

Landesbank Baden-Wuerttemberg

Full Rating Report

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1+
Viability Rating	bbb-
Individual Rating	C/D
Support Rating	1
Support Rating Floor	A+
Guaranteed Notes^a	
Long-Term Rating	AAA
^a Based on grandfathering provided by owners in the form of "Gewährträgerhaftung" (guarantor liability) and guaranteed medium-term notes	
Baden Wuerttemberg L-Finance N.V. (Bond)	
Long-Term Rating	AAA
Sovereign Risk	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Financial Data

Landesbank Baden-Wuerttemberg	30 Jun 2011	31 Dec 2010
Total assets (EURm)	354,848.0	374,413.0
Total equity (EURm)	10,449.0	9,960.0
Operating profit (EURm)	673.0	-353.0
Published net income (EURm)	376.0	-347.0
Operating ROAA (%)	0.37	-0.09
Operating ROAE (%)	13.30	-3.48
Fitch core capital/weighted risks (%)	8.33	6.78
Tier 1 ratio (%)	13.30	11.39

Related Research

[German Landesbanks - Refocusing on Core Strength \(November 2011\)](#)

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Key Rating Drivers

Ratings Support Driven: The Long-Term IDR of Landesbank Baden-Wuerttemberg (LBBW) is at its Support Rating Floor. This reflects Fitch Ratings' view of the likelihood of support from its owners, in particular the state of Baden-Wuerttemberg (BW), if ever needed, based on the strong relationship between the bank and this state.

Support Provided During Crisis: LBBW's owners rescued the bank during the crisis in 2009. LBBW's owners provided a capital injection of EUR5bn and a EUR12.7bn asset guarantee to hedge the risks arising from troubled portfolios.

VR Reflects Improving Fundamentals: LBBW's standalone strength is supported by its entrenched regional franchise, improving capitalisation and the ring-fencing of troubled assets. This is balanced by moderate risk-adjusted profitability, concentrated exposure to cyclical industries, sizeable exposure to peripheral euro zone economies which Fitch views as one of the bank's major sources of risk and dependence on wholesale funding.

Restructuring Plan on Track: Following the rescue by its owners, LBBW was ordered by the European Commission (EC) to restructure its business by 2013. The restructuring plan requires LBBW to shrink its balance sheet, to sharpen its strategic profile towards customer-driven business and abandon opportunistic activities.

Return to Profitability: Despite impairments related to the bank's Greek exposure, LBBW returned to profitability in 9M11, driven by lower loan impairment charges and one-off gains. Its financial performance should also benefit from reduced costs and a sharpened strategic focus. Fitch, however, considers that the bank's somewhat concentrated exposures, unquantifiable costs from tightened regulation and some remaining legacy risks make it hard to assess future recurring profitability.

Diversified Investor Base: Funding requirements have fallen significantly, as the balance sheet is contracting in line with the restructuring plan. With a loan/deposit ratio of nearly 160% at end-H111, LBBW is dependant on wholesale/market funding. LBBW's funding profile benefits from its well diversified investor base and the bank has maintained market access through the crisis. In line with the bank's policy, new business should be match funded.

Sound Liquidity Profile: LBBW's gearing does not arise from its loan book but its securities portfolio and interbank lending, which Fitch notes is a positive from a liquidity point of view. LBBW's liquidity profile is also supported by a significant pool of unencumbered and central bank eligible assets, equivalent to 171% of liabilities maturing within three months.

Capitalisation Improving: LBBW reported a Fitch core capital ratio of 8.3% at end-H111, compared with 6.8% at end-2010. Fitch believes that LBBW is adequately capitalised to meet significantly higher future regulatory capital requirements, as the bank's risk profile is improving and the bank is scaling down riskier non-core operations. According to the result of latest survey conducted by the European Banking Authority, LBBW does not need to raise capital.

What Could Trigger a Rating Action

Stable Outlook: The Long-Term IDR is on Stable Outlook and at its Support Rating Floor. If in Fitch's view there could be a significant change in the ability or propensity of LBBW's owners to support the bank, this could result in a downgrade of LBBW's IDR. Downside risk to LBBW's Viability Rating mainly arises from the bank's peripheral European sovereign exposure.

Profile

Market Position Supported by Established Regional Franchise

LBBW has a well established and entrenched regional franchise in both commercial and retail banking in its core market of BW, which is one of Germany's economically prosperous states with a population of roughly 11 million. In BW's capital Stuttgart, LBBW holds a controlling market share in retail banking (around 50% according to LBBW). In surrounding areas, where the bank targets an affluent customer base, LBBW estimates its market share at around 15-20%. With the acquisition of Sachsen Landesbank (SLB) and Landesbank Rheinland-Pfalz (LRP), LBBW expanded its footprint into neighbouring regions. Further geographical growth areas include Bavaria and North Rhine-Westphalia. To service domestic customers abroad, the bank operates branches in London, New York, Seoul, Mexico City and Singapore, along with 12 representative offices and five German centres located predominantly in Asia and Europe.

Restructuring Requirements Shape Strategy

In line with the restructuring framework, imposed by the EC, LBBW has to improve its risk profile, strengthen its core profitability and sharpen its strategy. This specifically means that LBBW will strengthen its focus on client-driven business and on developing relationships in its regional markets. The bank plans to achieve these goals by leveraging and intensifying its strong and established relationships with Mittelstand corporates (SMEs), in particular with those located in BW, Rhineland Palatinate (RP), Saxony, North Rhine-Westphalia and Bavaria.

LBBW also aims to increase customer-driven business with larger corporates in Germany, Austria and Switzerland which have a need for capital market products, and is aiming to continue its commercial real estate lending business in Germany, the US and the UK. Non-strategic assets (which are held under the Credit Investment Portfolio) are being run-off and opportunistic activities are being stopped.

Fitch views the bank's geographical and customer focus positively. However, other Landesbanken or Commerzbank follow a similar domestic strategy, despite not all of these banks being able to base their strategy on a strong regional franchise like LBBW. Ultimately, Fitch expects that the intensive competition will lead to depressed performance and higher risk costs for all banks, but to various degrees.

Restructuring Making Good Progress

In 2009, LBBW was rescued by its owners through a capital injection and an asset guarantee. The measures were approved by the EC under the condition that LBBW would undergo a comprehensive restructuring process, which also serves as the new strategic framework for the bank, as it also demands changes to the bank's business model beyond a reduction in size. As of end-H111, significant progress had been made across all requirements and the bank is well on track to fulfil all requirements by 2013.

Requirements include a 40% reduction of the 2008 balance sheet/risk weighted assets. Additionally, LBBW has to significantly reduce its cost base by laying off staff and selling off operations. A further requirement is the focus on core business, which includes the disposal of investments and which has led to LBBW closing several representative offices.

Fitch believes that the restructuring requirements improve the bank's strategic focus, are reducing the bank's complexity and ultimately its risk profile, and will eventually make LBBW a more stable creditor.

Ownership Structure Remains Unchanged

As part of the restructuring requirements, LBBW had to commit itself to changing its legal status from a public law entity to a joint stock company by 2013. While the change in the legal structure has no immediate effect on the ownership structure, the required legal transition has led to a change in the governance structure, which will, after its full implementation, have the

Figure 1

Ownership Structure

(%)	Share
Savings Banks Association of BW	40.534
BW	19.570
City of Stuttgart	18.932
Landesbeteiligungen BW ^a	18.258
Landeskredit-bank BW	2.706

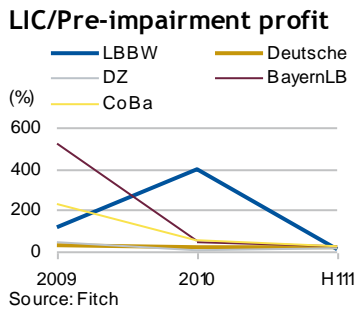
^aLandesbeteiligungen BW GmbH is 87.85% owned by BW and 12.15% owned by L-Bank

Source: LBBW

Related Criteria

[Global Financial Institutions Rating Criteria \(August 2011\)](#)

Figure 2



main features of a joint stock company. In line with changed requirements, external financial and banking experts have been appointed to the supervisory board.

Performance Supported by Economic Recovery and Burdened by Charges Related to Greek Exposure

LBBW generated a positive financial result in 9M11. After a positive start in H111, the bank made a loss of EUR191m in Q311 as a result of continued and heightened market tension. The improvement in operating financial performance was driven by lower impairment charges, and substantially higher trading income (line 9 in the attached income statement). Impairment charges moderated, considering the improved credit environment, and mainly related to corporate exposures and the credit investment portfolio. Similar to other banks, trading income in H111 benefitted from narrowing spreads on credit derivatives, which in LBBW's case are booked in the credit investment portfolio and being run down. Additionally, arising from the implementation of restructuring requirements, the bank realised a gain of around EUR250m from the sale of non-consolidated equity investments.

Losses from the write-down of Greek sovereign bonds (EUR300m) and losses relating to the disposal arising from the dissolution of derivative structures (with the bank reducing its exposure to Greece (EUR156m)) negatively affected H111 financial performance. Relating to the risk shield, LBBW incurred expenses totaling EUR152m in H111.

Fitch considers net interest income (NII) and fees and commissions as the bank's more stable core revenue streams. NII remained the single most important source of income for LBBW, accounting for around three-quarters of operating income. Despite the very low interest rate environment, margins have remained resilient, and the 4.3% yoy fall in NII can be attributed to the lower volume of average earning assets (see section B of the attached Reference Data spreadsheet) resulting mainly from decreasing loan volumes and the run-down of the credit investment portfolio. Fee and commission income fell by around 14% yoy, driven mostly by falling fees from the securities and custody business and non-recurring items arising from the run-down of the credit investment portfolio. Fitch considers these two sources of income to remain resilient, based on LBBW's established franchise and sharpened strategic focus.

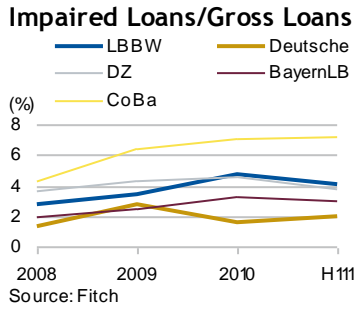
At the same time, the still significant volume of non-customer-driven assets, exposes LBBW to some income volatility, through fair value changes as experienced in H111. With the bank's focus on core business and the divestment of non-customer-driven exposures, income volatility should reduce.

The assessment of LBBW's sustainable long term level of profitability remains difficult in Fitch's opinion. While a sharpened strategic focus, the leveraging of its franchise to generate customer-driven business and cost reduction requirements should support profitability, sluggish economic growth and additional costs arising from regulatory changes or costs related to the bank levy could harm business prospects. Additionally, potential losses from non-guaranteed securitisation investments and further impairments from potential euro zone sovereign debt write-offs could put pressure on profitability.

Risk Management

LBBW is not a bank that is seeking undue risks. However, during the financial crisis, its high leverage, expanded balance sheet and exposure to troubled asset classes made the bank vulnerable. Credit risk is by far the largest source of risk, representing more than half the economic capital at end-2010 (before diversification effects). LBBW's aggregated economic capital, based on a 99.95% confidence level decreased by 5% in 2010, driven by a substantial decrease in credit risk. This was partly offset by a higher market risk related capital requirement. The utilisation of the aggregate economic capital remained at 57%, while the utilisation of the economic capital limit increased slightly to 83% at end-2010 (end-2009: 79%).

Figure 3



Peripheral Euro Zone Exposure Major Source of Credit Risk

LBBW’s credit exposure, including externally committed credit lines and positive market values on derivatives (without taking collateral into account), stood at EUR434bn at end-H111 (down 15% yoy).

Some 86% of the net exposure was rated investment grade according to LBBW’s internal ratings at end-H111. Around half of exposures related to financial institutions, of which a sizeable share was made up of savings banks and other Landesbanken, of which a large part still qualifies for grandfathering. The bulk of the book related to Germany or Western Europe. LBBW’s corporate loan book incorporates some sector concentration, especially in the real estate and automotive sectors. When comparing LBBW’s equity size to its largest exposures, Fitch considers single name concentration to be high.

Despite the continuing contraction of the loan book, the negative trend in asset quality reversed in H111. The bank’s non-performing loans ratio improved to 4.0% at end-H111 (end-2010: 4.7%), driven by the strong recovery of the economy in Germany and Baden-Wuerttemberg. Owing to a significant reduction in impaired exposures, the bank’s coverage ratio improved significantly to 60.3% at end-H111, compared with 53.0% at end-2010.

Risk Profile of the Securitization Portfolio Benefits From Risk Shield

LBBW’s securitisation portfolio consists of a guaranteed and a non-guaranteed portfolio. Both sub-portfolios continue to reduce in size but represent different degrees of risk to the bank. LBBW carries the whole risk of losses arising from exposures defaulting in the non-guaranteed portfolio, which totalled EUR5.6bn at end-H111. However, more than 90% of exposures were rated investment grade and almost two-thirds of exposures were in Europe. Securitisation volumes to struggling euro zone countries (EUR1.7bn at end-H111) were dominated by exposures to Spain. As only 7% of the portfolio is rated non-investment grade, Fitch does not expect any substantial losses arising from these exposures.

Figure 4

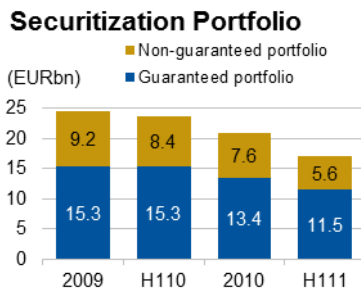


Figure 5

Breakdown of Unguaranteed Securitization Portfolio, End-H111

(EURm)	AAA	AA	A	BBB	BB-B	CCC-C	D	NR	Total	(%)
CDO	91	510	141	124	104	27	0	5	1,002	18
RMBS	2,294	432	120	85	132	1	0	0	3,064	55
CMBS	22	122	84	20	23	0	0	0	271	5
Other ABS	480	293	241	150	0	0	0	54	1,218	22
Total	2,887	1,357	585	379	259	28	0	59	5,555	100
(%)	52	24	11	7	5	1	0	1	100	

Source: LBBW

The volume of the guaranteed portfolio stood at EUR11.5bn at end-H111. LBBW has to carry a first loss tranche of EUR1.9bn, which has been fully processed through LBBW’s profit and loss accounts. Losses in excess of EUR1.9bn are covered by the guarantee provided by the state of Baden-Wuerttemberg. Fitch believes that BW’s second loss tranche, which has a volume of EUR 6.7bn, has been sufficiently measured in order to protect LBBW from further losses. Losses beyond the guarantee will again be borne by LBBW. Assets that are underlying the investments mostly originate in Europe (58%), North America (37%). Peripheral euro zone exposure accounted for 18% of the portfolio at end-H111 and approximately two-thirds of exposures were rated investment grade.

Structured portfolios were excluded from the transaction, when LBBW acquired SLB in 2008. These portfolios have been transferred to a special purpose vehicle (Sealink Funding) and are covered by a first- and second-loss piece from the state of Saxony and the state of BW respectively.

Figure 6

Breakdown of Guaranteed Securitization Portfolio, End-H111

(EURm)	AAA	AA	A	BBB	BB-B	CCC-C	D	NR	Total	(%)
CDO	178	890	249	246	594	809	189	109	3,262	28
RMBS	1,239	658	843	101	393	1,136	281	0	4,651	40
CMBS	299	558	977	283	84	134	0	0	2,337	20
Other ABS	206	351	148	268	149	74	28	52	1,276	11
Total	1,922	2,458	2,217	897	1,220	2,153	499	161	11,527	100
(%)	17	21	19	8	11	19	4	1	100	

Source: LBBW

High Industry and Single Name Concentration in the Leveraged Finance Portfolio

LBBW has a substantial EUR5bn exposure to leveraged loans, which is equivalent to 54% of end-H111 Fitch Core Capital. 95% of the portfolio relates to exposures in Germany. Concentration risk is high, with one transaction in the automotive sector representing a sizeable proportion of the portfolio. However, Fitch takes some comfort from the fact that the risk profile of this exposure has continued to improve. Apart from the single largest transaction, exposures are fairly granular. At end-H111, around one-fifth of exposures was rated investment grade and around two-thirds were in the 'BB' range. Fitch believes that the German focus of the portfolio, combined with the positive trend in the largest exposure and the state of the German economy, somewhat mitigate potential downside risks. Most of the bank's new business is rated in the 'BB' range as well.

Foreign Exposure Shrinking, Sizable Peripheral Euro Zone Exposure

LBBW continued to reduce its exposure outside Germany, which stood at 37.4% at end-H111 (end-2010: 39.1%). The portfolio is concentrated in highly rated European countries and in North America. LBBW also has a sizeable exposure to somewhat troubled peripheral euro zone sovereigns, such as Portugal, Ireland, Italy, Greece and Spain, which Fitch views as one of the major sources of risk. Sovereign exposures to these countries (see Figure 7) accounted for 90% of Fitch Core Capital at end-H111. In Q311, LBBW further wrote down Greek sovereign bonds to now around 40% of nominal value.

Including private debt, however, the ratio would be much higher. As a general trend, the bank's exposure to these countries is shrinking. At end-Q111, total exposures were equivalent to 224% of Fitch Core Capital. However, around three-quarters (167% of Fitch Core Capital) were to Italy and Spain.

Risks in Corporate Loan Book Dominated by Automotive and Construction Sectors

Fitch considers LBBW's gross exposure to construction companies, which stood at EUR8bn at end-H111 (down 10% yoy), as one of the bank's bigger sources of risk. 50% of exposures were rated investment grade at end-H111. Around three-quarters of the gross exposures are in Germany, with the rest being made up of exposures in the USA, the UK and France. The exposure to construction companies in peripheral euro zone countries is negligible. Prospects for the domestic construction industry have improved somewhat in 2010 and H111 but remain subdued.

LBBW also has a EUR15bn gross exposure (down 7% yoy) to the automotive sector which has, due to its export orientation, proven sensitive to the economic cycle. Within the sector, supplier companies to car producers accounted for around half the portfolio, car producers themselves made up the bulk of the rest. The bank's biggest exposures also relate to companies that are active in this sector. At end-H111, almost two-thirds of the net exposure was rated investment grade and the vast majority of loans related to Germany. Loans, which are classified as impaired were equivalent to 6% of the net exposure and adequately reserved.

Sizeable Commercial Real Estate Exposure, Future Focus on Germany

At end-Q111, LBBW's gross commercial real estate portfolio stood at EUR22bn (equivalent to roughly 250% of Fitch Core Capital). The portfolio fell by around 13% yoy and 57% of

Figure 7

Net Exposure to Peripheral European Sovereigns (at end-H111)

	(EURm)	FCC (%)
Ireland	92	1.0
Greece ^a	404	4.5
Portugal	1,211	13.6
Spain	2,809	31.6
Italy	3,468	39.0
Total	7,984	89.7

^a After EUR0.3bn of bonds booked as AfS have been impaired

FCC: Fitch Core Capital (end-H111: EUR8.9bn)

Source: LBBW

exposures related to Germany at end-Q111. In line with the EC's restructuring requirement, the bank has reduced its exposures in foreign markets by 22% yoy. More than 50% of loans abroad relate to exposures in North America, with the rest being made up of exposures in the UK and France. The bank is also looking to reduce its volume of large exposures (above EUR100m). Beyond these, exposures are fairly granular in size. At end-Q111, around 50% of the gross portfolio was rated investment grade with EUR2.8bn relating to defaulted or unrated/other categories, which are relatively well provisioned and collateralised.

LBBW is experiencing a positive trend in the quality of exposures. The commercial real estate market in Germany has also experienced less volatility compared with the USA or the UK where markets have continued stabilising.

Regarding new business opportunities, LBBW focuses on German real estate that promises stable cash-flows. On the residential real estate side, the focus is on rental properties in areas that show favourable demographic developments. On the commercial property side, office buildings as well as retail space (fully let and in prime location) are of interest. International business will be focused on prime locations in cities along the US east coast and in London on a selective basis where the risk-return profile of the opportunity represents a portfolio enhancement.

Landes- and Savings Banks Dominate Interbank Exposures

At end-H111, 95% of LBBW's Financial Institutions exposure was rated investment grade and gross exposures fell by 20% yoy. The credit quality of the portfolio improved and defaulted exposures were equivalent to 10.8% of Fitch Core Capital at end-H111, compared with 25.5% at end-H110. Landes- and savings banks account for the majority of the exposure, followed by highly rated institutions.

Significant Market Risk Compared with Capital Buffer

LBBW's market risk primarily arises from interest rate and credit spread risk. The bank's market risk, as captured by the Value-at-Risk (VaR), has been affected by the credit spread widening, especially of struggling European sovereign and bank exposures. At end-H111, the bank's exposure to peripheral euro zone sovereign debt stood at EUR8bn (see Figure 7) and this is significantly higher including bank exposures in these countries.

It has been LBBW's policy to hold all fixed-interest securities in a liquidity reserve or trading portfolio. In 2008, LBBW also reclassified EUR15.2bn of non-securitisation securities from the trading portfolio and fair-value category into the loans and receivables category.

In H111, LBBW's group aggregated average VaR was EUR510m, down from EUR731m in 2010. This has significantly reduced the bank's capital requirement for market risk, which has in turn improved the bank's capitalisation. Fitch believes that LBBW's spread risks reflect relatively high exposure to fat tail risks compared with LBBW's recurring earnings and its targeted business model as a focused universal bank. LBBW's reduction of its balance sheet should help to balance these risks in the medium term.

Taking into account the Basel recommendations, the bank calculated the VaR based on a 99% confidence interval, a 10-day holding period and a 250-day observation period.

Corporate Governance

As part of the restructuring process, LBBW is required to implement the corporate governance structure of a private sector company, despite its public sector ownership. In order to comply with this requirement, LBBW will covert into a stock corporation under German or European law (either an AG or a SE) by 2013.

Figure 8
High Capital Utilization for Market Risk^a

(%)	H111	2010
LBBW ^b	31	61
HVB ^c	7	8
CoBa ^b	29	92

^a Calculated as economic capital requirement for market risk/Fitch Core Capital

^b Based on a 99.95% confidence level

^c Based on a 99.97% confidence level

Source: Fitch

Funding and Capital

Some Wholesale Dependence But Diversified Investor Base; Good Access to Market Funding

Fitch views LBBW's funding structure as robust but there is some downside risk from some wholesale dependence. Refinancing needs have dropped sharply to EUR11bn for 2011 (compared with EUR19.3bn in 2009), as the balance sheet is reducing in size as required by the restructuring plan. Funding needs predominately arise from new business, which, in line with the bank's policy, should be match funded.

Wholesale and market related funding sources represented the bulk of non-equity funding at end-H111. While Fitch considers wholesale funding inferior to retail deposits from a stickiness point of view, LBBW's funding profile benefits from funding sources being well diversified by region and investor type. The bank also is able to raise retail deposits through its own retail network and indirectly via savings banks.

At end-H111, all planned unsecured funding for the year had been raised despite investors' risk aversion. Investors ranged from retail investors to savings banks and institutional investors. Almost 40% of unsecured funding was issued with maturities of five and more years. LBBW had also raised more than half the planned secured funding by end-H111, mostly in the form of public sector Pfandbriefe. Overall, savings banks accounted for more than one-third of raised funding. LBBW's entrenched position in the savings bank sector in the states of BW, RP and Saxony as a central bank is an important factor in Fitch's assessment of the stability of LBBW's future funding profile.

In Fitch's view, the peak in LBBW's maturity profile in 2015 (mainly relating to pre-funding of former LRP and SachenLB) is not a funding risk. However, it will be a challenge for the bank to store some of the cash surplus which is being generated before 2015 (through the asset reduction programme) in investments with the needed maturity and no undue risk-return profile in order to match the relative large amount of maturities in 2015.

Sound Liquidity Profile Despite Some Wholesale Funding Dependence

At around 160% at end-H111, LBBW's loan/deposit ratio is comparable with that of domestic peers and international peers in the Benelux or Scandinavia regions (see Figure 10). The bank's gearing is also not caused by its loan book but by its securities portfolio and interbank lending. This is beneficial from a funding and liquidity point of view, as securities tend to be liquid and the bulk of interbank lending matures in the short- or medium term.

Additionally, security investments are shrinking, driven by the restructuring requirements. Interbank lending is becoming increasingly unattractive, as the credit arbitrage backed by grandfathered debt issuance is coming to an end.

LBBW's liquidity ratio (defined as inflow of fund versus outflow of funds for one month) was comfortably above the regulatory minimum at all times in H111. With regard to LBBW's liquidity position, unencumbered and eligible assets for repo transactions with Central Banks amounted to EUR26bn at end-H111, equivalent to 171% of refinancing needs arising within the next 90 days.

Improving Capitalisation Driven by Reduction of Risk-Weighted Assets

LBBW's Fitch Core Capital ratio stood at 8.3% at end-H111, compared with 6.8% at end-2010. The improvement was driven by risk weighted assets falling 12%, as the bank continued to shrink and de-risk its balance sheet. Risk weighted assets continued to reduce strongly in Q311, further underpinning capitalisation. At the same time the bank's equity base grew due to the full retention of H111 net income.

In its latest survey, the European Banking Authority did not identify any capital shortfall at LBBW. This result is based on the mark-to-market valuation of sovereign bonds and does not

Figure 9
Breakdown of Non-Equity Funding

(%)	H111	2010
Interbank deposits	26	22
Customer deposits	24	24
Securitized liabilities	22	23
Subordinated debt	3	3
Negative fair value of derivatives	1	5
Trading liabilities	21	19
Other	3	3
Total	100	100

Source: LBBW

take LBBW's silent participations into account. As of end-9M11, LBBW would reach a Core Tier-1 ratio of 9.1%. Fitch expects the bank to comply with the 9% threshold, which comes into effect at end-H112 without having to raise additional capital, as the ongoing de-risking and deleveraging will continue to support capitalisation.

LBBW's regulatory Tier 1 capital of EUR14.2bn includes around EUR4bn silent participations, which Fitch also does not include in its core capital ratio. To derive the Fitch Core Capital, which is the agency's prime measure to assess a bank's capitalisation, deferred tax assets (on losses carried forward), goodwill/other intangibles and fair value on own debt in total of EUR1.5bn are deducted. In the assessment of LBBW's capitalisation, Fitch also takes the effects of the risk shield into account, which eases the potential erosion of capital through losses from the bank's troublesome securitization portfolios. Considering the extent of the guarantee and the full provision for the first loss piece, Fitch does not expect capitalisation to suffer significantly from losses from the securitisation portfolio.

Figure 10
Key Performance Indicators – German and International Peers

(%)	LBBW (‘A+’/Stable)		HVB (‘A+’/Stable)		Commerzbank (‘A+’/Stable)		SEB (‘A+’/Stable)		Dansk Bank (‘A+’/Negative)	
	H111	2010	H111	2010	H111	2010	H111	2010	H111	2010
Net interest margin	0.68	0.55	1.29	1.14	1.03	0.87	0.85	0.76	0.86	0.94
Non-interest expense/gross revenue	53.12	93.71	50.91	60.52	70.13	70.42	61.09	62.77	60.98	59.26
Loans and securities impairment charges/pre-impairment operating profit	11.10	399.15	-1.75	26.04	33.20	62.88	-15.79	13.79	59.36	66.70
Operating profit/average equity	13.30	-3.48	16.20	8.26	14.91	13.89	17.43	12.00	6.89	6.04
Operating profit/average total assets	0.37	-0.09	1.07	0.50	0.34	0.18	0.81	0.52	0.24	0.19
Tier 1 regulatory capital ratio	13.30	11.39	17.84	16.60	11.60	11.90	13.30	12.80	12.93	11.48
Equity/total assets	2.94	2.66	6.60	6.36	3.47	1.52	4.67	4.57	4.03	3.26
Growth of total assets	-5.23	-9.06	-3.46	2.34	-9.36	-10.64	0.98	-5.56	-2.70	3.72
Impaired loans (NPLs)/gross loans	4.02	4.67	6.13	6.55	7.20	7.07	1.89	2.12	5.46	5.47
Reserves for impaired loans/impaired loans	60.32	52.98	55.76	52.12	41.49	42.05	60.54	63.80	40.13	36.50
Loans/Customer Deposits	158.15	163.34	143.21	146.32	127.43	135.41	150.70	153.13	213.86	219.04

Landesbank Baden Wuerttemberg (LBBW), Skandinaviska Enskilda Banken (SEB), UniCredit Bank AG (HVB)
Source: Annual reports, Fitch

Figure 11
Reported Segmental Results

(EURm)	Corporates		Retail/Saving Banks		Financial Markets		Credit Investment		Corporate Items/ Reconciliation/ Consolidation		LBBW Group	
	H111	H110	H111	H110	H111	H110	H111	H110	H111	H110	H111	H110
Operating income	1,217	1,081	306	308	351	350	409	-675	-274	-128	2,037	936
Loan impairment charge	-45	-355	19	7	-7	6	-32	0	-19	46	-84	-297
Net income/loss from investment securities and other items	-16	-17	0	0	-4	-2	-261	84	-42	60	-324	124
Administrative expenses	-349	-338	-221	-230	-164	-172	-44	-43	-73	-94	-861	-877
Operating profit/loss	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 risk shield	0	0	0	0	0	0	-152	-153	0	0	-152	-153
Consolidated pre-tax profit/loss	793	370	105	85	175	182	-80	-787	-392	-171	601	-321
Segment assets (EURbn)	94.7	100.2	38.1	37.8	114.6	110.5	52.6	58.0	54.8	67.9	354.8	374.4
Tied-up capital (EURbn)	4.7	5.6	0.9	0.9	1.0	1.2	1.0	1.6	3.0	1.7	10.6	10.9

Source: LBBW

Landesbank Baden-Wuerttemberg
Income Statement

	30 Jun 2011		As % of Earning Assets	31 Dec 2010		31 Dec 2009		31 Dec 2008	
	6 Months - Interim USDm Unaudited	6 Months - Interim EURm Unaudited		Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets
1. Interest Income on Loans	5,558.6	3,846.0	2.24	6,685.0	1.82	9,422.0	2.33	14,552.0	3.32
2. Other Interest Income	7,366.7	5,097.0	2.97	8,871.0	2.41	11,567.0	2.86	18,847.0	4.30
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Gross Interest and Dividend Income	12,925.3	8,943.0	5.21	15,556.0	4.23	20,989.0	5.19	33,399.0	7.62
5. Interest Expense on Customer Deposits	3,312.6	2,292.0	1.34	3,992.0	1.09	5,828.0	1.44	8,671.0	1.98
6. Other Interest Expense	7,874.0	5,448.0	3.18	9,401.0	2.56	12,383.0	3.06	22,434.0	5.12
7. Total Interest Expense	11,186.6	7,740.0	4.51	13,393.0	3.64	18,211.0	4.50	31,105.0	7.10
8. Net Interest Income	1,738.7	1,203.0	0.70	2,163.0	0.59	2,778.0	0.69	2,294.0	0.52
9. Net Gains (Losses) on Trading and Derivatives	594.0	411.0	0.24	-864.0	-0.23	573.0	0.14	-1,482.0	-0.34
10. Net Gains (Losses) on Other Securities	-463.9	-321.0	-0.19	22.0	0.01	-733.0	-0.18	-990.0	-0.23
11. Net Gains (Losses) on Assets at FV through Income Statement	151.8	105.0	0.06	132.0	0.04	241.0	0.06	-847.0	-0.19
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	173.4	120.0	0.07	324.0	0.09	657.0	0.16	549.0	0.13
14. Other Operating Income	406.1	281.0	0.16	717.0	0.19	466.0	0.12	358.0	0.08
15. Total Non-Interest Operating Income	861.4	596.0	0.35	331.0	0.09	1,204.0	0.30	-2,412.0	-0.55
16. Personnel Expenses	735.7	509.0	0.30	1,058.0	0.29	1,101.0	0.27	1,012.0	0.23
17. Other Operating Expenses	766.0	530.0	0.31	1,260.0	0.34	1,492.0	0.37	777.0	0.18
18. Total Non-Interest Expenses	1,501.7	1,039.0	0.61	2,318.0	0.63	2,593.0	0.64	1,789.0	0.41
19. Equity-accounted Profit/ Loss - Operating	-4.3	-3.0	0.00	-58.0	-0.02	-123.0	-0.03	16.0	0.00
20. Pre-Impairment Operating Profit	1,094.1	757.0	0.44	118.0	0.03	1,266.0	0.31	-1,891.0	-0.43
21. Loan Impairment Charge	121.4	84.0	0.05	471.0	0.13	1,527.0	0.38	883.0	0.20
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. Operating Profit	972.7	673.0	0.39	-353.0	-0.10	-261.0	-0.06	-2,774.0	-0.63
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
26. Non-recurring Expense	23.1	16.0	0.01	67.0	0.02	887.0	0.22	109.0	0.02
27. Change in Fair Value of Own Debt	-80.9	-56.0	-0.03	103.0	0.03	-66.0	-0.02	221.0	0.05
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	868.6	601.0	0.35	-317.0	-0.09	-1,214.0	-0.30	-2,662.0	-0.61
30. Tax expense	325.2	225.0	0.13	30.0	0.01	268.0	0.07	-550.0	-0.13
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	543.4	376.0	0.22	-347.0	-0.09	-1,482.0	-0.37	-2,112.0	-0.48
33. Change in Value of AFS Investments	169.1	117.0	0.07	-237.0	-0.06	950.0	0.23	-2,052.0	-0.47
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	4.3	3.0	0.00	10.0	0.00	0.0	0.00	-11.0	0.00
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	80.0	0.02	49.0	0.01	-23.0	-0.01
37. Fitch Comprehensive Income	716.9	496.0	0.29	-494.0	-0.13	-483.0	-0.12	-4,198.0	-0.96
38. Memo: Profit Allocation to Non-controlling Interests	1.4	1.0	0.00	0.0	0.00	1.0	0.00	-24.0	-0.01
39. Memo: Net Income after Allocation to Non-controlling Interests	542.0	375.0	0.22	-347.0	-0.09	-1,483.0	-0.37	-2,088.0	-0.48
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	1.0	0.00	89.0	0.02	91.0	0.02
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = EUR0.69190

USD1 = EUR0.74840

USD1 = EUR0.69416

USD1 = EUR0.71855

Landesbank Baden-Wuerttemberg
Balance Sheet

	30 Jun 2011			31 Dec 2010		31 Dec 2009		31 Dec 2008	
	6 Months - Interim USDm	6 Months - Interim EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	44,782.5	30,985.0	8.73	32,118.0	8.58	33,277.0	8.08	12,624.0	2.82
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	137,067.5	94,837.0	26.73	100,191.0	26.76	116,356.0	28.26	137,230.0	30.65
6. Less: Reserves for Impaired Loans/ NPLs	4,408.2	3,050.0	0.86	3,275.0	0.87	3,320.0	0.81	2,260.0	0.50
7. Net Loans	177,441.8	122,772.0	34.60	129,034.0	34.46	146,313.0	35.54	147,594.0	32.96
8. Gross Loans	181,850.0	125,822.0	35.46	132,309.0	35.34	149,633.0	36.35	149,854.0	33.47
9. Memo: Impaired Loans included above	7,307.4	5,056.0	1.42	6,181.0	1.65	5,155.0	1.25	4,149.0	0.93
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	79,752.9	55,181.0	15.55	57,961.0	15.48	79,105.0	19.21	101,425.0	22.65
2. Reverse Repos and Cash Collateral	13,838.7	9,575.0	2.70	7,814.0	2.09	8,398.0	2.04	18,572.0	4.15
3. Trading Securities and at FV through Income	70,349.8	48,675.0	13.72	50,260.0	13.42	38,448.0	9.34	33,229.0	7.42
4. Derivatives	56,200.3	38,885.0	10.96	45,554.0	12.17	39,106.0	9.50	42,061.0	9.39
5. Available for Sale Securities	49,761.5	34,430.0	9.70	36,574.0	9.77	44,804.0	10.88	54,915.0	12.26
6. Held to Maturity Securities	49,778.9	34,442.0	9.71	38,501.0	10.28	46,224.0	11.23	38,419.0	8.58
7. At-equity Investments in Associates	423.5	293.0	0.08	322.0	0.09	309.0	0.08	401.0	0.09
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	240,352.7	166,300.0	46.87	179,025.0	47.81	177,289.0	43.06	187,597.0	41.90
10. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Memo: Total Securities Pledged	n.a.	n.a.	-	15,931.0	4.25	20,783.0	5.05	43,177.0	9.64
12. Investments in Property	2,497.5	1,728.0	0.49	1,725.0	0.46	1,761.0	0.43	1,784.0	0.40
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	500,044.8	345,981.0	97.50	367,745.0	98.22	404,468.0	98.24	438,400.0	97.91
C. Non-Earning Assets									
1. Cash and Due From Banks	6,720.6	4,650.0	1.31	400.0	0.11	1,878.0	0.46	3,480.0	0.78
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	1,044.9	723.0	0.20	721.0	0.19	854.0	0.21	922.0	0.21
5. Goodwill	628.7	435.0	0.12	450.0	0.12	451.0	0.11	946.0	0.21
6. Other Intangibles	205.2	142.0	0.04	154.0	0.04	177.0	0.04	229.0	0.05
7. Current Tax Assets	310.7	215.0	0.06	277.0	0.07	700.0	0.17	803.0	0.18
8. Deferred Tax Assets	1,342.7	929.0	0.26	1,148.0	0.31	1,109.0	0.27	1,533.0	0.34
9. Discontinued Operations	591.1	409.0	0.12	2,203.0	0.59	692.0	0.17	n.a.	-
10. Other Assets	1,971.4	1,364.0	0.38	1,315.0	0.35	1,365.0	0.33	1,425.0	0.32
11. Total Assets	512,860.2	354,848.0	100.00	374,413.0	100.00	411,694.0	100.00	447,738.0	100.00
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	105,182.8	72,776.0	20.51	74,198.0	19.82	93,132.0	22.62	97,992.0	21.89
2. Customer Deposits - Savings	9,804.9	6,784.0	1.91	6,804.0	1.82	6,303.0	1.53	4,937.0	1.10
3. Customer Deposits - Term	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Total Customer Deposits	114,987.7	79,560.0	22.42	81,002.0	21.63	99,435.0	24.15	102,929.0	22.99
5. Deposits from Banks	80,485.6	55,688.0	15.69	54,020.0	14.43	90,333.0	21.94	97,490.0	21.77
6. Repos and Cash Collateral	48,307.6	33,424.0	9.42	32,237.0	8.61	42,980.0	10.44	42,826.0	9.56
7. Other Deposits and Short-term Borrowings	13,150.7	9,099.0	2.56	22,254.0	5.94	29,224.0	7.27	44,410.0	9.92
8. Total Deposits, Money Market and Short-term Funding	256,931.6	177,771.0	50.10	189,513.0	50.62	262,672.0	63.80	287,655.0	64.25
9. Senior Debt Maturing after 1 Year	106,897.0	73,962.0	20.84	69,506.0	18.56	82,690.0	20.09	93,456.0	20.87
10. Subordinated Borrowing	8,320.6	5,757.0	1.62	6,182.0	1.65	6,216.0	1.51	7,332.0	1.64
11. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Total Long Term Funding	115,217.5	79,719.0	22.47	75,688.0	20.22	88,906.0	21.60	100,788.0	22.51
13. Derivatives	56,703.3	39,233.0	11.06	46,862.0	12.52	39,534.0	9.60	43,430.0	9.70
14. Trading Liabilities	55,906.9	38,682.0	10.90	41,731.0	11.15	1,489.0	0.36	1,912.0	0.43
15. Total Funding	484,759.4	335,405.0	94.52	353,794.0	94.49	392,601.0	95.36	433,785.0	96.88
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	-396.0	-274.0	-0.08	-274.0	-0.07	-175.0	-0.04	-241.0	-0.05
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	200.0	0.05	187.0	0.04
3. Reserves for Pensions and Other	3,512.1	2,430.0	0.68	2,427.0	0.65	2,174.0	0.53	1,793.0	0.40
4. Current Tax Liabilities	417.7	289.0	0.08	301.0	0.08	312.0	0.08	398.0	0.09
5. Deferred Tax Liabilities	312.2	216.0	0.06	228.0	0.06	314.0	0.08	195.0	0.04
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	945.2	654.0	0.18	2,225.0	0.59	678.0	0.16	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	1,005.9	696.0	0.20	783.0	0.21	643.0	0.16	718.0	0.16
10. Total Liabilities	490,556.4	339,416.0	95.65	359,484.0	96.01	396,747.0	96.37	436,835.0	97.56
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	7,201.9	4,983.0	1.40	4,969.0	1.33	4,441.0	1.08	4,843.0	1.08
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity									
1. Common Equity	15,787.0	10,923.0	3.08	10,540.0	2.82	10,933.0	2.66	7,478.0	1.67
2. Non-controlling Interest	30.4	21.0	0.01	11.0	0.00	12.0	0.00	20.0	0.00
3. Securities Revaluation Reserves	-910.5	-630.0	-0.18	-747.0	-0.20	-510.0	-0.12	-1,460.0	-0.33
4. Foreign Exchange Revaluation Reserves	-5.8	-4.0	0.00	-7.0	0.00	-17.0	0.00	-17.0	0.00
5. Fixed Asset Revaluations and Other Accumulated OCI	200.9	139.0	0.04	163.0	0.04	88.0	0.02	39.0	0.01
6. Total Equity	15,101.9	10,449.0	2.94	9,960.0	2.66	10,506.0	2.55	6,060.0	1.35
7. Total Liabilities and Equity	512,860.2	354,848.0	100.00	374,413.0	100.00	411,694.0	100.00	447,738.0	100.00
8. Memo: Fitch Core Capital	12,811.1	8,864.0	2.50	8,190.0	2.19	9,070.0	2.20	3,722.0	0.83
9. Memo: Fitch Eligible Capital	18,301.5	12,662.8	3.57	11,700.0	3.12	12,909.0	3.14	5,317.1	1.19

Exchange rate

USD1 = EURO.69190

USD1 = EURO.74840

USD1 = EURO.69416

USD1 = EURO.71855

Landesbank Baden-Wuerttemberg
Summary Analytics

	30 Jun 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
	6 Months - Interim	Year End	Year End	Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	5.96	4.78	6.28	9.83
2. Interest Expense on Customer Deposits/ Average Customer Deposits	5.76	4.43	5.61	8.50
3. Interest Income/ Average Earning Assets	5.05	3.95	4.91	7.31
4. Interest Expense/ Average Interest-bearing Liabilities	4.53	3.51	4.36	6.95
5. Net Interest Income/ Average Earning Assets	0.68	0.55	0.65	0.50
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.63	0.43	0.29	0.31
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	0.68	0.55	0.65	0.50
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	33.13	13.27	30.24	2,044.07
2. Non-Interest Expense/ Gross Revenues	57.75	92.94	65.12	-1,516.10
3. Non-Interest Expense/ Average Assets	0.57	0.58	0.60	0.39
4. Pre-impairment Op. Profit/ Average Equity	14.96	1.16	13.56	-22.53
5. Pre-impairment Op. Profit/ Average Total Assets	0.42	0.03	0.29	-0.41
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	11.10	399.15	120.62	-46.69
7. Operating Profit/ Average Equity	13.30	-3.48	-2.80	-33.05
8. Operating Profit/ Average Total Assets	0.37	-0.09	-0.06	-0.60
9. Taxes/ Pre-tax Profit	37.44	-9.46	-22.08	20.66
10. Pre-Impairment Operating Profit / Risk Weighted Assets	1.43	0.10	0.82	-1.07
11. Operating Profit / Risk Weighted Assets	1.28	-0.29	-0.17	-1.56
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	7.43	-3.42	-15.88	-25.16
2. Net Income/ Average Total Assets	0.21	-0.09	-0.34	-0.46
3. Fitch Comprehensive Income/ Average Total Equity	9.80	-4.87	-5.17	-50.02
4. Fitch Comprehensive Income/ Average Total Assets	0.27	-0.12	-0.11	-0.91
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	0.71	-0.29	-0.96	-1.19
7. Fitch Comprehensive Income/ Risk Weighted Assets	0.94	-0.41	-0.31	-2.37
D. Capitalization				
1. Fitch Core Capital/Weighted Risks	8.33	6.78	5.89	2.10
2. Fitch Eligible Capital/ Weighted Risks	11.90	9.69	8.39	3.00
3. Tangible Common Equity/ Tangible Assets	2.59	2.27	2.26	0.89
4. Tier 1 Regulatory Capital Ratio	13.30	11.39	9.82	6.90
5. Total Regulatory Capital Ratio	17.70	15.34	13.30	10.10
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	2.94	2.66	2.55	1.35
8. Cash Dividends Paid & Declared/ Net Income	n.a.	-0.29	-6.01	-4.31
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	n.a.	-0.20	-18.43	-2.17
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	7.26	-3.49	-14.95	-36.35
E. Loan Quality				
1. Growth of Total Assets	-5.23	-9.06	-8.05	0.98
2. Growth of Gross Loans	-4.90	-11.58	-0.15	2.37
3. Impaired Loans(NPLs)/ Gross Loans	4.02	4.67	3.45	2.77
4. Reserves for Impaired Loans/ Gross loans	2.42	2.48	2.22	1.51
5. Reserves for Impaired Loans/ Impaired Loans	60.32	52.98	64.40	54.47
6. Impaired Loans less Reserves for Imp Loans/ Equity	19.20	29.18	17.47	31.17
7. Loan Impairment Charges/ Average Gross Loans	0.13	0.34	1.02	0.60
8. Net Charge-offs/ Average Gross Loans	n.a.	0.04	0.04	0.03
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	4.02	4.67	3.45	2.77
F. Funding				
1. Loans/ Customer Deposits	158.15	163.34	150.48	145.59
2. Interbank Assets/ Interbank Liabilities	99.09	107.30	87.57	104.04
3. Customer Deposits/ Total Funding excl Derivatives	26.86	26.39	28.16	26.37

Landesbank Baden-Wuerttemberg
Reference Data

	30 Jun 2011			31 Dec 2010		31 Dec 2009		31 Dec 2008	
	6 Months - Interim USDm	6 Months - Interim EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	8,890.0	6,151.0	1.73	6,934.0	1.85	6,677.0	1.62	8,309.0	1.86
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	31,107.1	21,523.0	6.07	21,457.0	5.73	21,479.0	5.22	26,583.0	5.94
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	1,501.0	0.34
7. Total Business Volume	552,857.3	382,522.0	107.80	402,804.0	107.58	439,850.0	106.84	484,131.0	108.13
8. Memo: Total Weighted Risks	153,817.0	106,426.0	29.99	120,713.0	32.24	153,913.0	37.39	177,450.0	39.63
9. Fitch Adjustments to Weighted Risks.	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Weighted Risks	153,817.0	106,426.0	29.99	120,713.0	32.24	153,913.0	37.39	177,450.0	39.63
B. Average Balance Sheet									
Average Loans	186,537.8	129,065.5	36.37	139,968.3	37.38	149,988.7	36.43	147,962.7	33.05
Average Earning Assets	515,772.5	356,863.0	100.57	393,965.3	105.22	427,669.3	103.88	456,848.0	102.03
Average Assets	526,998.8	364,630.5	102.76	401,173.0	107.15	435,726.0	105.84	463,833.3	103.59
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	498,048.1	344,599.5	97.11	381,805.3	101.97	418,124.3	101.56	447,546.0	99.96
Average Common equity	15,510.2	10,731.5	3.02	10,703.7	2.86	9,941.7	2.41	8,848.3	1.98
Average Equity	14,748.5	10,204.5	2.88	10,147.0	2.71	9,333.7	2.27	8,393.3	1.87
Average Customer Deposits	116,029.8	80,281.0	22.62	90,091.0	24.06	103,895.3	25.24	102,036.3	22.79
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	22,922.0	6.12	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	16,175.0	4.32	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	35,824.0	9.57	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	57,388.0	15.33	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	14,068.0	3.76	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	9,187.0	2.45	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	30,194.0	8.06	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	12,768.0	3.41	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	40,769.0	10.89	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	6,833.0	1.82	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	31,359.0	8.38	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	8,970.0	2.40	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	22,894.0	6.11	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	11,902.0	3.18	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	16,871.0	4.51	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	27,661.0	7.39	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	8,320.6	5,757.0	1.62	6,182.0	1.65	6,216.0	1.51	7,332.0	1.64
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	15,101.9	10,449.0	2.94	9,960.0	2.66	10,506.0	2.55	6,060.0	1.35
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	15,101.9	10,449.0	2.94	9,960.0	2.66	10,506.0	2.55	6,060.0	1.35
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	15,101.9	10,449.0	2.94	9,960.0	2.66	10,506.0	2.55	6,060.0	1.35
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	-396.0	-274.0	-0.08	-274.0	-0.07	-175.0	-0.04	-241.0	-0.05
3. Non-loss-absorbing non-controlling interests	30.4	21.0	0.01	11.0	0.00	12.0	0.00	20.0	0.00
4. Goodwill	628.7	435.0	0.12	450.0	0.12	451.0	0.11	946.0	0.21
5. Other intangibles	205.2	142.0	0.04	154.0	0.04	177.0	0.04	229.0	0.05
6. Deferred tax assets deduction	1,030.5	713.0	0.20	881.0	0.24	621.0	0.15	902.0	0.20
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	12,811.1	8,864.0	2.50	8,190.0	2.19	9,070.0	2.20	3,722.0	0.83
10. Eligible weighted Hybrid capital	5,490.4	3,798.8	1.07	3,510.0	0.94	3,839.0	0.93	1,595.1	0.36
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	18,301.5	12,662.8	3.57	11,700.0	3.12	12,909.0	3.14	5,317.1	1.19

Exchange Rate

USD1 = EURO.69190

USD1 = EURO.74840

USD1 = EURO.69416

USD1 = EURO.71855

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