the LBBW Group. The trading positions and the SolvV (German Solvency Regulation) portfolio, which is relevant to the capital charge for equity and general interest rate risks via the internal risk model, also did not present any outliers.

The portfolio value changes from the stress scenarios likewise declined in the first half of 2011. Historical scenarios, which simulate market situations from the financial market crisis, are of the greatest significance here. The stress test limit of the LBBW Group was adhered to at all times in H1 2011.

The market price risk for the trading portfolio of the LBBW Bank is as follows:

VaR 99%/10 days

EUR million	Average	Maximum	Minimum	June 30, 2011	Dec. 31, 2010
LBBW Bank trading positions	**44**	**62**	**29**	**32**	**43**
Interest rate risks	39	58	24	29	32
Equity risks	8	13	3	6	12
Currency risks	4	11	2	3	3

In analyzing the performance of the trading book risks, it should be noted that the risk effect of the uncertain markets is rather minor due to the low credit spread exposure in the trading positions. The decreased stock market risk can be attributed to lower stock volatility in the first half of the year.

Liquidity Risks.

Despite the escalating situation on the money and capital markets as a result of the euro sovereign crisis, the LBBW Group comfortably managed to cover its liquidity requirement on the market in the first half of 2011 to the extent desired, as it had done previously.

The need for refinancing in a 90-day view amounted to EUR 15.1 billion as of June 30, 2011. This was compared to available funding potential from central banks amounting to EUR 25.8 billion. Even under strict stress test conditions, refinancing was secured for substantially more than three months via available funding potential from central banks, independently from the market. The stress tests on the need and potential for refinancing in the scenarios of »rating downgrade«, »financial market crisis« and »market crisis with downgrade« showed a clear excess of the refinancing potential over the potential requirement in June in a three-month view (results as of year-end 2010 in brackets):

EUR billion	Refinancing requirements	Refinancing potential
Rating downgrade	34.0 (44.7)	43.3 (56.7)
Financial market crisis	34.9 (46.2)	48.3 (66.7)
Market crisis in the event of a downgrade	35.4 (46.7)	46.4 (62.7)

The relatively considerable drop in the need and potential for refinancing since the end of the year in all scenarios is a consequence of the portfolio rundown, which also consists of assets that can be refinanced through the central bank, as well as increased issuing activities from the cover registers in the first half-year.

The liquidity requirements of the German Banking Act (KWG) were met at all times in H1 2011. The liquidity ratio in accordance with the Liquidity Regulation came 1.53 as of June 30, 2011 (December 31, 2010: 1.45).

Investment Risks.

LBBW continues to make good progress in reducing its equity investment portfolio to meet the requirements of the EU restructuring plan. For example, the Bank divested additional equity holdings, like DekaBank, in the first half of 2011.
The economic capital tie-up for the investment risk in the course of the first half of 2011 was reduced by approx. 20% particularly through divestments.

Further Risks.

With regard to the further risk categories:

- Operational risks
- Real estate risks
- Development risks
- Strategic risks
- Reputation risks
- Business performance risks
- Pension risks
- Own credit rating risks
- Model risks
- Dilution risks
- Fund placement risks

the statements made in the report on the risk situation in the LBBW Group's 2010 annual report continue to apply. There were no material changes in the first half of 2011.

Risk-bearing Capacity and Overall Risk Perspective.

Internal monitoring of risk-bearing capacity as defined by the Internal Capital Adequacy Assessment Process (ICAAP), in conjunction with regular comparison of the aggregate risk cover with the risks, ensures adequate economic capital resources at the LBBW Group.

The risk-bearing capacity situation in the first half of 2011 gradually improved compared to the balance sheet date December 31, 2010. This is particularly seen in the considerable decline of the market price risk, which was primarily due to the item rundown of the Credit Investment Portfolio (see chapter on market price risk), as well as the declining credit risk. However, the markets are still focusing on the ongoing sovereign crisis.

In this context, LBBW took part in the EU-wide stress test for banks in the first half of 2011, which was carried out for the first time by the European Banking Authority (EBA). In this stress test, LBBW achieved a good result and significantly exceeded the minimum Tier 1 capital ratio defined by the EBA. This shows that based on the market factors specified, LBBW still has good capital resources even in a stress case.

Moreover, internal stress tests were performed throughout the first half of the year, which focused on the current situation regarding the European states. This also demonstrated LBBW's resilience with regard to risk-bearing capacity and the regulatory capital ratios.

In summary, it can be said that the risk-bearing capacity of the LBBW Group was secured at all times and that provision was made for other potential burdens. The upper limit to economic capital was adhered to at all times. The utilization of the risk cover as of June 30, 2011 is 44%.

LBBW Group.

	June 30, 2011			Dec. 31, 2010		
EUR million	Limit*	Absolute	Utilization	Limit*	Absolute	Utilization
Aggregate risk cover		21 108	44%		21 025	57%
Economic capital tie-up	14 300	9 378	66%	14 300	11 903	83%
Diversification effects		1 142			1 493	
Credit risk		6 189			6 556	
Market price risk		2 777			5 010	
Investment risk		288			360	
Operational risk		591			742	
Development risk		297			345	
Real-estate risk		379			383	

* The individual risk categories are limited via economic capital limits.

Events after the Reporting Date.

As part of the spin-off of a WestLB group bank, the »Sicherungsreserve der Landesbanken und Girozentralen« (Guarantee Fund of the Landesbanken and Central Savings Banks) is expected to participate in the equity of the group bank with an amount of up to EUR 250 million. In accordance with LBBW's RWA development, a contribution of approx. EUR 10 million would be allocated to the Bank in 2011.

On July 21, 2011, the institutional investors organized within the Institute of International Finance (IIF) agreed to contribute to Greece's aid. The current proposal by the IIF calls for a voluntary exchange into up to four financial instruments. There is also a bond buyback program. LBBW is currently assessing the risk of different options and their effects on the balance sheets.

The rating agency Standard & Poor's downgraded the United States' credit rating on August 5, 2011 from the top rating of AAA to AA+. LBBW cannot yet see any direct effects from the adjustment.

Due to legal requirements, not all criteria required by IFRS 5 for the classification of the residential asset management segment of LBBW Immobilien GmbH as a disposal group were met on June 30, 2011. These legal requirements have since been fulfilled, and LBBW therefore expects the start of sales negotiations and classification as held for sale in the second half of 2011.

On August 17, 2011, the Bank received a notice of avoidance as part of the insolvency proceedings of Iceland's Landsbanki with regard to a payment made in 2008 equivalent to approx. EUR 100 million. The legal claim is in the process of being examined.

Outlook.

The following statements are always to be seen in connection with the outlook in the consolidated management report for the 2010 fiscal year.

Anticipated Economic Performance.

The performance of the global economy is expected to show a mixed picture in the second half of this year. In the emerging markets, particularly the People's Republic of China, the rapid growth is likely to lose some of its momentum due to the past key interest rate hikes, which were agreed upon out of concern over an overheating of the economy and the associated acceleration of inflation. In the United States, meanwhile, the economy is expected to pick up some momentum once again. This is suggested by the fact that gasoline prices have fallen again somewhat, thereby strengthening the purchasing power of consumers. Moreover, Japanese automobile manufacturers want to bring their production in the U.S. back to a normal level in the next few months. For this reason, once these temporary strain factors have disappeared it should be easier for the extremely expansive monetary policy of the U.S. Federal Reserve, which finds expression in the weakness of the U.S. dollar among other things, to make its stimulating effect felt. In the full year 2011, growth in the U.S. should nevertheless come to only 1.7% according to LBBW's forecast, due to the disappointing performance in the first half of the year. However, the forecast of a recovery in the economy is contingent upon the mounting risk aversion currently in evidence not triggering a self-sustaining downward trend.

Economic activities in the euro zone are expected to lose momentum in the second half of the year. First, Germany is not expected to maintain the strong growth momentum it displayed in the first half-year. Given the strong export orientation of Germany, the economic downturn in the emerging markets as well as the ongoing recession in some euro periphery states should increasingly make their effects felt. An initial indication of this is provided by the leading economic indicators, which remain a high level, but have fallen consistently of late. As such, the economy remains divided within the European Monetary Union: Germany and Finland, with predicted economic growth of approx. 3.0% or 3.5% in 2011, at the one end of the scale, with Greece and Portugal, whose total economic output is expected to contract by around 3.9% and 2.0%, respectively, at the other. Not least, the high real interest rates in the periphery states and the fact that numerous corporates in these countries are finding it more difficult to access financing militate against any immediate change for the better.

However, consumer spending and the inclination of corporates to invest in the core euro-zone countries should decline if the crisis drags on for any longer. As a result, LBBW anticipates gross domestic product growth of 1.9% for the euro zone. Against the backdrop of the economic downturn toward mid-2011 and a trend toward a lower inflation rate on account of baseline effects, the European Central Bank is unlikely to continue on its course of rate hikes that it pursued in the first half of the year. Moreover, with the resumption of buying on the sovereign bond markets of the periphery states, the ECB has moreover signaled its willingness to contribute to the stabilization of the euro zone. On balance, LBBW expects key rates in the euro zone to remain unchanged for the time being.

The Japanese economy should overcome its supply obstacles in the next few months and, as a result, return to a recovery course despite the expected cooling-off on the Asian export markets. Regardless, the Japanese central bank is expected to stick to its zero-interest policy in the foreseeable future. As a result, the growth of the global economy should weaken from 5.0% in 2010 to 4.2% in 2011.

Industry and Competitive Situation.

The underlying conditions and prospects for the banking sector are still mainly characterized by the above-average national economic growth in Germany as well as risks from the ongoing sovereign debt crisis and challenges arising from the new regulation of the sector at a national and international level.

The economic growth in Germany, which is presumably even stronger this year than was expected at the start of the year, should continue to support the banks in their recovery and stabilization process, in which the sector as a whole is likely to have made further progress with a stabilized profit situation overall and improved capitalization. However, this will probably be counteracted by the considerable burdens arising from the sovereign debt crisis, as a result of which the associated uncertainty and risks to the sector's future development should persist for the time being. This may also yield quite substantial effects for the refinancing situation of individual banks.

In addition, the challenges for financial institutions as a result of the new regulatory framework have been rendered clearer in the past few months. For example, the details of Germany's bank levy were decided upon in July 2011; this levy will be charged for the first time as early as September 2011. A noticeable burden from the levy is anticipated for the larger German banks in the years to come. Further uncertainty remains for the banks in the regulatory field. This is the case, for example, with individual aspects of transposing Basel III into European and national law, the extent of the adjustment burdens resulting from the regulation on deposit insurance that is planned at European level, and the implementation of a financial transaction tax.

In this setting, the banks are expected to continue their efforts at further improving their resilience and pushing ahead with the adaptation of the business models to the new framework conditions. In addition, the sector should continue to see downsizing and structural adjustments as a result of EU requirements.

Persistently intense competition in the client business can be assumed on the market. The higher requirements in accordance with Basel III will lead to greater sensitivity of banks when issuing loans to corporates among other things and will also impact the terms on which loans are granted.

The LBBW Group's Business Strategy, Opportunities and Risks.

The framework conditions described above are still marked by considerable momentum in the current 2011 fiscal year. In particular, the sovereign debt crisis has yet to be finally resolved, which may have corresponding effects on the earnings performance of LBBW.

For the 2011 fiscal year, LBBW is hold to its goal of generating positive consolidated profit before tax and thereby returning to the black. The measures from the EU restructuring process will continue to be implemented according to schedule. A rise in operating income is expected for 2011. Allowances for losses on loans and advances in the credit business were reduced very substantially for 2010 due to the surprisingly positive economic development. Slightly lower allowances for losses on loans and advances in the classic credit business are expected for 2011. A slight rise in administrative expenses is likely to be recorded. This is especially attributable to the additional charges resulting from the first payment of the bank levy; the corresponding expenditure will be higher than originally expected due to the stricter requirements adopted in July 2011. This offsets the savings derived from systematic cost management.

The three operating segments of Retail/Savings Banks, Corporates, and Financial Markets will likely feature a stable income and profit trend overall. Thanks to the good performance in its core business, the Bank was able to offset the divestment of transactions agreed with the EU.
In the Credit Investment segment, the decrease of the Credit Investment Portfolio is proceeding faster than expected, making a positive contribution toward reducing total assets and risk-weighted assets.

Given these general conditions, the remaining write-offs in silent partners' contributions and profit participation rights due to the 2009 loss participation are expected to be reversed and deferrals on interest payments are also expected to be caught up in the coming years (depending on the individual contractual terms and conditions of the instruments).

The greatest factor of uncertainty for the earnings performance at the moment is the sovereign debt crisis, which has the potential to shake confidence in the stability of the financial markets and in the banking system. In addition, large parts of the tighter regulation of the financial sector have yet to be finally resolved. This might result in additional burdens on the earnings and capital performance of LBBW. The EU-wide standardization of deposit insurance and the national implementation of the Basel III regulations are of particular importance in this respect.

In the EU-wide stress test for banks in 2011, LBBW achieved a good result. Even in the adverse scenario, which assumes that the debt crisis will continue and the macroeconomic performance remain poor, LBBW would reach a Tier 1 capital ratio of 7.1% at the end of 2012. As such, LBBW meets the target requirement of the European Banking Authority (EBA) stipulating a Tier 1 capital ratio of at least 5%.

Consolidated Interim Financial Statements as of June 30, 2011.

Condensed Consolidated Income Statement

for the period January 1, 2011 to June 30, 2011 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Notes	Jan. 1 – June 30, 2011 EUR million	Jan. 1 – June 30, 2010 EUR million	Change EUR million	Change in %
Net interest income	7	1 203	1 257	-54	-4.3
Allowance for losses on loans and advances	8	-84	-297	213	-71.7
Net interest income after allowance for losses on loans and advances		**1 119**	**960**	**159**	**16.6**
Net fee and commission income	9	272	316	-44	-13.9
Net loss from hedging transactions	10	-17	-24	7	-29.2
Net trading income/loss	11	428	-809	1 237	–
Net income/loss from financial instruments designated at fair value	12	49	123	-74	-60.2
Net income/loss from investment securities	13	-321	136	-457	–
Net income/loss from investments accounted for using the equity method	14	-3	-11	8	-72.7
Net income from investment property	15	67	54	13	24.1
Administrative expenses	16	-861	-877	16	-1.8
Other operating income	17	36	19	17	89.5
Net loss from profit and loss transfer agreements		0	-1	1	>100.0
Operating loss/profit		**769**	**-114**	**883**	**–**
Goodwill impairment	29	-15	0	-15	–
Restructuring expenses	18	-1	-54	53	-98.1
Guarantee commission for Baden-Württemberg	19	-152	-153	1	-0.7
Consolidated profit/loss before tax		**601**	**-321**	**922**	**–**
Income tax income (+)/ income tax expense (-)	20	-225	31	-256	–
Consolidated loss for the period (-)/profit for the period (+)		**376**	**-290**	**666**	**–**
Loss/profit attributable to minority interests		1	-2	3	–
Loss/profit attributable to shareholders		375	-288	663	–
Consolidated loss for the period (-)/profit for the period (+)		**376**	**-290**	**666**	**–**

Consolidated Total Comprehensive Income

for the period January 1, 2011 to June 30, 2011 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Notes	Jan. 1 – June 30, 2011 EUR million	Jan. 1 – June 30, 2010 EUR million	Change EUR million	Change in %
Consolidated profit (+)/loss (–) for the period		**376**	**– 290**	**666**	**<– 100.0**
Net income recognized directly in equity					
Retained earnings					
Actuarial profits (+)/losses (–)		0	– 38	38	– 100.0
Effect of limit in IAS 19.58 (b)		0	1	– 1	– 100.0
Income tax		0	11	– 11	– 100.0
Revaluation reserve					
Unrealized profits (+)/losses (–) from financial instruments before tax		– 76	– 420	344	– 81.9
Transfer to profit or loss		248	– 19	267	–
Income tax		– 55	181	– 236	–
Changes in investments accounted for using the equity method					
Changes in the reporting period before tax		– 22	15	– 37	–
Profit and losses from cash flow hedges					
Change in fair value before tax		– 4	– 2	– 2	100.0
Income tax		1	1	0	0.0
Currency translation differences					
Changes in the reporting period before tax		3	6	– 3	– 50.0
Total income and expenses recognized directly in equity		**95**	**– 264**	**359**	**–**
of which non-current assets or disposal groups held for sale		– 129	28	– 157	–
Consolidated total comprehensive income		**471**	**– 554**	**1 025**	**–**
Total comprehensive income attributable to non-controlling interest		1	– 2	3	–
Total comprehensive income attributable to shareholders		470	– 552	1 022	–
Consolidated total comprehensive income		**471**	**– 554**	**1 025**	**–**

Consolidated Balance Sheet

of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz as at June 30, 2011.

Assets	Notes	June 30, 2011 EUR million	Dec. 31, 2010 EUR million	Change EUR million	Change in %
Cash reserve	21	4 650	400	4 250	>100.0
Loans and advances to other banks	22	65 022	66 217	-1 195	-1.8
Loans and advances to customers	23	125 822	132 309	-6 487	-4.9
Allowance for losses on loans and advances	24	-3 316	-3 717	401	-10.8
Positive fair values from derivative hedging instruments	25	4 513	20 399	-15 886	-77.9
Trading assets	4, 26	77 709	68 786	8 923	13.0
Financial assets designated at fair value	4, 26	5 095	6 342	-1 247	-19.7
Investment securities	4, 26	68 872	75 075	-6 203	-8.3
Investments accounted for using the equity method	27	293	322	-29	-9.0
Portfolio hedge adjustment attributable to assets		243	287	-44	-15.3
Non-current assets and disposal groups held for sale	28	409	2 203	-1 794	-81.4
Intangible assets	29	577	604	-27	-4.5
Investment property	30	1 728	1 725	3	0.2
Property and equipment	31	723	721	2	0.3
Current income tax assets		215	277	-62	-22.4
Deferred income tax assets		929	1 148	-219	-19.1
Other assets	32	1 364	1 315	49	3.7
Total assets		**354 848**	**374 413**	**-19 565**	-5.2

Equity and Liabilities

	Notes	June 30, 2011 EUR million	Dec. 31, 2010 EUR million	Change EUR million	Change in %
Liabilities due to banks	33	86 876	79 328	7 548	9.5
Amounts due to customers	34	81 796	87 931	- 6 135	- 7.0
Securitized liabilities	35	73 688	81 692	- 8 004	- 9.8
Negative fair values from derivative hedging instruments	36	4 546	19 763	- 15 217	- 77.0
Trading liabilities	37	73 058	68 246	4 812	7.1
Financial liabilities designated at fair value	37	9 099	9 794	- 695	- 7.1
Portfolio hedge adjustment attributable to liabilities		311	584	- 273	- 46.7
Provisions	38	2 430	2 427	3	0.1
Liabilities from disposal groups	28	654	2 225	- 1571	- 70.6
Current income tax liabilities		289	301	- 13	- 4.3
Deferred income tax liabilities		216	228	- 12	- 5.3
Other liabilities	39	696	783	- 87	- 11.1
Subordinated debt	40	10 740	11 151	- 411	- 3.7
Equity	41	**10 449**	**9 960**	**489**	**4.9**
Ordinary share capital	41	2 584	2 584	0	0.0
Capital reserves	41	6 910	6 910	0	0.0
Retained earnings	41	1 054	1 392	- 337	- 24.2
Cumulative net income recognized directly in equity	41	- 495	- 590	95	- 16.1
Net retained profit/loss	41	375	- 347	722	–
Non-controlling interests	41	21	11	10	90.9
Total equity and liabilities		**354 848**	**374 413**	**- 19 565**	**- 5.2**

Condensed Statement of Changes in Equity

for the period January 1, 2011 to June 30, 2011 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

EUR million	Ordinary share capital	Share premium	Retained earnings	Revalutaion reserve	Unrealized measure-ment changes for investments accounted for using the equity method	Measure-ment gain/loss from cash flow hedges	Currency translation reserve
Adjusted equity as at Dec. 31, 2009	**2 584**	**6 910**	**2 941**	**– 510**	**76**	**12**	**– 17**
Balance brought forward			– 1 483				
Changes in the basis of consolidation							4
Actuarial gains/losses			– 26				
Changes from unrealized gain/loss from AfS financial instruments				– 258			
Unrealized gain/loss for investments accounted for using the equity method					15		
Profit and loss from cash flow hedges						– 1	
Currency translation differences							6
Profit/loss							
Equity as at June 30, 2010	**2 584**	**6 910**	**1 432**	**– 768**	**91**	**11**	**– 7**
Distribution to shareholders							
Changes in the basis of consolidation			5				1
Actuarial gains/losses			– 45				
Changes from unrealized gain/loss from AfS financial instruments				21			
Unrealized gain/loss for investments accounted for using the equity method					66		
Profit and loss from cash flow hedges						– 4	
Currency translation differences							– 1
Profit/loss							
Adjusted equity on Dec. 31, 2010	**2 584**	**6 910**	**1 392**	**– 747**	**157**	**7**	**– 7**
Allocation to retained earnings			– 347				
Changes from AfS financial instruments not affecting profit and loss				117			
Changes in unrealized gain/loss at companies accounted for using the equity method					– 22		
Profits (+)/losses (–) from the valuation of cash flow hedges						– 3	
Currency translation differences							3
Annual surplus/net loss							
Other changes in capital			9				
Equity on June 30, 2011	**2 584**	**6 910**	**1 054**	**– 630**	**135**	**4**	**– 4**

Statement of Changes in Equity (continued).

EUR million	Cumulative net income recognized directly in equity	Net retained profit/loss	Total before non-controlling interest	Non-controlling interest	Total
Adjusted equity as at Dec. 31, 2009	**–439**	**–1 483**	**10 513**	**12**	**10 525**
Balance brought forward		1 483			
Changes in the basis of consolidation	4		4		4
Actuarial gains/losses			–26		–26
Changes from unrealized gain/loss from AfS financial instruments	–258		–258		–258
Unrealized gain/loss for investments accounted for using the equity method	15		15		15
Profit and loss from cash flow hedges	–1		–1		–1
Currency translation differences	6		6		6
Profit/loss		–288	–288	–2	–290
Equity as at June 30, 2010	**–673**	**–288**	**9 965**	**10**	**9 975**
Distribution to shareholders				–1	–1
Changes in the basis of consolidation	1		6		6
Actuarial gains/losses			–45		–45
Changes from unrealized gain/loss from AfS financial instruments	21		21		21
Unrealized gain/loss for investments accounted for using the equity method	66		66		66
Profit and loss from cash flow hedges	–4		–4		–4
Currency translation differences	–1		–1		–1
Profit/loss		–59	–59	2	–57
Adjusted equity on Dec. 31, 2010	**–590**	**–347**	**9 949**	**11**	**9 960**
Allocation to retained earnings		347			
Changes from AfS financial instruments not affecting profit and loss	117		117		117
Changes in unrealized gain/loss at companies accounted for using the equity method	–22		–22		–22
Profits (+)/losses (–) from the valuation of cash flow hedges	–3		–3		–3
Currency translation differences	3		3		3
Annual surplus/net loss		375	375	1	376
Other changes in capital			9	9	18
Equity on June 30, 2011	**–495**	**375**	**10 428**	**21**	**10 449**

The composition of equity capital is explained in note 41.

Condensed Cash Flow Statement
for the period January 1, 2011 to June 30, 2011 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Jan. 1 – June 30, 2011 EUR million	Jan. 1 – June 30, 2010 EUR million
Cash and cash equivalents at the beginning of the period	**400**	**1 878**
Cashflow from operational activities	4 239	1 140
Cashflow from investment activities	252	161
Cashflow from financing activities	– 241	– 86
Cash and cash equivalents at the end of the period	**4 650**	**3 093**

Notes to the Consolidated Financial Statements.

CONTENT

Notes to the Consolidated Financial Statements
of Landesbank Baden-Württemberg, Stuttgart,
Karlsruhe, Mannheim, and Mainz.

General Information.

Business and Organization.

Landesbank Baden-Württemberg (LBBW) is a public law institution (rechtsfähige Anstalt des öffentlichen Rechts) with registered offices in Stuttgart (Am Hauptbahnhof 2, 70173 Stuttgart, Germany), Karlsruhe (Ludwig-Erhard-Allee 4, 76131 Karlsruhe, Germany), Mannheim (Augustaanlagen 33, 68165 Mannheim, Germany), and Mainz (Grosse Bleiche 54 – 56, 55116 Mainz, Germany).
The LBBW Group is responsible for the full range of the Group's capital market activities and provides services within the scope of its international operations. As the parent company of the Group, LBBW serves the Group's corporate customers in its own region, across Germany and around the world, along with institutional clients, public-sector institutions, and retail customers by offering the comprehensive range of services expected of a modern financial services provider. LBBW also functions as a central bank to the savings banks in Baden-Württemberg, Rhineland-Palatinate, and Saxony.

Basis of Group Accounting.

Declaration of Compliance.

The interim financial statements of Landesbank Baden-Württemberg for the period ended June 30, 2011 were prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the EU and comply with IAS 34, which relates to interim financial reporting. In accordance with § 37w WpHG (Wertpapierhandelsgesetz – German Securities Trading Act), the half-yearly financial report comprises condensed financial statements, an interim management report, and the responsibility statement.

IFRS Applied for the First Time.

Several new or revised IFRS were applied for the first time in the first half of 2011. The significant changes for the Group were as follows:

- IFRIC 19 »Extinguishing financial liabilities with equity instruments« must be applied to accounting periods beginning on or after July 1, 2010. The interpretation clarifies that the equity instruments issued to extinguish financial liabilities also represent »consideration paid«. The debtor recognizes the equity instruments issued at fair value when they are applied for the first time – that is the day on which the liability is extinguished. If this cannot be measured reliably, the fair value of the extinguished liability must be used. The difference between the carrying amount of the extinguished liability and the consideration paid is recognized in profit or loss and presented as a separate item, either in the income statement or the notes. So far, there have been no significant effects on the Group from IFRIC 19.
- IAS 24 »Related party disclosures« (revised in 2009) must be applied to accounting periods beginning on or after January 1, 2011. The definition of a related party has been simplified, its intention clarified and contradictions resolved. In addition, public sector-related companies have been released from some disclosure obligations. There have been no significant effects on the Group from the revised IAS 24.
- The »Improvements to IFRS« (2010) collective standard issued in the context of the annual improvement project is an IASB instrument for carrying out non-urgent but nonetheless necessary changes to the existing IFRS regulations. The changes may be of a purely editorial nature, but can also affect the recognition, reporting or measurement of assets and liabilities, as well as the scope of compulsory disclosures in the notes. Most of the changes from the »Improvements to IFRS (2010)« standard are compulsory for accounting periods beginning on or after January 1, 2011. There have been no significant effects on the Group.

IFRS to Be Applied in Future.

The following IFRS are significant for the Group and must be applied to accounting periods beginning on or after June 30, 2011:

- IFRS 9 »Financial instruments« will replace IAS 39 »Financial instruments: recognition and measurement« . There will be only two measurement categories on the assets side in future: »amortized cost« and »fair value«. The classification of a financial asset will be based on the business model for the portfolio containing it and its contractually agreed cash flow characteristics. Allocation to the »amortized cost« category will only be possible if the portfolio is classified as held to maturity and only interest and principal payments result from the financial asset. Voluntary measurement at fair value will be possible if there is an accounting mismatch. In the case of financial assets in the »fair value« category, changes in fair value will generally need to be recognized through profit or loss. There will be exceptions in the case of equity instruments not held for trading. The regulations on the separation of structured financial assets will not apply, while separation of the host contract and embedded derivative will no longer be permitted. Instead, the general regulations will also have to be applied uniformly for structured financial assets. On the liabilities side, the existing regulations will remain largely intact. For the most part, the differences are restricted to changes in the reporting of financial liabilities, which are voluntarily recognized at fair value. The share of the changes in fair value attributed to the change in own credit risk will be recognized directly in equity unless this would result in an accounting mismatch. IFRS 9 will probably have to be applied from January 1, 2015 onward. It has not yet been endorsed in the EU. The new developments known so far are expected to lead to an increase in the number of financial assets in the Group recognized at fair value.

The final guidance on impairment of financial assets recognized at amortized cost and accounting of hedge relationships, as well as on the future requirements for the offsetting of financial assets and liabilities is not yet available. The consequences of the new developments known so far are currently being examined by the Bank in project work.

- IFRS 10 »Consolidated financial statements« includes the new rules on consolidation and replaces the relevant provisions in IAS 27 »Consolidated and separate financial statements« and SIC-12 »Consolidation – special purpose entities«. The core of the changes is the new definition of the parent-subsidiary relationship and thus the definition of the companies to be included in consolidation. In future, full consolidation will be necessary once the following three points are met: the investor must have the decision-making power to determine the business activities that are material for economic success. Moreover, the investor must be exposed to variable returns, which may be positive or negative. Moreover, it must be possible for the investor to influence the variable returns by means of his decision-making power. IFRS 10 will probably become mandatory from January 1, 2013 onward. It has not yet been endorsed in the EU. The impact on the consolidated financial statements is still being examined.
- IFRS 11 »Joint arrangements« includes the new provisions on accounting for joint ventures or joint operations and replaces IAS 31 »Interests in joint ventures« and SIC-13 »Jointly controlled entities – non-monetary contributions by venturers«. The new IFRS distinguishes between joint ventures and joint operations. In future, joint ventures can only be accounted for in the consolidated financial statements using the equity method and no longer using proportional consolidation. By contrast, in a joint operation the assets and liabilities and expenses and revenues are recognized in the consolidated financial statements in relation to the joint operator's interest in the operation. IFRS 11 will probably become mandatory from January 1, 2013 onward. It has not yet been endorsed in the EU. The impact on the consolidated financial statements is still being examined.
- IFRS 12 »Disclosures of interests in other entities« includes the disclosure obligations in the appendix to IFRS 10, IFRS 11 and IAS 28. Specifically, an entity is required to disclose information permitting an insight into the risks and financial impact associated with subsidiaries, joint arrangements and associates. Moreover, IFRS 12 requires disclosures on interests in unconsolidated structured entities. IFRS 12 will probably be mandatory from January 1, 2013 onward. It has not yet been endorsed in the EU. The impact on the consolidated financial statements is currently being examined.
- IFRS 13 »Fair value measurement« will in future apply if another IFRS requires or permits fair value measurement or requires disclosures about fair value measurement. Fair value is defined uniformly in IFRS 13 for all IFRS. Furthermore, IFRS 13 specifies how the concept of fair value is to be implemented in practice. IFRS 13 will probably become mandatory from January 1, 2013 onward. It has not yet been endorsed in the EU. Its impact on the consolidated financial statements is currently being examined.
- IAS 1 »Presentation of financial statements« has been modified. The main change is that the items reported under Other Comprehensive Income will, in future, be subdivided into two categories. The differentiation criterion will be whether or not they will be recycled to the profit and loss account. These changes will probably be mandatory from January 1, 2013 onward. It has not yet been endorsed in the EU.
- IAS 19 »Employee benefits« has been revised. The main changes include the abolition of the corridor method and the options with respect to the recognition of gains and losses from defined benefit plans. Moreover, the disclosures in the appendix have expanded. The changes will probably be mandatory from January 1, 2013 onward. It has not yet been endorsed in the EU. The impact on the consolidated financial statements is still being examined.
- IAS 28 »Investments in associates and joint ventures« essentially provides the definition of an associate and prescribes the use of the equity method for associates and joint ventures; it will in future replace IAS 28 »Investments in associates«. The changes will probably be mandatory from January 1, 2013 onward. It has not yet been endorsed in the EU. The impact on the consolidated financial statements is still being examined.

Accounting Policies.

1. Accounting Principles.

In accordance with IAS 34.8, the consolidated interim financial statements for the period ended June 30, 2011 do not contain all the information required for the consolidated annual financial statements and should therefore be read in conjunction with the annual financial statements for the period ended December 31, 2010 (Annual Report 2010, pages 125 et seq.). The accounting policies applied are generally the same as those used for the consolidated financial statements as of December 31, 2010. The amendments to the relevant standards and interpretations to be applied for the first time as of January 1, 2011 are an exception.

The consolidated interim financial statements are based on the going concern principle. The consolidated interim financial statements are prepared on the basis of historical and amortized cost as well as fair value. Fair value is used in the case of investment property, investment securities classified as available-for-sale financial assets, derivative financial instruments, and financial assets and liabilities at fair value through profit or loss.

The income taxes in the consolidated interim financial statements are calculated using the taxation rates arising from the tax expense on the expected result for the full fiscal year.

The reporting currency is the euro (EUR). The amounts reported in the balance sheet and the income statement are generally in millions of euro (EUR million), while percentages are rounded to one decimal place. The reporting year is the calendar year. There may be minor variations in the addition in tables due to rounding.

Estimates and assumptions are 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 experience and other factors such as planning and – on the basis of current assessment – likely expectations and forecasts of future events. Such significant estimates may change from time to time and significantly affect the net assets and financial position, as well as the results of operations. 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 allowance for losses on loans and advances, as well as the recognition and measurement of deferred taxes and provisions. Moreover, estimates and assumptions are made regarding the cash flows of special-purpose entities. Where significant estimates and/or complex judgements were required, the assumptions made are explained in detail in the notes to the corresponding item.
The Bank's estimates and assumptions are each based on the level of knowledge with regard to creditworthiness currently available and with regard to the expected future performance of the exposures and/or assets 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.

The main accounting and measurement principles, as well as the key areas in which judgement has been exercised by management and applied when these interim financial statements were prepared are given an initial general explanation in notes 2 to 5. More detailed explanations can be found in notes 6 to 47. The methods described were applied uniformly and consistently to the reporting periods shown, unless stated otherwise.

2. Changes in Accordance with IAS 8.

In accordance with IAS 8.39, an adjustment of expected terms of securitizations and changes in forecasting for the servicing and revaluation of silent partners' contributions and profit participation rights due to changes in interest and repayment cash flows led to a reduction in the corresponding carrying amounts in the first half of 2011, with a total impact of EUR –61 million on net interest result.

3. Basis of Consolidation.

In addition to the ultimate parent company, LBBW, 30 subsidiaries (December 31, 2010: 32 subsidiaries), two sub-groups (December 31, 2010: two sub-groups) and 11 special-purpose entities (December 31, 2010: 12 special-purpose entities) were included in the consolidated financial statements and, as previously, two associates and one joint venture.

The following subsidiaries were deconsolidated in the first half of 2011 as they were under liquidation:

- Mogon Vermögensverwaltungs GmbH
- Lasssarus Handels GmbH

With the consolidation of the special-purpose entities, all material risks arising from these kinds of units are included in the consolidated interim financial statements of LBBW. The special-purpose entity Mainau Funding Ltd. was deconsolidated in the first half of 2011 as it was also under liquidation. No major effects resulted from the above-mentioned deconsolidations.

A total of 249 (December 31, 2010: 264) subsidiaries were not included in the interim 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.

4. Reclassifications.

The modifications to IAS 39 and IFRS 7 (»Reclassification of financial assets«) were announced by the IASB and endorsed by the EU in 2008.
In the LBBW Group, certain trading assets and securities, which had previously been categorized as available-for-sale, were reclassified as loans and receivables as at July 1, 2008 in line with these changes. No further securities were reclassified in other financial years.

The carrying amounts and fair values of the reclassified securities can be seen in the following table:

EUR million	June 30, 2011 Carrying amount	June 30, 2011 Fair Value	Dec. 31, 2010 Carrying amount	Dec. 31, 2010 Fair Value	July 1, 2008 Nominal value	July 1, 2008 Carrying amount
Held for trading reclassified as loans and receivables	**334**	**328**	**441**	**439**	**935**	**913**
of which securitization transactions	86	76	93	82	134	128
of which other securities	248	252	348	357	801	785
Available for sale reclassified as loans and receivables	**13 871**	**13 075**	**17 274**	**16 208**	**29 023**	**27 374**
of which securitization transactions	8 549	7 801	9 531	8 634	14 643	13 302
of which other securities	5 322	5 274	7 743	7 574	14 380	14 071
Total	**14 205**	**13 403**	**17 715**	**16 647**	**29 958**	**28 287**

The nominal volume of the securities transferred from the held for trading category was EUR 343 million as at June 30, 2011 (December 31, 2010: EUR 452 million), of which EUR 89 million related to securitization transactions (December 31, 2010: EUR 97 million) and EUR 254 million to other securities (December 31, 2010: EUR 355 million).

Securities reclassified as available for sale had a nominal volume of EUR 14 669 million as at June 30, 2011 (December 31, 2010: EUR 18 304 million), of which EUR 9 286 million related to securitization transactions (December 31, 2010: EUR 10 477 million) and EUR 5 383 million to other securities (December 31, 2010: EUR 7 827 million).

The reclassifications reduced profit before tax by EUR –6 million during the year (June 30, 2010: EUR –2 million). This included effects of EUR 1 million (June 30, 2010: EUR –2 million) in net interest income from the amortization of the difference between amortized cost and the carrying amount as at January 1, 2011. Changes to the portfolio had an impact of EUR 4 million on the net result from investment securities (June 30, 2010: EUR –24 million). Net trading income/loss also included expenditure on foreign currency portfolios of EUR –11 million (June 30, 2010: EUR 20 million).

If no reclassifications had taken place, unrealized fair value gains from the reclassified trading assets totaling EUR –1 million (June 30, 2010: EUR 1 million) would have been generated in the first half of 2011. In the case of fair value changes recognized directly in equity of reclassified AFS securities, the revaluation reserve would have been relieved in the amount of EUR 225 million (December 31, 2010: EUR 746 million).

In the reporting period, originated interest payments in the amount of EUR 143 million (June 30, 2010: EUR 187 million) were collected from reclassified portfolios.

5. State Aid Proceedings of the European Commission.

With effect from June 30, 2009, the owners of LBBW increased the **share capital** by EUR 1.2 billion and the **share premium** by EUR 3.8 billion and added Landesbeteiligungen Baden-Württemberg GmbH (Landesbeteiligungen GmbH) as another owner of LBBW.

In a contract dated June 26, 2009, LBBW arranged **risk protection** with the state of Baden-Württemberg in the form of a guarantee structure with effect from June 30, 2009. GPBW GmbH & Co. KG, a company owned by the state of Baden-Württemberg (guarantee company), has granted LBBW a guarantee totaling EUR 12.7 billion to protect it from losses on specified reference assets. An amount of EUR 6.7 billion of the guarantee relates to an ABS portfolio of the Bank and various Group companies with an original nominal value of EUR 17.6 billion and a further amount of EUR 6 billion to a loan (junior loan) in the same amount that LBBW has granted to Sealink Funding Ltd. (Sealink), a special-purpose entity to which the structured portfolios Ormond Quay and Sachsen Funding I with an original volume of EUR 17.3 billion were transferred in connection with the acquisition of the former Landesbank Sachsen AG. At the Bank's expense, a deductible was agreed up to an amount of EUR 1.9 billion (first loss) for losses on assets in the ABS portfolio. This means that the burden will be eased on the income statement and equity with regard to the guaranteed reference assets. The fees incurred for providing the guarantee structure are reported within »Guarantee commission for the state of Baden-Württemberg« in the Group's income statement.

The European Commission considers the measures to increase equity and protect against risk to constitute a subsidy as defined in Article 87 (1) of the EC Treaty. Following the submission of a comprehensive restructuring plan, the EU gave its final approval to the capital measures and risk shield in a decision dated December 15, 2009.

Segment Reporting.

6. Segment Reporting for the LBBW Group.

The segment reporting of the LBBW Group for the first half of 2011 is drawn up in accordance with the provisions of IFRS 8. In line with the management approach, therefore, the segment reporting is based on the management's internal reporting to the full management board, which in its capacity as the chief operating decision maker regularly makes decisions on the allocation of resources and thus on the assessment of the segments' performance.

Classification of Segments.

The business segments presented below are defined as product and customer groups based on 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.

In the first half of 2011 the following substantial adjustments were made as a result of changes in the organizational structure:

- Due to changes in management responsibility, all subsidiaries were clearly allocated to one segment.
- All treasury tasks with managerial responsibility were pooled in the Corporate Items segment.
- As part of differentiated management, the financing of special-purpose entity Sealink Funding, whose underlying consists exclusively of securitizations, was included in a new segment, Credit Investment, together with the Bank's own credit investment portfolio.

Prior-year figures were adjusted to the new reporting to improve comparability.

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 an includes the business segments Corporates I, Corporates II und International Business. Material subsidiaries include LBBW Immobilien GmbH, Süd-Kapital-beteiligungs-Gesellschaft mbH, SüdLeasing GmbH, MKB Mittelrheinische Bank GmbH, and SüdFactoring GmbH. The Corporates segment comprises business with medium-sized corporate customers, 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 corporate customers and commercial real estate financing are also included here.
- 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 range from classic checking accounts to real estate financing and investment advice to 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.
- Apart from traditional trading operations, the Financial Markets segment also includes all sales activities with credit institutions, sovereigns, insurance companies, and pension funds. The product portfolio contains financial instruments for the management of interest rates, currency, credit risks, and liquidity. 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. Funding is also mainly included in this segment. As a major subsidiary, LBBW Asset Management Investmentgesellschaft mbH is allocated to the Financial Markets segment.

- The Credit Investment segment essentially pools the Group's credit investment portfolio. This consists, in particular, of own investments in plain vanilla bonds, structured securitizations, and credit derivatives. It also includes the financing of special-purpose entity Sealink Funding.
- The Corporate Items segment includes all business activities not included in the operating segments mentioned above. In addition to the treasury activities (especially lending/deposit-taking operations and the management of strategic investments), this notably consists of financial investments not included in the consolidated financial statements, income generated from central investment of LBBW's own funds not assigned to other segments and extraordinary expenses in connection with the restructuring plan approved by the EU (e. g. restructuring expenses).
- The Reconciliation/Consolidation column covers pure consolidation issues. In addition, this segment presents a reconciliation of internal financial control data with external reporting data.

Valuation Methods.

Segment information is based on the internal financial control data documented by Financial Controlling, which combines external 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, 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.

Operating income includes net interest income, net fee and commission income, net trading income/loss, net loss from hedging transactions, net income/loss from financial instruments designated at fair value, other operating income, and net income from investment property. Net interest income is calculated using the market interest method. This also includes the capital benefit, i. e. investment income from equity.

Besides direct personnel and material expenses, the administrative expenses of a segment also include expenses assigned on the basis of intra-group cost allocation. Overheads are allocated on a pro rata basis.

The allowance for losses on loans and advances corresponds to the carrying amounts in the income statement and is allocated to the segments in which it arises.

The net income/loss from investment securities is reported in a single item along with the net loss from profit and loss transfer agreements and the net income/loss from investments accounted for using the equity method and allocated to the segments in which it arises.

The assets on the balance sheet are reported as segment assets. The allocation to the segments is based on internal management reporting.

The calculation of average equity tied up is based on the risk positions calculated in accordance with the Solvabilitätsverordnung (SolvV – German Solvency Regulation) and imputed Tier 1 capital charges in the segments.

A segment's return on equity (RoE) is calculated based on the ratio of operating loss/profit to equity deemed to be tied up in accordance with supervisory requirements. The cost/income ratio (CIR) is the ratio of administrative expenses to operating income.

Due to the following methodological developments in the first half of 2011, the figures of the pre-year period were adjusted so as to ensure comparability:

- The group of subsidiaries and equity investments included in internal management was adjusted to the basis of consolidation according to IFRS and the IFRS methods.
- More differentiated offsetting procedures and therefore refined income, cost, and volume allocation to segments.

Segment Result.

EUR million	Corporates		Retail/Saving Banks		Financial Markets		Credit Investment		Corporate Items/ Reconciliation/ Consolidation		LBBW Group	
	Jan. 1 – June 30, 2011	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2011	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2011	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2011	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2011	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2011	Jan. 1 – June 30, 2010
Operating income	**1 217**	**1 081**	**306**	**308**	**351**	**350**	**409**	**– 675**	**– 247**	**– 128**	**2 037**	**936**
Allowance for losses on loans and advances	– 45	– 355	19	7	– 7	6	– 32	0	– 19	46	– 84	– 297
Net income/loss from investment securities and other items[1)]	– 16	– 17	0	0	– 4	– 2	– 261	84	– 42	60	– 324	124
Administrative expenses	– 349	– 338	– 221	– 230	– 164	– 172	– 44	– 43	– 83	– 94	– 861	– 877
Operating loss/profit	**808**	**370**	**105**	**85**	**175**	**182**	**72**	**– 634**	**– 391**	**– 117**	**769**	**– 114**
Goodwill impairment	– 15	0	0	0	0	0	0	0	0	0	– 15	0
Restructuring expenses	0	0	0	0	0	0	0	0	– 1	– 54	– 1	– 54
Guarantee commission for Baden-Württemberg	0	0	0	0	0	0	– 152	– 153	0	0	– 152	– 153
Consolidated profit/loss before tax	**793**	**370**	**105**	**85**	**175**	**182**	**– 80**	**– 787**	**– 392**	**– 171**	**601**	**– 321**
Income tax income/ expenses											**– 225**	**31**
Consolidated profit for the period (+)/consolidated loss for the period (–)											**376**	**– 290**
Segment assets	94 747	100 243	38 131	37 814	114 639	110 456	52 567	58 019	54 764	67 881	354 848	374 413
Tied-up equity	4 684	5 562	888	903	975	1 168	969	1 569	3 044	1 747	10 560	10 949
RoE (in %)[2)]	**34.5**	**13.3**	**23.6**	**18.8**	**35.9**	**31.2**	**14.9**	**< 0.0**	**–**	**–**	**14.5**	**< 0.0**
CIR (in %)	**28.6**	**31.3**	**72.1**	**74.6**	**46.8**	**49.1**	**10.7**	**< 0.0**	**–**	**–**	**42.3**	**93.7**

1) Includes the following income statement items: net income/loss from investment securities, net loss from profit/loss transfer agreements and net income/loss from investments accounted for using the equity method.
2) Excluding goodwill impairment, restructuring expenses, guarantee commission for Baden-Württemberg.

Details on Corporate Items, Reconciliation and Consolidation.

EUR million	Corporate Items		Reconciliation/ Consolidation		Corporate Items Reconciliation/Consolidation	
	Jan. 1 – June 30, 2011	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2011	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2011	Jan. 1 – June 30, 2010
Operating Income	**22**	**– 70**	**– 269**	**– 58**	**– 247**	**– 128**
Allowance for losses on loans and advances	– 16	38	– 4	8	– 19	46
Net income/loss from investment securities and other items[1]	– 131	13	89	47	– 42	60
Administrative expenses	– 77	– 92	– 6	– 2	– 83	– 94
Operating loss/profit	**– 201**	**– 111**	**– 190**	**– 6**	**– 391**	**– 117**
Goodwill impairment	0	0	0	0	0	0
Restructuring expenses	– 1	– 54	0	0	– 1	– 54
Guarantee commission for Baden-Württemberg	0	0	0	0	0	0
Consolidated profit/loss before tax	**– 202**	**– 165**	**– 190**	**– 6**	**– 392**	**– 171**
Segment assets	71 264	73 570	– 16 500	– 5 689	54 764	67 881
Tied-up equity	3 363	2 056	– 319	– 309	3 044	1 747

1) Includes the following income statement items: net income/loss from investment securities, net loss from profit/loss transfer agreements and net income/loss from investments accounted for using the equity method.

Reconciliation of Segment Results with the Consolidated Income Statement.

In the first half of 2011, the total of »Reconciliation/Consolidation« on the consolidated profit/loss before tax amounted to EUR –190 million (previous year: EUR –6 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 not IFRS-specific measurements 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 resulting from IFRS-specific matters connected with hedge accounting and the fair value option.

Notes to the Income Statement.

7. Net Interest Income.

Besides interest and current income and interest expense, net interest income includes proportionate reversals of premiums and discounts from financial instruments. The interest and dividend income and the associated refinancing expenses of financial instruments in the held for trading and designated at fair value categories are also reported under »Net interest income«. In addition, the interest accrual and the change in the present value effect of the silent partners' contributions and profit participation rights is included in the interest expense for subordinated debt.

EUR million	June 30, 2011	June 30, 2010
Interest income from credit and money market transactions	3 846	3 873
Interest income from fixed-income securities and book entry securities	1 172	1 426
Interest income from hedging derivatives	1 478	377
Interest income from trading derivatives	1 682	1 664
Current income from shares and other variable-yield securities	27	16
Current income from holdings in subsidiary undertakings	2	2
Currrent income from holdings including associated companies	52	25
Income from profit transfer	0	1
Early termination fees	20	44
Income from leasing business	502	519
Other interest income	162	217
Net interest and current income	**8 943**	**8 164**
Interest expense for customer deposits	– 2 292	– 2 390
Interest expense for securitized liabilties	– 1 181	– 1 562
Interest expense for subordinated capital	– 236	– 248
Interest expense for hedging derivatives	– 1 672	– 410
Interest expense for trading derivatives	– 1 295	– 1 412
Expense from finance leases	– 277	– 274
Other interest expenses	– 787	– 611
Interest expenses	**– 7 740**	**– 6 907**
Net interest income	**1 203**	**1 257**

In the case of financial assets in the LaR category on which valuation allowances were charged, interest of EUR 40 million (first half 2010: EUR 42 million) was calculated in the year under review from the increase in the present value of the receivables (»unwinding« in accordance with IAS 39 AG 93).

Interest expenses of EUR – 7 million were recognized in the reporting period (first half of 2010: EUR – 2 million) from the offsetting of own or group-internal debentures in accordance with IAS 39.39 et seq.

8. Allowance for Losses on Loans and Advances.

The allowance for losses on loans and advances is reported in the LBBW Group's income statement as follows:

EUR million	June 30, 2011	June 30, 2010
Net expense from additions including provisions for credit risks	– 45	– 279
Direct loan write-offs	– 39	– 19
Recoveries on loans previously written off	4	4
Other expenses from lending operations	– 4	– 3
Total allowance for losses on loans and advances	**– 84**	**– 297**

The net additions comprise additions to the allowance for losses on loans and advances of EUR – 443 million (first half 2010: EUR – 736 million), reversals of EUR 417 million (first half 2010: EUR 460 million) and net reversals of provisions for credit risks of EUR – 19 million (first half 2010: net additions EUR – 3 million).

9. Net Fee and Commission Income.

EUR million	June 30, 2011	June 30, 2010
Brokerage business	61	65
Payments and international transactions	78	83
Securities and custody business	59	72
Trust activities	1	– 4
Leasing	– 1	– 2
Lending and guarantee (aval) business	42	63
Other	32	39
Net fee and commission income	**272**	**316**

10. Net Loss from Hedging Transactions.

The net loss from hedging transactions exclusively comprises remeasurement 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 income/loss«.

EUR million	June 30, 2011	June 30, 2010
Portfolio fair value hedges	– 13	15
of which hedged items	261	– 243
of which hedging instruments	– 274	258
Micro fair value hedges	– 4	– 39
of which hedged items	– 219	136
of which hedging instruments	215	– 175
Net loss from hedging transactions	**– 17**	**– 24**

Due to the monthly hedge cycles, the hedge result from the portfolio value hedge is dependent on the number and effectiveness ratio of the measurement of the hedged item and the hedging instrument.

11. Net Trading Income/Loss.

Net trading income/loss includes all gains/losses on disposal and gains/losses on the remeasurement of financial instruments held for trading. In addition, the gains/losses from the currency translation of items denominated in foreign currency and the remeasurement gains/losses from economic hedging derivatives are reported under this item. The interest and dividend income from these financial instruments and the associated refinancing expenses are reported under »Net interest income«.

EUR million	June 30, 2011	June 30, 2010
Net income/loss from credit risk-related transactions	394	–785
Net income/loss from economic hedging derivatives and trading derivatives	–95	51
Net income/loss from equity transactions	36	9
Net income/loss from interest rate transactions	53	–43
Net income/loss from foreign exchange transactions	40	–41
Net trading income/loss	**428**	**–809**

12. Net Income/Loss from Financial Instruments Designated at Fair Value.

Net income/loss from financial instruments designated at fair value includes all realized and unrealized gains and losses from assets and liabilities designated at fair value. Dividends and the interest income/interest expense from trading 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	June 30, 2011	June 30, 2010
Realized gains/losses	21	–24
Unrealized gains/losses	28	147
Net income/loss from financial instruments designated at fair value	**49**	**123**

The change in the fair value of the financial liabilities allocated to this item includes losses of EUR 56 million in the unrealized gains/losses (first half of 2010: gains of EUR 94 million) in connection with the measurement of LBBW's own credit rating.

13. Net Income/Loss from Investment Securities.

Net income/loss from investment securities includes disposal and remeasurement (including impairment) results on securities from the loans and receivables and available-for-sale categories, as well as on equity investments and investments in non-consolidated companies and companies not accounted for using the equity method. This item also includes reversals of impairment losses on investment securities following credit-based write-downs to the amount of the amortized cost.

EUR million	June 30, 2011	June 30, 2010
Net gain/loss on the disposal of	70	39
derivative structures (AfS)	–178	0
securities (AfS)	–3	8
equity investments (AfS)	251	31
Impairment losses	–318	–19
Reversals of impairment losses	6	33
Other gains/losses	–9	0
Net income/loss from investement securities (AfS)	**–251**	**53**
Net gain/loss on the disposal of	21	18
securities (LaR)	20	18
equity investments (LaR)	1	0
Impairment losses and other unrealized expenses	–44	–50
Reversals of impairment losses	50	75
Reimbursement rights from the risk shield	–97	40
Net gain/loss from investment securities (LaR)	**–70**	**83**
Total net income/loss from investment securities	**–321**	**136**

The income item »Reimbursement rights from the risk shield« includes the risk shield for a fixed securitization portfolio totaling EUR 6.7 billion agreed with the state of Baden-Württemberg.

The losses on disposal totaling EUR –178 million result from the reversal of derivatives structures that is essentially due to the reduction of the Bank's exposure to Greece.

The item »Impairment of financial assets (AfS)« essentially includes write-downs of EUR –300 million in connection with Greek sovereign bonds.

14. Net Income/Loss from Investments Accounted for Using the Equity Method.

EUR million	June 30, 2011	June 30, 2010
Net income from investments in associates	8	–7
Net income from investments in joint ventures	–11	–4
Net income from investments accounted for using the equity method	**–3**	**–11**

15. Net Income from Investment Property.

EUR million	June 30, 2011	June 30, 2010
Income from investment property	66	65
Expenses from investment property	–16	–17
Income from fair value changes	17	6
Net income from investment property	**67**	**54**

16. 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. The relevant items are broken down as follows:

EUR million	June 30, 2011	June 30, 2010
Staff costs	-509	-538
Other administrative expenses	-283	-267
Depreciation of fixed assets	-32	-36
Depreciation of intangible assets	-37	-36
Administrative expenses	**-861**	**-877**

For the first time in the reporting period, the item »Other administrative expenses« included a provision for the pro-rated banking levy totaling EUR 29 million.

17. Other Operating Income.

Other operating income is broken down into income and expenses as follows:

EUR million	June 30, 2011	June 30, 2010
Income from the sale of current assets	87	136
Revenues from property services	10	13
Income from the reversal of other provisions	4	13
Income from the management of other property portfolios	15	12
Income from operating leases	7	7
Income from fixed and intangible assets	1	3
Income from land and buildings from bail-out purchases	0	0
Income from cost refunds by third parties	12	13
Reversal of non-scheduled impairment (inventories, tangible assets)	21	41
Other operating income	69	40
Other operating income	**214**	**265**
Impairment on inventories	-16	-40
Expenses from the sale of current assets	-86	-124
Appropriation to other provisions	-6	-3
Expenses from fixed and intangible assets	-1	-5
Expenses from the management of other property portfolios	-6	-6
Costs for other taxes	-3	-2
Operating costs for the generation of services revenues	-2	-9
Impairment from operating leases	-1	-1
Expenses from donations	0	0
Other operating expenditure	-57	-56
Other operating expenditure	**-178**	**-246**
Other operating gain/loss	**36**	**19**

18. Restructuring Expenses.

EUR million	June 30, 2011	June 30, 2010
Ongoing expenses for restructuring measures	0	0
Expenses from additions to provisions for restructuring expenses	-1	-57
Income from the reversal of provisions for restructuring expenses	0	3
Total restructuring expenses	**-1**	**-54**

19. Guarantee Commission for Baden-Württemberg.

In the first half of 2011, commissions for public-sector guarantees to the state of Baden-Württemberg in the amount of EUR – 152 million (first half 2010: EUR – 153 million) were reported.

20. Income Taxes.

As of June 30, 2011, the income tax expense came to EUR 225 million (first half of 2010: income tax income of EUR 31 million).

The notional effective average consolidated tax rate in the reporting period comes 37.4% and includes, in addition to a deferred tax expense, particularly resulting from unscheduled write-downs on deferred tax assets totaling EUR 121 million and on a change in the UK tax rate in the amount of EUR 3 million. Adjusted for the unscheduled write-down, the average tax rate for the Group comes to 17.3%.

Notes to the Balance Sheet.

21. Cash Reserve.

The cash reserve is composed of the following items:

EUR million	June 30, 2011	Dec. 31, 2010
Balances with central banks	4 412	101
Cash	118	136
Public-sector debt instruments and bills	120	163
Total cash reserve	**4 650**	**400**

Balances with central banks include balances with Deutsche Bundesbank (the German central bank) of EUR 4 352 million (December 31, 2010: EUR 58 million).

22. Loans and Advances to Other Banks.

Breakdown by Business Type.

EUR million	June 30, 2011	Dec. 31, 2010
Borrower’s note loans	2 440	5 483
Money market transactions	669	1 148
Transmitted loans	6	448
Securities repurchase agreements	9 575	7 814
Other loans	4 304	4 427
Public-sector loans	45 785	45 935
Other loans and advances	2 243	962
Loans and advances to other banks	**65 022**	**66 217**
Allowance for losses on loans and advances	– 266	– 442
Loans and advances to other banks after allowance for losses	**64 756**	**65 775**

Breakdown by Region.

EUR million	June 30, 2011	Dec. 31, 2010
Banks within Germany	56 209	56 686
Banks outside Germany	8 813	9 531
Total loans and advances to other banks	**65 022**	**66 217**

Loans and advances to other banks of EUR 24 411 million (December 31, 2010: EUR 23 251 million) are due within 12 months. The proportion of these in the overall portfolio rose by 3% to 38% over the previous year.

23. Loans and Advances to Customers.

Breakdown by Business Type.

EUR million	June 30, 2011	Dec. 31, 2010
Other loans	31 696	31 686
Public-sector loans	28 471	29 964
Mortgage loans	30 985	32 118
Money market transactions	4 931	8 623
Receivables from finance leases	8 276	8 730
Giro receivables	3 927	3 887
Transmitted loans	5 242	5 183
Borrower's note loans	2 056	2 880
Construction financing	2 929	2 728
Other loans and advances	7 309	6 510
Loans and advances to customers	**125 822**	**132 309**
Allowance for losses on loans and advances	– 3 050	– 3 275
Loans and advances to customers after allowance for losses	**122 772**	**129 034**

Breakdown by Region.

EUR million	June 30, 2011	Dec. 31, 2010
Customers within Germany	83 923	86 365
Customers outside Germany	41 899	45 944
Total loans and advances to customers	**125 822**	**132 309**

Loans and advances to customers of EUR 37 214 million (December 31, 2010: EUR 39 021 million) are due within 12 months.

24. Allowance for Losses on Loans and Advances.

The allowance for losses on loans and advances deducted from assets changed as follows in the year under review:

	Specific/collective valuation allowance			Portfolio valuation allowance		
EUR million	Loans and advances to other banks	Loans and advances to customers	of which from finance leases	Loans and advances to other banks	Loans and advances to customers	of which from finance leases
Balance at Jan. 1, 2011	433	3 025	179	9	250	18
Net reversals (–)/-additions (+)	24	36	16	5	– 39	– 1
Utilization	– 200	– 160	– 13	0	0	0
Exchange-rate-related and other changes	– 4	– 62	0	0	– 1	– 1
Balance at June 30, 2011	**253**	**2 839**	**182**	**14**	**210**	**16**

	Specific/collective valuation allowance			Portfolio valuation allowance		
EUR million	Loans and advances to other banks	Loans and advances to customers	of which from finance leases	Loans and advances to other banks	Loans and advances to customers	of which from finance leases
Balance at Jan. 1, 2010	567	2 963	190	17	357	17
Net reversals (–)/-additions (+)	– 31	589	26	– 8	– 107	0
Utilization	– 107	– 437	– 35	0	0	0
Exchange-rate-related and other changes	4	– 90	– 2	0	0	1
Balance at Dec. 31, 2010	**433**	**3 025**	**179**	**9**	**250**	**18**

The exchange rate-related and other changes in the reporting period essentially include interest income from changes in the present value of the allowance for losses on loans and advances (unwinding) in the amount of EUR 40 million (December 31, 2010: EUR 72 million).

25. Positive Fair Values from Derivative Hedging Instruments.

This item shows the positive fair values from derivatives which are used to secure hedged items against the interest rate risk. Interest rate swaps and cross-currency interest rate swaps were designated as hedging instruments.

EUR million	June 30, 2011	Dec. 31, 2010
Positive fair values from micro fair value hedges	1 190	1 407
Positive fair values from portfolio fair value hedges	3 312	18 975
Positive fair values from cash flow hedges	11	17
Positive fair values from derivative hedging instruments	**4 513**	**20 399**

The EUR 15.9 billion drop in positive fair values from derivative hedging instruments was largely due to the fact that substantially fewer hedging derivatives were included in the fair value hedge accounting portfolio as of the reporting date in comparison with the end of the year, thanks to an optimized hedge accounting procedure.

26. Trading Assets, Financial Assets Designated at Fair Value and Investment Securities.

The table below illustrates the breakdown of bonds and other fixed-income securities, equities and other non-fixed-income securities, positive fair values from derivative financial instruments that do not satisfy the requirements of hedge accounting in accordance with IAS 39 and other assets included in the balance sheet items trading assets, financial assets designated at fair value and investment securities.

June 30, 2011	Trading assets EUR million	Financial assets designated at fair value EUR million	Investment securities EUR million
Bonds and other fixed-income securities	15 579	2 508	66 576
Money market instruments	4 839	0	500
Bonds and debentures	10 740	2 508	66 056
Reimbursement claim (guarantee)	0	0	20
Equities and other non-fixed-income securities	360	637	409
Equities	118	327	399
Investment units	242	303	3
Other securities	0	7	7
Other	28 603	988	0
Borrower's note loans	1 843	596	0
Other money market transactions	25 404	0	0
Other loans and receivables	0	36	0
Miscellaneous	1 356	356	0
Positive fair values from derivative financial instruments	33 167	962	0
Equity investments	0	0[1)]	1 173
Investments in affiliates	0	0	714
	77 709	**5 095**	**68 872**

1) This includes financial hedging derivatives from the HfT category which do not qualify as hedges according to IAS 39.

June 30, 2010	Trading assets EUR million	Financial assets designated at fair value EUR million	Investment securities EUR million
Bonds and other fixed-income securities	14 705	3 344	73 048
Money market instruments	3 627	0	640
Bonds and debentures	11 078	3 344	72 291
Reimbursement claim (guarantee)	0	0	117
Equities and other non-fixed-income securities	422	625	15
Equities	179	336	0
Investment units	243	280	7
Other securities	0	9	8
Other	29 952	1 212	0
Borrower's note loans	2 238	703	0
Other money market transactions	26 329	0	0
Other loans and receivables	0	62	0
Miscellaneous	1 385	447	0
Positive fair values from derivative financial instruments	23 707	1 161	0
Equity investments	0	0[1]	1 268
Investments in affiliates	0	0	744
	68 786	**6 342**	**75 075**

1) This includes financial hedging derivatives from the HfT category which do not qualify as hedges according to IAS 39.

The increase in positive fair values from derivative financial instruments of EUR 9.5 billion was largely due to the fact that substantially fewer hedging derivatives were included in the fair value hedge accounting portfolio as of the reporting date in comparison with the end of the year, thanks to an optimized hedge accounting procedure, and thus remained in the item »Trading Assets«.

27. Investments Accounted for Using the Equity Method.

EUR million	June 30, 2011	Dec. 31, 2010
Carrying amount of associates	252	272
Carrying amount of joint ventures	41	49
Shares in investments accounted for using the equity method	**293**	**322**

28. Non-current Assets and Disposal Groups Held for Sale.

The restructuring plan for reorganization of the LBBW Group resolved by the Board of Managing Directors envisions the disposal of various equity investments. A resolution was passed regarding this when the restructuring plan was approved by the former Supervisory Board and the European Commission was informed on December 3, 2009. As part of the restructuring plan, negotiations regarding the disposal of non-current assets and disposal groups were also initiated and continued in the first half of 2011.

Compared with December 31, 2010, the non-current assets and disposal groups held for sale changed as follows:

The sale of the private client business of LBBW Luxemburg S.A., Luxembourg, became effective as of January 1, 2011. During the first half of 2011 the equity interests in European Energy Exchange AG, Leipzig, and in DekaBank Deutsche Girozentrale, Frankfurt am Main, were sold.

LBBW is still in negotiations for the sale of six equity investments already classified as non-current assets held for sale as of June 30, 2010 and/or December 31, 2010. The non-current assets held for sale are allocated to the Corporate Items and Corporates segments. It is planned to conclude the sale of these equity investments by the end of 2011.

In addition, LBBW initiated sale processes for four further equity investments in the first half of 2011. The sales processes for these equity investments from the Corporates segments are to be completed by the end of 2011 at the latest.

In the first half of 2011, two equity investments – Doughty Hanson & Co V LP No.1 and Odewald & Compagnie GmbH & Co. Dritte Beteiligungsgesellschaft für Vermögensanlagen KG – were classified as a disposal group held for sale. It was allocated to the Corporates segment and sold in August 2011.

The criteria required by IFRS 5 were no longer fulfilled on the reporting date for one disposal group classified at the end of 2010 due to the discontinuation of the sales process; this disposal group was subsequently reclassified on the reporting date. The change to the sales plan did not have an impact on the consolidated result in the current or the previous reporting period.

The fair values net of the expected disposal costs exceed the carrying amounts of the disposal groups/non-current assets. As such, impairment is not necessary in connection with reclassification.

The main groups of assets and liabilities classified as held for sale are as follows:

Assets.

EUR million	June 30, 2011	Dec. 31, 2010
Cash reserve	0	8
Loans and advances to banks	3	192
Loans and advances to customers	7	849
Allowance for losses on loans and advances	0	–38
Posititve market values from derivative hedging instruments	0	1
Trading assets/financial assets designated fair-value	56	47
Financial assets	343	1 098
Shares in equity valued companies	0	0
Intangible assets	0	12
Fixed assets	0	30
Tax assets	0	3
Other assets	0	1
Total Assets	**409**	**2 203**

Liabilities.

EUR million	June 30, 2011	Dec. 31, 2010
Liabilities to banks	0	90
Liabilities to customers	609	2 105
Negative market values from derivative hedging instruments	0	1
Trading liabilities/financial liabilities designated to fair-value	45	24
Provisions	0	1
Other liabilities	0	4
Total liabilities	**654**	**2 225**

29. Intangible Assets.

The changes in intangible assets are shown in the following table:

EUR million	June 30, 2011	Dec. 31, 2010
Software	118	131
Goodwill	435	450
Advance payments for intangible assets	16	14
Other intangible assets	8	9
Total	**577**	**604**

Amortization of intangible assets, both scheduled and unscheduled, is recognized in the »Amortization and write-downs of intangible assets« item in »Administrative expenses«.

Goodwill.

The segment reporting includes the following segments: Corporates, Retail/Savings Banks, Financial Markets, Credit Investment and Corporate Items. The Corporates segment is subdivided into the following business segments: Corporates I, Corporates II and International Business.

As part of a realignment, the previous business segment Corporates II was pooled with the Property Financing business segment to create the new Corporates II business segment. The International Business Transaction Banking and International Business divisions were taken out of the new Corporates II business segment and now constitute the business segment International Business .

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 reporting period:

	Corporates I		Corporates II		International Business		Financial Markets		Total	
EUR million	2011	2010	2011	2010 [2]	2011	2010 [2]	2011	2010	2011	2010
As of January 1	198	198	221	236	15	0	16	17	450	451
Accruals	0	0	0	0	0	0	0	0	0	0
Impairments [1]	0	0	0	0	-15	0	0	0	-15	0
Changes to consolidated companies/other	0	0	0	0	0	0	0	-1	0	-1
As of June 30/Dec. 31	**198**	**198**	**221**	**236**	**0**	**0**	**16**	**16**	**435**	**450**
Gross amount of goodwill	435	435	485	518	33	0	16	16	969	969
Cumulative impairments	-237	-237	-264	-282	-33	0	0	0	-534	-519

1) Goodwill impairments are reported as a special item in the income statement.
2) Adjustment of previous year's figures due to reorganization of segments.

Goodwill Impairment Test.

The goodwill impairment tests indicated that the recoverable amount for the new business segment International Business was lower than its carrying amount; consequently, the allocated goodwill amounting to EUR 14.9 million had to be written down in full as of May 1, 2011. The recoverable amount is the higher of the fair value of a business segment or segment less sales costs and the value in use.

Goodwill is tested for impairment in the fourth quarter of each fiscal year by comparing the recoverable amount of each business segment or segment reporting goodwill with its carrying amount. The carrying amount is determined on the basis of the equity attributed to the business segment or segment.

30. Investment Property.

The carrying amounts of the investment properties measured at fair value developed as follows in the year under review:

EUR million	2011	2010
Carrying amount at January 1	1 725	1 761
Additions	0	0
Disposals	– 15	– 69
Transfers	1	– 2
Fair value changes	17	35
Carrying amount at June 30/December 31	**1 728**	**1 725**

31. Property and Equipment.

The following table shows the changes in property and equipment:

EUR million	June 30, 2011	Dec. 31, 2010
Carrying amounts		
Land and buildings	459	441
Technical equipment and machines	28	30
Operating and office equipment	158	169
Advance payments and assets under construction	15	16
Leased assets under finance leases	5	5
Leased assets under operating leases	58	60
Total	**723**	**721**

Depreciation, both scheduled and unscheduled, is recognized in the »Depreciation and Write-downs of Property and Equipment« item in »Administrative Expenses«.

32. Other Assets.

Other assets comprise the following items:

EUR million	June 30, 2011	Dec. 31, 2010
Inventories	1 135	1 155
Receivables from tax authorities	27	22
Prepaid expenses	16	12
Investment income received in the same period	3	12
Other	183	114
Total other assets	**1 364**	**1 315**

33. Deposits from Other Banks.

Deposits from other banks comprise the following items:

Breakdown by Business Type.

EUR million	June 30, 2011	Dec. 31, 2010
Money market transactions	6 828	5 544
Securities repurchase agreements	31 188	25 308
»Öffentliche Namenspfandbriefe« (public-sector registered covered bonds) issued	4 479	4 478
Borrower's note loans	14 364	15 044
Giro liabilities	1 563	1 655
»Hypotheken-Namenspfandbriefe« (mortgage-backed registered covered bonds) issued	723	709
Leasing business	374	365
Other deposits from other banks	27 357	26 225
Total deposits from other banks	**86 876**	**79 328**

Breakdown by Region.

EUR million	June 30, 2011	Dec. 31, 2010
Banks within Germany	69 612	63 986
Banks outside Germany	17 264	15 342
Total deposits from other banks	**86 876**	**79 328**

As of June 30, 2011 liabilities from securities repurchase agreements include transactions with one counterparty in the amount of EUR 6.3 billion. This counterparty was shown under »Amounts due to Customers« as of December 31, 2010.

Deposits from other banks of EUR 42 386 million (December 31, 2010: EUR 34 790 million) are due within 12 months.

34. Amounts due to Customers.

Amounts due to customers comprise the following items:

Breakdown by Business Type.

EUR million	June 30, 2011	Dec. 31, 2010
Money market transactions	15 482	15 463
Giro liabilities	21 677	24 510
»Öffentliche Namenspfandbriefe« (public-sector registered covered bonds) issued	12 889	13 679
Borrower's note loans	12 645	12 770
Savings deposits	6 784	6 804
Securities repurchase agreements	2 236	6 929
»Hypotheken-Namenspfandbriefe« (mortgage-backed registered covered bonds) issued	1 196	1 259
Other amounts due to customers	8 887	6 517
Total amounts due to customers	**81 796**	**87 931**

Breakdown by Region.

EUR million	June 30, 2011	Dec. 31, 2010
Customers within Germany	77 165	77 669
Customers outside Germany	4 631	10 262
Total amounts due to customers	**81 796**	**87 931**

As of December 31, 2010, liabilities from securities repurchase agreements include transactions with one counterparty in the amount of EUR 6.3 billion. This counterparty is shown under »Amounts due to Customers« as of June 30, 2011.

Amounts due to customers of EUR 37 673 million (December 31, 2010: EUR 41 865 million) are due within 12 months.

35. Securitized Liabilities.

Securitized liabilities mainly comprise issued bonds and other liabilities securitized in the form of transferable instruments.

EUR million	June 30, 2011	Dec. 31, 2010
Other bonds	39 574	43 661
Pfandbriefe (covered bonds)	31 682	35 340
Money market instruments	2 431	2 691
Total securitized liabilities	**73 688**	**81 692**

In accordance with IAS 39, the own bonds held by the LBBW Group amounting to a nominal EUR 11 064 million (December 31, 2010: EUR 9 854 million) were offset against the bonds issued.

New issues of covered bonds, money market instruments and other own bearer bonds amounted to EUR 15 327 million in the first half of 2011 (December 31, 2010: EUR 60 545 million).

Between January 1 and June 30, 2011, bonds and money market instruments with issue volumes of EUR 22 553 million (December 31, 2010: EUR 65 960 million) were repaid in the LBBW Group.

Securitized liabilities of EUR 15 092 million (December 31, 2010: EUR 20 717 million) are due within 12 months.

36. Negative Fair Values from Derivative Hedging Instruments.

This item shows the negative fair values from derivatives which are used to secure hedged items against the interest rate risk. Interest rate swaps and cross-currency interest rate swaps were designated as hedging instruments.

EUR million	June 30, 2011	Dec. 31, 2010
Negative fair values from micro fair value hedges	1 556	1 930
Negative fair values from portfolio fair value hedges	2 990	17 833
Negative fair values from derivative hedging instruments	**4 546**	**19 763**

The decline in negative fair values from derivative hedging instruments is due to circumstances in line with Note 25.

37. Trading Liabilities and Financial Liabilities Designated at Fair Value.

The table below analyzes the breakdown of negative fair values of the derivative financial instruments in the trading book and economic hedges that do not qualify for hedge accounting in accordance with IAS 39, money market transactions, delivery obligations from short sales of securities and other financial liabilities in connection with the balance sheet items »Trading Liabilities« and »Financial Liabilities Designated at Fair Value«.

The breakdown of trading liabilities and financial liabilities designated at fair value is as follows:

	Trading liabilities	
EUR million	June 30, 2011	Dec. 31, 2010
Negative fair values from trading derivatives and economic hedging derivatives	34 376	26 515
Money market transactions	36 325	40 398
Delivery obligations from short sales of securities	958	488
Other financial liabilities	1 399	846
	73 058	**68 247**

	Financial liabilities designated at fair value	
EUR million	June 30, 2011*	Dec. 31, 2010
Negative fair values from trading derivatives and economic hedging derivatives	461	458
Securitized liabilities	4 485	5 067
Borrower's note loan	3 109	3 246
Other financial liabilities	1 044	1 023
	9 099	**9 794**

* This includes financial hedging derivatives of the HfT category, which do not qualify as hedges according to IAS 39

The increase in negative fair values from trading derivatives and economic hedging derivatives in trading liabilities is due to circumstances in line with Note 26.

The cumulative changes in the fair value of the financial liabilities designated at fair value due to credit risk changes amounts to EUR 306 million (December 31, 2010: EUR 337 million), of which expenses of EUR 218 million (December 31, 2010: EUR 274 million) arose from the allowance made for the bank's own credit rating (own credit spread) in the measurement of these items. The contractually agreed repayment amount at maturity exceeds the current fair value of EUR 3 million (December 31, 2010: EUR 274 million).

38. Provisions.

EUR million	June 30, 2011	Dec. 31, 2010
Provisions for pensions	1 681	1 657
Provisions for credit risks	139	123
Other personnel-related provisions	119	130
Other provisions	491	517
Provisions	**2 430**	**2 427**

The discount rate for pension obligations is unchanged over the end of 2010 at 4.75 %.

The other provisions include provisions for restructuring measures amounting to EUR 382 million (December 31, 2010: EUR 416 million).

39. Other Liabilities.

EUR million	June 30, 2011	Dec. 31, 2010
Liabilities from other taxes	36	214
Liabilities from employment contracts	52	54
Trade payables	47	61
Deferred income	40	55
Other liabilities (accruals)	60	66
Advances received (lessor)	74	85
Liabilities from minority interests	67	92
Finance lease liabilities (other liabilities)	15	16
Other liabilities	305	140
Total other liabilities	**696**	**783**

40. Subordinated Debt.

In the event of insolvency proceedings or liquidation, the reported subordinated debt may not be repaid until all non-subordinated creditors have been satisfied. Subordinated debt is broken down as follows:

EUR million	June 30, 2011	Dec. 31, 2010
Subordinated liabilities	4 695	4 894
Capital generated by profit-participation certificates	1 062	1 288
Typical silent partners' contributions	4 983	4 969
Total subordinated debt	**10 740**	**11 151**

The liabilities for profit participation rights and silent partners' contributions are recognized at the present value of future expected cash flows.

41. Equity.

EUR million	June 30, 2011	Dec. 31, 2010
Ordinary share capital	2 584	2 584
Share premium	6 910	6 910
Retained earnings	1 054	1 392
Net income recognized directly in equity	– 495	– 590
Net retained profit/loss	375	– 347
Minority interest	21	11
Total equity	**10 449**	**9 960**

Regulatory own funds were as follows as of the reporting date:

EUR million	June 30, 2011	Dec. 31, 2010
Own funds (Tiers 1 + 2 + 3)	**18 878**	**18 515**
Core capital (Tier 1)	14 184	13 750
Supplementary capital (Tier 2)	4 251	4 295
Tier 3 capital	443	470
Qualifying items	**106 426**	**120 713**
Capital requirements for counterparty risk	93 313	107 025
Market risk positions	7 750	8 225
Operational risk	5 363	5 463
Total ratio in accordance with SolvV	**17.7 %**	**15.3 %**
Core capital ratio	**13.3 %**	**11.4 %**

Other Disclosures.

Off-balance Sheet Transactions and Obligations.

42. Contingent Liabilities and other Obligations, Contingent Assets.

EUR million	June 30, 2011	Dec. 31, 2010
Contingent liabilities	**6 456**	**7 257**
of which from sureties and guarantee agreements	6 151	6 934
Other obligations	**22 036**	**22 003**
of which irrevocable loan commitments	21 523	21 457
	28 492	**29 260**

Information on Financial Instruments.

43. Breakdown of Derivatives Volume.

Derivatives business (banking and trading book) showed the following nominal amounts and fair values:

June 30, 2011	Nominal values - Remaining terms					Fair Value	
EUR million	Up to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total	Positive	Negative
Foreign exchange spot and forward transactions	136 922	54 248	12 935	722	204 827	3 215	- 3 298
Currency options	2 883	3 993	1 755	110	8 741	180	- 156
Purchases	1 620	1 971	836	56	4 483	180	0
Sales	1 263	2 022	919	54	4 258	0	- 156
Interest rate/currency swaps	2 907	4 956	24 854	9 844	42 561	2 538	- 2 435
Forex-related derivatives	**142 712**	**63 197**	**39 544**	**10 676**	**256 129**	**5 933**	**- 5 889**
Forward rate agreements	4 414	126 816	16 617	0	147 847	34	- 38
Interest swaps	266 313	299 709	613 203	482 932	1 662 157	28 047	- 27 605
Interest-rate options	6 146	8 490	24 937	32 087	71 660	1 304	- 2 189
Purchases	2 890	3 285	9 464	13 272	28 911	1 266	- 21
Sales	3 256	5 205	15 473	18 815	42 749	38	- 2 168
Caps/Floors/Collars	2 172	5 244	28 448	17 761	53 625	524	- 350
Other interest rate contracts	2 251	516	675	16	3 458	43	- 29
Exchange-traded interest rate products	46 644	27 572	9 338	0	83 554	4	- 3
Interest rate related derivatives	**327 940**	**468 347**	**693 218**	**532 796**	**2 022 301**	**29 956**	**- 30 214**
Credit derivatives-collateral provider	648	3 515	30 388	3 039	37 590	324	- 1 159
Credit derivatives-collateral taker	430	2 080	24 089	1 872	28 471	1 803	- 1 274
Credit derivatives	**1 078**	**5 595**	**54 477**	**4 911**	**66 061**	**2 127**	**- 2 433**
Exchange-traded products	2 915	4 394	2 769	157	10 235	283	- 383
Security forward transactions	74	0	0	0	74	3	- 3
Share options	31	110	1 906	2 487	4 534	308	- 402
Purchases	50	47	1 005	770	1 872	308	0
Sales	- 19	63	901	1 717	2 662	0	- 402
Security/index related derivatives	**3 020**	**4 504**	**4 675**	**2 644**	**14 843**	**594**	**- 788**
Commodities	961	1 253	424	10	2 648	91	- 104
Goods-related derivatives	**961**	**1 253**	**424**	**10**	**2 648**	**91**	**- 104**
Total derivatives	**475 711**	**542 896**	**792 338**	**551 037**	**2 361 982**	**38 701**	**- 39 428**

Dec. 31, 2010	Nominal values - Remaining terms					Fair Value	
EUR million	Up to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total	Positive	Negative
Foreign exchange spot and forward transactions	127 298	45 901	11 476	829	185 504	3 342	– 3 633
Currency options	3 006	2 721	2 441	113	8 281	181	– 151
Purchase	1 582	1 369	1 183	59	4 193	181	0
Sales	1 424	1 352	1 258	54	4 088	0	– 151
Interest rate/forex swaps	1 417	8 277	22 346	9 017	41 057	2 576	– 3 523
Other forex related derivatives	9	0	0	0	9	0	0
Forex-related derivatives	**131 730**	**56 899**	**36 263**	**9 959**	**234 851**	**6 099**	**7 307**
Forward Rate Agreements	3 520	161 498	11 956	0	176 974	33	– 52
Interest swaps	225 696	311 851	595 011	462 756	1 595 314	34 241	– 32 077
Interest-rate options	5 454	6 238	21 561	29 805	63 058	1 480	– 2 341
Purchases	2 893	2 548	7 662	12 860	25 963	509	– 30
Sales	2 561	3 690	13 899	16 945	37 095	971	– 2 311
Caps/Floors/Collars	969	5 469	30 556	16 782	53 776	672	– 450
Other interest rate contracts	1 258	833	1 099	79	3 269	82	– 70
Exchange-traded interest rate products	30 605	72 821	8 557	0	111 983	2	– 1
Interest rate related derivatives	**267 502**	**558 710**	**668 740**	**509 422**	**2 004 374**	**36 510**	**– 34 991**
Credit derivatives-collateral provider	921	1 942	35 620	7 218	45 701	354	– 1 886
Credit derivatives-collateral taker	758	1 616	23 520	2 520	28 414	1 536	– 1 443
Credit derivatives	**1 679**	**3 558**	**59 140**	**9 738**	**74 115**	**1 890**	**– 3 329**
Exchange-traded products	1 590	3 798	1 959	98	7 445	259	– 471
Security forward transactions	24	0	0	0	24	1	0
Share options	246	212	4 526	2 450	7 434	441	– 539
Purchases	126	141	2 233	789	3 289	441	0
Sales	120	71	2 293	1 661	4 145	0	– 539
Security/index related derivatives	**1 860**	**4 010**	**6 485**	**2 548**	**14 903**	**701**	**– 1 010**
Commodities	1 070	1 049	114	0	2 233	115	– 124
Goods-related derivative	**1 070**	**1 049**	**114**	**0**	**2 233**	**115**	**– 124**
Total derivatives	**403 841**	**624 226**	**770 742**	**531 667**	**2 330 476**	**45 315**	**– 46 761**

44. Fair Value of Financial Instruments.

The following table compares the carrying amounts and the fair values of financial instruments.

Assets.

EUR million	June 30, 2011 Carrying amount	June 30, 2011 Fair Value	Dec. 31, 2010 Carrying amount	Dec. 31, 2010 Fair Value
Cash reserve	4 650	4 650	400	400
Assets carried at amortized cost				
Loans and advances to other banks after allowance for losses	64 756	66 348	65 775	67 818
Loans and advances to customers after allowance for losses	122 772	124 343	129 034	131 241
Investment securities				
Interest-bearing assets	34 038	33 022	38 482	36 904
Non-interest-bearing assets	404	436	19	51
Assets carried at fair value				
Investment securities				
Interest-bearing assets	32 700	32 700	34 729	34 729
Non-interest-bearing assets	1 729	1 729	1 845	1 845
Positive fair values from derivative hedging instruments	4 513	4 513	20 399	20 399
Trading assets	77 709	77 709	68 786	68 786
Financial assets designated at fair value	5 095	5 095	6 342	6 342
Portfolio hedge adjustment attributable to assets	243	243	287	287
Non-current assets and disposal groups held for sale	409	409	2 156	2 120

Liabilities.

EUR million	June 30, 2011 Carrying amount	June 30, 2011 Fair Value	Dec. 31, 2010 Carrying amount	Dec. 31, 2010 Fair Value
Liabilities carried at amortized cost				
Deposits from other banks	86 876	87 923	79 328	80 900
Due to customers	81 796	83 612	87 931	90 668
Securitized liabilities	73 688	74 489	81 692	83 554
Subordinated debt	10 740	9 982	11 151	11 436
Liabilities carried at fair value				
Negative fair values from derivative hedging instruments	4 546	4 546	19 763	19 763
Trading liabilities	73 058	73 058	68 246	68 246
Financial liabilities designated at fair value	9 099	9 099	9 794	9 794
Portfolio hedge adjustment attributable to liabilities	311	311	584	584
Liabilities from disposal groups held for sale	654	654	2 220	2 220

The following table shows the carrying amounts of financial instruments designated at fair value, divided into the three categories in the fair value hierarchy:

Fair-Value (gross).

June 30, 2011	Quoted prices in active markets **(Level I)**		Measurement method – directly/ indirectly observable parameters **(Level II)**		Measurement method – no externally observable parameters **(Level III)**	
	EUR million	%	EUR million	%	EUR million	%
Positive fair values from derivative hedging instruments	0	0.0	4 513	5.0	0	0.0
Trading assets	7 930	27.8	69 300	76.7	479	17.0
Financial assets designated at fair value	943	3.3	3 159	3.5	993	35.3
Investment securities (AfS)	19 681	68.9	13 407	14.8	1 342	47.7
Non-current assets and disposal groups held for sale	0	0.0	0	0.0	0	0.0
Total assets	**28 554**	**100.0**	**90 379**	**100.0**	**2 814**	**100.0**
Negative fair values from derivative hedging instruments	2	0.1	4 544	5.5	0	0.0
Trading liabilities	3 177	99.9	69 357	83.9	524	62.5
Financial liabilities designated at fair value	0	0.0	8 783	10.6	315	37.5
Liabilities from disposal groups held for sale	0	0.0	0	0.0	0	0.0
Total liabilities	**3 179**	**100.0**	**82 684**	**100.0**	**839**	**100.0**

Fair-Value (gross).

Dec. 31, 2010	Quoted prices in active markets **(Level I)**		Measurement method – directly/ indirectly observable parameters **(Level II)**		Measurement method – no externally observable parameters **(Level III)**	
	EUR million	%	EUR million	%	EUR million	%
Positive fair values from derivative hedging instruments	0	0.0	20 398	21.6	0	0.0
Trading assets	8 132	24.1	60 171	63.6	483	9.8
Financial assets designated at fair value	1 045	3.1	3 290	3.5	2 007	40.8
Investment securities (AfS)	24 347	72.2	10 693	11.3	1 534	31.2
Non-current assets and disposal groups held for sale	207	0.6	41	0.0	897	18.2
Total assets	**33 731**	**100.0**	**94 593**	**100.0**	**4 921**	**100.0**
Negative fair values from derivative hedging instruments	0	0.0	19 763	21.0	0	0.0
Trading liabilities	2 699	99.6	64 891	68.9	656	67.5
Financial liabilities designated at fair value	0	0.0	9 479	10.1	316	32.5
Liabilities from disposal groups held for sale	10	0.4	15	0.0	0	0.0
Total liabilities	**2 709**	**100.0**	**94 148**	**100.0**	**972**	**100.0**

In the first half of 2011, securities classified as AfS totaling EUR 1.3 billion were reclassified from Level I to Level II, as no Level I prices could be established for these securities.

Additional Information.

45. 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. The figures stated are the current outstanding balances:

EUR million		Shareholders	Members of the Board of Managing Directors and the Supervisory Board[1]	Affiliates	Associates	Joint ventures	Other related parties/ companies
Loans and advances to banks							
	June 30, 2011	665	0	85	307	0	0
	Dec. 31, 2010 [2]	1 167	0	62	327	0	9
Loans and advances to customers							
	June 30, 2011	4 566	3	712	282	83	29
	Dec. 31, 2010 [2]	4 926	5	910	310	27	26
Trading assets, financial assets designated at fair value							
	June 30, 2011	2 342	0	1 176	80	3	0
	Dec. 31, 2010 [2]	2 120	0	755	70	0	0
Investment securities							
	June 30, 2011	13 067	0	228	5	0	0
	Dec. 31, 2010 [2]	12 809	0	285	6	0	0
Other assets							
	June 30, 2011	0	0	0	0	0	0
	Dec. 31, 2010 [2]	0	0	0	3	0	0
Total assets							
	June 30, 2011	**20 634**	**3**	**2 801**	**674**	**86**	**29**
	Dec. 31, 2010 [2]	**21 022**	**5**	**2 012**	**716**	**27**	**35**

1) Through the constituent meeting of the Supervisory Board (AR) on November 8, 2010 the board of directors (VR) took over its function.
2) The previous year's figures were adjusted as a result of the first-time application of IAS 24 (revised 2009).

EUR million		Shareholders	Members of the Board of Managing Directors and the Supervisory Board[1]	Affiliates	Associates	Joint ventures	Other related parties/ companies
Deposits from other banks	June 30, 2011	5 455	0	47	221	0	50
	Dec. 31, 2010[2]	5 237	0	63	232	0	5
Due to customers	June 30, 2011	13 171	4	455	38	19	0
	Dec. 31, 2010[2]	12 946	5	729	41	17	0
Trading liabilities, financial liabilities designated at fair value	June 30, 2011	1 781	0	18	104	1	0
	Dec. 31, 2010[2]	1 435	0	5	107	0	0
Other liabilities	June 30, 2011	0	0	0	0	0	0
	Dec. 31, 2010[2]	0	0	0	0	0	1
Subordinated debt	June 30, 2011	2 845	0	100	10	0	0
	Dec. 31, 2010[2]	3 144	0	100	10	0	0
Total liabilities	**30.06.2011**	**23 252**	**4**	**620**	**373**	**20**	**50**
	31.12.2010[2]	**22 762**	**5**	**897**	**390**	**17**	**6**

1) Through the constituent meeting of the Supervisory Board (AR) on November 8, 2010 the board of directors (VR) took over its function.
2) The previous year's figures were adjusted as a result of the first-time application of IAS 24 (revised 2009).

EUR million		Shareholders	Members of the Board of Managing Directors and the Supervisory Board[1]	Affiliates	Associates	Joint ventures	Other related parties/ companies
Total liabilities	**30.06.2011**	**0**	**0**	**63**	**308**	**0**	**0**
	31.12.2010	**0**	**0**	**95**	**352**	**0**	**10**

1) Through the constituent meeting of the Supervisory Board (AR) on November 8, 2010 the board of directors (VR) took over its function.

As of June 30, 2011, there was an allowance for losses on loans and advances of EUR –27 million (December 31, 2010: EUR –28 million) in connection with outstanding balances due to related parties.

46. Executive and Supervisory Bodies.

Members of the Board of Managing Directors and Supervisory Bodies.

LBBW Board of Managing Directors.

Chairman.

HANS-JÖRG VETTER
Chairman of the Board
of Managing Directors

Deputy Chairman.

MICHAEL HORN
Deputy Chairman of the Board
of Managing Directors

Members.

DR. PETER A. KAEMMERER
(until April 30, 2011)
Member of the Board
of Managing Directors

INGO MANDT
Member of the Board
of Managing Directors

JOACHIM E. SCHIELKE
Member of the Board
of Managing Directors

HANS-JOACHIM STRÜDER
Member of the Board
of Managing Directors

RUDOLF ZIPF
Member of the Board
of Managing Directors

Supervisory Board.

Chairman.

HANS WAGENER
Auditor, tax consultant

Deputy Chairman.

WILLI STÄCHELE MdL
(until June 30, 2011)
President of the State Parliament
of Baden-Württemberg

DR. NILS SCHMID MdL
(from July 1, 2011)
Deputy Prime Minister,
Finance Minister of the State
of Baden-Württemberg

Members.

HANS BAUER
Employee representative of
Landesbank Baden-Württemberg

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

PROFESSOR DR. ULRICH GOLL MdL
(until June 30, 2011)
Retired minister, Member of the State
Parliament of Baden-Württemberg

PETER HAUK MdL
(until July 22, 2011)
Chairman of the CDU Parliamentary
Group in the State Parliament
of Baden-Württemberg

HELMUT HIMMELSBACH
Deputy Chairman of the Supervisory
Board of Südwestdeutsche Salzwerke AG

**PROFESSOR 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

KLAUS-PETER MURAWSKI
(from July 1, 2011)
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, Oesterle law firm

DIPL.-KFM. MARTIN PETERS
Managing Partner of
the Eberspächer group

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

CLAUS SCHMIEDEL MdL
(from July 22, 2011)
Chairman of the SPD Parliamentary
Group in the State Parliament
of Baden-Württemberg

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

DR. WOLFGANG SCHUSTER
Lord Mayor of the State Capital
of Stuttgart

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

DIPL.-KFM. VOLKER WIRTH
Savings Bank Director, Chairman
of the Board of Managing Directors
of Sparkasse Singen-Radolfzell

NORBERT ZIPF
Employee representative of
Landesbank Baden-Württemberg

47. Events after the Balance Sheet Date.

As part of the spin-off of a WestLB group bank, the »Sicherungsreserve der Landesbanken und Girozentralen« (Guarantee Fund of the Landesbanken and Central Savings Banks) is expected to participate in the equity of the group bank with an amount of up to EUR 250 million. In accordance with LBBW's RWA development, a contribution of approx. EUR 10 million would be allocated to the Bank in 2011.

On July 21, 2011, the institutional investors organized within the Institute of International Finance (IIF) agreed to contribute to Greece's aid. The current proposal by the IIF calls for a voluntary exchange into up to four financial instruments. There is also a bond buyback program. LBBW is currently assessing the risk of different options and their effects on the balance sheets.

The rating agency Standard & Poor's downgraded the United States' credit rating on August 5, 2011 from the top rating of AAA to AA+. LBBW cannot yet see any direct effects from the adjustment.

Due to legal requirements, not all criteria required by IFRS 5 for the classification of the Asset Management Wohnen of LBBW Immobilien GmbH as a disposal group were met on June 30, 2011. These legal requirements have since been fulfilled, and LBBW therefore expects the start of sales negotiations and classification as held for sale in the second half of 2011.

On August 17, 2011, the Bank received a notice of avoidance as part of the insolvency proceedings of Iceland's Landsbanki with regard to a payment made in 2008 equivalent to approx. EUR 100 million. The legal claim is in the process of being examined.

Further Information.

Responsibility Statement.

To the best of our knowledge, and in accordance with the applicable framework for interim financial reporting, the consolidated interim financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and the Interim Group 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 relating to the expected development of the Group for the remaining months of the fiscal year.

Stuttgart, Karlsruhe, Mannheim, and Mainz, August 19, 2011

The Board of Managing Directors

HANS-JÖRG VETTER
Chairman

MICHAEL HORN
Deputy Chairman

INGO MANDT

JOACHIM E. SCHIELKE

HANS-JOACHIM STRÜDER

RUDOLF ZIPF

Review Report.

To Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

We have reviewed the condensed interim consolidated financial statements comprising the condensed income statement, total comprehensive income, balance sheet, statement of changes in equity, condensed cash flow statement, and the notes to the consolidated financial statements, – together with the interim group management report of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz, for the period from 1 January 2011 to 30 June 2011 that are part of the semi annual financial report according to § 37 w WpHG (»Wertpapierhandelsgesetz«: »German Securities Trading Act«). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Stuttgart, August 19, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

KOCHOLL
Auditor

BEIER
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 update any forward-looking statements, as these are based solely on the circumstances valid on the day of publication.

Landesbank Baden-Württemberg
Headquarters

Stuttgart
D-70144 Stuttgart
Am Hauptbahnhof 2
D-70173 Stuttgart
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