

O r d i n a n c e  
o f  
Landesbank Baden-Württemberg  
- Stuttgart, Karlsruhe, Mannheim, and Mainz -

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**Version dated:14 August 2010**

## Preamble

Landesbank Baden-Württemberg (Landesbank) was established through the merger of Südwestdeutsche Landesbank Girozentrale, Landesgirokasse – öffentliche Bank und Landessparkasse, and Landeskreditbank Baden-Württemberg. The legal basis of Landesbank is the Landesbank Baden-Württemberg Act (*Gesetz über die Landesbank Baden-Württemberg - LBWG*) of 11 November 1998 [Baden-Württemberg Law Gazette (*Gesetzblatt für Baden-Württemberg – GBl.*) p. 589] last amended by the law of 14 August 2010.

### § 1 Legal Status, Registered Offices

Landesbank Baden-Württemberg is an institution under public law with legal capacity and with registered offices in Stuttgart, Karlsruhe, Mannheim, and Mainz. The head office of the Chairman of the Board of Managing Directors (*Vorstand*) is Stuttgart. Landesbank may establish and operate branches, offices, stock exchange offices, and representative offices without regional restriction.

### § 2 Owners (*Träger*) and Liability

- (1) The Owners of Landesbank Baden-Württemberg are the Savings Banks Association of Baden-Württemberg (*Sparkassenverband Baden-Württemberg – SVBW*), the State of Baden-Württemberg (the State), the state capital Stuttgart (the City), Landesbeteiligungen Baden-Württemberg GmbH (Landesbeteiligungen BW) and Landeskreditbank Baden-Württemberg - Förderbank - (L-Bank).
- (2) The Owners shall support Landesbank in the execution of its duties according to the following provisions. The Owners are neither obliged to provide funds nor does Landesbank have the right to claim the provision of funds from the Owners.
- (3) The Owners of Landesbank as at 18 July 2005 are responsible for honoring all liabilities of Landesbank existing at this date. For liabilities agreed by 18 July 2001 this applies without time limit; for those agreed after this date and until 18 July 2005, this applies only if their maturity does not go beyond 31 December 2015. The Owners will immediately honor their obligations arising from the guarantor's liability (*Gewährträgerhaftung*) vis-à-vis the creditors of liabilities agreed until 18 July 2005 as soon as they have stated in due manner and in writing upon these liabilities

falling due that the creditors of these liabilities cannot be satisfied from the assets of Landesbank. The obligations of Landesbank resulting from its own guarantor's liability or comparable liability undertaking or a liability arising from membership in a savings banks association as guarantor are laid down and fall due under the terms of sentences (1) - (3) at the same moment as the obligation secured by such an undertaking. Several Owners are jointly and severally responsible, in their internal relationships according to their interests in the capital.

- (4) Irrespective of paragraph 5, any Owner of Landesbank may accept, solely or jointly and severally with other Owners or third parties, guarantees limited in time and amount for a fair market rate.
- (5) Landesbank shall be liable to the full extent of its assets. The liability of the Owners shall be limited to the statutory capital.
- (6) Should an Owner transfer its entire interest in the nominal capital, it may withdraw as an Owner by submitting a declaration to this effect to Landesbank. The declaration shall require the approval of the Supervisory Authority on Points of Law (*Rechtsaufsichtsbehörde*). The withdrawal of the Owner shall become effective upon such approval; the former Owner shall remain liable to third parties for obligations of Landesbank that were established at the time of its withdrawal pursuant to paragraph 3.
- (7) Under consideration of the foregoing paragraphs, legal entities under public law may be admitted by contract as additional Owners provided that they acquire interests in the nominal capital. The same applies to persons in private law that are appointed as Owners, in which only the Owners of Landesbank have an interest. The appointment shall be effected upon request of the Owner to be admitted by an administrative act of the Supervisory Authority on Points of Law.

### **§ 3 Nominal Capital**

- (1) Landesbank has a nominal capital of EUR 2,583,500,000.
- (2) The nominal capital consists of
  - a. the nominal capital of EUR 1,419,800,000 existing before the capital increase took effect on 22 June 2009 (nominal capital category A);

- b. the nominal capital of EUR 1,163,700,000, which was formed when the capital increase took effect on 22 June 2009 (nominal capital category B).
- (3) The following hold stakes in the nominal capital of LBBW (nominal capital categories A and B) of EUR 2,583,500,000:
- a. the SVBW EUR 1,047.2 million (40.534 percent);
  - b. the State EUR 505.6 million (19.570 percent);
  - c. the City EUR 489.1 million (18.932 percent);
  - d. Landesbeteiligungen BW EUR 471.7 million (18.258 percent);
  - e. L-Bank EUR 69.9 million ( 2.706 percent).
- (4) The interests of the Owners of LBBW in the nominal capital (A and B) and the two nominal capital categories A and B are as follows:

| Owner                  | Nominal capital (A and B) in EUR million (and percent) | Nominal capital A in EUR million | Nominal capital B in EUR million |
|------------------------|--|----------------------------------|----------------------------------|
| SVBW                   | 1,047.2 (40.534)                                       | 575.5                            | 471.7                            |
| State                  | 505.6 (19.570)   | 505.6                            | 0                                |
| City                   | 489.1 (18.932)   | 268.8                            | 220.3                            |
| Landesbeteiligungen BW | 471.7 (18.258)   | 0                                | 471.7                            |
| L-Bank                 | 69.9 (2.706)   | 69.9                             | 0                                |
| Total                  | 2,583.5 (100)  | 1,419.8                          | 1,163.7                          |

- (5) If and to the extent that the ordinance of the SVBW requires that its member savings banks make direct contributions to the nominal capital (nominal capital categories A and B), these interests shall be attributed to the SVBW.
- (6) The nominal capital may be increased or decreased by resolution passed by the General Meeting (*Hauptversammlung*). In this context, it has to be determined which nominal capital category/categories shall be increased or decreased. When the nominal capital is increased, each Owner that holds an interest in the nominal capital category concerned shall be entitled to an interest in the new nominal capital

of the respective nominal capital category that corresponds to its interest in the previous nominal capital. Inasmuch as an Owner does not exercise its preemptive right within one nominal capital category, this preemptive right – unless otherwise agreed by the Owners – shall accrue to the other Owners of this nominal capital category, in consideration of a compensatory payment, in the same proportion as the Owners hold their pro-rata interests in the nominal capital.

- (7) In accordance with the provisions of the German Banking Act (*Gesetz über das Kreditwesen - KWG*) Landesbank may accept capital generated by profit-participation certificates (*Genussrechtskapital*), capital contributed by silent partners (*stille Einlagen*), as well as subordinated liable capital and other types of capital from its Owners and third parties.

#### **§ 4 Duties**

- (1) Landesbank shall have full freedom to conduct business. It may engage in all types of banking and financial service activities as well as in all other activities that are useful to Landesbank.
- (2) Landesbank shall strengthen competition in the banking business. It shall provide its services in the interest of the people, the economy, and the public sector, taking into account market requirements. With regard to its public function, Landesbank shall also endeavor, to the extent it is able to do so, to support social, environmental, cultural, and other public-interest projects.
- (3) Landesbank is a universal bank and an international commercial bank.
- (4) Landesbank is also the central bank for the savings banks (*Sparkassen*) in Baden-Württemberg, Rhineland-Palatinate, and the Free State of Saxony; jointly with the associated enterprises of the savings banks, it promotes and supports the competitiveness of the savings banks in the market.
- (5) Landesbank also performs the duties of a savings bank in the territory of the state capital Stuttgart under analogous application of section 6 para. 1 of the Savings Bank Act (*Sparkassengesetz*).
- (6) Landesbank is also the principal banker of the State and of the City.
- (7) Landesbank may create legally dependent institutions under public law, invest in enterprises, and become a member of associations. In addition, it may acquire

interests in the capital of credit institutions under public law and be a guarantor or owner of such institutions.

- (8) Landesbank established a legally dependent institution under public law entitled Baden-Württembergische Bank (“BW-Bank”). As a unit operating independently within Landesbank, BW-Bank is now responsible for the retail and corporate customers business areas of Landesbank and former Baden-Württembergische Bank Aktiengesellschaft for Baden-Württemberg, placing a special focus on medium-sized businesses. In this context, on behalf of Landesbank BW-Bank also carries out the responsibilities of a savings bank in Stuttgart, the state capital of Baden-Württemberg, assigned to Landesbank pursuant to paragraph 5. Within the scope of duties assigned to it, BW-Bank operates as a commercial bank and may engage in all types of banking and financial service activities. Any and all statements and legal transactions of BW-Bank entitle and commit Landesbank. The duties and organization of BW-Bank are governed by the Articles of Incorporation (*Statut*) of BW-Bank, adopted by the Owners' Meeting on 6 July 2005. Pursuant to section 8 para. 2 no. 5 of the Landesbank Baden-Württemberg Act, amendments of the Articles of Incorporation can only be adopted by resolution of the General Meeting.
- (9) Landesbank established a legally dependent institution under public law entitled Rheinland-Pfalz Bank (“RP-Bank”). RP-Bank, as a regional bank with a strong customer focus, is now responsible for the corporate customer business area, placing a special focus on medium-sized businesses, in addition to private banking and the provision of advisory services for institutional customers, also with regard to investments in funds, for Rhineland-Palatinate and the adjacent economic areas. Within the scope of duties assigned to it, RP-Bank operates as a commercial bank and may engage in all types of banking and financial service activities. Any and all statements and legal transactions of RP-Bank entitle and commit Landesbank. The duties and organization of RP-Bank are governed by the Articles of Incorporation (*Statut*) of RP-Bank, adopted by the Owners' Meeting on 25 April 2008. Pursuant to section 8 para. 2 no. 5 of the Landesbank Baden-Württemberg Act, amendments of the Articles of Incorporation can only be adopted by resolution of the General Meeting.
- (10) Landesbank established a legally dependent institution under public law entitled “Sachsen Bank”. As a unit operating independently within Landesbank, Sachsen Bank, as a regional bank with a strong customer focus, is now responsible for the corporate customer business area, placing a special focus on medium-sized businesses, and the private banking business area for Saxony and the adjacent

economic areas. Within the scope of duties assigned to it, Sachsen Bank operates as a commercial bank and may engage in all types of banking and financial service activities. Any and all statements and legal transactions of Sachsen Bank entitle and commit Landesbank. The duties and organization of Sachsen Bank are governed by the Articles of Incorporation (*Statut*) of Sachsen Bank, adopted by the Owners' Meeting on 25 April 2008. Pursuant to section 8 para. 2 no. 5 of the Landesbank Baden-Württemberg Act, amendments of the Articles of Incorporation can only be adopted by resolution of the General Meeting.

## **§ 5 Mortgage-Backed Bonds, Bonds, Money in Trust for Wards**

- (1) Landesbank is authorized to issue mortgage-backed bonds (*Pfandbriefe*), public debt-backed bonds (*Kommunalobligationen*), and other bonds (*Schuldverschreibungen*).
- (2) Mortgage-backed bonds and other bonds that are outstanding or yet to be issued and that are subject to the German Act on Mortgage-Backed Bonds and Similar Bonds Issued by Public-Law Credit Institutions (*Gesetz über die Pfandbriefe und verwandten Schuldverschreibungen öffentlich-rechtlicher Kreditanstalten*) must be covered in accordance with the provisions of that Act.
- (3) Section 5 para. 5 of the ordinance of Südwestdeutsche Landesbank Girozentrale in the version of 27 August 1992 and section 31 of the basic provisions of Landesgirokasse – öffentliche Bank und Landessparkasse in the version of September 1992 shall continue to apply to the separate cover asset pools created on the basis of these provisions.
- (4) Landesbank qualifies for holding money in trust for wards (*Mündelgeld*).

## **§ 6 Executive Bodies, Responsibilities**

- (1) The executive bodies of Landesbank are the General Meeting (*Hauptversammlung*), the Supervisory Board (*Aufsichtsrat*), and the Board of Managing Directors (*Vorstand*).
- (2) The members of the Supervisory Board and of the Board of Managing Directors are obliged to maintain secrecy. This obligation shall survive the termination of their service on Landesbank's executive bodies. The Board of Managing Directors may

waive the obligation to maintain secrecy in individual cases and for specific purposes, in particular to permit testimony in judicial or administrative proceedings.

- (3) Members of the Supervisory Board and of the Board of Managing Directors who violate their responsibilities shall be jointly and severally liable to Landesbank for compensating any damage resulting therefrom.

## **§ 7 Principles Governing Business Operations**

Landesbank shall conduct its business in accordance with economic principles. In doing so, the duties incumbent upon Landesbank shall also be taken into account.

## **§ 8 General Meeting (*Hauptversammlung*)**

The General Meeting is comprised of the Owners. The Owners shall exercise their rights with respect to Landesbank's affairs at sessions of the General Meeting, unless otherwise provided for by the Landesbank Baden-Württemberg Act or this Ordinance. The Owners shall be represented at sessions of the General Meeting by one or several persons.

## **§ 9 Duties of the General Meeting**

The General Meeting shall pass resolutions on the matters expressly provided for in the Landesbank Baden-Württemberg Act or in this Ordinance, more specifically on

1. the appointment of the members of the Supervisory Board who are not elected by the employees, and the confirmation of the employee representatives on the Supervisory Board;
2. the appropriation of the distributable profit;
3. the approval of past activities of the members of the Supervisory Board and the members of the Board of Managing Directors;
4. the appointment of the auditors of the financial statements and the auditors pursuant to section 36 of the German Securities Trading Act (*Wertpapierhandelsgesetz -WpHG*);
5. the Ordinances of Landesbank and their amendments;

6. the determination of and changes in the nominal capital, the issuance of profit-participation rights and the acceptance of silent partners' contributions;
7. the approval of enterprise agreements within the meaning of sections 291 and 292 of the German Stock Corporation Act (*Aktiengesetz - AktG*) and of the termination of guaranties in connection with the risk shield in the year 2009;
8. the remuneration of the members of the Supervisory Board and the representation allowance of the members of any Advisory Boards (*Beiräte*).

## **§ 10 Sessions and Resolutions of the General Meeting**

- (1) The Ordinary General Meeting shall be held within the first eight months of the year, while any further General Meetings shall be held as needed in the interest of Landesbank or should the Supervisory Board or an Owner apply for a General Meeting to be convened, stating the issues to be dealt with.
- (2) The Board of Managing Directors shall convene General Meetings with 30 days notice, excluding both the day the meeting is held and the day on which the meeting is convened. Any General Meeting shall be chaired by the Chairman of the Supervisory Board, or, should he be prevented from attendance, his deputy; should the deputy also be prevented from attendance, another member of the Supervisory Board determined by the Supervisory Board shall chair the General Meeting.
- (3) 50 percent of the nominal capital must be represented at a session of the General Meeting in order to constitute a quorum. Resolutions passed at General Meetings shall require a majority of the votes cast (simple majority), unless otherwise provided for in the Ordinance. In deviation from sentence 2, resolutions of the General Meeting pursuant to clause 9 no. 2 and nos. 5 through 7 hereof shall require a majority of 75 percent of the votes cast. Abstentions shall not count as votes.
- (4) The Owners' voting rights shall depend on their respective interests in the nominal capital; each euro shall grant one vote.

## **§ 11 Rules of Procedure of the General Meeting**

The General Meeting may establish its own rules of procedure.

## **§ 12 Supervisory Board (*Aufsichtsrat*); Chairman of the Supervisory Board**

- (1) The Supervisory Board consists of 21 members who shall be appointed in accordance with clauses 13 and 14 hereof.
- (2) Upon nomination by the General Meeting, the Chairman of the Supervisory Board and his deputy shall be elected by the Supervisory Board from among its members, unless otherwise provided for by the Landesbank Baden-Württemberg Act.
- (3) The members of the Supervisory Board must be reliable and have the expertise required to assess and monitor the transactions carried out by Landesbank in order to exercise the control function incumbent upon the Supervisory Board. They shall not be bound by instructions. They must perform their duties conscientiously and without self-interest.
- (4) At least one member of the Supervisory Board must have expert knowledge in accounting and/or the audit of financial statements.
- (5) Unless otherwise provided for by the Landesbank Baden-Württemberg Act, members of the Supervisory Board may not be appointed for periods exceeding the end of the General Meeting that resolves upon the approval of past activities relating to the fourth business year after the start of the term of office of the members concerned. Notwithstanding sentence 1, the Deputy Chairman of the Supervisory Board may not be appointed for periods exceeding the end of the General Meeting that resolves upon the approval of past activities relating to the second business year after the start of his term of office. The business year in which the term of office commenced shall not be counted in. New appointments must be made at least one month before the term of office expires. Reappointment is permissible. After their term of office has expired, the members of the Supervisory Board shall continue in office until the new Supervisory Board has been constituted.

## **§ 13 Membership in the Supervisory Board**

- (1) The members of the Supervisory Board shall be appointed by the General Meeting, unless they are elected by the employees as their representatives in accordance with clause 14 hereof and except where the Landesbank Baden-Württemberg Act provides otherwise. Seven of the members of the Supervisory Board elected by the General Meeting, including the Chairman, must be independent. Each Owner shall be entitled to propose candidates.

- (2) A member of the Supervisory Board who tenders his or her written resignation from the Supervisory Board with the Chairman of the Supervisory Board shall withdraw from the Supervisory Board.
- (3) With a majority of 75 percent of the votes cast, members of the Supervisory Board may be recalled by the General Meeting before their term of office has elapsed. Upon application of the Supervisory Board or of an Owner, the General Meeting shall recall a member of the Supervisory Board for an important reason resting in the member him- or herself.

#### **§ 14 Employee Representatives on the Supervisory Board**

Seven members of the Supervisory Board shall be elected by the employees of Landesbank as their representatives on the Supervisory Board and confirmed by vote of the General Meeting, unless the Landesbank Baden-Württemberg Act provides otherwise. The number of elected employee representatives shall equal three times the number of seats. The election shall take place under analogous application of section 16 para. 1 sentences 1, 3, 5, and 6; paras. 2, 3 and 4 sentences 1, 2, and 4; and para. 5 of the Savings Bank Act as well as the Savings Bank Election Regulations (*Sparkassenwahlordnung*) subject to the following:

- section 16 para. 2 sentence 2 and para. 3 sentence 1 of the Savings Bank Act shall be based on twice the number of employee representatives to be elected pursuant to sentence 2;
- each person entitled to vote shall have 21 votes; and
- the Staff Council (*Personalrat*) or, in case of section 9 para. 2 of the State Staff Representation Act (*Landespersonalvertretungsgesetz - LPVG*), Landesbank's Central Staff Council (*Gesamtpersonalrat*) shall appoint an Election Committee (*Wahlvorstand*) consisting of at least three employees entitled to vote and – from among such employees – one person as a Chairman and one as his deputy at the latest 12 weeks before the term of office expires.

Employees who on the election day are citizens of a member state of the European Union shall be eligible to be elected; above and beyond this, section 12 paras. 1 and 2 of the LPVG shall apply accordingly to the eligibility for election. Loss of an employee representative's eligibility for election shall result in the termination of his or her term of office on the Supervisory Board.

## § 15 Duties of the Supervisory Board

- (1) The Supervisory Board shall supervise the management of Landesbank's business. The Supervisory Board shall be responsible for appointing and recalling members of the Board of Managing Directors, appointing and recalling the Chairman and the Deputy Chairmen of the Board of Managing Directors, as well as for determining the remuneration of members of the Board of Managing Directors. The Supervisory Board may appoint deputy members of the Board of Managing Directors; the deputy members shall have the same rights and duties as the members of the Board of Managing Directors. In compliance with clause 12 para. 2 of this Ordinance, the Supervisory Board shall elect a Chairman and a Deputy Chairman of the Supervisory Board, unless otherwise provided for by the Landesbank Baden-Württemberg Act.
- (2) The Supervisory Board shall pass resolutions on:
  1. the adoption of the annual financial statements;
  2. the establishment of committees of the Supervisory Board, in particular the Chairman's Committee (*Präsidialausschuss*), the Audit Committee (*Prüfungsausschuss*) and the Risk Committee (*Risikoausschuss*), as well as the rules of procedure of these committees;
  3. the rules of procedure of the Board of Managing Directors and the approval of the schedule of responsibilities proposed by the Board of Managing Directors;
  4. the engagement of the auditors of the financial statements and the auditors pursuant to section 36 of the German Securities Trading Act;
  5. the approval of the following measures and transactions:
    - a. changes to the principles of business policy;
    - b. the business plan to be presented annually by the Board of Managing Directors pursuant to clause 27;
    - c. the establishment of foreign branches;
    - d. the acquisition and sale of enterprises and shareholdings in enterprises subject to the rules of procedure of the Board of Managing Directors;

- e. the acquisition and sale of real property and buildings subject to the rules of procedure of the Board of Managing Directors;
  - f. the acceptance of capital subject to the rules of procedure of the Board of Managing Directors, unless this falls within the scope of authority of the General Meeting;
  - g. building measures in accordance with the rules of procedure of the Board of Managing Directors;
  - h. further measures and transactions that the Supervisory Board subjects to its approval;
6. other matters assigned to the Supervisory Board pursuant to this Ordinance.
- (3) The Supervisory Board may at any time request information about all affairs of Landesbank. It may also inspect and examine the books and records, and all assets of Landesbank. The Supervisory Board may also appoint individual members to carry out the foregoing, or appropriate experts for specific tasks.
- (4) The Supervisory Board shall establish its own rules of procedure.

## **§ 16 Meetings and Resolutions of the Supervisory Board**

- (1) The Chairman of the Supervisory Board shall convene meetings of the Supervisory Board as needed, but at least four times a year, and shall chair these meetings. The rules of procedure of the Supervisory Board shall specify further details, with particular regard to the form and time period in which notifications of meetings shall be issued.
- (2) At least half of the members of the Supervisory Board present at a meeting shall constitute a quorum. Resolutions of the Supervisory Board shall require a majority of the votes cast (simple majority); abstentions shall not count as votes. Each member shall have one vote. The rules of procedure of the Supervisory Board shall specify further details.

## **§ 17 Committees of the Supervisory Board**

- (1) The Supervisory Board will establish the following committees for its own support:
- a. Chairman's Committee (*Präsidialausschuss*);

- b. Audit Committee (*Prüfungsausschuss*);
- c. Risk Committee (*Risikoausschuss*).

The Supervisory Board may establish further committees.

- (2) Members of the committees must be members of the Supervisory Board. Membership in any committee of the Supervisory Board shall end when the membership in the Supervisory Board ends. A committee member who tenders his or her written resignation from the respective committee with the chairman of said committee shall withdraw from the committee involved. The Supervisory Board shall elect the chairmen of the committees and their deputies from among the members of the committees.
- (3) At least half of the members of a committee who are entitled to vote must be present at a meeting to constitute a quorum. The Supervisory Board shall stipulate further details in the respective rules of procedure of the committees.

#### **§ 18 Chairman's Committee (*Präsidialausschuss*)**

- (1) The Chairman's Committee consists of five members, i.e., the Chairman of the Supervisory Board, his deputy and three members of the Supervisory Board, one of whom shall be a member elected in accordance with clause 14 of this Ordinance or a member stipulated pursuant to section 19 para. 1 no. 2 of the Landesbank Baden-Württemberg Act.
- (2) The Chairman's Committee shall prepare the personnel decisions of the Supervisory Board. It shall decide upon the employment and termination of employment of members of the Board of Managing Directors, whereas the Supervisory Board is responsible for determining the remuneration of members of the Board of Managing Directors. The Chairman's Committee shall represent Landesbank towards the Board of Managing Directors. It shall support Landesbank in its restructuring efforts.
- (3) The members of the Chairman's Committee who are members of the Supervisory Board elected in accordance with clause 13 of this Ordinance or appointed pursuant to section 19 para. 1 no. 1 of the Landesbank Baden-Württemberg Act shall form the Nomination Committee (*Nominierungsausschuss*). They shall propose suitable members of the Supervisory Board to the General Meeting, unless otherwise provided for by the Landesbank Baden-Württemberg Act.

## **§ 19 Audit Committee (*Prüfungsausschuss*)**

- (1) The Audit Committee consists of eight members, among them one member pursuant to clause 12 para. 4 and one member elected in accordance with clause 14 of this Ordinance or appointed pursuant to section 19 para. 1 no. 2 of the Landesbank Baden-Württemberg Act. The chairman of the Audit Committee must have special expertise in the area of bank accounting.
- (2) In addition to supervising the audit of the annual financial statements and of the consolidated financial statements, the Audit Committee shall supervise the accounting process and the effectiveness of the internal control system, of the internal auditing system and of the risk management system. It shall supervise and check the independence of the auditors, and notably any services provided in addition to the audit by the auditors for Landesbank. It shall report the result of the audit of the annual financial statements to the Supervisory Board.
- (3) The auditors shall report to the Audit Committee the most significant findings acquired during the audit, notably findings on material weaknesses regarding Landesbank's internal control of the accounting process. Once a year the auditors shall assure the Audit Committee in writing of their independence of Landesbank and inform the Audit Committee of the services provided by them for Landesbank in addition to the audit; furthermore, the auditors shall discuss with the Audit Committee any risks endangering their independence as well as any protective measures to minimize these risks documented by them.

## **§ 20 Risk Committee (*Risikoausschuss*)**

- (1) The Risk Committee consists of eight members, among them one member elected in accordance with clause 14 of this Ordinance or appointed pursuant to section 19 para. 1 no. 2 of the Landesbank Baden-Württemberg Act. The chairman and his deputy must be experts in banking.
- (2) The Risk Committee shall supervise the management of business by the Board of Managing Directors, including the business areas of the dependent institutions described in clause 4 paras. 8 to 10, with regard to the risk types and the effectiveness of the internal control system, of the internal auditing system and of the risk management system. The Risk Committee shall be responsible for approving the lending operations in accordance with the rules of procedure of the Risk Committee adopted by the Supervisory Board. It must also be informed of any

loans that display the features specified by the Supervisory Board in the rules of procedure.

- (3) In urgent cases, the Board of Managing Directors may extend loans or enter into risk-carrying investments without the approval of the Risk Committee. The Board of Managing Directors must inform the Risk Committee of the reasons for and the material content of an urgent decision at its following meeting.

## **§ 21 Savings Bank Expert Advisory Council (*Sparkassenfachbeirat*)**

- (1) A Savings Bank Expert Advisory Council shall be created to further the cooperation between Landesbank, acting as central bank, and the savings banks in Baden-Württemberg, Rhineland-Palatinate, and Saxony and to promote the cooperative collaboration between Landesbank, the savings banks, and their associated enterprises.
- (2) The Savings Bank Expert Advisory Council shall consist of 16 members who are entitled to vote and one member who performs an advisory function and is not entitled to vote. All members must be chairmen of boards of managing directors of savings banks pursuant to paragraph 1, or executive secretaries of the SVBW or the Savings Banks Association of Rhineland-Palatinate (*Sparkassenverband Rheinland-Pfalz – SVRP*). The SVBW shall appoint ten members who are entitled to vote, whereas the SVRP shall appoint three members who are entitled to vote, in addition to the member who performs an advisory function and is not entitled to vote. Further members who are entitled to vote shall be the respective chairpersons of the three savings banks working groups in the Free State of Saxony. A deputy shall be appointed for each member, with the respective chairpersons of the three savings banks working groups in the Free State of Saxony being represented by their respective deputy chairpersons.
- (3) The members and their deputies shall be appointed for a term of five years. New appointments must be made at least one month before the term of office expires. The members and their deputies may be recalled at any time. Reappointment is permissible.
- (4) The members of the Savings Bank Expert Advisory Council shall elect the Chairman and the Deputy Chairman of the Savings Bank Expert Advisory Council from among themselves.

- (5) The Chairman of Landesbank's Board of Managing Directors, a member of the Board of Managing Directors responsible for savings bank matters, and their deputies from the Board of Managing Directors shall participate in the meetings of the Savings Bank Expert Advisory Council in an advisory capacity. If needed, the Savings Bank Expert Advisory Council may demand the participation of additional members of the Board of Managing Directors.
- (6) The Savings Bank Expert Advisory Council shall establish its own rules of procedure.
- (7) In order to render advisory services on savings bank-specific matters to the boards of managing directors of RP-Bank and Sachsen Bank as legally dependent institutions, the Savings Bank Expert Advisory Council may form regional savings bank expert advisory councils in Rhineland-Palatinate and the Free State of Saxony, respectively, whose members shall be chairmen of the boards of managing directors of savings banks in the respective states. Paragraphs 3, 4, and 6 shall apply accordingly.

## **§ 22 Duties of the Savings Bank Expert Advisory Council**

- (1) The Savings Bank Expert Advisory Council shall represent the interests of the savings banks in relation to Landesbank and advise Landesbank in its function as the central bank of the savings banks; in this connection it shall be responsible for:
  1. the supervision of compliance with agreements entered into;
  2. the rendering of services to the savings banks, including the pricing thereof;
  3. supplementing the products offered by Landesbank to the savings banks;
  4. fundamental issues of cooperation and new agreements between Landesbank and the savings banks as well as their associated enterprises.

The Savings Bank Expert Advisory Council may demand relevant information with regard to the aforementioned matters from the Board of Managing Directors.

- (2) The Board of Managing Directors shall submit all necessary documentation concerning the matters set forth in paragraph 1 to the Savings Bank Expert Advisory Council for its consideration.

- (3) In case no agreement can be reached between the Savings Bank Expert Advisory Council and the Board of Managing Directors, either side may ask the Supervisory Board to mediate.
- (4) The appointment and recall of the member of Landesbank's Board of Managing Directors who is responsible for the matters of the savings banks shall require consultation with the Savings Bank Expert Advisory Council.

### **§ 23 Board of Managing Directors (*Vorstand*), Chairman**

- (1) The Board of Managing Directors consists of several members.
- (2) The members of the Board of Managing Directors shall be appointed for a maximum term of five years and shall be employed subject to private law; reappointment is permissible. Resolutions on the reappointment of the members of the Board of Managing Directors shall be passed at the earliest twelve months but at the latest six months before the relevant term of office expires. Members of the Board of Managing Directors exceeding the age of sixty may only be appointed or reappointed for a term ending with the end of the month in which they reach the age of sixty-five; the Supervisory Board may decide to extend the appointment or reappointment in special individual cases.
- (3) The Supervisory Board shall appoint one Chairman of the Board of Managing Directors; it may appoint one Deputy Chairman or several Deputy Chairmen of the Board of Managing Directors.
- (4) The Supervisory Board may revoke the appointment of a member of the Board of Managing Directors for good cause. Such cause is, in particular, a serious breach of duty, inability to perform managing functions in an orderly manner, withdrawal of confidence by the General Meeting, or incompatibility that endangers or prevents cooperation among the members of the Board of Managing Directors. Any revocation shall be valid until its invalidity is established by court decision. The foregoing shall also apply to the revocation of the appointment of deputy members as well as to the revocation of the appointment of the Chairman and the Deputy Chairmen of the Board of Managing Directors.

## **§ 24 Duties of the Board of Managing Directors**

- (1) The Board of Managing Directors shall be fully accountable for managing the business of Landesbank in accordance with applicable law and in the interest of the bank. It shall represent Landesbank. The members of the Board of Managing Directors shall perform their management function with the care of a prudent and conscientious manager.
- (2) The Board of Managing Directors shall be responsible for all matters of Landesbank, except for those for which the Landesbank Baden-Württemberg Act or this Ordinance places authority elsewhere. The Board of Managing Directors shall be the superior of all employees of Landesbank including its branches, offices, stock exchange offices, representative offices, and legally dependent institutions under public law.
- (3) The Chairman of the Board of Managing Directors shall inform the Chairman of the Supervisory Board and his deputy about important occurrences.

## **§ 25 Representation, Authority to Sign**

- (1) Two members or deputy members of the Board of Managing Directors may make statements in the name of Landesbank. The Board of Managing Directors may decide that Landesbank may be represented in the ordinary course of business by either one member or one deputy member of the Board of Managing Directors in each case acting in conjunction with one Landesbank employee, or by two Landesbank employees acting jointly.
- (2) The Board of Managing Directors may decide, safety permitting, that one employee alone is authorized to represent Landesbank with respect to certain transactions.
- (3) The following written documents shall be legally binding without signature:
  1. check cards and similar guarantees issued in large numbers which bear the name of the owner at the time of issuance;
  2. machine-generated and adjusted lists, settlements of accounts and similar statements, balances of accounts, statements of accounts, and statements of securities accounts;
  3. credit or debit notes and notices concerning changes of interest rates, commissions, fees, interest and redemption installments;

4. other statements and machine-generated acknowledgments of receipt bearing a control stamp, provided that Landesbank has drawn due attention to the fact that the specific statements or acknowledgments in question are legally binding without signature by posting a public notice or making the information otherwise publicly available in the Bank's customer service areas, or by including an appropriate explanatory note on the printed form.
- (4) The Board of Managing Directors shall record the authority to sign in a signature book. Furthermore, the names and specimen signatures of the authorized representatives shall be posted or made otherwise publicly accessible at the locations where the authorized representatives carry out their activities.
- (5) Documents that are executed by the Board of Managing Directors or by persons authorized to represent the Board of Managing Directors and which bear the Landesbank seal shall be deemed to be documents issued by a public authority.
- (6) Legally binding written or verbal statements of Landesbank may also be made on the basis of powers of attorney by one or several authorized persons.
- (7) Statements and documents that meet the foregoing requirements shall be legally binding for Landesbank irrespective of whether or not they comply in a particular case with other provisions of this Ordinance.
- (8) The transfer of authority to represent Landesbank to members and deputy members of the Board of Managing Directors shall be certified by the Chairman of the Chairman's Committee; in all other cases, the Board of Managing Directors shall certify such a transfer of authority.

## **§ 26 Advisory Boards (*Beiräte*)**

- (1) Landesbank may establish one or several advisory board/s to provide expert advice to Landesbank.
- (2) The members shall be appointed and recalled by the Board of Managing Directors with the approval of the Supervisory Board. They shall serve in an honorary capacity.
- (3) The members of the advisory boards may receive a representation allowance as determined by the General Meeting.

- (4) Clause 13 para. 2 shall apply accordingly to withdrawing members of the advisory boards subject to the proviso that any resignation must be tendered in writing with the chairman of the advisory board concerned.

## **§ 27 Business Plan**

The Board of Managing Directors shall prepare a business plan each year that must be submitted to the Supervisory Board for approval at the latest by the end of the preceding business year. The business plan shall also include a five-year medium-term plan.

## **§ 28 Annual Financial Statements and Annual Report**

- (1) The business year is the calendar year.
- (2) The preparation, audit, and publication of the annual financial statements, the management report, the consolidated financial statements, and the consolidated management report shall comply with applicable law. The Board of Managing Directors shall prepare the annual financial statements and the consolidated financial statements within the time period required by law and present them without delay to the auditors that were engaged by the Supervisory Board for their audit.
- (3) Upon receipt of the auditors' report the Board of Managing Directors shall submit the audited financial statements together with the management report and the auditors' report without delay to the Supervisory Board for adoption of the annual financial statements; the aforementioned shall apply accordingly to the consolidated financial statements and the consolidated management report submitted for the cognizance of the Supervisory Board.
- (4) Landesbank shall prepare an annual report each year.

## **§ 29 Appropriation of Profit**

The General Meeting shall pass a resolution on the appropriation of the distributable profit. The General Meeting may determine different distributions for the nominal capital categories A and B provided for in clause 3 para. 2. Should a distribution be decided for one or two nominal capital categories, distributions within the respective nominal capital category to the Owners shall be made in proportion to their respective interests in the nominal capital.

If and to the extent that the ordinance of the SVBW requires that its member savings banks make direct contributions to the nominal capital (nominal capital categories A and B), the distributions attributable thereto shall be made within the respective nominal capital category directly to the member savings banks.

### **§ 30 Dissolution**

In case of the dissolution of Landesbank, the liquidation shall be carried out by the Board of Managing Directors, unless the Owners agree otherwise. The assets remaining after the satisfaction of all obligations shall be distributed to the Owners in proportion to their respective interests in the nominal capital.

### **§ 31 Seal**

Landesbank shall carry a seal with the small State crest and the circular inscription "Landesbank Baden-Württemberg".

### **§ 32 Public Announcements**

- (1) Public announcements by Landesbank shall be published in the Official Gazette of Baden-Württemberg (*Staatsanzeiger für Baden-Württemberg*).
- (2) In lieu of a publication in the Official Gazette of Baden-Württemberg, Landesbank may display public announcements at all registered offices of Landesbank provided that reference to such method of publication is simultaneously made in the Official Gazette of Baden-Württemberg.
- (3) Paragraph 2 shall not apply to the public announcement of Ordinances.

### **§ 33 Effective Date and Repeal**

- (1) This Ordinance shall become effective on 1 January 1999; simultaneously the existing ordinance of Südwestdeutsche Landesbank Girozentrale shall be repealed.
- (2) Amendments to this Ordinance shall become effective on the day following public announcement (clause 32) in the Official Gazette of Baden-Württemberg (*Staatsanzeiger für Baden-Württemberg*), unless determined otherwise.