

# Corporate Governance.

Now that the tighter regulatory requirements for capital resources are actually in place and to ensure that LBBW can continue to fully perform its role as a solid and reliable financing partner in future, the owners made further equity in the amount of EUR 5 billion available to the LBBW Group in early summer 2009. At the same time, the state of Baden-Württemberg provided protection against risks with a guarantee in the amount of EUR 12.7 billion.

On December 15, 2009 the European Commission gave its final approval for the capital increase and the risk shield for the Landesbank Baden-Württemberg on the basis of the business model presented. At the same time, the EU accepted the plan for the reorganization of LBBW, which was drawn up in agreement with the Owners' Meeting and the previous Supervisory Board.

The restructuring of LBBW also entails considerable changes to the existing corporate governance structure. In order to express the fact that LBBW is managed like a private-sector enterprise despite being in public ownership, LBBW will be converted by the end of 2013 from an institution incorporated under public law into a stock corporation under German or European law (AG/SE).

As part of the changes to the law and articles of association of Landesbank Baden-Württemberg, the previous supervisory bodies of LBBW were restructured and the roles of the new bodies constituted under the articles of association, such as the annual general meeting, Supervisory Board and Board of Managing Directors, were defined accordingly in order to achieve a clear division of responsibilities and greater transparency. In harmony with the decision of the EU Commission, the authorities of the annual general meeting were limited to the typical responsibilities of an annual general meeting under stock corporation law, especially the rights to be informed and to make resolutions on the appropriation of net profit. Unlike previous practice, the supervisory and monitoring roles of the Board of Managing Directors are bundled exclusively at the

Supervisory Board. The Board of Managing Directors retains its responsibility for daily, operational management.

Further changes to the law and articles of association are intended to ensure that the Bank is managed exclusively in terms of economic criteria. Previously, the Supervisory Board consisted only of representatives of the owners and employees and half of the seats allocated to the owners were occupied by independent experts. All members of the Supervisory Board must have the expert knowledge required by the BaFin. During the restructuring phase until late 2013, one of the independent members will chair the Supervisory Board. The Supervisory Board has appointed separate General, Audit and Risk committees. Membership of these committees is conditional on possession of the appropriate qualifications to ensure that the committees can best meet their responsibilities. In addition, LBBW voluntarily applies material elements of the German Corporate Governance Code.

The German Corporate Governance Code is a set of important legal regulations governing the management and monitoring of German listed companies and in the form of recommendations also contains internationally and nationally recognized standards for good and responsible corporate governance.

Because of its alignment to listed corporations, the Code is not mandatory for the Landesbank Baden-Württemberg since it is not a listed bank but an institution incorporated under public law. There are significant differences between Landesbank Baden-Württemberg as an institution under public law along with other subsidiary dependent institutions under public law and a stock corporation. Numerous provisions of the German Corporate Governance Code can either not be applied at all or only to a limited degree to Landesbank Baden-Württemberg.

However, confidence in LBBW business policies is significantly bolstered because its corporate governance and monitoring system is responsible and transparent and geared to the sustainable growth of its enterprise value. This is why a high value was and still is placed on good corporate governance at Landesbank Baden-Württemberg. For this reason, in the legislation governing LBBW, the articles of association, the bylaws of dependent institutions and the codes of procedures of bodies and

other committees there are many recommendations from the German Corporate Governance Code. These statutory regulations also describe the responsibilities, duties and authorities of the bodies and committees, appointment of members to the bodies and committees and their interactions with each other. The fact that LBBW makes regular revisions of the articles of association and bylaws of the bodies is evidence of the Bank's commitment to ongoing improvement in corporate governance.