

Key Events During the Fiscal Year.

Revision of State Banking Law and Articles of Association.

The conversion of a public law institution into a stock corporation in accordance with German or European law (AG/SE) is scheduled for the end of 2013 as part of the realignment of LBBW.

As preparation for the change in legal form, LBBW's legal principles – the law governing Landesbank Baden-Württemberg and the LBBW articles of association – were amended in summer 2010. At the heart of the reform is a new committee structure, adapted as far as possible to that of a corporation. As part of the change, LBBW's previous supervisory bodies have been restructured and the functions of the new bodies conforming to the articles of association such as the annual general meeting, Supervisory Board and Board of Managing Directors defined accordingly so as to provide more transparency and a clearer distribution of responsibilities.

The powers of the annual general meeting have – in accordance with the decision of the European Commission – been restricted to the specific responsibilities of an annual general meeting according to the stock corporation law, particularly information rights, passing resolutions regarding the allocation of profits, discharging the members of the Supervisory Board and Board of Managing Directors from responsibility and passing resolutions regarding the Bank's articles of association and its amendments. Further changes to the law and articles of association should ensure that LBBW is in future managed exclusively according to economic criteria.

Whereas the previous Supervisory Board comprised 30 members and their deputies, the altered Supervisory Board now consists of 21 members. Half of the 14 seats allocated to shareholders have been occupied by members drawn from outside the owners. The chair of the Supervisory Board must be filled by one of the independent members during the restructuring phase and by the end of 2013. Mr Hans Wagener, an acknowledged expert as former Spokesman of the Management Board of PricewaterhouseCoopers (PwC), has taken the position of Chairman.

The remaining seven members of the Supervisory Board are selected as representatives of the employees and confirmed by vote at the annual general meeting. Those employee representatives in the previous Supervisory Board who obtained the first seven places in the last election on October 19, 2009, are representing the employees in the first period of office of the new Supervisory Board.

In a change from previous practice, the functions of oversight and supervision of the Board of Managing Directors are now bundled exclusively in the Supervisory Board. This includes the appointment and dismissal of the members of the Board of Managing Directors as well as that of the Chairman and Deputy Chairmen of the Board.

With the constituent assembly of the Supervisory Board on November 8, 2010, the annual general meeting took the place of the Owners' Meeting and the new Supervisory Board and its committees replaced their predecessors. Despite the changes to the organizational structure, LBBW remains a public law institution until its conversion to stock corporation.