

Report of the Supervisory Board.

The conversion of a public law institution into a stock corporation 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 basis - the law governing Landesbank Baden-Württemberg and the LBBW articles of association - was amended in summer 2010. With the constituent assembly on November 8, 2010, the new Supervisory Board replaced its predecessor.

Since its constituent assembly, the Supervisory Board has advised the LBBW Board of Managing Directors on the management of the company and regularly supervised LBBW executives. The Landesbank Baden-Württemberg Board of Managing Directors reported to the Supervisory Board regularly and in a timely manner on the business situation and performance of the Bank and the Group during 2010. Between meetings, the signatory, as Chairman of the Supervisory Board, maintained regular contact with the Chairman of the Board of Managing Directors in order to discuss key developments and decisions. The Supervisory Board was involved in decisions of major importance for LBBW and, when required, granted its approval after extensive consultation and examination. The Supervisory Board and its committees exercised the duties incumbent upon them under the applicable laws and statutes.

SUPERVISORY BOARD MEETINGS

In the year under review, the Supervisory Board held two regular meetings, in which also the representatives of the legal supervision and the banks supervision participated. As part of the Management Report, the Supervisory Board received detailed information at each meeting about performance in the individual segments and their effects on the income statement, the development of the risk-weighted assets and the resulting implications for the Tier 1 capital ratio at LBBW. Other focal points included reporting on sovereign risks, the status of current regulatory measures and the possible effects of the latest decisions on Basel III and the bank levy. In addition, detailed reports were provided on the progress of restructuring as part of the EU plan.

The subject of the constituent assembly of the Supervisory Board on November 8, 2010 was the election of the deputy chairman of the committee. The members of the individual committees of the Supervisory Board were also elected, as well as the committee chairs and their respective deputies. At the end of the first meeting of the Supervisory Board, President Peter Schneider reported on outstanding issues relating to the work of LBBW's previous Supervisory Board, of which he was Chairman.

In its meeting of December 10, 2010, the Supervisory Board decided on provisional bylaws for the Supervisory Board, Presiding Committee, Audit Committee, Risk Committee and Board of Managing Directors of LBBW. The Supervisory Board focused on medium-term planning for 2011 - 2015. On this subject, the Board of Managing Directors explained the transition from HGB planning to IFRS consolidated planning and gave a detailed overview of planning for the individual segments at LBBW. The Supervisory Board then dealt with the changes to the Board of Managing Directors' distribution of business plan. The Supervisory Board meeting also covered the LBBW Group's business and group risk strategy for 2011, as well as the specific risk strategies. The risk report provided the Supervisory Board with extensive information on the risk-bearing capacity situation and portfolio quality, as well as the development of the market price risk and operational risks at LBBW. As part of reporting, equally detailed coverage was provided of volume development in the credit investment portfolio and opportunities/strategies for hedging and processing credit default swaps.

Furthermore, the Supervisory Board was informed of the LBBW remuneration report for 2010 and approved the changes in the Supervisory Boards of BW-Bank and Rheinland-Pfalz Bank.

Over the remainder of the meeting, the Supervisory Board discussed the disposals of equity investments that became necessary in connection with the EU restructuring process.

The Risk Committee met for the first time on December 13, 2010. The Risk Committee – as a committee of the Supervisory Board – dealt with commitments requiring approval according to the applicable law and statutes. The Risk Committee took note of urgent decisions made by the Board of Managing Directors. Major issues on the agenda were the discussion of the provisional bylaws, the current state of risk provision and the development of the securitization portfolio.

SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

The Supervisory Board was regularly informed about risk-relevant issues in the LBBW Group pursuant to the Minimum Requirements for Risk Management (MaRisk). As part of the description of the business and risk strategy, the Board of Managing Directors explained the primary considerations with regard to the individual risk strategies. Reports about the relevant risk types were presented in detail to the Risk Committee and in summary to the Supervisory Board.

KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG), Stuttgart, audited the single-entity and consolidated financial statements of LBBW, including the management reports. The unqualified auditor's certificate was granted. In its meeting on April 4, 2011, the Audit Committee discussed the documents of the financial statements in the presence of the auditor. In the balance sheet meeting on April 14, 2011, the Supervisory Board discussed the auditor's report and found no grounds for objections after completing its review. The Supervisory Board concurred with the audit findings and therefore approved the annual financial statements prepared by the Board of Managing Directors with effect from December 31, 2010.

CONFLICTS OF INTEREST

The Risk Committee dealt with the credit approvals required in line with Section 15 of the German Banking Act (KWG) and the approvals in accordance with the bylaws. Not taking part in the discussion and approval were those Supervisory Board members who, at the time the resolutions were made, were members of the executive bodies of the borrowers concerned or for other reasons were subject to a potential conflict of interest.

PERSONAL NOTE

The changes stated in the Owners' Meeting report have been made to the LBBW Board of Managing Directors and committees.

The market situation, which remains difficult in some areas, together with labor costs, which remained high not least due to the realignment of LBBW, made a particular effort necessary in the last financial year.

On behalf of the members of the Supervisory Board, I would like to thank the Board of Managing Directors and the employees for their personal commitment and hard work in the 2010 financial year. I would also like to thank the previous Supervisory Board for its dedicated work and especially its Chairman, Mr. Peter Schneider.

Stuttgart, April 14, 2011
Chairman of the Supervisory Board

A handwritten signature in blue ink, appearing to read 'Hans Wagener', with a stylized flourish at the end.

HANS WAGENER