Landesbank Baden-Württemberg (LBBW) Stuttgart, Karlsruhe, Mannheim, and Mainz.

Annual Financial Statements and Management Report for the Business Year from January 1 to December 31, 2010.

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The following information should be read in conjunction with the annual financial statements of Landesbank Baden-Württemberg (LBBW), Stuttgart, Karlsruhe, Mannheim, and Mainz, for the fiscal year from January 1 to December 31, 2010, consisting of the balance sheet, income statement and the notes. The 2010 annual financial statements and the 2010 management report were issued an unqualified auditor's report by KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

Business Activities and Strategy of Landesbank Baden-Württemberg.

Company Profile.

Landesbank Baden-Württemberg is a public law institution (rechtsfähige Anstalt des öffentlichen Rechts) with registered offices in Stuttgart, Karlsruhe, Mannheim, and Mainz. Its owners are Sparkassenverband Baden-Württemberg (Savings Bank Association of Baden-Württemberg) with 40.53 %; the state of Baden-Württemberg with 19.57 %; the state capital, Stuttgart, with 18.93 %; Landesbeteiligungen Baden-Württemberg GmbH with 18.26 % and L-Bank with 2.71 % of shares in LBBW.

LBBW is a universal and commercial bank aligned to the needs of its domestic customers. Together with its regional retail banks BW-Bank, Rheinland-Pfalz Bank and Sachsen Bank, it offers all the services of a large modern bank with broad regional ties in over 200 branches and offices throughout Germany. In the Stuttgart area, BW-Bank also takes on the role of a savings bank.

The Bank offers its domestic customers a local service with selected sites abroad. Alongside offices in New York, London, Singapore and Seoul, as well as the LBBW Mexico Sofom financing company in Mexico City, LBBW has a presence with various representative offices on the developing markets of the global economy, particularly in the Asia region. The international network is supplemented by the four German Centers in Beijing, Mexico City, Singapore and Delhi-Gurgaon, India.

Staff and service functions are bundled within LBBW itself. The capital markets business, the management of key accounts operating across Germany and internationally, the property business and the Bank's function as the central bank for savings banks are also based here. As dependent institutions with their own market presence, BW-Bank, Sachsen Bank and Rheinland-Pfalz Bank form the three strong regional pillars in the Bank's corporate and private customer business. This allows LBBW to combine efficient structures and the range of services offered by a universal bank with the proximity of regional retail banks.

2010 Financial Year Marked by Stringent Implementation of the Restructuring Plan.

Significant negative impacts for LBBW followed in the wake of the global financial market crisis. In order to ensure, against the backdrop of tighter regulatory requirements for capital resources, that the Bank can continue to perform its role as a solid and reliable partner for private and corporate customers to the full extent in future, in 2009 greater capital resources for the Bank and a risk shield by the state of Baden-Württemberg were required. These measures were approved by the European Commission in the same year with the condition that LBBW undergoes comprehensive restructuring and realignment.

The restructuring plan approved by the EU forms the strategic framework for action at LBBW. The objective of the restructuring is to improve the risk structure, ensure sustainable profitability and sharpen the strategic profile.

Thanks to its strongly customer-focused business, LBBW has a solid earnings base and a profitable core, which has proved successful even in these economically very difficult times. The deep roots of LBBW and its customer banks in their domestic markets, coupled with the associated knowledge of the market, represent the true added value that LBBW offers in relation to its competitors. Accordingly, the Bank’s key growth areas are in its customer business.

Significant Content of the Restructuring Plan.

Following the restructuring, LBBW is devoting yet more strategic focus to its core activities with growth prospects, particularly business with SMEs, private customers and savings banks. This will be flanked by efficient real estate financing and capital market products, including for institutional customers. The Bank continues to regard itself as a reliable partner for SMEs in its core regional markets of Baden-Württemberg, Rhineland-Palatinate and Saxony, together with neighboring economic regions.

As a consequence of the redimensioning of business activities, business fields not belonging to the core business will no longer be actively handled. This includes the previous credit substitute business in particular – in other words, investment in bonds, credit derivatives, securitizations and structured products, which is to cease completely. Furthermore, various investments will be sold and the international network streamlined.

Overall, the intended measures will bring a clear reduction in risk assets and the balance sheet total and hence reinforcement of the capital ratios.

A significant reduction in the cost basis can also be expected with the restructuring. This is based on savings on material costs and the sale of equity investments. In addition, the new strategic direction of the bank is to be accompanied by approximately 2 500 job cuts, which will be carried out in a socially acceptable way as possible.

LBBW is aiming for healthy growth in its business with German corporate customers and high-net-worth private customers.

LBBW is convinced that with this efficient and strongly customer-oriented business model, it will be in a secure and sustainably profitable position in the event of future market trouble.

Restructuring Takes Hold.

The Bank set the general course for the adaptation of its business model in 2009. Significant results of the restructuring were already evident in 2010.

LBBW has exceeded the target set for 2010 in terms of the downsizing of the credit substitute business; this also applies to the cutbacks with regard to risk assets and the balance sheet total, as well as to the aimed core capital ratio.

The streamlining of the international network has already been implemented, with all eight of the scheduled representative office closures having taken place. The branches in London, New York and Singapore have been given a sharper focus on the customer business. LBBW Finance Japan has also been closed as planned.

LBBW is making good progress in reducing the investment portfolio. The investments in Sachsen DV Betriebs- und Servicegesellschaft mbH and quirin bank AG were already disposed of in 2009. Entities including LBBW Securities LLC, LRI Invest S.A. and the private customer business of LBBW Luxemburg S.A. could be sold during 2010. Furthermore, all assets of Lasssarus Handels GmbH have been sold in preparation for liquidation. Further investments are to be sold successively until 2013 as part of the restructuring.

The first successes in terms of costs can also be reported, with both material and personnel costs having been brought down in significant areas.

In June last year, LBBW agreed regulations for employment and location securing with employee representatives. This agreement led to requirements for the implementation of job cuts and another important step on the way to successful restructuring. The Bank is striving to make savings on personnel costs by means of voluntary measures to the greatest extent possible. The focus of the workforce reduction lies on the business to be cut back and on downstream staff and service functions. By contrast, areas of customer support will see some new recruitment.

It is particularly pleasing that the customer business has developed positively as the Bank’s core business. The customer-focused business model proved to be solid and sustainably profitable in 2010.

Strategic Profile of LBBW.
Strategy for Business Areas Based on Five Pillars.

The business model of LBBW encompasses the business areas of corporate customers, private customers, savings banks, financial markets and real estate financing.

In the **corporate customers** business, LBBW focuses firstly on support for small and medium-sized corporate customers and public sector customers in the core markets of the three customer banks. This business is to be made more intensive in LBBW's strategic direction and thus will continue to serve as a stable earnings base in future. The Bank manages corporate customers in Baden-Württemberg under the BW-Bank brand. Rheinland-Pfalz Bank fulfills this function in Rhineland-Palatinate and nearby economic areas, while Sachsen Bank fulfills it in central Germany. Support for SMEs also includes aiding these customers abroad.

As well as support for small and medium-sized businesses, the corporate customers pillar also includes business with selected large customers in Germany, Austria and Switzerland.

The advice and support approach, which is demand-oriented and geared towards sustainable customer relationships, is and will remain the guiding principle in the corporate customer business. The experience of LBBW shows that a lasting partnership between bank and customer ultimately pays off for both sides – something which is also demonstrated by existing customer relationships, some of which have been in place for decades.

LBBW is striving to position itself as a reliable principal bank with permanent customer support in the **private customer** business as well. On the one hand, the bank concentrates on meeting the requirements of needs of high-net-worth private customers. For this purpose, the bank is to press ahead with attracting new customers in the fields of private banking and wealth management with an increased level of support and focused range of products. The aim is to further consolidate BW-Bank's position as a capable regional bank and thus as one of the leading operators for high-net-worth segments. Additionally, business with high-net-worth customers will be operated by Sachsen Bank and Rheinland-Pfalz Bank on the respective markets with a local presence.

On the other hand, the second area on which LBBW will focus with regard to private customers is the classic retail business. Within the Stuttgart area, BW-Bank will take on the function of a savings bank that offers its customers the full range of banking and financial services. A considerable share of LBBW's retail business comes from this savings bank function.

In business with **savings banks,** LBBW acts as a central bank to savings banks in the core markets of Baden-Württemberg, Rhineland-Palatinate and Saxony.

LBBW's involvement with savings banks in its function as a central bank for savings banks can be broken down into three main types of cooperation: The Bank manages proprietary business of the savings banks for all product categories for the hedging and investment of the savings banks themselves. In the market partner business, LBBW products are also offered for resale in the retail business to the end customers of the savings banks, in addition to credit given on joint account. Finally, processing transactions are also performed in the service business, such as securities processing or international payment transactions. Cooperation with savings banks is a key element in LBBW's business model and forms an integral part of the division of tasks in the Sparkassen-Finanzgruppe. LBBW is aiming to intensify and expand its partnership with savings banks.

The **financial markets** business area is focused on customer-induced business and comprises three groups of activities. The Bank structures, distributes and trades in share, credit, interest, money market, currency and commodities products for all customers. Advice, structuring and placement are also offered for equity and debt financing. These in particular should ensure that LBBW's core customers have access to the capital and credit markets. Non-customer-driven proprietary trading was reduced significantly.

The **real estate financing** business includes a wide range of financing structures relating to properties, portfolios and companies, along with a series of supplementary products and services for real estate companies and private and institutional investors. The bulk of the business will take place in Germany, while the division's international activities will be restricted to the United States and the UK. Outside the defined core markets of Germany, the United States and the UK, and the defined property categories, the real estate financing business is to be cut back significantly over the next few years.

Alongside the five pillars of the business strategy, the credit substitute business of LBBW, of former Sachsen LB and of former Landesbank Rheinland-Pfalz are bundled within the credit investment portfolio. This includes bonds, credit derivatives, securitizations and structured products in particular. On December 1, 2009, LBBW set up a new division responsible for the management of the credit investment portfolio. The portfolio is to be liquidated completely over the next few years as part of the restructuring of LBBW.

Overall Economic Development.

Global Economy.

The global economy was characterized by a powerful recovery in 2010 after the crisis year of 2009. In view of the aid packages from monetary and fiscal policy still effective in 2010, although the situation had been expected to improve, it could scarcely have been foreseen that the economy would maintain its upturn for virtually the entire year. The gross domestic product of the global economy is likely to have grown by 5.0% when the final balance sheet for 2010 is drawn up. There had still been a decline of 0.6% in 2009. The upturn was most impressive in China, where economic output rose by 10.3% in 2010. The Middle Kingdom thereby overtook Japan as the world's second largest economy.

Meanwhile, the largest economy worldwide remains the USA. Admittedly, the long-term consequences of the real estate crisis there are still being deeply felt. Despite this, gross domestic product grew by 2.9% year-on-year in 2010. However, the growth was not sufficient to make any effective improvement to the situation on the employment market. The unemployment rate in the USA was 9.4% in December 2010. It was only slightly higher at the end of 2009, at 9.9%. There has so far been no recovery on the housing market itself either. At 133.22 (seasonally adjusted), the national Case-Shiller Home Prices Index was at the end of the third quarter of 2010 only a little above the low of the first quarter of 2009 (131.39). Economic development in the euro area was divided. Whereas the core of the states, which are geographically grouped around Germany, can largely look back on a good 2010 overall, most of those on the European periphery – the Mediterranean nations and Ireland – remained on the edge of or in recession. The reasons for this were high real interest rates, tax increases and public savings programs, which also had negative effects on overall demand. Although Greece reduced its budget deficit by 37% in 2010, as agreed at the passage of the EUR 110 billion rescue package initiated by the EU and IMF, the risk premiums for Greek sovereign securities and thus real interest rates continued to rise during 2010. At the end of 2010, Greece and the other peripheral states of the euro area have a problem. On the one hand, the public budgets must be consolidated; on the other hand, the high real interest rates are hindering economic recovery, which would be a prerequisite for resurgent tax income there. This in turn feeds doubt in the creditworthiness of sovereign debtors and the risk premiums, and real interest rates consequently remain on a level which cannot be sustained by these countries. Even after the EU summit in December 2010, there still appeared to be no way out of this dilemma.

Germany.

Germany found itself back on the bright side of the economy in 2010. Above all, a sharp increase in foreign trade led to a distinct upturn. According to an initial estimate by the German Federal Statistical Office, gross domestic product rose by 3.6% in 2010. This means that the massive slump which began with the start of the recession in the second quarter of 2008 and continued until the first quarter of 2009 has now been reversed by approximately three quarters. Further elements of growth other than exports (+14.2%) included investment in particular, which increased by 10.7% in 2010, and public spending, which rose by 2.2%. The development of the German employment market was also particularly noticeable. At 40.79 million, the number of people in work was approximately 430 000 up on the previous year in December 2010. Inflation caused little concern in 2010. At 1.1%, price increases at the consumer level were low in annual average terms. However, the inflation rate reached 1.7% by the end of the year, thus attaining the highest value since October 2008.

Central Bank Policy.

The major central banks continued their policy of low interest rates in 2010. The US Federal Reserve left its key rate at 0% to 0.25% throughout the entire year, while the ECB also held its main refinancing interest rate constant at 1%. The same applied to the Bank of England (0.5%) and the Bank of Japan (0% to 0.1%).

Monetary policy also served to stabilize the financial markets. In order to make enough liquidity available to the commercial banking sector, the ECB extended the full allotment of the euro system's tender transactions with the commercial banks, initially until April 12, 2011 (at least). As the situation on the inter-bank market in the euro area has already normalized for the most part, which can clearly be seen in the fact that the three-month Euribor rate of 1.01% at the end of the year was again just above the ECB's main refinancing rate, the ECB's decision is likely to have been a measure for the benefit of the banks from the euro area states with lower credit ratings, for which direct access to the euro area's inter bank market is difficult to obtain.

Meanwhile, the central banks in the USA and the euro area made the decision to acquire (further) sovereign bonds on the secondary market. The purchase of USD 600 billion of debt instruments from the US Treasury Department by the Federal Reserve, spread across several months until June 2011, serves the declared intention to cultivate the economic recovery and continue the policy of quantitative easing. The ECB decision to acquire bonds from member states of the euro currency union was part of efforts to secure the functionality of disrupted market segments so as to restore the adequate transmission of the ECB's monetary policy. At approximately EUR 74 billion, the overall volume of the ECB's bond purchases carried out by the end of the year was significantly below that of sovereign bond purchases in the USA. As at December 29, 2010, the Federal Reserve held sovereign bonds and treasury bills from the Treasury Department amounting to USD 1 016 billion.

Bond Market.

The bond market was marked by severe turbulence throughout 2010. Shortly after the beginning of the year, doubt in the solvency of Greece led to a massive increase in risk premiums on the country's sovereign bonds. From the end of April, Greek sovereign bonds were reaching double-digit yields. In this environment, the credit default premiums of other member states also rose considerably. The bonds of Portugal, Ireland and Spain came under particularly strong selling pressure. In order to prevent the European currency union from collapsing, the EU's heads of state and government, with assistance from the International Monetary Fund (IMF), decided at the end of April on an aid package for Greece amounting to EUR 110 billion, which was followed at the beginning of May by a multi-part rescue package for the remaining euro area states of EUR 750 billion (EUR 440 billion in the European Financial Stability Facility, EUR 60 billion in the European Financial Stability Mechanism and up to EUR 250 billion from the IMF). Ireland was the only member state in the euro area to have applied for and received aid by the end of 2010 (EUR 85 billion).

Despite this, the turbulence on the bond market did not abate at the end of the year. The interest rate premiums on sovereign bonds from the peripheral states with weak credit ratings against Bunds with the same duration were approximately 1 160 basis points in the case of Greece, around 260 for Spain, roughly 380 for Portugal and about 530 for Ireland. The spread development of unsecured bank bonds was virtually in lockstep with this, as the banks continued to be affected to a great extent by the risk premiums for the peripheral states. The spread widening was accelerated at the end of October by Franco-German plans for private creditors to be able to invest in restoring the finances of the peripheral states by means of debt restructuring. In the first phase of this crisis, up to August 2010, Bunds benefited enormously from the fears that Greece would fail to pay, and were sought as a safe haven. This resulted in the yields of 10-year Bunds falling to the historic low of 2.09%. For the rest of the year, however, there was a sharp increase in yields, which enabled the 10-year Bunds to rocket up to over 3%. Concern grew among investors that the costs for supporting the peripheral states would ultimately have a significant effect on German state finances as well. However, the decision of the EU states on December 16 and 17, 2010 at the summit in Brussels to remove the limit (initially mid-2013) on the rescue facility, but without defining a maximum volume, did little to calm the markets. The overall situation on the bond market has not changed since then.

Foreign Currency Market.

The foreign currency market was in the grip of the sovereign bond crisis in the euro area in 2010. In general, the euro lost value. The exchange rate for the euro against the US dollar sank from USD 1.45 per euro at the beginning of the year to less than USD 1.20 by June. The euro recovered in the second half of the year, reaching a rate of USD 1.34 per euro at the end of the year. Beneficiaries of the weak euro among the main currencies included the Japanese yen, which increased in value from JPY 134 to JPY 108 per euro, and the Swiss franc. At the beginning of the year, CHF 1.49 was still needed to buy EUR 1, but the exchange rate at the end of the year was 1.25 – a record for the Swiss franc.

Stock Market.

Satisfaction is likely to have been the dominant feeling among German investors on the stock markets at the end of the year. The main index for German blue chips, the DAX, increased from 5 957 to 6 914 points regardless of occasional setbacks in relation to the euro debt crisis. Mid-caps also impressed. The MDAX for medium-sized companies rose from 7 500 to over 10 000 index points. The Eurostoxx 50, comprising major companies in the euro area, performed much more poorly. It finished 2010 with 2 793 index points, below its previous year's total of 2 964 points. This discrepancy reflects the special economy in Germany and the difficult position in the peripheral countries of the euro area. The major share indices in the USA increased on a broad front, with the upturn only occasionally interrupted. The Dow Jones Industrial rose from 10 428 to 11 577, the S&P 500 from 1115 to 1257 and the Nasdaq Composite from 2 269 to 2 652. As well as the low-interest environment that caused investors to seek yields in shares, the Federal Reserve's quantitative easing is likely to have had a noticeable effect here with its massive supply of liquidity.

Banking Industry Performance.

The economic recovery, which had a particularly exonerating effect on domestic losses on loans and advances, and the favorable refinancing conditions in light of the supportive monetary policy put some wind in the sails of the German banking industry in 2010 and had a positive effect on results of operations. A stable operating business overall characterized the sector's position.

Most negative effects for the banks resulted from the European debt crisis. The associated strain on the financial markets mainly affected trading profits of banks, which were marked by high volatility.

On the whole, the situation in the sector stabilized year-on-year in 2010 given this situation, but remained subject to a certain amount of uncertainty.

A topic of some importance for the banks in 2010 continued to be the impending changes to the regulatory landscape such as the introduction of Basel III, the bank levy in Germany and the planned reform of deposit protection at a European level.

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.

Business Performance of Landesbank Baden-Württemberg.

Results of Operations, Net Assets, and Financial Position (HGB).

The varying development of the banking industry and the financial markets, as well as the resulting tensions, had a significant effect on LBBW's economic performance last financial year. Operating activities were spurred on by Germany's strong economic recovery in particular. Business with corporate customers in the Bank's core markets was especially positive. On the one hand, net interest income was increased in the corporate customer business in particular as a result of margins widening, while on the other, the economic recovery led to a decline in risk provisions. This was offset primarily by turbulence on bond and foreign currency markets. Negative effects on earnings in net trading income could not be offset. This was determined by an ongoing strained market situation resulting from the sovereign debt crisis on the periphery of the euro area. The rigorous pursuit and implementation of the restructuring measures agreed with the EU also created special conditions. The first results from this were apparent in administrative expenses, while the business activities affected by the restructuring have already been scaled back sustainably. Overall, LBBW reported positive net income, based on the solid, realigned business model, which was able to maintain a level operating direction even in this thoroughly challenging market environment.

Furthermore, the regulations of the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernisation Act), which first took binding effect from January 1, 2010, led to significant changes in the way that the Bank's income and balance sheet items are presented. The BilMoG regulations led to amendments to individual items in the balance sheet form. LBBW did not modify the BilMoG transitional regulations in accordance with the previous year's figures in the notes and the income statement. The net asset and financial position was primarily influenced by the separate presentation of trading operations, including the additional trading portfolio derivatives to be shown in the balance sheet. All bank trading portfolios were distributed to individual balance sheet items in the financial statements in accordance with the old HGB requirements. In connection with the BilMoG requirements, all portfolios held for trading were reclassified as trading assets/liabilities. This adjustment led to an asset swap as of January 1, 2010, of approximately EUR 38 billion and a liability swap of around EUR 6 billion as part of the reclassification. The first positive and negative fair values from trading portfolio derivatives were also shown. Accounting for derivative transactions extended the balance sheet by roughly EUR 23 billion.

Due to reporting and measurement differences, the changes had effects on results of operations. Reporting differences were evident in net interest income. This included positive payments from interest rate derivatives, which were shown the previous year as part of net income from financial transactions and net commission income. There were also negative effects on interest expense in connection with the conversion of pension provision accounting. In addition, extraordinary result showed a cumulative effect on net income at the changeover date amounting to EUR – 118 million. This was largely due to the conditions to be recognized in the formation of pension provisions and from the transition in the valuation of hedge relationships.

Results of Operations.

	Jan. 1, 2010 – Dec. 31, 2010	Jan. 1, 2009 – Dec. 31, 2009	Change from 2009 to 2010	
	EUR million	EUR million	EUR million	in %
1. Net interest income	2 361	2 172	189	8.7
2. Commission income	256	437	– 181	– 41.4
Net fee and commission income without guarantee commission	553	594	– 41	– 6.8
Guarantee commission for Baden-Württemberg	– 297	– 156	– 141	90.4
3. Net income for the trading portfolio	15	313	– 298	– 95.2
4. Administrative expenses	– 1 350	– 1 545	195	– 12.6
5. Other operating income/expenses	17	– 18	35	–
6. Operating income before risk provision/ valuation result	**1 299**	**1 359**	**– 60**	**– 4.4**
7. Risk provision/valuation result	– 822	– 3 037	2 215	– 72.9
8. Operating income (profit from ordinary activities)	**477**	**– 1 678**	**2 155**	–
9. Extraordinary income/expenses	– 160	– 470	310	– 66.0
10. Net income for the year before tax	**317**	**– 2 148**	**2 465**	–
11. Taxes on income	– 33	– 40	7	– 17.5
12. Net income for the year after tax	**284**	**– 2 188**	**2 472**	–

Net Income Positive in Ongoing Challenging Environment.

In addition to effects from first-time adoption, **net interest income** increased year-on-year by EUR 189 million (9%) to EUR 2 361 million. Solid income from widening margins in the corporate customer business, an ongoing perceptible easing in terms of interest expenses for liquidity procurement, compensation from early repayment of loans and advances and the income from equity holdings shown in the interest rate all had positive effects in this respect.

Commission income fell against the previous year by – 41 % or EUR – 181 million to EUR 256 million. This was reduced by non-recurring effects from the previous year, which were not accompanied by any similar items in the current reporting period. In addition, the guarantee commission for the risk shield (EUR – 297 million) had a significant negative impact on commission income. This year, this was reported for the entire financial year for the first time.

Net income from the trading portfolio reached EUR 15 million in the year under review and was thus EUR – 298 million below the previous year's figure. This reduction can primarily be attributed to trade with other market price risks and the changes to the disclosure of results from interest rate trading. By contrast, some of the changes to lending and foreign currency trading had a compensatory effect.

At the end of the reporting period, **administrative expenses** reported the first successes from the measures in connection with the restructuring process in progress. In comparison with the previous year, both personnel costs (EUR + 110 million) and other administrative expenses (EUR + 73 million) were reduced, as well as amortization and write-downs of intangible assets and property and equipment (EUR +12 million). In some cases, reclassifications brought about by BilMoG worked to the benefit of personnel costs. Overall, administrative expenses decreased by 13% or EUR – 195 million to EUR 1 350 million.

With a balance of EUR 17 million, resulting from proceeds largely derived from the disposal of equity investments, **other operating income** was decidedly positive. A year-on-year increase of EUR 35 million was reported.

LBBW posted **operating income before risk provision/valuation result** of EUR 1 299 million. In total, the figures for the reporting period were EUR – 60 million (– 4%) below the previous year. This was mainly due to net commission expenses reported in connection with the risk shield. The prevented write-downs from the risk shield totaled EUR 45 million in the year under review. There was no payment obligation for the state of Baden-Württemberg as of December 31, 2010.

Economic Recovery Reflected in Result.

Risk provision/valuation result improved considerably in the year under review by EUR 2 215 million (73 %) to EUR – 822 million. Allowance for losses on loans and advances received particular relief. Economic growth and the resulting recovery in the real economy had an especially supporting effect. Negative effects were observed in connection with the valuation result for securities/derivatives. The financial markets, made uncertain by the effects of the European debt crisis, were largely responsible for widening risk premiums for sovereign bonds of peripheral euro countries and, in comparison with the previous year, for a negative impact on the euro on the foreign currency market. These circumstances, coupled with sustained market volatility, led to negative measurement effects on the liquidity reserve securities and the fixed asset derivatives (EUR – 364 million).

Risk provision for the lending business improved significantly against the previous year by EUR 1 383 million to EUR – 360 million. The main forces behind this development were the economic upturn and thus distinct easing of the risk situation for the Bank’s corporate customers. This led to positive performance as a result of reversals of recognized valuation allowances. By contrast, the property sector was the principal driver of risk costs in the English-speaking economic area in the 2010 financial year.

Much lower write-downs on equity investments and shares in affiliated companies had to be carried out (EUR – 27 million). In view of the previous year and the comparatively significant value adjustments in particular, economic development and the resulting prosperous company development contributed to stabilization in the investment portfolio in 2010. Nonetheless, loss absorption from various subsidiaries could not be avoided at the end of the year.

Operating income after risk provision and the valuation result was EUR 477 million for the year under review, well above the previous year’s figure of EUR – 1 678 million.

Extraordinary result was shaped mainly by reporting of the effects of first-time binding application of BilMoG and the further formation of restructuring provisions in connection with the restructuring plan set up with the EU. There was a year-on-year improvement of EUR 310 million to EUR –160 million.

Restructuring Leaves First Positive Traces in Annual Result.

The result for the 2010 financial year was largely shaped by the ongoing solid development in the operating business, the fluctuations in the financial markets and the effects of the restructuring taking place. The recovery of the real economy, the resulting easing of credit risk provisions and reduced administrative expenses and the commission payments in connection with the risk shield form the cornerstones of the annual result. At the end of the 2010 financial year, **net income** was EUR 284 million, a rise of EUR 2 472 million on the previous year's result of EUR – 2 188 million.

At the end of 2010, there was – due to the positive result – a proportionate replenishment of the silent partners' contributions and profit participation rights reduced by the previous year's loss.

Net Assets and Financial Position.

Assets	Dec. 31, 2010	Dec. 31, 2009 adjusted [1)]	Dec. 31, 2009	Change from 2009 to 2010 [2)]	
	EUR million	EUR million	EUR million	EUR million	in %
1. Cash reserve	204	1 790	1 790	– 1 586	– 88.6
2. Public-sector debt instruments and bills of exchange eligible for refinancing with central banks	163	41	41	122	> 100.0
3. Loans and advances to banks	66 912	89 910	101 078	– 22 998	– 25.6
4. Loans and advances to customers	135 833	156 463	158 133	– 20 630	– 13.2
5. Bonds and other fixed-income securities	74 484	87 078	119 332	– 12 594	– 14.5
6. Equities and other non-fixed-income securities	856	1 226	1 840	– 370	– 30.2
7. Trading assets	93 007	72 455	0	20 552	28.4
8. Equity investments	1 628	1 663	1 663	– 35	– 2.1
9. Shares in affiliated companies	3 176	3 885	3 885	– 709	– 18.2
10. Trust assets	993	666	666	327	49.1
11. Intangible assets	74	73	73	1	1.4
12. Property, plant and equipment	453	483	483	– 30	– 6.2
13. Other assets	1 262	1 392	5 310	– 130	– 9.3
14. Deferred items	2 706	1 436	1 783	1 270	88.4
Total assets	**381 750**	**418 561**	**396 078**	**– 36 811**	**– 8.8**

1) This column contains figures from the previous year which have been reclassified in accordance with the amended regulations of the Bilanzrechtsmodernisierungsgesetz (BilMoG, German Accounting Law Modernisation Act).
2) These changes refer to the adjusted figures as at December 31, 2009.

Equity and liabilities	Dec. 31, 2010 EUR million	Dec. 31, 2009 adjusted [1] EUR million	Dec. 31, 2009 EUR million	Change from 2009 to 2010 [2] EUR million	 in %
1. Liabilities due to banks	78 947	124 281	132 743	– 45 334	– 36.5
2. Amounts due to customers	99 676	114 650	115 368	– 14 974	– 13.1
3. Securitized liabilities	91 761	113 825	116 238	– 22 064	– 19.4
4. Trading liabilities	82 441	37 936	0	44 505	> 100.0
5. Trust liabilities	993	666	666	327	49.1
6. Other liabilities	747	1 587	5 075	– 840	– 52.9
7. Deferred items	2 251	829	1 180	1 422	> 100.0
8. Provisions	2 406	2 357	2 377	49	2.1
9. Subordinated liabilities	5 301	5 308	5 308	– 7	– 0.1
10. Capital generated by profit-participation certificates	1 510	1 577	1 577	– 67	– 4.2
11. Fund for general banking risks	483	480	480	3	0.6
12. Equity	15 234	15 065	15 065	169	1.1
Total liabilities	**381 750**	**418 561**	**396 078**	**– 36 811**	**– 8.8**
13. Contingent liabilities	30 055	37 118	37 118	– 7 063	– 19.0
14. Other obligations	22 012	27 655	27 655	– 5 643	– 20.4
Business volume [3]	**433 817**	**483 334**	**460 851**	**– 49 517**	**– 10.2**

1) This column contains figures from the previous year which have been reclassified in accordance with the amended regulations of the Bilanzrechtsmodernisierungsgesetz (BilMoG, German Accounting Law Modernisation Act).
2) These changes refer to the adjusted figures as at December 31, 2009.
3) In addition to the total assets, the business volume includes off-balance sheet contingent liabilities and other obligations.

Business Volume.

As part of the EU restructuring, it has been agreed that the Group's balance sheet volume is to be successively reduced. Last year, this requirement was implemented, also in compliance with targets in the Bank. LBBW's business volume fell year-on-year – based on the adjusted figures – by EUR –49.5 billion (–10%) to EUR 433.8 billion. Owing to the BilMoG regulations, transactions related to trading activities had to be reported separately in the balance sheet for the first time. These changes led to a balance sheet extension and changes between individual balance sheet items. Overall, LBBW posted a fall in total assets of EUR – 36.8 billion and in off-balance sheet transactions of EUR –12.7 billion.

Alongside a drop in inter-bank transactions in the balance sheet, the decline was due to asset portfolio reduction in connection with credit default swaps, for which LBBW acts as a protection seller, within contingent liabilities.

At EUR 2 317 billion at the end of the year, the nominal volume of the derivatives was 2% above the previous year's figure (EUR 2 265 billion). 93% of the entire derivatives volume related to trading assets. Trading activities included largely closed-out positions from offsetting derivatives. Open items from trading transactions were within the stipulated risk limits.

Lending.

There were some significant changes in the total loan volume, consisting of loans and advances to customers and banks and off-balance sheet transactions. As a result of higher volumes in the trading portfolio – due to the changed reporting of new business of money market instruments introduced with BilMoG as of January 1, 2010 – and in conjunction with declining inter-bank business, the total loan volume fell by EUR –56.3 billion (approximately –18%) to EUR 254.8 billion.

Loans and advances to banks decreased by –26% or EUR –23.0 billion to EUR 66.9 billion in 2010. This drop was largely due to a reduction in promissory note bond (EUR –7.2 billion) and the different way of reporting receivables from overnight and term deposits (EUR –12.8 billion).

At the same time, loans and advances to customers were reduced. At the end of the reporting period, this item posted a decline of EUR –20.6 billion (–13%), with a year-end balance of EUR 135.8 billion. This decline resulted primarily from a reduction in loan receivables (EUR –6.1 billion) and the different way of reporting overnight and term deposits (EUR –11.5 billion) in the trading portfolio.

The portfolio of bonds and other fixed-income securities decreased against the previous year by EUR –12.6 billion (–15%) to EUR 74.5 billion. This development is the result particularly of the reduction in securities from third-party issuers (approximately EUR 11 billion).

At the same time, the Bank accounted for all assets held for trading in the trading assets item, in compliance with BilMoG. In 2010, this item increased by EUR 20.5 billion (28%) to EUR 93.0 billion, especially in connection with the money market transactions to be reported here and the market-related exchange rate and interest rate effects.

Funding.

LBBW continued to strive to achieve a balanced funding structure last financial year. For this reason, funding was based primarily on three pillars that were used in varying degrees depending on the performance of the money and capital markets. In accordance with this approach, the funding volume comprised liabilities due to banks and customers and securitized liabilities.

Liabilities due to banks fell year-on-year at the end of the year by EUR –45.3 billion to EUR 78.9 billion. The reduction in this item was mainly due to the fall in term deposits (EUR –32.5 billion) as a result of the different way of reporting money market transactions.

As a result of a lower reduction in portfolios in comparison with other funding sources, liabilities due to customers proved the Bank's most important source of funding. With a portfolio of EUR 99.7 billion (previous year: EUR 114.7 billion), this item represented 37% of the funding volume, despite the decline of around EUR –15 billion.

At the end of the year, securitized liabilities totaled EUR 91.8 billion. The decrease was linked with the Bank's lower need for funding in connection with the desired reduction of total assets. Only a small number of maturing bonds were replaced by new issues. This item was thus reduced by only –19% or EUR –22.1 billion against the previous year.

LBBW issued mortgage-backed covered bonds and public-sector covered bonds on the capital market, in addition to unsecured bonds. The target groups for issues placed directly in 2010 were primarily savings banks, private customers, insurance companies and pension and investment funds. In addition, bonds were issued with other banks and on the international capital markets. In June 2010, LBBW issued a EUR 1 billion public-sector covered bond, with great success. This transaction underlined the role of LBBW as an important issuer of covered bonds in Germany. A short time later, in mid-July 2010, LBBW successfully reopened the RegS USD market with a three-year USD 500 million public-sector covered bond issue. This issue won LBBW many new investors. In 2010, LBBW was able to fulfill its refinancing requirements without any restrictions.

Despite the difficult market environment, LBBW was not dependent on state-guaranteed issues at any time. LBBW's good refinancing situation was strengthened by its integration in the savings bank association and in customer business.

Trading liabilities increased from EUR 37.9 billion to EUR 82.4 billion. As with the balance sheet development on the assets side, this item was also influenced by the market-related changes in the exchange rate and interest rates and by the new business in money market transactions created from the beginning of the year.

Equity.

Equity.

Equity was EUR 15.2 billion as at December 31, 2010. The year-on-year difference of approximately EUR 0.2 billion resulted from the changes to silent partners' contributions at the end of the year. These changes largely stemmed from replenishments amounting to around EUR 210 million, foreign currency effects in connection with silent partners' contributions not held in euro, and disposal due to maturities.

Own Regulatory Funds.

LBBW reported a loss in equity of EUR 2.2 billion for the 2009 financial year. This had to be recognized from the time at which the balance sheet for 2009 was established in determining regulatory equity. As a result of this, subscribed capital, reserves, other capital as per § 10 (4) KWG (silent partners' contributions) and profit participation rights had to be reduced proportionately.

The effects of the loss on regulatory equity were mitigated by a reduction in deductible carrying amounts due to impairment and by the valuation allowances, some of which had already been recognized in advance as expected losses. After a value adjustment deficit reported before the balance sheet for 2009 was established, deducted in equal measure from Tier 1 and Tier 2 capital, a value adjustment surplus was reported for 2010 due to value adjustment recognition in the 2009 annual financial statements. This increased equity. Due to the failure to reach the minimum residual durations required for recognition as liable capital, nominal amounts of EUR 187 million in silent partners' contributions and EUR 830 million in profit participation rights were no longer recognized as regulatory equity in 2010. Furthermore, only 40% of the EUR 843 million in long-term subordinated liabilities was recognized in the calculation of liable capital.

Regulatory equity decreased by a total of EUR 2.1 billion in the overall recognition of loss distribution, the development of deductible items and the effects of the reduction of the residual durations of capital instruments.

Items subject to capital charge were reduced by EUR 33.7 billion as part of the realignment of the business model. As well as market-related changes, the targeted reduction in total assets contributed to this decline. Overall, an increase in regulatory ratios and indicators resulted from this.

The regulatory ratios of LBBW (Bank) were as follows compared with the previous year:

	Dec. 31, 2010	Dec. 31, 2009	Change from 2009 to 2010	
	EUR million	EUR million	EUR million	in %
Regulatory equity[1]	**20 507**	**22 656**	**–2 149**	**–9.5**
whereof Tier 1 capital	14 981	16 692	–1 711	–10.3
whereof supplementary capital	5 024	5 413	–389	–7.2
whereof Tier 3 capital	502	551	–49	–8.9
Items for which capital charges are required	**115 846**	**149 538**	**–33 692**	**–22.5**
Tier 1 ratio in %	**12.9**	**11.2**		**1.7 pp**
Overall capital ratio in %	**17.7**	**15.2**		**2.6 pp**

1) Since 2008: § 10 KWG in conjunction with § 2 SolvV.

Employees.

Development of the Workforce.

Landesbank Baden-Württemberg's workforce has fallen to 10 472 employees as at December 31, 2010. This is a reduction of 475 (–4.3%) against 10 947 employees on December 31, 2009. As at January 1, 2011, a further 149 employees left. The decline in employment at LBBW (Bank) by 624 (–5.7%) to 10 323 as at January 1, 2011 is primarily due to workforce cutbacks as a result of the EU restructuring measures.

Women make up a slight majority of the personnel at the Bank, accounting for 51.0% of employees. The share of employees at LBBW (Bank) working part-time, including older part-time employees (Altersteilzeit), grew in 2010 from 21.3% to 22.2%. The employee turnover rate at the bank was 6.5% in 2010 against 4.3% the previous year. Adjusted for EU restructuring-related early retirement and severance agreements (2.6%), the rate was 3.9%, higher than that of the previous year (3.5%). The average age of employees at the Bank was 42.4 years in the year under review, while the average length of service was 15.9 years. 16.4% of employees are 30 years old or younger.

Human Resources-Related Implementation of EU Restructuring.

The main focus of human-resources-related implementation in 2010 was achieving the cutback targets by means of voluntary redundancy. It was for this purpose that the interim agreement for voluntary redundancy was made with the staff councils in February 2010, regulating LBBW's offers for early retirement and redundancy in exchange for severance payment.

This was superseded by the collective pay agreement negotiated with ver.di for safeguarding employment, which was concluded on June 18, 2010. As well as the rules on early retirement and the termination agreement transferred from the interim agreement, issues such as employment guarantees, older employees working part time, qualifications, mobility, filling vacancies and flexibility were agreed upon.

Another main goal was intensifying the internal job market with the aim of filling as many vacancies as possible from within the company. To this end, an operating agreement on an internal job market was concluded in October 2010.

In parallel with the voluntary phase, employees in functions surplus to requirements are being given relocation interviews for further employment prospects as of November 2010. For example, this could take the form of reorientation via the internal job market (a change in division or location) or leaving the Bank.

The doubling of in-house job advertisements over the course of the year under review from 240 to 480 in the second half of 2010 is already showing the effects of intensifying the internal job market.

Instruments and Concepts Relating to Human Resources.

The consolidation of the Human Resources department with the HR portal and direct HR telephone consultation in progress since 2009 was reinforced further in the year under review. The recruitment process has been converted for the Group-wide internal job market to online application via e-recruiting with qualification and candidate profiles maintained by the employees themselves.

The focus of employer branding in 2010 was the target group of students and graduates. In order to make fresh academic talent aware of the Bank, a dedicated microsite has been set up at www.lbbw-karrierestart.de to serve as a first point of contact for conveying the significant advantages of LBBW as an employer in compact form. This should ensure that the number of graduate trainees, which has dwindled over time, can be increased again to meet need.

Training and Personnel Development.

Training.

LBBW views the professional qualification of young people as a socio-political and operational responsibility. At the end of 2010, 547 (PY 628) trainees and students from dual universities were working at the bank.

186 new entry-level employees joined the Bank in 2010. The quality of the training is reflected in the post-training performance of the 239 total graduates. 13 of 184 people who completed a traineeship at the Bank in the career of banking specialist were awarded prizes from the chambers of industry and commerce. 37 received commendations for outstanding performance. 55 students at the Bank successfully completed their studies at the dual universities in 2010. 11 received special distinctions from LBBW for top performance. In accordance with the wage agreement for employment guarantees, all graduates received an offer of employment, some of which were restricted.

Personnel Development.

The qualification and further training of managers and employees remained a major topic at LBBW in 2010. While the number of personnel development measures fell in 2010 against the previous year by around a quarter to 13 992 seminar visits by Bank employees, the number of management seminar visits increased by roughly 68% to 652. The number of methodological competence seminars remained at the previous year's level at around 1 402.

In 2010, managers had to undertake a great many change and restructuring processes. Managers visited the workshops on change management offered 2 481 times to ensure that the change processes took place effectively. Many executives also took advantage of the coaching services offered by LBBW's management consultancy to obtain individual advice and support for management and personality issues.

Organizing Working Life – Audit Berufundfamilie (Work and Family Audit).

Following successful auditing by the Hertie Foundation, LBBW was awarded in March 2010 for being a family-conscious company. This certificate confirms that LBBW is well-equipped when it comes to the compatibility of work and family. Despite restructuring-related changes, LBBW will maintain and develop its alignment as a family-conscious and employee-oriented company. The focus here is not only on the compatibility of work and family in the traditional sense, but rather covers all employees, regardless of gender, family status and age.

Those responsible at LBBW know how important it is in today's working world to organize working life in such a way that a sustainable economic balance is struck between employee interests and customer requirements. LBBW currently already has numerous family-friendly regulations and offers, such as a flexible working time model, telecommuting, additional family leave or in-house child support facilities such as the »Frechdax« day care center. The implementation of the 27 measures specified in the audit by 2013 will help position LBBW both internally and externally as a modern and innovative company.

Diversity and Equal Opportunities.

Diversity stands for a concept of management which wishes to recognize and value the variety among employees and customers and use it for the success of the company. People in all their diversity are at the heart of the matter and are viewed as a significant competitive factor in dealing with the needs of employees and customers. Employees should be motivated and efficient in placing their various talents, experiences and viewpoints at the company's disposal.

The issue of equal opportunities for men and women plays a central role in diversity. This means equal chances of qualification and promotion for all employees with equal training requirements, applicable to both full-time and part-time work. The women's network initiated by the Board of Managing Directors in 2003 currently has around 120 members. Equal opportunities for both genders and better compatibility of professional and private life were and remain the core goals of the initiative. They are anchored in the guidelines for a sustainable human resources policy passed by the Board of Managing Directors in 2009. LBBW Chairman of the Board of Managing Directors Hans-Jörg Vetter took up the patronage of the women's network in autumn 2010. At the annual conference for the women's network, Dr. Monika Stolz, Minister of Social Affairs for Baden-Württemberg, praised LBBW's voluntary commitments, for which the company was awarded with the »family-conscious« certificate in March 2010.

Health.

Even in economically difficult times with high demands on employees and managers, investment in health and efficiency are essential. LBBW sees this commitment as a strategic investment in its most important resource – employees.

Company Health Management.

Following successful auditing and certification, Landesbank Baden-Württemberg received the Corporate Health Award 2010 in November 2010. This was confirmation that LBBW is a model of commitment to the health and efficiency of its employees and fulfills high standards in terms of operating health management. This permanently reinforced the company's competitiveness. At the same time, LBBW made a significant contribution to reducing the strain on employees during the current restructuring phase.

Comprehensive pilot projects started in 2010 in a central division and at two sales locations. LBBW is systematically running through a state-of-the-art Company Health Management cycle consisting of requirement analysis, measure development, behavioral and relationship-related intervention and evaluation. The strategy here is to implement health management in the context of overall organizational development. Alongside the existing Round Table on Health, a Health Management Steering Committee has also been set up. Meanwhile, the Management and Health internal management seminar has become an established part of personnel development.

Occupational Medicine, Occupational Health and Safety, Social Counseling.

The company medical service informs and supports employees in all matters relating to health. The services on offer range from assistance with acute conditions through numerous prevention services to rehabilitation after a long illness. Health days took place at all main LBBW offices in 2010 – in Stuttgart, for example, on the topics of work-life balance, exercise and physical health.

LBBW also delivers much more than the legal minimum in terms of occupational health and safety. Particular focus lies on proactive teamwork in maintaining a healthy and productive working environment.

The social affairs service provides consultation for employees and managers on psychosocial problems, acute crises and stressful events. It moderates conflicts in the workplace and provides training for managers on psychosocial matters. The current staff cuts are also supported by the social affairs service by means of consultation and training.

As a future-oriented company, LBBW will continue to invest in the health of its employees, not least because this is a basis for company success.

Remuneration Report for 2010.

According to the formalities of Institution Remuneration Ordinance (InstitutsVergV, §7 and §8), which took effect on October 13, 2010, the LBBW has generated a remuneration report. The report will be available at www.lbbw.de during the second quarter of 2011.

LBBW Improvement Process.

Idea management at LBBW enables employees to participate in shaping working processes, products and services with their ideas and creative potential. With these ideas, employees contribute to improve LBBW's efficiency, competitive position and image. This process is actively supported and promoted by the management. The LBBW Improvement Process has been a leading scheme in the financial services sector for years and aids the ongoing development of the Bank.

The ideas put forward cover employees' own areas of responsibility as well as others. In order to ensure that these ideas are pursued and implemented sustainably, a corresponding idea management system has been installed in the Human Resources division.

Last year, the number of ideas was increased by 4% to 3 462 suggestions for improvement. In addition to the established monetary benefits of EUR 2.15 million, innumerable processes were made more efficient by the 680-plus proposals acted upon. The concept of constant development is actively supported by idea competitions such as for the avoidance of operational risks. New for 2010 was the systematic integration of idea management in Bank projects.

Compliance.

LBBW defines compliance as the preventative management of risk arising from failure to comply with the applicable laws, standards and processes, which damages the Bank's business model, reputation and success and disappoints the expectations of owners, customers, employees, and the public.

The requirements of LBBW's compliance are set out in a compliance management system (CMS). This system combines requirements of the corporate culture and internal guidelines, a compliance organization, information systems, controls, employee training and reciprocal reporting to create an instrument for risk-oriented management. The goal is to implement an end-to-end culture of prevention in which all agents of the Bank commit to comply with the law and act accordingly, thereby achieving risk transparency and increasing the trust of business partners.

Capital Markets Compliance.

2010 was shaped by the implementation of the requirements of the Minimum Requirements for the Compliance Function and Additional Requirements Governing Rules of Conduct, Organization and Transparency pursuant to Sections 31 et seq. of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) for Investment Services Enterprises (MaComp) published by BaFin on June 7, 2010. The reasons for the development of MaComp were the findings on failings in the sales departments of many investment services companies gathered in the wake of the financial crisis. As a result of the measures derived from MaComp, particularly the expanded supervisory responsibilities of Bank compliance, confidence in the securities markets is fostered and protection for all investors and the institutional functionality of the capital markets reinforced. A further focus in the compliance remit was the supervision of the implementation of the tightened regulations on recording investment advice, which have been in force since January 1, 2010.

Enhanced employee training was also provided in 2010 to identify signs of insider trading and the resulting prohibitions on trading. In addition to advice for specialized divisions on issues of capital markets compliance, the focus was again on continual monitoring of securities transactions with regard to adherence to legal regulations (control room).

Anti Money Laundering Prevention.

The requirements brought by the far-reaching amendment to the money laundering act have been implemented at LBBW. The mandatory assessment of the Bank's risk situation as regards money laundering fulfills the individual requirements of a risk strategy tailored to LBBW. The high outlay associated with compiling and regularly updating this risk assessment must be viewed in the context of overall integrated compliance.

As a result of the considerably increased requirements of the German Federal Financial Supervisory Authority and legislation, LBBW's money laundering prevention responsibilities have been restructured and the process and work flows in the Bank adjusted.

Financial Sanctions/Embargoes.

As a result of the connection of the LBBW office in Singapore to the existing financial sanction auditing system, the level of standardization in processing financial sanction and embargo monitoring has been raised further. Alongside the real-time auditing of foreign payment transactions and LBBW's customers, the embargo unit also issues recommendations on matters of foreign trade legislation and supports distribution in implementing legal requirements, such as the extensive new sanction measures against Iran (EU Regulation 961/2010), which are constantly being effected for the protection of our customers and the Bank.

Financial Intelligence Activities.

Financial fraud represents a significant potential threat that, in addition to material damage, can involve incalculable risks to a company's reputation. For this reason, LBBW continues to place great emphasis on focus training for its employees and providing clarification for its customers as to offender typologies and how offenses occur. The LBBW Fraud Prevention Board addresses cross-divisional matters of fraud, e.g. with the introduction of a practical e-learning training program for all employees.

In addition, the risk assessment conducted each year forms the basis for identifying vulnerable subject areas and initiating targeted prevention measures. As well as the use of additional audits for monetary transactions and credit documents to prevent criminal actions, the consistent pursuit of fraud against the assets of the Bank is a significant part of the financial intelligence activities unit.

Data Protection.

2010 was marked by the implementation of requirements deriving from amendments I to III of the Federal Data Protection Act amended in 2009. Data protection featured heavily in the previous implementation of measures, especially those for scoring, advertising and contract data processing.

The increasing sensitivity of our customers to issues relating to data protection legislation was expressed in 2010 by numerous customer queries and requests for information. Special training for employees on data protection was again held in 2010.

In addition to advice for specialized divisions on issues of data protection, a focus of LBBW data protection was on random audits in specially selected business areas. The internal audit focal points here were branch inspections, processes for customer requests for information and the approval process for the publication of data on the internet.

LBBW also conducted audits at the premises of external service providers involved in business with credit cards and the destruction of files and data carriers.

Sustainability.

The sustainability policy at LBBW comprises the guidelines for sustainable development in the areas of corporate governance, business operations, human resources and communication, as well as for social commitment. The current sustainability policy was approved upon by the Board of Managing Directors on February 9, 2010 and replaced the first version from 2006. The sustainability policy is underpinned by the sustainability guidelines. These serve as a point of orientation for the implementation of sustainability goals in the investment and lending business, human resources policy and in dealing with natural resources.

A comprehensive account of LBBW's commitment to sustainability is presented annually in the sustainability report. The 2010 report can be downloaded at http://nachhaltigkeit.lbbw.de.

Sustainability in the Core Business.

LBBW offers its private and institutional customers an extensive portfolio of sustainable products. In this way, LBBW supports its customers in the responsible, ecological and social investment of their assets.

Sustainable Investment Products.

- LBBW Nachhaltigkeit Aktien was awarded with the best mark of »2n« in the Newcomer category in the rating by the Euro Advisor Service in October 2010. With LBBW Nachhaltigkeit Aktien, the selection of securities is based on social, cultural, ethical and environmental criteria. The investment universe is composed on the basis of the sustainability rating given by oekom research AG of Munich.
- LBBW Nachhaltigkeit Renten, which was set up for institutional customers in September 2009, has been accessible for private customers as well since March 2010. It invests in government bonds, covered bonds and corporate bonds of companies or states that act in a more sustainable way than the average. Here, too, LBBW cooperates with analysts at oekom research AG when selecting the securities.
- Both LBBW Nachhaltigkeit Aktien and LBBW Nachhaltigkeit Renten bear the European transparency logo for sustainable mutual funds. This is awarded to products for which the investment criteria, research methods and investment policy have been made public, thereby strengthening the trust of investors.
- Since 2002, LBBW has also offered sustainable special funds for institutional customers.
- LBBW Global Warming achieved second place on a three-year basis at the 2010 Goldener Bulle Fund Awards presented by €uroFinanzen. It received an AA+ rating from the Telos rating agency. It also received five stars from FWW Funds Stars (July 6, 2010) and five leader points from Lipper (July 6, 2010).
- LBBW has financed renewable energy products for many years now. With the BW EcoSparbrief offered in March and April 2010, customers had an opportunity to become directly involved in this sector. Under the slogan »Rendite mit gutem Gewissen« (returns with a clear conscience), BW-Bank conducted a broad-based campaign to inform its customers about the opportunities for investing money in a sustainable way.

- BW Bank's asset management team applies sustainability-oriented criteria in selecting investments for portfolios upon request. To this end, an updated investment universe is supplied quarterly by the rating agency oekom research AG, which BW Bank's asset managers use to select investments for individual portfolios.
- In 2010, LBBW issued a certificate relating to sustainability. »LBBW Safe-Anleihe mit Cap« (start: March 1, 2010) combines the characteristics of sustainable financial investment with a high level of security. The bond is based on the EURO STOXX Sustainability Index, on which as well as economic factors, the selection of companies is conducted in accordance with environmental and social criteria.

Financing.

In addition to our sustainable financing options (»classic« project financing for the renewable energies sector, structured financing solutions for smaller photovoltaics installations up to EUR 10 million, funding advice, arrangement of energy consulting services for private customers), the focus in 2010 was on the further implementation of the sustainability guidelines in the lending business. Various measures have been implemented in the operating business over the course of the year. The most significant of these measures is a new auditing process for sector/country risks in lending. The aim is to identify critical sector/country combinations and thus recognize and analyze sustainability risks in good time.

Sustainable Operations.

In passing the guidelines for sustainable handling of resources, LBBW has committed to reducing CO_2 emissions, among other targets. For example, energy consumption should be reduced by optimizing building technology and IT hardware in data centers and the workplace. In terms of building technology, a clear trend reversal is yet to succeed. However, the IT department and the Operations work group have projected and implemented further measures intended to limit the use of energy in IT. The first successes can already be seen. After years of increasing energy consumption in the data centers, LBBW achieved consolidation in 2009.

Sustainable Human Resources Policy.

Even in the current difficult situation – that is, despite the financial market crisis and the job cuts necessary as part of the restructuring at LBBW – we intend to adhere to the principles of a sustainable human resources policy. Even in testing times, employees must be promoted and developed in order to be equipped for current and future challenges. Further information can be found in the Management Report from page 24.

Certification.

LBBW has pledged to comply with the ISO 14001 standard and the Eco-Management and Audit Scheme (EMAS) standard. The aim of EMAS is to improve environmental performance beyond the legal guidelines and to inform the public about it.

The implementation of the standard and the regulation was once again checked in an internal and external environmental audit in 2010. The audit showed that LBBW's environmental management system complies fully with the requirements of the EMAS regulation and ISO 14001.

Sustainability Ratings.

- In May 2010, Munich-based **oekom research AG** rated the LBBW C overall on a scale of A+ (best) to D – (worst). With this result, it is placed above the minimum value for sustainable capital investments in the financial services sector as defined by oekom and is classified as Prime. In the sector analysis of August 2010, a total of 37 savings, cooperative, state and regional banks were inspected with regard to their social and environmental commitment. LBBW achieved third place. Among German banks, it was ranked first.
- In the **Sustainalytics** sustainability rating of March 2010, LBBW received 70 out of 100 points. With this rating, LBBW is therefore in second place out of 76 non-listed financial institutions at international level (as at March 2010).
- **vigeo group** evaluated LBBW in April 2010. Sustainability performance was above the sector average.
- In its 2010 sustainability rating, **imug** assessed LBBW positively as an issuer of public-sector covered bonds and mortgage-backed covered bonds.
- In the **Triodos Bank** rating of non-listed financial institutions for 2010, LBBW achieved third place out of 13. However, LBBW was not included in Triodos Bank's sustainable investment universe.

Risk Report.

Risk-oriented Management of the Bank as a Whole.

LBBW[1)] defines risk management as the use of a comprehensive set of tools to deal with risks within the scope of the risk-bearing capacity, the strategy set out by the Board of Managing Directors and the Group-wide system for risk-oriented management of the Bank as a whole. In particular, these mechanisms include LBBW's organizational structure and processes, risk management and control processes, and internal auditing.

Risk Strategy.

The Board of Managing Directors and the Supervisory Board stipulate the principles of the risk management system by defining risk strategies that are consistent with LBBW's business strategy. Corporate policy and risk strategy guidelines for risk management are specified through risk principles in the Group risk strategy, which applies Group-wide and across all risk categories. The guidelines for risk management represent core principles for balancing opportunities and risks within the LBBW Group and adhere to the basic elements of the EU restructuring. They form the basis for a uniform company-wide understanding of corporate goals in connection with risk management. As a result, they contribute to the creation of a uniform risk culture.

The Board of Managing Directors and all employees feel bound by the risk management guidelines and make their decisions in observance of them. Under materiality principles, the guidelines form the framework for the firm organization of processes and methods of risk management.

In addition, risk policy objectives and auxiliary risk strategy conditions are formulated in the Group risk strategy. Processes, business strategies and earnings targets are also stipulated for the front and back office divisions using a combined top-down/bottom-up process in the specific risk strategies. Specific strategies are approved for all major risk categories (in accordance with the table below).

1) Risk Management at Landesbank Baden-Württemberg is conducted at Group level. As the Bank represents the dominant part of the Group, the following information in this LBBW (Bank) Management Report includes many details applicable to the Group.

Risk-bearing Capacity.

A Group-wide compilation of risks across all major risk categories and subsidiaries and the comparison of this with the capital required for economic purposes (aggregate risk cover) are carried out in the calculation of risk-bearing capacity.

The following risk categories are identified:

Risk Categories.

	Risk category	Describes possible …
Material risks	**Credit risks**	… losses arising from the default or credit rating deterioration of business partners. … defaults by state borrowers and payment restrictions. … losses arising from low proceeds from the liquidation of collateral.
Material risks	**Market price risks**	… losses caused by changes in interest rates, credit spreads, share prices, exchange rates, commodities prices, volatilities.
Material risks	**Operational risks**	… losses arising due to the unsuitability or failure of internal processes and systems, people, or due to external events, including legal risks.
Material risks	**Liquidity risks**	… problems meeting payment obligations in the short term, or not being able to quickly close out larger positions at market value.
Material risks	**Real estate risks**	… losses in value of the Group's real estate holdings.
Material risks	**Development risks**	… losses resulting especially from potential plan variances in the project development business of LBBW Immobilien GmbH.
Material risks	**Investment risks**	… losses in value of Group companies and equity investments to the extent that these are not included in the above risk categories.
Material risks	**Strategic risks**	… losses in value due to strategic decisions.
Material risks	**Reputation risks**	… losses in value due to damage to the Bank's reputation.
Material risks	**Business performance risks**	… losses in value due to less favorable business performance than expected, provided these do not relate to the above risks typical to banks.
	Pension risks	… increases in pension provisions.
	Own credit rating risks	… additional expenses due to increase in funding costs.
	Model risks	… misrepresentations of actual risk.
	Dilution risks	… losses in value due to a lack of legal payment obligations for purchased receivables.
	Fund placement risks	… losses in value due to non-placement of equity components in the case of closed-end funds.

The credit, market price, real estate, development, investment and operational risks are generally quantified as value-at-risk (VaR). The liquidity risks are limited by a defined liquidity risk tolerance and procedural rules. The other risks are quantified via simplified models.

At LBBW, aggregate risk cover (corresponds to risk coverage potential as per MaRisk) denotes the equity restricted according to economic criteria which is available for the coverage of unexpected potential losses. In addition to equity (as per IFRS including revaluation reserves), subordinated capital, P&L result (IFRS) and hidden losses are considered components of aggregate risk cover.

Economic capital is calculated as a uniform risk measure at the highest level. In contrast to the capital stipulated by regulatory bodies, this represents the capital backing required from LBBW's economic point of view, calculated using the Bank's own risk models. LBBW's economic capital is in principle expressed by VaR at a confidence level of 99.95% and with a holding period of 1 year.

The upper risk limit for economic capital represents the upper limit for all material quantifiable risks throughout the Group. This limit reflects LBBW's maximum willingness to take risks and was set well below the total resources available to cover risks in line with the conservative risk policy of LBBW. Economic capital limits for the various risk categories are derived from this, whereby a buffer is provided for other risks that are not directly quantifiable and for risks arising from unforeseeable stress situations.

Stress Tests.

Stress tests are in integral part of LBBW's internal risk management. Stress scenarios are arranged in such a way that extraordinary but plausible events of different levels of severity are considered from economic, regulatory and accounting perspectives. In order to ensure risk-bearing capacity and regulatory capital ratios even in a stress case, basis scenarios have been defined for the various risk categories which are compared with the buffer presented for stress scenarios.

The following scenarios have been implemented and calculated as part of this:

- Macro-economic scenarios, classified by factor, sector and country (e. g. effects of European sovereign crisis)
- Historical scenarios
- Hypothetical scenarios and sensitivities
- Risk category-specific and cross-risk-category scenarios

The results showed that risk-bearing capacity was maintained even under stress conditions.

In addition, inverse stress testing is regularly carried out as a complement to the other stress tests. As part of this, it is investigated which scenarios would lead to the existence of the Bank being endangered.

LBBW took part in the stress tests by supervisory authorities in 2010. The results of these showed that in the case of the market factors specified, LBBW would still have good capital resources even in a stress event.

Cross-disciplinary Risk Management Processes.

Risk Management Structure.

Annual General Meeting
Supervisory Board
Committees

Board of Managing Directors
Business strategy, Group risk strategy

Risk Committee, Asset Liability Committee

Authority based on lending decision-making hierarchy, statutes and bylaws of the executive bodies and the Board of Managing Directors

Credit risk strategy

Credit risks/country risks
- Back office divisions
  - Credit and risk management
  - Central loan processing
- Country Limit Committee
- Joint decision-making authority on lending with commercial banking decisions
- Group Risk Control

Market price risk, liquidity risk, operational risk strategy

Market price risks
Liquidity risks
- Treasury
- Trading divisions:
  - Equity
  - Capital Markets, Trading and Sales
  - Credit Capital Markets
- Group Risk Control

Operational risks
- Group Risk Control in cooperation with all the Bank's divisions

Investment risk, real estate risk and development risk strategy

Investment risks
- Group Strategy/Legal

Real estate risks
- LBBW Immobilien GmbH

Other risks
- Strategic risks
- Business performance risks
- Reputation risks
- Pension risks
- Own credit rating risks
- Model risks
- Dilution risks
- Fund placement risks

At LBBW, transactions can only be entered into within clearly defined limits or competencies. From a yield perspective and due to the associated opportunities for income and growth potential, risks should be taken in a deliberate and controlled manner. The aim of business activities is to achieve the highest possible income for the Bank having weighed up the potential risks. These guidelines form the foundation of LBBW's risk policy and provide a framework for all business activities.

Within the defined framework, risk management decisions are made individually by the departments with portfolio responsibilities on a decentralized basis, maintaining the separation of functions; these decisions are monitored by the central Group Risk Control division. The risk control and risk management system set up for this purpose covers all material risks and the details specific to the risk categories.

Potential concentrations of risk receive particular attention. They are not defined as an independent risk category at LBBW. Concentrations in fact tend to arise as a result of the synchronization of risk positions within one of the risk types specified. They can also be produced as a result of common risk factors or interactions between various risk factors of different risk types. At LBBW, commitments and concentrations which could jeopardize the Bank's existence must be avoided. There is a range of different monitoring processes and limits (e. g. sector limitations) for the purpose of controlling this strategic requirement.

The Risk Committee comprises the department heads in charge of financial markets, finance/operations and IT, and back office functions, in addition to division managers from the front and back office, risk control and financial controlling, among other areas. As an advisory committee, the Risk Committee prepares decisions for the Board of Managing Directors and supports it in the cross-disciplinary monitoring of LBBW's risk-bearing capacity and of material risks, as well as in complying with regulatory requirements. The monthly overall risk report and other reports prepared as needed on specific issues form the basis for this. Decision-makers are also supported in risk management by an extensive reporting system that is specific to risks and issues.

As of November 2010, the new Asset Liability Committee prepares decisions for the Board of Managing Directors and supports it in ensuring the adequacy of the capital resources, asset/liability control and determining the liquidity and refinancing strategy. The resolution is passed by the Group's Board of Managing Directors. The Committee is coordinated by the Treasury division and comprises the Chairman of the Board of Managing Directors, the department heads in charge of financial markets, finance/operations and IT, and back office functions, in addition to division managers from the front office, risk control, financial controlling and accounting, among other areas.

New Product Process.

New types of products at LBBW are subject to a new product process that ensures that these products are included in LBBW's various systems, such as those of accounting and risk controlling. At LBBW, this generally concerns trading and credit products, with an emphasis on trading products.

Risks from Financial Instruments.

A financial instrument is a contract which, in the case of a company, leads to a financial asset and, in the case of other companies, to a financial liability or equity instrument.

Risk categories classified as significant for financial instruments include credit risk (borrower, counterparty, issuer, country, transfer and collateral risk), market price risk (share price, interest rate, currency and raw materials risk), operational risk (risk of losses due to unsuitability or failure of internal processes and systems, people, or external events), liquidity risk (short-term liquidity risk and refinancing (spread) risk) and investment risk (risk of losses from immaterial subsidiaries and minority interests), as well as other risks.

A holistic approach is taken to the management of risks relevant to LBBW, which is reflected in this Risk Report, particularly in relation to the evaluation of the LBBW Group's risk-bearing capacity. A Group-wide compilation of risks across all major risk categories and subsidiaries (economic capital, generally as value-at-risk) and the comparison of this with the capital required for business purposes (aggregate risk cover) are carried out in the risk-bearing capacity. In addition, the LBBW Group's risk strategies provide the risk framework.

Detailed information on the financial instruments can be found in the notes to the annual financial statements for this Management Report.

Process-independent Monitoring.

The Internal Auditing division is a process-independent department that monitors all operations and business workflows, risk management and control, and the Internal Control System (ICS) with the aim of safeguarding LBBW's assets and boosting its operating performance. The Internal Auditing division exercises its duties autonomously. The Board of Managing Directors is informed about the results of audits by way of written audit reports discussed with the audited operating units. Internal Auditing also monitors how the audit findings are dealt with.

Implementation of Regulatory Requirements.

MaRisk.

LBBW is fully subject to the regulations on the minimum requirements for risk management (MaRisk). On December 15, 2010, the German Federal Financial Supervisory Authority (BaFin) specified and extended the minimum requirements with the third MaRisk amendment.

In particular, the revised version of MaRisk tightens and expands the regulatory requirements for the strategy process, considering the concentration of risk and diversification effects, the risk-bearing capacity concept, management of the bank as a whole, stress testing and liquidity risk. The new minimum requirements are to be implemented in full by December 31, 2011. At LBBW, extensive work packages were defined for implementation in connection with these issues, some of which have already been processed. Outstanding subjects for implementation will be dealt with by the end of 2011.

SolvV.

As of January 1, 2008, LBBW began using the Internal Ratings-Based Approach (IRBA) to measure capital adequacy for counterparty risks in accordance with the German Solvency Regulation (SolvV), after the most important rating procedures from the point of view of the portfolio were audited and approved by the supervisory authorities. LBBW is aiming to obtain regulatory approval for further rating procedures in subsequent years.

Basel III.

As a result of the far-reaching financial and economic crisis, the G20 states have drawn up an extensive agenda for financial market regulatory reform. The goal of the desired reforms is to make the financial system as a whole more resistant.

As part of this reform, the Basel Committee on Banking Supervision has advised the G20 states on new and expanded regulations (the Basel III framework).

The central plank of the reform is the improvement of the loss-bearing capacity of equity, especially the increase of both the quantity and liability quality of the equity, as well as the extension of risk measurement. In future, banks should hold considerably more equity to cover their risk-weighted assets. This will be operationalized by higher minimum quotas and additional capital buffers.

In addition to new indicators for the supply of liquidity and debt, the Basel Committee on Banking Supervision also devised rules that will reduce the cyclical nature of the equity requirements of Basel II (e. g. by means of an anti-cyclical capital buffer). Furthermore, measures to moderate the systemic relevance of individual banks are under discussion.

These new regulatory developments have implications on business strategy, the strategic direction of the business areas, management metrics and technical reporting capacity. The interdependencies between the new regulatory developments and business strategy demand an integrated approach.

At LBBW, the implementation of Basel III is being supported by an interdisciplinary project team which, as well as quantitative effect analyses, is developing recommendations for action and preparing a Basel III implementation project.

Credit Risks.

At LBBW, credit risks are defined as possible losses that result from:

- Deterioration in the credit ratings of, or defaults by, borrowers, counterparties or equity investments,
- The impact of cross-border restrictions on payments or
- Changes in the value of collateral.

The credit risk structure follows the illustration below:

Credit Risk Components.

Credit risk

Borrower, counterparty and issuer risk	**Country and transfer risk**
■ Credit rating deterioration ■ Default	■ Default ■ Payment restriction

Collateral risk

- Change in value
- Liquidation rates

Borrower, Counterparty and Issuer Risk.

The risk that a contractual partner does not meet his payment obligations or does not meet them in full within the stipulated period, that deteriorations in the credit ratings of borrowers or issuers lead to a decline in value or that an unrealized profit cannot be recognized in the event of a default by the contractual partner.

Country and Transfer Risk.

Public budget default (as with borrower/issuer risk) and risk that customers abroad who are both willing and able to meet their payment obligations cannot fulfill them or cannot fulfill them completely due to limitations on payments or other government actions.

Collateral Risk.

The risk that, in the event of liquidation, collateral does not achieve the expected (market) value.

Management for limiting the aforementioned components of credit risk is conducted as an integrated process at LBBW, consisting of the following components:

Credit Risk Management.

Risk measurement	■ Risk classification procedure (PD, customer or transaction-based) ■ Liquidation and recovery rates (LGD) ■ Exposure ■ Credit value-at-risk (CVaR) and expected losses (EL) ■ Stress tests
Risk monitoring and reporting	■ Individual commitment monitoring and early warning indicators ■ Ad hoc notifications on individual risks ■ Intensive tracking of critical credit ratings ■ Portfolio analyzes ■ Credit risk reporting ■ Monitoring plan and actual risk costs
Risk management	■ Credit risk strategy ■ Loan amount, term and collateralization subject to credit rating ■ Risk- and capital-adequate pricing ■ Limitation at portfolio level ■ Active management of credit risks

Risk Measurement.

In order to measure risk, LBBW uses an extensive range of instruments involving quantitative measuring procedures. These are subject to ongoing quality control and are developed further as and when required.

Risk Classification Procedures.

LBBW uses specific rating procedures for all relevant business fields. These procedures quantify the probability of default for the investments. The counterparty risk is calculated both including and excluding the transfer risk.

The forecast reliability of the rating procedures in use is reviewed regularly and the procedures are refined if necessary. Risk classification procedures are maintained and updated by LBBW on its own initiative or in cooperation with Rating Service Unit GmbH & Co. KG (a subsidiary of the Landesbanken) or S Rating GmbH (a subsidiary of DSGV).

Liquidation and Recovery Rates.

For a risk-adequate valuation of investments, an estimate of the loss given default is required, in addition to the probability of default. To this effect, estimates are calculated for liquidation rates (average proceeds expected from the liquidation of collateral in relation to market value) and for recovery rates (proportion of the proceeds from the unsecured part of a receivable). The estimates are based on empirical values and data recorded by the Bank itself and in cooperation with savings banks and other Landesbanken.

Exposure at Default.

Depending on the type of product, the market factor (interest rate, currency, etc.) and the term, a differentiated calculation of potential future exposures is carried out, ensuring adequate application against the line.

Expected Losses and Credit Value-at-Risk.

The expected loss, as an indicator that depends on customer creditworthiness, an estimation of the amount of the loss and the expected exposure at the time of default, provides the basis for the level of the standard risk costs. In preliminary costing at the individual transaction level, these are included in the calculation of risk-adequate loan terms. At the portfolio level, this indicator can be used to ensure comparability between different portfolios and to check the plausibility of projected risk costs. In the context of calculating impairment, the concept of the expected loss is also used to calculate flat-rate risk provisions (GLLP and PLLP non impaired), in order to estimate the actual loss (incurred loss) that has not yet been recognized because of delays in information.

At LBBW, unexpected loss or credit value-at-risk (CVaR) represents the potential present value loss of a portfolio above its expected loss. Here, the amount is calculated that will not be exceeded by losses with a given probability (confidence level) within a time horizon of one year. Concentration risks play a particularly important role in this regard: Volume concentrations and industry concentrations in the case of individual borrowers increase portfolio risk, while a high level of granularity and diversification reduces this risk. LBBW uses a credit portfolio model based on the modeling of rating migration to calculate this value. The individual borrowers are assigned default and migration probabilities corresponding to their ratings. These are modeled in such a way that correlations between borrowers (particularly based on their allocation to sectors and countries) can be addressed adequately. The credit exposure is subject to mark-to-model valuation; the calculation is based on present value. The credit portfolio model uses a Monte Carlo simulation approach to calculate risk. As for the other risk categories, the CVaR is calculated at a confidence level of 99.95%.

Stress Tests.

In addition to statistical indicators and risk measurement tools, which are ultimately based on historical data, stress scenarios play an important part in risk assessment. These analyze in advance the impact of possible economic volatility and market crises in order to establish whether LBBW's risk-bearing capacity is adequate for these extreme situations. At LBBW, a set of standardized credit risk stress scenarios is calculated and incorporated into the risk-bearing capacity. This is supplemented by special stress scenarios according to current requirements, which analyze changes in LBBW's portfolio with regard to potential developments (e.g. crises in the sector).

Risk Monitoring and Reporting.

Individual Transaction Level.

Monitoring of risks at the individual transaction level is ensured through ongoing observation of the customer and his environment by the risk analysts in the back office division who are responsible for the transaction.

LBBW's internal processes aim to identify commitments affected by low credit ratings or deterioration in credit ratings at an early stage, on the basis of early warning indicators. This enables the Bank to start a dialogue with customers to initiate timely countermeasures. Depending on the level of risk, problematic commitments are classified as cases requiring intensive tracking, restructuring or liquidation and are dealt with by specialized divisions. LBBW aims to minimize losses through successful restructuring activities, in line with the Bank's own interests and those of customers.

For specific reporting to the decision-makers in charge, an ad hoc reporting process is implemented for significant and extraordinary events. Larger and/or more complicated credit risk exposures are regularly reported to the Board of Managing Directors and the supervisory bodies with well-founded statements about the respective investment strategy and financial development.

Portfolio Level.

Monitoring of counterparty risk at portfolio level takes place in the Group Risk Control division, which, from an organizational point of view, is separate from the front and back office divisions. This division is responsible for ensuring the suitability of rating procedures, measuring credit risk, monitoring counterparty, country and industry limits and drawing up risk reports.

Risks are monitored through limitations at various levels of the portfolio and the Group credit risk is restricted by a limit on the economic capital on the basis of the credit value-at-risk (CVaR).

Compliance with country limits is monitored with a special limit system. Regular reporting to the Board of Managing Directors based on this system was put in place for the »PIIGS« countries in the spotlight in 2010.

The financial institutions portfolio has both an overall limit and limits depending on countries, in addition to the country limit. The exposure of all financial institutions that are not relevant to the system is also limited by means of a further limit for each country.

Industry risks arising from the corporates portfolio are restricted and monitored through the stipulation of industry-specific limits. The limit system is based on a risk-oriented industry key designed specifically for this purpose, which combines industry segments with high dependence of losses along the output chain of companies. For example, mechanical engineering companies whose products are sold predominantly to customers from the automotive industry are assigned to the same sector.

The Risk Committee, which meets on a monthly basis, regularly informs the decision-makers of the risk situation at portfolio level and compliance with the limits described. The credit risk report provides additional detailed information as part of the overall risk report. Reporting on the current risk situation takes place by means of portfolio analyzes. If necessary, recommendations for action are made to decision-makers (Group's Board of Managing Directors and supervisory bodies). In addition, the Board of Managing Directors regularly receives portfolio reports from the respective back office divisions with detailed information on the development of risks in various business fields and on critical commitments. Reports on the ongoing development of actual risk costs and deviations from forecast or standard risk costs are also provided on a monthly basis.

Risk Management.

Above all, credit risks are managed through the guidelines of the credit risk strategy, compliance with the economic capital limits with regard to the credit value-at-risk and the monitoring of concentration risks (industries, countries, individual counterparties).

Individual Transaction Level.

Risk management at the level of individual counterparties is the duty of the credit back office divisions. Key elements of individual transaction management are risk-limiting, risk/return-oriented and business segment-specific guidelines as part of LBBW's credit risk strategy. The limitation of risks at individual transaction level is ensured partly by stipulating differentiated minimum levels of creditworthiness for borrowers. In addition, the loan amount and its term and collateral structure are linked to the customer group and the credit rating of the relevant borrower.

From an economic point of view, the question of whether a transaction will produce an adequate profit on a risk-adjusted basis is a key consideration before business is entered into; for this reason, preliminary costing of all transactions is compulsory at LBBW. In addition to the historical interest rate, the components in the calculations are the cost requirement margin (cover for processing costs), the capital range (interest on equity) and the risk range (cover for expected loss). The results of the preliminary costing calculation form the basis of business management at both individual customer and profit center/portfolio level.

Portfolio Level.

In the management of the Group's loan portfolio, the utilization of the limit on the economic capital for credit risks (based on the credit value-at-risk) is monitored particularly closely. On the basis of a traffic light system, measures to cut risk are commenced at an early stage if limits are close to being fully utilized. In addition, the results of the stress tests provide indications of potentially dangerous risk situations.

Country limits are determined by the Board of Managing Directors, based on the proposal of the Country Limit Committee. If the country limit is almost fully utilized, targeted action is taken against the country and transfer risk through the imposition of bans on business. If country credit ratings deteriorate, limits are reduced and/or bans on business issued.

The limitation on the financial institutions portfolio and the corporates and industries portfolio is monitored on an ongoing basis and, if necessary, controlling measures such as the purchase of hedging transactions or a ban on new business will be triggered.

At the level of business fields, risks are limited through adherence to the quantitative guidelines of the credit risk strategy with regard to rating structures, the portfolio quality and risk/return guidelines (e.g. targets for the return on equity). As the strategy is geared towards operating business divisions, clear (sub-) portfolio responsibilities are defined for compliance with guidelines under the credit risk strategy. In addition, the strategy guidelines extend to the product types permitted for each business division.

On December 1, 2009, LBBW set up a new division within the back office department. It is responsible for the management of the credit investment portfolio (CIP). The credit substitute business of LBBW, the former Sachsen LB and the former LRP is bundled within the CIP. The reduction of the CIP will be continued successfully over the years to come as part of the restructuring at LBBW.

Risk Situation.

Preliminary Note.

The different portfolio presentations according to regions, rating levels and industries give an overview of the risk situation of LBBW. In the following tables, the amount reported is the gross exposure or, alternatively, the net exposure. While gross exposure is defined as utilization plus external open loan commitments, net exposure takes into account additional collateral effects.

Regions.

In the regional distribution, business in Germany predominates, with over 61 % of gross exposure (December 31, 2009: 60 %). This reflects a focus on core markets in private, SME, and large client business, as well as on the function as a central bank to savings banks. 89 % of foreign commitments are distributed across Western Europe and North America; therefore, countries with no (eurozone) or very low transfer risks. The overall portfolio share of all investments in the PIIGS countries amounts to less than 5 % and will be further reduced in future. Total commitments in Eastern Europe, Latin America, Africa and those with supra-national institutions represent less than 2 % of the overall portfolio.

Gross Exposure by Region.

Region	Share
Germany	61.7 %
Western Europe (excluding Germany)	25.0 %
North America	9.1 %
Asia/Pacific	2.4 %
Eastern Europe	1.3 %
Latin America	0.5 %
Africa	0.0 %
Supra-national	0.0 %
Total	**100.0 %**

Credit Risk Reduction.

The above illustration of the credit portfolio on the basis of gross exposure does not take into account the reduction of risk by collateral effects. Firstly, the credit risk at single-title level is reduced by means of netting and collateral agreements; secondly, classic credit collateral such as mortgages, guarantees, sureties, pledges, transferal and chattel mortgages are used for this purpose. For this reason, net exposure provides a more precise picture of the risk situation. Net exposure is derived from gross exposure as follows:

EUR million	
Gross exposure*	**460 441**
Netting/collateral	– 41 602
Credit derivatives	– 30 865
Classic credit collateral	– 51 688
Net exposure*	**336 286**

* Not shown: internal receivables of EUR 11.3 billion gross exposure/EUR 11.1 billion net exposure.

Classic credit collateral is shown conservatively, i. e. taking into account different estimates for liquidation and recovery rates from a divestiture perspective.

Portfolio Quality and Industries.

Breaking net exposure down by rating and industry provides information on the scope of LBBW's business activities and the risk situation in the respective industry. The industry classification is based on LBBW's internal risk-oriented industry key.

Net Exposure by Rating* and Industry.

EUR million	AAA – BBB –	BB+ – B+	B – C	Default	Other	Total
Financial institutions	**157 165**	**5 605**	**937**	**1 395**	**1 815**	**166 917**
Banks	131 213	4 173	384	710	22	136 502
Financial services	25 952	1 431	553	685	1 794	30 415
Companies	**54 129**	**18 551**	**3 914**	**4 193**	**1 058**	**81 845**
Automobil Automotive	4 518	3 385	472	568	18	8 961
Construction	3 774	1 756	351	429	108	6 419
Cross-industry services for companies	1 823	606	94	255	144	2 921
Cross-industry manufactured goods	2 111	658	73	84	39	2 965
Commercial real estate	5 650	2 529	762	1 497	67	10 505
Health care	2 073	486	42	57	124	2 782
Foodstuffs trade and other non-cyclical consumer goods	2 090	774	8	43	10	2 924
Transport and logistics	2 825	751	595	88	38	4 296
Insurance	3 360	67	53	24	21	3 524
Utilities	4 752	465	86	21	27	5 352
Other sectors**	21 153	7 074	1 378	1 127	462	31 195
Public sector	**77 816**	**236**	**1**	**2**	**37**	**78 091**
Private individuals	**2 817**	**831**	**176**	**226**	**5 384**	**9 434**
Total	**291 927**	**25 223**	**5 028**	**5 815**	**8 293**	**336 286**
Total in %	86.8 %	7.5 %	1.5 %	1.7 %	2.5 %	100.0 %

* Equivalent external rating classes.
** Sectors with a share of < 2 % of the companies portfolio are summarized under »Other sectors«.

From this rating distribution it can be seen that transactions with customers with good to very good credit ratings (investment grade ratings) account for 86.8 % (previous year: 82.8 %) of the net exposure. At 1.7 % (previous year: 1.5 %), commitments for which there has been a default on payment (see Default column) still make up a small part of the overall portfolio. The Other column lists transactions with customers where rating has not been carried out, e. g. for reasons of risk relevance.

The industry breakdown reveals financial institutions as the largest partial portfolio. Of this, savings banks represent more than half of the net exposure.

The portfolio of corporate customers shows the diversification of industries in place. The Commercial Real Estate and Automotive industries are the most significant corporate sectors; nonetheless, in relation to the overall portfolio, these represent a portfolio share of only 3.1 % and 2.7 %. From a full-year perspective, the overall portfolio share of the Utilities industry saw an above-average decline from 2.7 % to 1.6 %. The Renewable Energies industry, newly introduced in 2010, is a major driver of this development (EUR 2.4 billion net exposure as at December 31, 2010), which largely consists of borrowers formerly allocated to the Utilities sector.

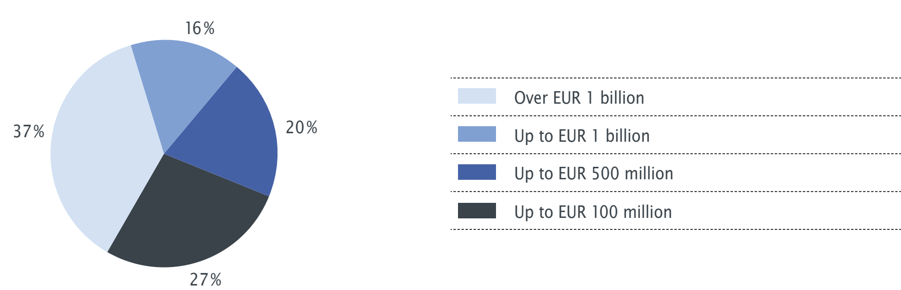
Business with the public sector and private individuals contributes to further portfolio diversification.

Size Classes.

From an annual perspective, the portfolio share of the size class > EUR 1 billion net exposure fell from 40 % to 37 %. Of this, 43 % was exposures to state and savings banks (of which more than two thirds under guarantor's liability) and a further 39 % to exposures to public budgets (especially domestic regional authorities). The rest was distributed to banks and companies, almost exclusively with good to very good credit ratings. Further reduction in the share of the size class > EUR 1 billion net exposure to the overall portfolio will be achieved by means of success disposal of major individual investments.

With shares of 96 % and over 90 %, those with very good to good credit ratings also dominate the size classes up to EUR 1 billion and up to EUR 500 million net exposure. The size class below EUR 100 million forms a granular portfolio consisting of retail and corporate customers.

Size Class Distribution in Percent (Borrower Units).



Risk Provisions.

The development of risk provision is shown in the table below:

Valuation Result – Lending.

EUR million	Portfolio 12/09	Addition from consoli-dation	Additions	Reversals	Utilization	Direct write-offs/ recoveries on loans written off	Currency difference
Credit risks	4 261.4	– 24.5	1 296.3	880.7	596.1	94.7	105.7
General bad debt provision	456.5	0.0	176.6	327.8	0.0	0.0	0.0
LBBW Bank	**4 717.9**	**– 24.5**	**1 472.9**	**1 208.5**	**596.1**	**94.7**	**105.7**

EUR million	Risk costs reported in net P&L	Portfolio 12/10	in % of gross exposure	Gross exposure
Credit risks	510.3	4 162.2	0.9 %	460 440.8
General bad debt provision	– 151.3	305.2		
LBBW Bank	**359.1**	**4 467.4**		

At EUR 360 million, the credit risk costs as at December 31, 2010 are significantly below the planned value. The main driver of risk costs in the lending business is the Commercial Real Estate sector (approximately EUR 300 million), especially in the USA.

Alongside high reversals from individual valuation allowance formation in 2008/2009, the clear failure to achieve the planned value can be attributed to the virtually non-existent wave of insolvencies in the corporates/SME segment.

In addition, the portfolio valuation allowance showed reversals against 2009, largely due to rating improvements.

Net exposure in the Default class exceeds the risk provisions made. This can be explained by, among other things, a conservative valuation of collateral and the observation of merely temporarily limited payment delays for commitments from which no risk provision requirement is generated.

Market Price Risks.

LBBW defines market price risks as potential losses resulting from unfavorable changes in market prices. Market price risks are broken down by influencing factors. The following characteristics of market price risks arise from the business activities of LBBW:

Characteristics of Market Price Risks.

Market price risks	Characteristics
Share price risks	■ General and specific price risks ■ Option risks
Interest rate risks	■ General and specific interest rate risks ■ Option risks ■ Credit spread risks
Foreign exchange/ commodities risks	■ Exchange rate risks ■ Commodities risks ■ Option risks

Risk Measurement.

Risk Model.

At LBBW, the value-at-risk (VaR) from market price risks is calculated at a confidence level of 99% and a holding period of ten days, while a 95% confidence level and one-day holding period are applied for internal Bank management purposes.

This calculation is based on an in-house procedure involving a traditional Monte Carlo simulation. In most cases, the simulation enables LBBW not to simply approximate market-induced value fluctuations, but to measure them fully, even for complex transactions. Historical time series for the preceding 250 days are equally weighted in covariance estimates. LBBW backtests its analyzes to ensure the quality of the VaR estimation procedures applied. The LBBW model is also used for other Group companies with material market price risks, enabling Group-wide standardized management based on the value-at-risk risk indicator. The model is used for general interest rate and equity risks to determine the equity requirement for market risks.

At LBBW, market price risks are consistently modeled in the trading book and banking book using the same VaR methodology.

Trading portfolios and the strategic position of the banking book can be affected by potentially detrimental developments in market interest rates.

In the course of the financial market crisis, the credit spread risks have become an important part of LBBW's market price risk. The transactions of the trading book and the banking book that are sensitive to creditworthiness are mapped onto rating- and industry-dependent yield curves. As such, general credit spread risks from bonds and ABS are also measured. In addition, the issuer-specific risk for securities is calculated using the spread (and the spread volatility) of individual counterparties. The credit spread risks from all credit derivatives are determined using a multi-index model. The respective credit spreads of the reference debtor are entered into the risk calculation.

The calculations of VaR and sensitivities are supplemented with separate stress scenarios for the trading book and banking book on a weekly basis. Stress testing is used to examine how the value of the portfolio changes under extreme market conditions. LBBW uses both self-defined (synthetic) and historical market movements with a focus on modeling particular curve movements and spread changes. Synthetic scenarios mainly refer to selected market factor groups (such as interest shifts, equity shifts) on an individual basis or in combination, or stress testing of basis risks (e. g. of different yield curves). Particular attention was devoted in 2010 to the development of macro-economic scenarios in which the further course and potential effects of the European sovereign crisis were analyzed. Historical scenarios have been generated from data analyzes of market shocks, with stress tests for the financial crisis having been specifically added to the scenarios in question. All scenarios serve the purpose of modeling extreme events on the financial markets that, as history-based indicators, are not specifically included in VaR, in order to enable LBBW to prepare for the future. The findings are taken into consideration and reported to the relevant decision-makers both on a portfolio basis and with regard to their impact on the Group as a whole and its risk-bearing capacity.

The regulatory requirement to implement a stressed value-at-risk concept and thereby undergo an observation period representing a »period of significant financial stress« resulted from the Basel Committee's revisions to the Basel II market risk framework published in July 2009. Although the implementation and equity requirement obligation were deferred to 2011, LBBW put the concept into practice in 2010 and integrated it in overall bank management and the calculation of risk-bearing capacity.

Further Development of the Risk Model.

If it is not possible to fully integrate the trading products into the model immediately (e. g. after a new product process), a step-by-step approach is taken whereby these products are initially only traded under very strict supervision.

LBBW further developed its internal market risk model in 2010 based on, for example, the dynamics of the capital markets and changed regulatory requirements, such as the implementation of the stressed VaR concept.

For the purpose of regular quality assurance and validation, the adequacy of risk modeling and the risk factors used are reviewed regularly in addition to valuations. If certain markets and risk types become more important in the future, LBBW can flexibly expand the self-developed model.

However, limits have generally been set for the valuation procedure: all types of modeling are simplified compared with reality. LBBW counters such »model risks« by means of further analyses and limitations (e. g. for specific sensitivities or scenario values), as well as valuation discounts, if necessary. An appropriate buffer is also kept available in risk-bearing capacity for model risks.

Risk Management.

Ongoing risk management is handled by the relevant person with portfolio responsibility in the trading units and Treasury division within the scope of the market price risk strategy and the limits set. Limits based on value-at-risk (VaR), stop-loss and sensitivities are set by the Board of Managing Directors. In the case of certain sub-portfolios, this authority is assigned to individual members of the Board of Managing Directors, who then further delegate this authority according to a hierarchical system of responsibilities.

The trading divisions are responsible for managing market price risks in the trading book. The trading divisions are home to the Bank’s trading and sales units organized by product responsibility: The main task assigned to the sales units involves trading transactions with customers, as well as building and maintaining relationships with institutional investors. They do not enter into any risk positions above and beyond these responsibilities.

The trading units are responsible for the Bank’s trading. In particular, the market price risks arising from transactions entered into by the sales groups that will not be hedged by Treasury are assigned to the trading books. The trading units are assigned responsibility for market price risks and earnings.

The transactions of the credit substitute business are bundled in a portfolio (CIP). The transactions are successively being stopped in accordance with the EU plan.

Interest rate risks from new transactions with customers are largely closed out by the Treasury division in near-real time via offsetting transactions.

Management of market price risks in the banking book is the direct responsibility of the Board of Managing Directors.

Risk Monitoring.

The utilization of limits and compliance with the risk strategy defined in the portfolio characteristics, for example, are monitored by the relevant persons with portfolio responsibilities in Group Risk Control and reported to the Group’s Board of Managing Directors. In addition to daily reports, the Board of Managing Directors also receives more detailed monthly reports in the overall risk report about the risk and earnings situation and weekly reports on worst-case results. The additional stressed VaR values are calculated and reported on a monthly basis.

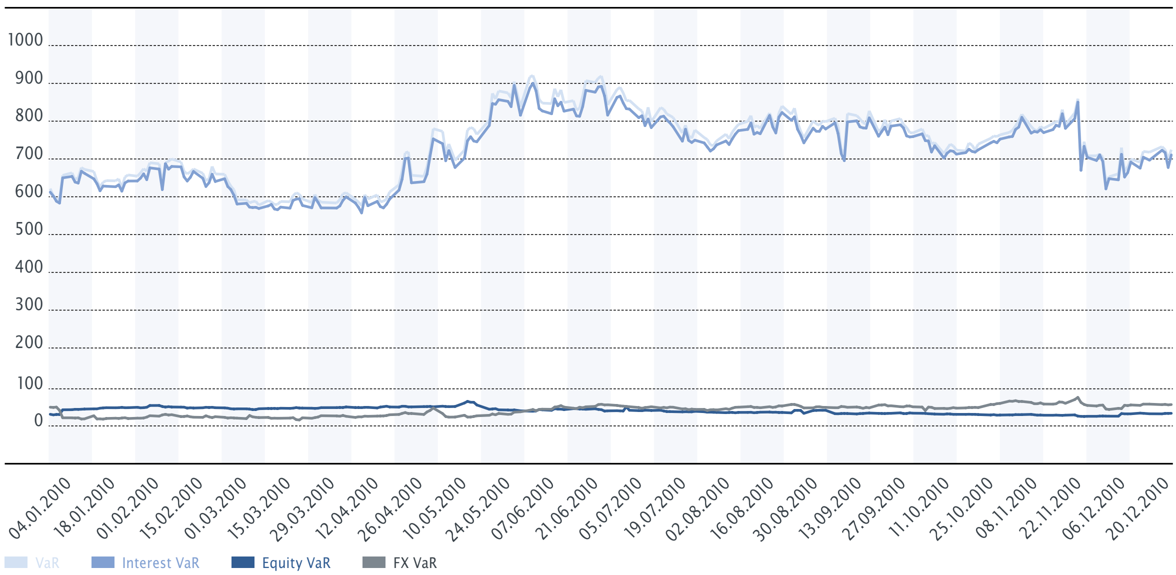
Risk Situation.

Development of Market Price Risks.

The market price risks entered into were fully within LBBW's risk-bearing capacity in 2010. However, in May and June 2010, VaR and stop-loss limits were exceeded up to Bank and Group level as a result of the European sovereign crisis, which was communicated in accordance with the internal escalation process.

The following chart illustrates the Bank's market price risks over the course of the year.

Risk at LBBW Bank, EUR million.



The Bank's market price risk rose considerably in the first half of the year, as sovereign credit spreads widened distinctly in the wake of the European sovereign crisis. This led to a change in the spread level and an increase in the volatility of the credit spreads. The calming on the markets was reflected over the balanced 250-day average only slowly and with a delay in the volatility and thus the market price risk. Credit spread risks are included in the interest rate risks.

Since December 2010, the credit spread risk of the classic lending business is no longer taken into account in the market price risk. This led to a noticeable decline in market price risk. The procedure is standard on the market, as the portfolio is particularly subject to credit risks and is considered accordingly in credit risk (CVaR).

LBBW's market price risks are characterized overall by interest rate and credit spread risks. The overall risk is dominated by the positions in the banking book. The basis risks in the interest rate range between individual European sovereign and financial curves and the swap curve, as well as the exposure to credit spreads including the risks from fixed-income securities, credit derivatives and the credit substitute business, play a decisive part here. Equity risks, along with foreign exchange and commodities risks, are less significant for LBBW than interest rate and spread risks.

The latter also include risks from precious metals and currency portfolios, which LBBW only holds to a limited degree.

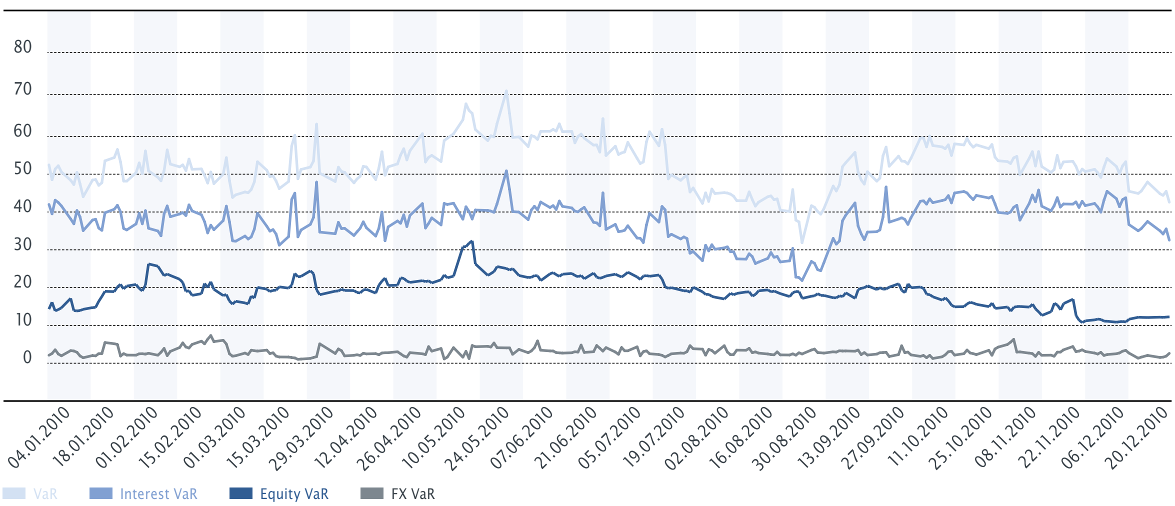
The following table illustrates the composition of VaR (99%/10 days) by risk type at Bank level:

VaR 99%/10 days

EUR million	Average	Maximum	Minimum	30.12.2010	30.12.2009
LBBW Bank total	**728**	**913**	**570**	**717**	**620**
Interest rate risks (incl. credit spread risks)	712	893	550	704	611
Equity risks	31	54	16	24	23
Currency risks	31	63	8	46	40

The following graph and table show the composition of market price risks for the trading book positions.

Trading Book Risk, EUR million.



VaR 99%/10 days

EUR million	Average	Maximum	Minimum	30.12.2010	30.12.2009
LBBW trading book	**52**	**71**	**32**	**43**	**62**
Interest rate risks	37	51	21	32	53
Equity risks	19	33	11	12	14
Currency risks	3	7	1	3	2

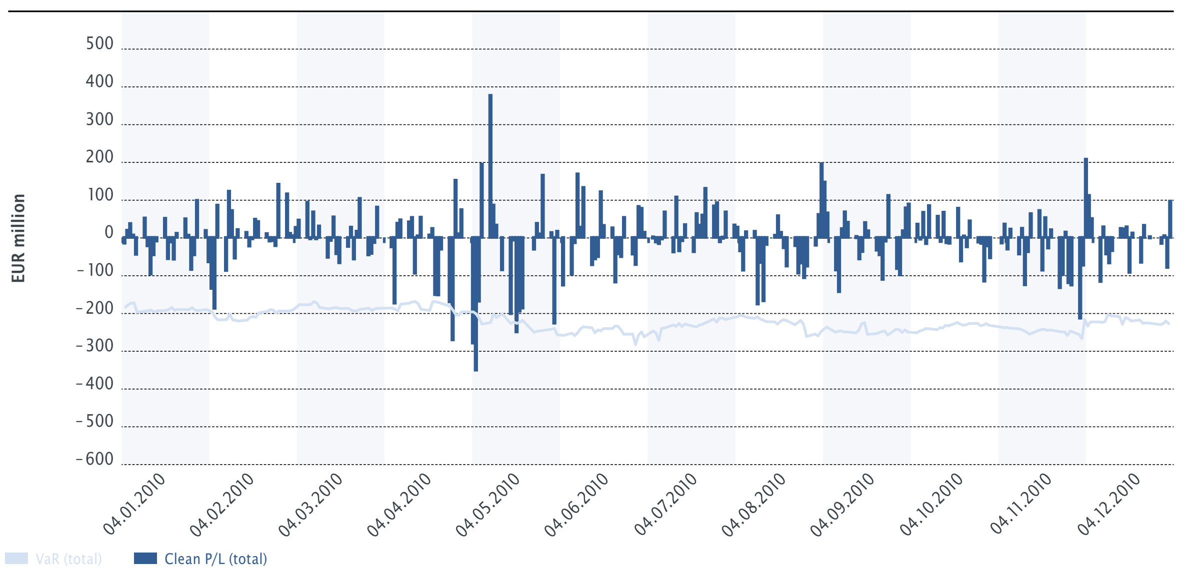
Considering the trading book shows that the European sovereign crisis had less of an effect on the risk values than in the banking book as a result of the lower credit spread exposure.

Backtesting.

The VaR value calculated by the risk model represents a statistical forecast of expected portfolio losses from market price risks over a certain time horizon. In order to verify the suitability of the model, it is necessary to test the quality of forecasts. This process is called backtesting. In concrete terms, this process involves counting the number of times VaR is exceeded by actual portfolio value changes (clean-P/L) called outliers, as the result of changes in market data. As of December 30, 2010 (inclusive), backtesting for the preceding 250 trading days indicated no model outliers for the trading book, but four exceptions for the Bank. The exceptions arose from the banking book portfolios following the European sovereign crisis as a result of the widening of the credit spreads of the sovereigns concerned and the spread widening of the EUR financials and government yield curves against the EUR swap curve. However, the trading portfolio, for which capital adequacy for equity risks and general interest rate risks is measured using the internal risk model, did not show any outliers. This means that no additional equity capital needs to be deposited for model outliers for regulatory purposes.

LBBW Bank Portfolio Backtesting for the Period January 1, 2010 – December 30, 2010.

VaR parameters: 99% confidence level, 1-day holding period



This graph shows how risk and the fluctuation of the clean-P/L increased during May on account of the European sovereign crisis.

Stress Test.

The effects of simulated stress scenarios increased considerably in 2010. The historical scenarios generated from the data analyses of the financial market crises are the most significant here. In July 2010, there were minor limit excesses for the stress test limit for Bank market price risks, yet the overall buffer in the risk-bearing capacity for all stress scenarios was not exceeded at any time. These limit excesses were communicated and monitored in line with the internal escalation process.

Market Liquidity Risk.

Market liquidity risk designates the risk that transactions cannot be closed out, or can only be closed out at a loss, due to inadequate market depth or market disruptions. For example, if a large volume were to be bought or sold quickly, then a corresponding market influence would be anticipated and potentially reduce the expected proceeds. Market liquidity risks are seen as a component of market price risks for trading products (particularly in the case of securities).

LBBW introduced the jump-to-default method for equities and equity derivatives in 2010. This is a scenario calculation in which all positions based on an underlying are remeasured by setting its price to zero. The difference to the current market value represents the utilization that is limited and monitored.

Moreover, the concept of market liquidity risks also relates to potential losses in the sense that the liquidity of market segments can decline, as was the case in 2007 and 2008 with credit spread products and especially securitizations. Since then, the sudden lack of liquidity in what up to that point were very liquid markets has resulted in difficulties in market valuations and the downstream processes in these market segments.

The limited liquidity of products usually leads to a higher volatility and thus to an increase in the market price risk. The market liquidity risk is thus implicitly included in the market price risk calculation to a large extent. However, a sudden lack of liquidity in market segments which are normally very liquid cannot be comparably illustrated using historical models. In this case, assumed scenarios and flat-rate mark-ups must be used. LBBW's risk management also aims to retain a great deal of room to maneuver even in crisis situations, since losses can be avoided if an institution is not forced to sell or close, despite unfavorable market liquidity situation positions.

Liquidity Risks.

LBBW's liquidity risk monitoring and management activities draw a distinction between short-term liquidity risk, which represents the risk of insolvency due to an acute lack of funds, and funding (spread) risk, which describes the adverse effects on income resulting from a possible deterioration of the funding spread.

Risk Measurement.

Short-term liquidity risk in the sense of the availability of sufficient cash at any time cannot be adequately quantified or analyzed on the basis of value-at-risk. It is therefore managed using quantitative standards in the LBBW Group, which have been established by the Board of Managing Directors in accordance with liquidity risk tolerance.

Determining the liquidity risk position involves:

- Preparing liquidity gaps over a time horizon of up to twelve months, both on a daily basis and on at least a weekly basis for the Board of Managing Directors.
- Calculating the potential funding available from central banks on a daily basis.
- Preparing gaps for long durations on a monthly basis in order to analyze funding (spread) risks.

- Preparing investor lists, on the basis of which any changes with regard to the diversification of the investor base can be identified.
- Analyzing the three scenarios »rating downgrade«, »financial market crisis« and »combination« (market crisis at the same time as downgrading of LBBW and competitors) as part of regular stress tests. Ongoing review and, if necessary, adjustment of assumptions and parameters used.

Liquidity risk tolerance is largely defined via a »survival period concept«, i. e. time frames are specified over which the Bank is expected to remain at least solvent, even in the event of severely limited opportunities to borrow on the market, subject to different combinations of assumptions (development paths). In addition, there is a limit system in place for the maximum funding requirements based on maturities from the business portfolio from a three-month and twelve-month perspective.

In order to analyze liquidity risks in the Group, all key subsidiaries and all conduits/SIVs are included in regular reporting in accordance with LBBW guidelines (weekly consolidated cash flow, in further detail in overall risk report on a monthly basis). Liquidity risks from off-balance sheet company constructions are generally analyzed and reported in the same way as on-balance sheet liquidity risks.

Risk Management.

The management of liquidity risks and funding is carried out by the Treasury division taking into consideration the measures stipulated in the liquidity risk tolerance, with the primary objective of ensuring solvency at all times as well as active earnings and risk optimization for existing mismatched maturities as part of funding planning.

The funding strategy of LBBW aims to diversify product and investor groups. In 2010, investments by savings banks and institutional investors within Germany constituted the main sources of medium and long-term funding in addition to retail business.

The setting of internal offsetting prices in line with the market by the Treasury division is a fundamental aspect of management for the assets and liabilities side of LBBW. Offsetting prices are adjusted in line with market conditions on an ongoing basis.

The Money Market Desk is responsible for securing intraday liquidity in trading. Here, planning daily payments and calculating cash requirements up to the end of the day is carried out, while continually taking into account inflows and outflows from payments which only emerge during the course of the day as well as the central bank function for savings banks.

A detailed emergency plan is in place for securing liquidity in acute crisis situations. The provisions made include those for the formation of a crisis response team bringing in members of the Board of Managing Directors. The emergency plan is reviewed at least once a year and resolved anew by the Board of Managing Directors.

Risk Monitoring.

The regular monitoring of liquidity risks is the responsibility of the Risk Committee of LBBW at management level and Liquidity Risk Control within the Group Risk Control division at operating level. As part of the overall risk report, Liquidity Risk Control reports in detail on all material aspects of liquidity risk, such as liquidity requirements, liquidity reserves and compliance with the specifications on liquidity risk tolerance including the results of the stress tests carried out.

Risk Situation.

At times there were substantial distortions on the money and capital markets in 2010 as a result of the crisis in Europe. The availability of USD refinancing for European banks was highly restricted at times. In spite of this difficult environment, LBBW has significantly reduced its liquidity risks and was able to procure sufficient refinancing funds on the market at all times in 2010 as well.

The requirements of the liquidity regulation were adhered to at all times in the year under review. As of December 31, 2010, LBBW Bank's liquidity ratio was 1.45 (2009: 1.52).

Risk Management System for Covered Bond (Pfandbrief) Operations.

A multi-tiered limit system is in place for monitoring risks from covered bond (Pfandbrief) operations (§27 of the Pfandbriefgesetz [PfandBG – German Covered Bond Act]). Regular stress tests are conducted with regard to NPV (net present value) overcollateralization. In the event that the fixed limits are reached, a process for then cutting the risk back down is implemented. As part of internal reporting, the Board of Managing Directors and the Risk Committee are informed quarterly of compliance with the provisions of the Pfandbriefgesetz (German Covered Bond Act) and the utilization of legal and internal limits. The risk management system is reviewed at least annually.

Operational Risks.

LBBW defines operational risks (OpRisk) as the risk of losses arising due to the unsuitability or failure of internal processes and systems, people, or due to external events. This definition also includes legal risks.

Risk Measurement.

The standard approach is used to calculate regulatory capital requirements at LBBW. An OpVaR model was introduced in 2010 for the Bank's risk-bearing capacity. In the context of the current ongoing process of developing methods further, a change to a confidence level of 99.95% is planned for operational value-at-risk.

The model is based on the loss distribution approach. There are separate model forms for frequency and loss distribution for specific business lines. Internal and external losses are included for OpVaR calculation. The model is continuously developed further.

Risk Management and Monitoring.

Ensuring an active risk culture in dealing with operational risks is the prerequisite for monitoring and managing these risks. All employees are encouraged to handle operational risks responsibly.

At LBBW, the management of these risks is mainly the responsibility of the individual divisions and subsidiaries. In this context, the local Operational Risk Managers are very important. They support division management and managing directors in the use of operational risk controlling tools, are contacts for their respective employees regarding operational risks, and are in close contact with LBBW's centralized OpRisk Controlling unit. An independent, centralized organizational unit within the Group Risk Control division is tasked with further developing and implementing the methods and tools used by OpRisk Controlling. To the extent that this is possible and reasonable, the central Group Strategy/Legal division obtains insurance policies to cover potential losses. In 2010 there was an analysis of the OpRisk database against the backdrop of the optimization of the insurance portfolio.

One of the main goals of the operational risk management and control activities is to identify operational risks at an early stage and to reduce or avoid the resulting losses by implementing the appropriate measures. Various tools are used to identify and assess the risk situation. As well as the internal and external incident database, the risk inventory (self-assessment and scenario analysis) and the analysis of risk indicators, the management of OpRisk measures also plays an important role in the management of operational risks.

The centralized OpRisk Controlling unit provides decision-makers with relevant information as part of regular risk reporting. The Risk Committee supports the Board of Managing Directors in exercising its supervisory function. In this forum, incident reports, risk inventory results and risk indicators are discussed, along with measures aimed at promoting a sound and safe risk culture at LBBW and current events.

The OpVaR model introduced in the 2010 fiscal year for the Bank's risk-bearing capacity for internal controlling is integrated into the Group's strategic limit system. The change in method led to an increase in economic capital for operational risks. In addition, redefined economic stress scenarios were introduced that vary the risk parameters of the OpVaR model (frequency or amount of loss in anticipated future loss events). This covers the main business lines and event-type categories.

Together with the local OpRisk managers, extensive segment-specific and general measures were identified and implemented to promote the risk culture in the handling of operational risks. The tracking of these measures will also be a key issue for the whole Group in 2011.

Risk Situation.

As the information presented in the sections below illustrates, LBBW does not expect any operational risks occurring that could jeopardize its existence. Despite the extensive precautionary measures taken, operational risks can never be avoided entirely.

IT Risks.

LBBW takes international IT security standards into consideration on a continual basis and complies with ISO standards 27001, 27002 and 27005. IT risk management for IT/organization is centralized and lies in the Group IT Security Officer's area of responsibility.

Furthermore, the IKON project launched in 2010 introduced an IT control framework to create transparency by complying with internal and external provisions for proper and audit-compliant IT operations. A key element of this was the implementation of a process organization.

LBBW has set up a special IT crisis response team to ensure that its business operations are maintained and that it can function if IT systems fail; in the event of an emergency, this team will coordinate all activities and provide centralized communications capability, with the savings banks in Baden-Württemberg among others, in accordance with defined procedures. The procedure and organizational measures to be taken in the event of a crisis are described in an IT crisis management manual. IT operations have emergency plans in place for operating IT systems in an emergency which are reviewed in regular exercises. In the context of the general business continuity management (BCM) of LBBW, IT emergency plans are regularly compared against the requirements of the business continuity plans of the specialized divisions.

LBBW maintains two independent, geographically separate data centers for production operations. Depending on the critical nature of applications, there are various emergency and backup concepts with corresponding restoration times in line with the requirements of the specialized divisions. Furthermore, there are permanent backup workstations at the alternate location for trading and processing trading transactions that are also reviewed regularly. The fundamental security of data centers is guaranteed by compliance with external and internal provisions for maintenance work and function tests.

At this time, LBBW does not face any unusual IT risks. LBBW has ensured well-organized IT operations for the future by constantly updating and improving its IT environment.

Personnel Risks.

LBBW's success depends materially on the dedication of its employees, and this idea is anchored in LBBW's mission statement: »We as employees drive the success of the Bank. Thanks to our expertise, knowledge and commitment.« The objective of comprehensive personnel risk management is to identify negative trends (risk monitoring) and to evaluate measures suitable for preventing or minimizing risk (risk management).

The human resources department distinguishes between various types of personnel risk for purposes of risk monitoring and management. The goal is to identify bottleneck, resignation, adjustment and motivation risks early on, and to minimize the resulting costs, such as staff recruitment, termination and staff turnover expenses. These risks are measured by periodically evaluating and analyzing key human resources indicators, such as turnover rates, absences, or data concerning personnel development measures (particularly management training measures), as well as comparing these indicators across the Group.

In the risk category of »resignation risk«, for example, employees leaving LBBW are surveyed in writing about their reasons for leaving. This provides these employees with another opportunity to express freely their opinion about LBBW as an employer.

A focus here is developing and promoting young employees within the company. In order to counter the risk of a lack of high-performance employees (»bottleneck risk«), employee potential is systematically documented and analyzed. The age structure of LBBW's employees is watched particularly closely due to demographic changes, although this does not require any action in the immediate future.

LBBW has already implemented a series of measures to counter possible personnel risks. These measures range from legal protection for LBBW to ensuring that employees are qualified to do the tasks assigned to them. Among other things, a target group-oriented specialist training program is held annually. In addition, a dedicated department is responsible for education concerning and monitoring of statutory money laundering and compliance regulations.

In the context of the EU restructuring project, more than 1 000 FTEs have either already been downsized or their downsizing has already been contractually agreed for the future. As the downsizing process is controlled and only affects selected function groups, the risk of undesirable resignations by employees is considered low and very manageable.

Legal Risks.

Legal risks comprise economic risks due to omission of and/or non-compliance with the framework of rules established by legal regulations and court rulings. These risks arise from a lack of knowledge of the specific legal situation, insufficient application of the law, or delayed reaction to changes in the general legal framework (including cases where this is unavoidable or the employee is not at fault, or as a consequence of changes in legislation, court rulings or administrative practice, particularly at national and European level). Legal risks are mainly managed by LBBW's Legal departments (as part of the Group Strategy/Legal division). They provide advice on legal matters to the Bank and its German and foreign subsidiaries, branches, and representative offices. In addition, their responsibilities include early identification of legal risks in business units and central divisions in cooperation with the latter, and limiting these in a suitable manner. The National Legal and International Legal departments have themselves developed or examined and approved for use by LBBW's business areas a variety of contract forms and sample contracts in order to minimize legal risks and simplify the business activities of the front office and trading divisions. In relation to this, the Bank is supported by the cooperation of the German Savings Bank Association (DSGV) and the forms developed in the committees there and made available by the Sparkassenverlag publisher. Approved, standardized contract materials are used for derivative transactions wherever possible. If legal questions arise in new areas of business or during the development of new banking products, the Legal departments supervise and actively participate in these processes.

Furthermore, the Legal departments monitor all planned legislation, developments in court rulings, and new standards stipulated by the supervisory authorities in LBBW's key areas of activity in close cooperation with in particular the Association of German Public Sector Banks (VOB), the German Savings Bank Association (DSGV), and the Association of German Pfandbrief Banks (VdP).

To the extent that this results in LBBW having to take appropriate action with regard to legal matters or adapt its policies, the Legal departments are instrumental in disseminating information quickly and implementing measures within the Bank. No legal risks currently exist at LBBW that could threaten its existence. The Group Strategy/Legal division also has no reason to believe that such risks will arise at LBBW in the foreseeable future.

Internal Control and Risk Management System with Regard to the Accounting Process.

LBBW defines the internal control and risk management system as a comprehensive system and follows the definitions of Institut der Wirtschaftsprüfer in Deutschland e. V. (the German Institute of Public Auditors in Germany) on the accounting-related internal control system (IDW PS 261 Item 19 f.) and the risk management system (IDW PS 340 Item 4). This includes principles, procedures and measures with the objective of implementing management decisions aimed at

- securing the effectiveness and efficiency of business activities (this also includes the protection of assets, including preventing and detecting asset damage),
- ensuring the regularity and reliability of internal and external accounting and
- ensuring compliance with legal requirements of relevance to the Company within the organization.

The internal control and risk management system for the accounting process helps to provide a true and fair view of the net assets, financial position and results of operations of LBBW. A key aim is to ensure that all transactions are recorded, processed and documented in full and correctly in accordance with legal regulations and standards, the provisions of the Articles of Association and other guidelines.

The accounting-related internal control and risk management system is an integral component of the internal control and risk management system for the management of the Bank as a whole.

Control Environment.

LBBW features a clear organizational, corporate, and control and monitoring structure. The Board of Managing Directors takes overall responsibility for proper business organization. All strategic units are included by means of a clearly defined management and reporting organization. The departments involved in the accounting process conform to quantitative and qualitative requirements. The employees tasked with the accounting process are provided with regular, comprehensive training.

Risk Assessment and Control Activities.

The controls are geared towards ensuring that the financial statements are prepared in accordance with German commercial law and ongoing internal and external financial reporting.

When implementing controls, a risk assessment is taken as a basis and the principle of efficiency is observed. Clear regulations are in place regarding the scope of the controls and responsibilities integrated into working processes.

In particular, these are the dual control principle, the separation of functions and the assignment of authorities in line with existing decision-making regulations.

Control functions are exercised in the respective specialist department. The control targets defined at LBBW in their entirety indicate the identified risks.

The preparation of the financial statements by the Accounting/Reporting/Tax division is predominantly carried out on a decentralized basis at LBBW in conjunction with the specialized divisions. Detailed timetables and workflows are in place for all monthly, quarterly and annual financial statements, which are monitored and automatically managed centrally. Responsibilities in all areas of the accounting process are clearly assigned. The relevant activities in terms of risk are distributed across several organizational units within the organization of business processes. The dual-control principle is applied across-the-board for all processes relevant to accounting, the assignment of authorities complied with and the separation of functions taken into account.

The IT systems used at LBBW predominantly use standard software. Portfolio management front-end systems (sub-ledgers), the SAP general ledger system and a central data warehouse (FDB = Financial Database) are used for the preparation of financial statements. The FDB contains all data necessary for preparing the financial statements. The specialized divisions record, process and post transactions relevant to accounting, which are mapped by the system, in the appropriate IT systems. From here, the transactions and master data are then transferred into the FDB. Data from the front-end systems and FDB are automatically posted in the SAP general ledger, where the balance sheet and income statement are prepared.

Extensive ICS reconciliation steps take place at the interfaces between the sub-ledgers, the FDB and the SAP general ledger, where the completeness and accuracy of the data is checked and documented on a monthly basis as part of standardized reconciliation operations. As regards the annual and semi-annual financial statements, the control processes are also discussed by the relevant system administrators in Accounting in separate quality assurance meetings. Any inconsistencies that may arise are rectified by carrying out these ICS reconciliation steps. Measures to be taken to eliminate future errors are also established on the basis of this.

Financial instruments measured at fair value at LBBW are measured either on the basis of quoted prices for active markets (stock exchanges, brokers, price service agencies, etc.) or on the basis of standard, recognized measurement methods using publicly available input data (e. g. yield curves, volatilities, spreads). In cases in which not all the input parameters can be observed directly on the market, fair values are calculated using realistic assumptions, based on market conditions. The prices used for accounting purposes are checked independently of trading and validated by a separate organizational unit, »Independent price verification«, in the Risk Controlling division.

Information and Communication.

The risk principles of LBBW, the organizational structure and procedures and the processes of the accounting-related internal control and risk management system are set out in manuals and guidelines (e. g. accounting guidelines, operating procedures, specialist concepts, etc.), which are regularly adjusted to current external and internal developments and published on the LBBW intranet. The »Basic Accounting Issues« department identifies and analyzes all legal changes which have an impact on the accounting process. It informs the specialized divisions affected and ensures that these are implemented promptly and in accordance with their respective specialization. New types of products are examined in detail in the New Product Process as regards how they should be treated in accordance with the German Commercial Code. The regulation of structures and embedded derivatives is also carried out here for each product type. This regulation is stored in a database system (FinNexus) developed in-house. In the case of new types of products, the correct mapping, analyzis and recognition of transaction types is also checked in a test phase.

Financial reports created in connection with accounting and sent to external parties or readers are checked for consistency by an internal records office before being sent.

Furthermore, the Board of Managing Directors has passed regulations that state that it must be informed immediately if doubts arise in individual divisions as to proper business organization (»ad hoc reporting requirement«). This also applies to accounting. If information is also significant in terms of risk aspects, the Board of Managing Directors must also forward this to the Risk Committee of the Supervisory Board.

Monitoring.

The effectiveness and suitability of the accounting-based internal controlling system and the risk management system are regularly monitored. This ensures that potential improvements are identified and processes are adjusted accordingly where required.

One form of monitoring takes place in the preparation of the annual financial statements (and half-year financial statements). Bilateral and multilateral coordination talks are held at regular intervals between the employees involved in the preparation of the financial statements to discuss and analyze any problems that arise. Adequate measures are derived and incorporated into ongoing processes.

Both the Audit Committee of the Supervisory Board and Group Auditing serve as senior monitoring bodies. Group Auditing is responsible for process-independent monitoring of operations and as such is an instrument of the Board of Managing Directors. The Audit Committee, as a committee of the Supervisory Board, deals with the analysis and preparation of audit findings and informs the Supervisory Board of these activities.

Investment Risks.

LBBW invests in other companies or assigns functions to subsidiaries if this appears to be a logical choice after consideration of strategic aims or returns.

Here, equity investments are managed by the relevant specialized and operating divisions of LBBW based on the division of tasks.

Early identification of business and risk developments at LBBW's subsidiaries and equity investments is particularly important for investment controlling purposes. To this end, regular coordination meetings are held at the corresponding management levels of LBBW and the subsidiary/equity investment, particularly in the case of companies that are material in terms of risk policy. In addition, these companies' results and planning are constantly monitored by the Group Strategy/Legal division. This unit also produces extensive reporting on this issue for the Board of Managing Directors and governing bodies.

The companies in LBBW's equity investment portfolio are assigned to one of two categories in terms of risk:

Material subsidiaries, i. e., companies in which LBBW is the majority shareholder and whose risk potential (in the main risk categories of credit risk, market price risk, liquidity risk, operational risk, real estate risk and development risk) is deemed to be material from the Group's perspective.

Non-material subsidiaries and equity investments, i. e., companies in which LBBW is the majority shareholder and whose risk potential is deemed to be immaterial from the Group's perspective, or minority equity investments, i. e., companies in which LBBW as the minority shareholder does not have the direct influence possible in the case of majority interests.

As much as possible, material subsidiaries are treated in line with the transparency principle. In accordance with the transparency principle, risks identified as material at the respective companies are measured according to LBBW's principles and parameters and included at the level of LBBW in an aggregation or Group assessment.

In the case of the non-material subsidiaries and minority interests, the risk potential is quantified based on the interest held and included as a whole in LBBW's risk management system. This calculation is made using a ratings-based credit VaR approach which is prepared by Group Risk Control and serves as the basis for recognition in the risk-bearing capacity.

LBBW pursues a selective equity investment policy. As a rule, a comprehensive risk analysis (of legal, financial and other risks) is performed in the form of due diligence, generally in conjunction with

LBBW's specialized divisions, before equity investments are acquired. Of particular importance here are factors such as ensuring that inappropriate concentrations of risk do not arise in the investment portfolio.

LBBW aims to use transaction agreements to contractually hedge risks as much as possible, such as through option agreements or earn-out clauses. In addition, the buying process includes valuation of equity investments taking into account capital market-oriented risk premiums.

Enterprise values for LBBW's equity investments are calculated in accordance with the guidelines issued by the Institut der Wirtschaftsprüfer (IDW – the German Institute of Auditors) at least once a year as part of preparatory work for the annual financial statements. For the half-year report, a plausibility check of the book values is performed using calculations pro-rated for the period.

Besides the risk of a potential decline in value as the result of defaults, there is also a risk that LBBW will receive an insufficient return or no return at all on its investments. However, this risk corresponds to the above-mentioned general book value or market value risk due to the focus on capitalized income value in the valuation of equity investments.

In addition, liability risks also arise from the profit and loss transfer agreements signed with some subsidiaries and from the responsibility for fulfilling the maintenance obligation (Anstaltslast) and guarantor's liability (Gewährträgerhaftung) for equity investments in public-sector banks. Furthermore, LBBW has signed letters of comfort with various investees.

There is a central risk to LBBW in terms of its investments in the event of a partial or full loss in value of one or more of its major strategic investments. LBBW's investment portfolio has a strong financial focus. A disturbance in this market segment can therefore lead to significant losses from investments.

Management and monitoring systems ensure that LBBW is continually informed about the situation in its investees. Moreover, the subsidiaries and major equity investments follow a conservative risk policy synchronized with LBBW to the extent that LBBW can influence such policies.

LBBW is making good progress in reducing its investment portfolio to meet the requirements of the EU restructuring plan. The investments in Sachsen DV Betriebs- und Servicegesellschaft mbH and quirin bank AG were sold off in 2009. Over 2010, disposals included LBBW Securities LLC, LRI Invest S.A. and the retail banking business of LBBW Luxemburg S.A. Furthermore, all assets of Lasssarus Handels GmbH were disposed of in preparation for liquidation. Under the restructuring, further investments will be sold off gradually until 2013.

Reputation Risks, Business Performance Risks and Strategic Risks.

Reputation risk is the risk of a loss or foregone profit due to (impending) damage to/deterioration of the Bank's reputation in the eyes of owners, employees, business partners or the wider public. Reputation risk is not a component of operational risk. However, reputation risks can be caused by an incident of loss resulting from operational risk or other risk categories becoming public knowledge.

As regards reputation risks, a distinction is made between transaction-based and non transaction-based management. In non transaction-based management, Group Communication/Marketing is responsible in particular for ensuring controlled public and press relations via stringent and centralized issue management. In addition with the sustainability policy, the standard for all areas of business with regard to this is established in the Administration unit as part of the sustainability policy. Reputation risks are accounted for in risk-bearing capacity with a buffer amount.

The transaction-based analysis of new transactions with regard to reputation risks is carried out on a decentralized basis by the front office, particularly within the context of the New Product Process and the credit application process.

Business performance risk is the risk of unexpected falls in earnings and negative plan variances not caused by other defined risk categories.

Business performance risk can be caused by various factors, including changes in customer behavior or changes to the economic environment that are not of a legal nature. The front office is responsible for introducing individual measures as part of ongoing operating activities aimed at managing risks associated with business activities. Financial Controlling carries out a central comparison of planning and actual business development.

Strategic risk is the risk of adverse business development as a result of fundamental decisions made concerning business policy. For example, strategic risks may arise when entering into new markets, but equally when failing to build up new areas for achieving potential success.

The monitoring of the implementation of and adherence to the business strategy decided on by the Board of Managing Directors and the division-specific plans in line with this, as well as the implementation of strategic decisions made by the committees, is carried out by the relevant divisions together with Financial Controlling.

Real Estate Risks.

Real estate risks are defined as potential negative changes in the value of LBBW's own real estate holdings due to deterioration of the general real estate market or deterioration in the particular attributes of an individual property (vacancies, changes in options for use of the property, damage, etc.). This does not include development risks from residential and commercial project development business, which form a separate risk category, or risks from service business. The latter are taken into consideration in the LBBW Group as part of business performance risk.

The LBBW Group's real estate portfolio is managed by the subsidiary LBBW Immobilien GmbH.

LBBW uses a VaR model to measure real estate risk. The central Group Risk Control division calculates VaR indicators for real estate risks quarterly and incorporates these into the Group's analysis of risk-bearing capacity. The input data in this model are the volatilities and correlations derived from market data histories assigned to the portfolio values.

The operating subsidiaries of LBBW Immobilien are also controlled using special real estate-specific indicators such as rent increases, vacancy rates and amounts in arrears. The Group's own properties are monitored and analyzed for risks in the course of quarterly portfolio valuation using a fair value approach. The goal is to identify at an early stage and analyze any adverse factors occurring as part of or relating to LBBW's activities. Active risk management contributes to ensuring a tolerable portfolio that provides a balanced ratio of opportunities to risks.

The implementation of the resolution of the EU Commission on the disposal of the residential property holdings of LBBW Immobilien by no later than 2012, which will also entail the transfer of the employees responsible for the assets for sale, will mark a significant change in the portfolio and structure of investment property. This process is reducing the options for diversification by types of use. However, diversification is still possible within commercial use, particularly for office and retail use, and by size classes. Macro location-specific diversification is also reduced as the remainder of the commercial portfolio is predominantly located at the Stuttgart location. However, this is distinguished by a stable market with relatively low rent fluctuations overall. The properties of LBBW Immobilien are also primarily excellently situated with low rental risk and are leased to tenants of good credit standing. The credit rating of potential tenants is examined carefully when letting new properties and attempts are always made to conclude as long a lease agreement as possible. Overall, macro location-specific risks are therefore considered manageable.

The remaining commercial properties in LBBW's portfolio are reviewed using a comprehensive set of real estate-relevant criteria such as the cost/income ratio, risk aspects, the Group's strategy for use/growth of the site, the site's potential for development, portfolio diversification or usage by LBBW-branches, and appropriate solutions are found on a case-by-case basis.

The client of the owner-occupied real estate business is the LBBW Group. Most of the properties are used for office or bank purposes. The restructuring plan requires a reduction of space at all central locations of the Bank. This is largely being achieved by concentrating on properties owned by the Bank and by avoiding rented space as much as possible. As a result, this is not expected to have a significant influence on the holdings the Bank uses itself or real estate risk.

Development Risks.

Development risks are defined as the bundle of risks that typically arise when implementing commercial and residential project developments and in residential real estate trading. LBBW Immobilien does not trade in commercial real estate. The risks in this field mainly lie in the areas of letting and selling as well as in the deviations that could emerge between what is planned as feasible under building law and the planned construction costs and schedules and the actual realization of these plans. The following additional risks in particular also apply if project developments are implemented in partner projects: credit risk on the part of partners, change in strategy and possibly pressure to force decisions from the company. The emergence of these risks can also result in the forecast return not being generated, the invested capital not being recovered in full – or not at all in extreme cases – or the need for further equity injections.

Development risks were classified as a material independent risk category for the LBBW Group for the first time in 2010. The risk and business strategy in the Development division was fundamentally revised as part of the review of the project portfolio in 2009/2010. This led to a reorientation of the segment and a regional focus on the core markets of Baden-Württemberg and Rhineland-Palatinate. LBBW Immobilien acts as an investor in commercial and residential real estate on these markets. The wrapping up of projects lying outside these target markets is a high priority.

In fiscal 2010, LBBW Immobilien developed a risk model to measure development risks that was validated with the assistance of a major auditing firm. Development risk is calculated quarterly by the Controlling division of LBBW Immobilien. The central Group Risk Control division includes this in the LBBW Group’s analysis of risk-bearing capacity. The model is based on a risk driver tree that identifies risks and shows the ranges in which these can fluctuate even before a construction project begins. From this, mark-ups and mark-downs on future costs and income are derived that are applied to the real case calculation. A normal and extreme risk are calculated on the basis of different fluctuation ranges of risk factors.

Summary of the Risk Situation.

Measures have been implemented at LBBW as part of appropriate risk management to limit or minimize all material risks. Sufficient capital is available to cover all risks.

In the first quarter of 2010, the risk-bearing capacity situation had gradually improved on account of a reduction in risks as against the end of 2009. However, stress on risk cover built up in the second quarter of 2010 on account of the debt crisis in Europe. Following an interim recovery, negative effects on risk cover were again observed in the fourth quarter of 2010 when the crisis in Europe intensified. However, risks began to diminish again towards the end of the year, particularly in customer loans business. As of December 1, 2010, a methodological adjustment was implemented in market price risk in the reconciliation from the operative to strategic economic capital level, which resulted in a significant rise in economic capital while the risk situation remained unchanged.

Overall, risk-bearing capacity was assured at all times throughout the year and as of December 31, 2010 with conservative buffer amounts.

Events after the Reporting Date.

Disposals of Equity Investments.

LBBW is in contract negotiations regarding the disposal of its equity investment in DekaBank Deutsche Girozentrale. It is expected that the disposal will be concluded shortly. In addition, the contract to sell the investment in European Energy Exchange AG was already signed in December 2010. As a result of existing obligations to deliver to co-partners and various duties to grant approval, to which the transaction is still subject, completion is expected at the beginning of the second quarter of 2011.

Market Price Risk Performance.

The reduction in asset items, especially in the credit investment portfolio (CIP), and further market stabilization led in the first few months of 2011 to a significant decline in risk for the Bank.

In the first quarter of 2011, the Bank sold a CDS sovereign portfolio in European net payer countries with a total nominal volume of EUR 4.0 billion.

Current Country Risk Development.

LBBW reacted swiftly to events in the Arab world by altering its business policy. LBBW's exposure in the countries concerned is low and driven by foreign trade funding.

The effects on the global economy of the earthquake and tsunami which struck Japan in the middle of March 2011, causing severe damage, including to nuclear power plants, and leading to a nuclear emergency, cannot yet be estimated. As things stand, significant long-term negative effects for the Bank are not expected.

Outlook.

Anticipated Economic Performance.

The economic indicators are good at the start of 2011. The most important leading indicator for the German economy, the ifo Institute's Business Climate Index, climbed to a record high of 111.2 points in January 2011. The interest environment remains good in spite of the recent rise in yields for investors. The dynamic economic growth in the emerging markets is also expected to act as a stimulus for German exports in 2011. Consumer spending by private households should benefit from the improved situation on the labor market. Hence, the LBBW Board of Managing Directors is optimistic for 2011 and is anticipating growth in gross domestic product in Germany of 2.5% after adjustment for calendar effects.

The corresponding growth is expected to be weaker for the euro area at 1.7%. Many member states are struggling with high debt, and unlike Germany they are benefiting little from the recovery of the global economy. The economy in the US will continue to pick up the pace with the tailwind of low interest rates and an extension of tax relief in the amount of USD 600 billion; gross domestic product is expected to increase by 3.4%. Overall, the global economy is forecast to grow by 4.7% in 2011 after 4.9% in 2010. The slight slowdown in economic momentum will probably be due to the more moderate economic growth in China, which feels compelled to apply the brakes to its economy with a more restrictive fiscal policy in light of increasing inflation pressure. Economic growth of around 9% is anticipated for China in 2011 after 10.3% in 2010.

Regardless of the positive overall prospects, the risks for 2011 are considerable. Around 37% of German exports of EUR 952 billion went to the euro area from January to December 2010. Thus, the partner states of the euro area are the most important destination for German exports. In light of this, an escalation of the debt crisis in the euro nations with the possible insolvency of a state would significantly impair the German economy. Resolving the debt crisis in the euro area will therefore be a crucial factor for its economic performance in 2011. No headwind is expected from the central banks for the time being. Neither the Fed nor the ECB have signaled that they will be reining in their monetary policies to date. However, the ECB could abandon this restraint as soon as a solution is found for the lingering euro debt crisis and the central bank is freed of its responsibility to ensure financial market stability.

Mainly as a result of the rise in commodity prices, inflation risks in the euro area increased at the start of 2011. At 2.2% in December 2010, the rate of inflation in the euro area was already above the threshold of 2.0% considered compatible with price stability. In the opinion of LBBW's Board of Managing Directors, the average rate of inflation in the euro area over 2011 will be slightly above the ECB's standard for price stability at 2.2%. LBBW is forecasting a rise in the inflation rate for Germany from 1.1% to 2.0%.

Industry and Competitive Situation.

The German banking sector made good progress in its recovery from the financial market crisis in the year under review and should continue this process as well.

However, this recovery was impaired by the debt crisis in some member states of the European Monetary Union, which is still adding to uncertainty. This showed that risks and contagion effects can arise from the interaction of the government and financial sectors, which could hamper the further stabilization of the sector. In view of the high refinancing requirements of both governments and banks in the coming years, this is particularly true as regards the possibility of the two sides increasingly competing for funds.

Economic growth in Germany, which is expected to be stable but slower as against 2010, should prop up earnings trends in the German banking sector over the next two years. Thereby, intensity of competition for customers of good credit standing in both retail and corporate banking is expected to remain high. In addition to the challenges in refinancing, there may still be some risks and uncertainty for the development of banks in the area of certain foreign receivables and banks' own securities portfolios (especially structured securities) that were entered into before the crisis. However, many banks have already reduced these holdings, some of them in light of the requirements of the EU commission and modified business models. This trend is also set to continue in 2011.

The industry's stricter future regulatory framework continued to take shape in 2010. Even though there is still some uncertainty with regard to the details yet to be determined and ongoing discussions, it is clear that the regulatory requirements on banks will increase tangibly.

The new Basel III regulations resolved in principle at the G20 summit meeting in Seoul in November 2010, which now have to be endorsed in European and national law respectively, provide for higher equity requirements, more stringent liquidity provisions and debt caps to be met in stages until 2019. The new regulations entail considerable adjustment on the part of the banks. While the sector's capital requirements should increase significantly in the coming years, a trend towards declining returns on equity at banks is anticipated. However, German banks have already implemented some of the adjustments by strengthening their capital situations in the process of dealing with the financial market crisis and as a result of reducing their risk assets. In addition, German banks – except for development banks – will face additional costs from 2011 in the form of the bank levy introduced as part of the German Bank Restructuring Act at the end of 2010, which is intended to establish the requirements for an ordered restructuring and possibly the winding-up of banks.

In addition to these regulatory changes already resolved, other projects are being discussed that could add to the burdens to be borne by banks, including in particular the plans to reform deposit protection at a European level, European restructuring regulations and the European or German financial transaction tax.

The LBBW's Business Strategy, Opportunities and Risks.

The LBBW Group is essentially governed by LBBW (the Bank) – profit distributions of the Group companies are recognized by the Bank and changes in the valuation of investments are shown in the Bank's annual financial statements. For this reason, the following statements always refer to the LBBW Group as a whole and not solely to the Bank as a single entity.

The key pillars of LBBW's business model have been included in its restructuring plan and were approved by the EU Commission. This also includes the planned reduction of total assets and costs. The implementation of the EU restructuring process is proceeding according to plan and expected to be concluded in 2013. Thus, 2011 and 2012 will be dominated by the implementation of the planned measures for LBBW.

LBBW is forecasting an improvement of the general conditions for the financial sector in 2011, which will positively influence its core business. Overall, a rise in operating income is expected compared to 2010. In spite of the first-time payment of the bank levy in 2011, administrative expenses are expected to remain on a constant level. This is the result of systematic cost management focusing on a strict reduction of other administrative costs and also on the planned downsizing of staff. Allowances for losses on loans and advances are expected to remain stable on a year-on-year base. Overall, LBBW expects a clearly positive result for the Group in 2011 again. Given these general conditions, the remaining write-offs in silent partners' contributions and profit participation rights due to the 2009 loss participation are expected to be reversed and deferrals on interest payments are also expected to be caught up in the coming years (depending on the individual contractual terms and conditions of the instruments).

LBBW's investment volume planned for 2011 results mainly from the implementation of the EU restructuring plan, the legal and regulatory requirements and the measures to boost sales. The Tier 1 capital ratio at LBBW is expected to remain stable at a good level in 2011 and 2012.

In particular, there are material planning risks in a renewed instability on the financial markets and the resulting consequences. Currently, the biggest uncertainty factor is the debt crisis in some Member States of the European Monetary Union, which could also disrupt confidence in financial market stability and the banking system. Furthermore, an unexpected abrupt economic slowdown could lead to a further increase in the allowance for losses on loans and advances.

The tightened regulatory measures initiated in the wake of the financial market crisis and the emerging changes in accounting standards will also influence the future development of LBBW. As the exact nature of the new regulatory and accounting policies is not yet final in many respects, future developments are still dominated by a high level of uncertainty. Overall, however, it is becoming clear that the regulatory initiatives of the Basel Committee and German legislation will lead to greater liquidity and capital requirements and to some extent considerable expenses owing to the bank levy in the coming years. The consequences of the current initiatives of the International Accounting Standard Board (IASB) and their future effects on regulatory ratios cannot be conclusively assessed at this time. Nonetheless, LBBW has already launched corresponding measures to comply with the anticipated legal requirements.

The planned development of the operating segments over the coming years – particularly in 2011 and 2012 – is described below.

In SME business, LBBW's Corporates segment will continue to focus on companies in the core markets of BW-Bank, Rheinland-Pfalz Bank and Sachsen Bank. Measures planned in support of this include the further expansion of the principal bank function, which has proved extraordinarily important to SMEs in recent years. Thus, this business area will continue a stable share of LBBW Group's earnings in the future. Given the positive economic performance last year, demand for financing is expected to rise for corporate resources and investments. Further growth is anticipated in export finance and commercial international business for 2011. In connection with the economic recovery, customers shall be increasingly supported in hedging and managing their risks via interest, currency and commodities management products. Services provided to large customers will still be restricted to selected customers in German-speaking countries. Going forward, real estate financing business will also focus on the core markets Germany, the US and the UK, where it will concentrate on selected property types.

In its Retail Clients segment, LBBW will also concentrate on expanding business with high net worth customers in Baden-Württemberg, Rhineland-Palatinate and Saxony in future and further increase its services for high net worth wealth management customers at its Stuttgart and Mannheim locations. LBBW will continue to operate as a savings bank in the Stuttgart area under the BW-Bank brand and offers its retail banking customers an extensive range of financial services with a comprehensive network of branches. Driven by the high demand for secure investment products, further growth in conventional deposit business is forecast, particularly if interest rates rise. Following the significant declines during the financial market crisis, securities business is believed to see a gradual recovery. Further growth is being targeted for building savings, insurance and investment products following the solid sales performance in the reported year. In lending business, however, persistently strong competition and thus further margin pressure are expected.

The further expansion of customer-driven capital markets business is a top priority for the Financial Markets segment in the coming years. Thus, the share of steady earnings contributions in this segment should increase further. Nonetheless, the volatility on the financial markets will continue to affect earnings in this segment. Accompanying the ongoing recovery in the real economy, market confidence should also return and demand for investment and hedging products should increase on the capital market. However, it must be assumed that the markets for structured credit products will not benefit as much. At present, there is no end in sight to customer reluctance in this product segment.

In its core markets of Baden-Württemberg, Rhineland-Palatinate and Saxony, LBBW will continue to be the central bank for the savings banks. The savings banks are also a key customer segment of the LBBW Group. In addition to joint market cultivation – for instance in corporate banking – the provision of services for the savings banks accounts for a significant share of activities within the Sparkassen-Finanzgruppe. The intensification of cooperation with savings banks within the contractual service partnership is a fundamental goal. This will continue to be characterized by a close level of cooperation, particularly in the areas of liquidity and funding.

The reorientation of the business model will ensure the sound and profitable future viability of LBBW. For this reason, a great deal of effort will have to be dedicated to the systematic implementation of all resolved measures in the coming years, whereby the first successes have already been witnessed today.

In spite of the various future challenges, LBBW will continue to be a capable and reliable business partner for its customers.

Financial Statements.

Income statement

of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz for the period from January 1 to December 31, 2010.

	Explanation in Notes	EUR thousand	EUR thousand	EUR thousand	1.1.–31.12.2009 EUR million
1. Interest income from	33				
a) Lending and money market transactions		9 131 959			
b) Fixed-income securities and book-entry securities		2 469 642	11 601 601		13 570
2. Interest expenses			9 488 689		11 562
				2 112 912	2 008
3. Current income from	33				
a) Equities and other non-fixed-income securities			61 691		33
b) Equity investments			30 137		29
c) Shares in affiliated companies			64 286		39
				156 114	101
4. Income from profit-pooling, profit transfer and partial profit transfer agreements				91 538	63
5. Fee and commission income	33		718 487		938
6. Commission expenses			462 333		501
including: Guarantee commission for Baden-Württemberg		296 600			169
				256 154	437
7. Net income from the trading portfolio	33			15 199	314
5. Other operating income	29, 33			146 686	128
9. (No longer applicable; prev. income from reversal of special items with partial reserve character)				0	7
10. General administrative expenses					
a) Staff costs					
aa) Wages and salaries		609 819			658
ab) Social security and pension costs		143 975			206
			753 794		864
whereof: for pensions		43 480			102
b) Other administrative expenses			505 538		578
				1 259 332	1 442
11. Write-downs and value adjustments of intangible assets and property, plant and equipment				90 922	103
12. Other operating expenses	29			126 187	141

	Explanation in Notes	EUR thousand	EUR thousand	EUR thousand	1.1.–31.12.2009 EUR million
13. Write-downs of and adjustments to claims and certain securities as well as allocations to provisions for possible loan losses				618 117	1 751
14. Income from reversal of write-downs charged on loans and advances and certain securities as well as the reversal of provisions for credit risks				0	0
				– 618 117	– 1 751
15. Write-downs and value adjustments on equity investments, shares in affiliated companies and securities listed under fixed assets				115 274	696
16. Income from reversals of write-downs on equity investments, shares in affiliated companies and securities treated as fixed assets				0	0
				– 115 274	– 696
17. Cost of loss absorption				88 602	596
18. Result of normal activities				480 169	– 1 672
19. Extraordinary income			22 705		0
20. Extraordinary expenses	31		182 536		470
21. Extraordinary items	31			– 159 831	– 470
22. Taxes on income	32		– 33 033		– 40
23. Other taxes not reported under item 12			– 3 664		– 6
				– 36 697	– 46
24. Net income/loss for the year				**283 641**	**– 2 188**
25. Replenishment (in PY withdrawal) of silent partners' contributions	24, 28			– 209 551	527
26. Replenishment (in PY withdrawal) of capital generated by profit-participation certificates	28			– 74 090	202
27. Unappropriated surplus/accumulated loss	24, 28			**0**	**– 1 459**

Balance Sheet

for Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz, as at December 31, 2010.

Assets	Explanation in Notes	EUR thousand	EUR thousand	EUR thousand	Dec. 31, 2009* EUR million
1. Cash reserve					
a) Cash in hand				135 118	137
b) Balances with central banks				68 930	1 653
including: with Deutsche Bundesbank		56 576			1 647
				204 048	1 790
2. Public-sector debt instruments and bills eligible for rediscounting with central banks					
a) Treasury bills and treasury discount paper, as well as similar public-sector debt instruments				163 436	41
3. Loans and advances to banks	7, 8, 9, 12, 18, 37				
a) Mortgage loans				337 014	169
b) Public-sector loans				54 433 533	67 213
c) Other loans and advances				12 141 212	22 528
including:				66 911 759	89 910
payable on demand		1 444 042			6.674
4. Loans and advances to customers	7, 8, 9, 12, 18, 37				
a) Mortgage loans				33 020 331	34 361
b) Public-sector loans				30 754 214	34 959
c) Other loans and advances				72 058 598	87 143
including:				135 833 143	156 463
advance against securities		92			209
5. Bonds and other fixed-income securities	7, 8, 9, 10, 12, 15, 18				
a) Money market instruments					
aa) issued by public-sector borrowers			640 198		0
including: eligible as collateral for Deutsche Bundesbank advances		640 198			0
ab) issued by other borrowers			0		1 070
including: eligible as collateral				640 198	1 070
for Deutsche Bundesbank advances		0			1 070
b) Bonds and debentures					
ba) issued by public-sector borrowers			8 742 630		9 005
including: eligible as collateral for Deutsche Bundesbank advances		4 263 184			4 553
bb) issued by other borrowers			57 604 060		66 685
including: eligible as collateral				66 346 690	75 690
for Deutsche Bundesbank advances		27 118 169			32 897
c) Own bonds				7 496 734	10 318
				74 483 622	87 078
Nominal amount		7 467 649			9 430

* The previous year's figures as at December 31, 2009 have been adjusted to the new balance sheet classification referred to form 1 »RechKredV« of the regulations from BilMoG. The reclassifications are presented and explained in the Notes in the »Notes to the Balance Sheet« section.

Assets	Explanation in Notes	EUR thousand	EUR thousand	EUR thousand	Dec. 31, 2009* EUR million
6. Equities and other non-fixed-income securities	7, 10, 12, 15			855 815	1 226
6a. Trading portfolio	4, 7, 37			93 007 408	72 455
7. Equity investments	10, 15			1 627 608	1 663
including: in banks		539 218			575
in financial services institutions		25			0
8. Shares in affiliated companies	10, 15			3 175 739	3 885
including: in banks		605 179			684
in financial services institutions		177 894			175
9. Trust assets	14			992 963	666
including: Loans granted on a trust basis at third-party risk		763 432			385
10. Intangible assets	15				
a) Purchased concessions, industrial property rights and similar rights and assets and licenses in such rights and assets				59 851	58
b) Advance payments				14 003	15
				73 854	73
11. Property, plant and equipment	15			452 978	483
12. Other assets	7, 16			1 261 827	1 392
13. Deferred items	7, 17				
a) From issue and loan business				677 265	872
b) Other				2 028 507	564
				2 705 772	1 436
Total assets				**381 749 972**	**418 561**

* The previous year's figures as at December 31, 2009 have been adjusted to the new balance sheet classification referred to form 1 »RechKredV« of the regulations from BilMoG. The reclassifications are presented and explained in the Notes in the »Notes to the Balance Sheet« section.

Liabilities	Explanation in Notes	EUR thousand	EUR thousand	EUR thousand	Dec. 31, 2009* EUR million
1. Liabilities due to banks	7, 8, 9, 22, 37				
a) Hypotheken-Namenspfandbriefe (mortgage-backed registered covered bonds) issued				708 998	885
b) Öffentliche Namenspfandbriefe (public-sector registered covered bonds) issued				4 478 388	7 429
c) Other liabilities				73 759 668	115 967
including: payable on demand		2 973 379			5 814
Hypotheken-Namenspfandbriefe issued to lender to secure received loans		0			39
				78 947 054	124 281
2. Liabilities due to customers	7, 8, 9, 22, 37				
a) Hypotheken-Namenspfandbriefe issued				1 592 699	1 520
b) Öffentliche Namenspfandbriefe issued				15 038 856	17 240
c) Savings deposits					
ca) with agreed withdrawal notice of three months			5 724 238		5 443
cb) with agreed withdrawal notice of more than three months			1 006 388		813
				6 730 626	6 256
d) Other liabilities				76 314 012	89 634
including: payable on demand		30 530 855			31 160
				99 676 193	114 650
3. Securitized liabilities	7, 8, 9, 22				
a) Bonds issued					
aa) Covered bonds (mortgage-backed)			12 344 968		11 528
ab) Public-sector mortgage bonds (Pfandbriefe)			22 620 374		30 645
ac) Other debt instruments			54 105 236		64 543
				89 070 578	106 716
b) Other securitized liabilities				2 690 743	7 109
including: Money market instruments		2 690 743			7 109
				91 761 321	113 825
3a. Trading portfolio	4, 7, 22, 37			82 441 481	37 936
4. Trust liabilities	14			992 963	666
including: Loans granted on a trust basis at third-party risk		763 432			385
5. Other liabilities	7, 20			746 881	1 587
6. Deferred items	7, 17				
a) From issue and loan business				449 511	536
b) Other				1 801 282	293
				2 250 793	829
7. Provisions	7, 21				
a) Pension provisions and similar obligations				1 202 617	1 111
b) Provisions for taxes				261 822	265
c) Other provisions				941 258	981
				2 405 697	2 357

* The previous year's figures as at December 31, 2009 have been adjusted to the new balance sheet classification referred to form 1 »RechKredV« of the regulations from BilMoG. The reclassifications are presented and explained in the Notes in the »Notes to the Balance Sheet« section.

Liabilities	Explanation in Notes	EUR thousand	EUR thousand	EUR thousand	Dec. 31, 2009* EUR million
8. (No longer applicable; prev. special item with accrual character)					
9. Subordinated liabilities	8, 22, 23, 37			5 301 138	5 308
10. Capital generated by profit-participation certificates	28			1 509 862	1 577
including: maturing in less than two years		822 118			527
11. Fund for general banking risks				483 029	480
including: contingency reserve in accordance with § 340e (4) HGB		3 029			0
12. Equity	24, 28				
a) Issued capital					
aa) Share capital			2 583 500		2 584
ab) Silent partners' contributions			4 290 622		4 122
				6 874 122	6 706
b) Capital reserves				6 910 121	6 910
c) Earnings reserves					
cb) Other revenue reserves			1 449 317		2 909
				1 449 317	2 909
d) Unappropriated surplus/accumulated loss				0	–1 460
				15 233 560	15 065
Total equity and liabilities				**381 749 972**	**418 561**
1. Contingent liabilities	22, 25				
a) Contingent liabilities from rediscounted bills of exchange				0	1
b) Liabilities from warranties and indemnity agreements				30 055 377	37 117
				30 055 377	37 118
2. Other obligations	22, 25				
a) Irrevocable loan commitments				22 012 259	27 655

* The previous year's figures as at December 31, 2009 have been adjusted to the new balance sheet classification referred to form 1 »RechKredV« of the regulations from BilMoG. The reclassifications are presented and explained in the Notes in the »Notes to the Balance Sheet« section.

Notes

to the Financial Statements of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim and Mainz, as at December 31, 2010.

1. Principles Governing the Preparation of the Financial Statements.

The financial statements for the 2010 fiscal year of Landesbank Baden-Württemberg (LBBW) with headquarters in Stuttgart, Karlsruhe, Mannheim and Mainz were drawn up in compliance with the provisions of the Handelsgesetzbuch (HGB, the German Commercial Code), in particular the Supplemental Regulations for Banks (§§ 340 et seq. HGB) and Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute (RechKredV, the German Accounting Regulation for Banks and Financial Service Institutions).

The Bilanzrechtsmodernisierungsgesetz (BilMoG, German Accounting Law Modernization Act) was passed by the German Bundestag on March 26, 2009, and took effect on May 25, 2009. Alongside significant changes with regard to recognition and valuation, numerous regulations for the notes are to be fulfilled. Most of the new regulations will apply only to fiscal years beginning after December 31, 2009. The following important information has been used for the first time in the annual financial statements as at December 31, 2010:

- Information on pension provisions, see item 2
- Information on financial instruments, see items 2 and 3
- Information on deferred taxes, see items 2 and 32
- Information on valuation units, see item 5
- Information on investment assets, see item 11
- Information on risk assessment of contingent liabilities, see item 25

It has already been obligatory for LBBW to provide the following information in the annual financial statements since December 31, 2009:

- Information on off-balance-sheet transactions, see item 35
- Related party disclosures, see item 37

We also refer to item 7 with regard to the BilMoG adjustments made as at December 31, 2009.

With regard to the BilMoG transitional regulations, use has been made of the option from Art. 67 (8) clause 2 EGHGB not to reclassify the previous year's figures to the amended measurement rules in first application of the BilMoG regulations. However, in order that the balance sheets of December 31, 2009, and December 31, 2010, can be compared, the previous year's figures have been reclassified in line with the new balance sheet classification as per Form 1 of RechKredV. These reclassifications of the previous year's figures are presented and explained in item 7 Effects of first-time BilMoG adoption. The previous year's figures in the income statement were not reclassified.

No adjustments were made to the prior-year figures in the Notes as at December 31, 2009.

The effects of first-time adoption in the context of the BilMoG conversion balance sheet as at January 1, 2010, are also presented and explained in item 7.

LBBW's audited single-entity financial statements for 2010 will be published in the electronic Bundesanzeiger (German Federal Gazette), where they can be inspected.

2. General Accounting and Valuation Methods.

Risk Provisions and Receivables.

Bills and forfaiting transactions held in the portfolio are stated at their discounted face amount, less specific valuation allowances.

Claims on banks and customers are stated at their nominal value, where necessary after deduction of the applicable valuation allowances. Differences between acquisition costs and nominal amount which are related to interest are allocated to deferred items and recognized proportionally in interest income over the period. Deferred interest is reported directly in loans and advances to banks and customers.

Risk provisions were deducted from the other receivables in the net amount.

Specific valuation allowances have been recognized for significant loans (loan volume greater than EUR 1 million per individual borrower) for which objective indications of impairment have been identified. The impairment loss is calculated as the carrying amount of the loan less the present value of future payments received on account of the loan, calculated using the discounted cash flow method and taking any collateral into account. In the case of insignificant loans (receivables volume of less than EUR 1 million per individual borrower), collective valuation allowances for individual risks are recognized by using a statistically calculated or estimated default amount. Portfolio-based valuation allowances are recognized for losses in the loan portfolio that had already arisen as of the balance sheet date but were not yet identified. Their amount is based on historical default probabilities and loss rates relating to parts of the loan portfolio for which no other provisions have been set up, as well as the average discovery period to be assumed. Country risks in the form of transfer and/or conversion risks are taken into account in the respective risk provisions.

Claims on customers include claims on various special-purpose entities with a nominal amount of EUR 7.9 billion, which were hedged within the framework of a guarantee structure with a guarantee company of the state of Baden-Württemberg in the amount of EUR 6.7 billion (maximum guarantee), in addition to a portfolio of securitized products of the bank with a nominal amount of EUR 4.0 billion. At the bank's expense, a deductible was agreed up to an amount of EUR 1.9 billion (first loss). As the maximum guarantee is geared towards the restoration of the value of the assets secured, the guarantee is taken into account directly in the valuation of the receivables or securities. This means that no valuation allowances are to be made for securities and claims on LBBW Luxemburg S.A. and special-purpose entities that exceed the Bank's first loss in the amount of EUR 1.9 billion. The expected default risks as at December 31, 2010, on the guaranteed reference assets in the amount of the first loss of EUR 1.9 billion were addressed adequately through the creation of valuation allowances.

Equity Investments.

Selling profit or loss from investment transactions is recorded in other operating income or expenses on the basis of § 340c (2) clause 2 HGB. For a list of shareholdings in accordance with § 285 no. 11 HGB, refer to item 38.

Fixed Assets.

Acquired intangible assets are carried at acquisition cost less scheduled amortization and, where necessary, non-scheduled write-downs. Scheduled write-downs are taken over the useful life of the assets using the rates allowed by tax regulations.

Tangible assets are carried at acquisition or production cost less scheduled depreciation and, where necessary, non-scheduled write-downs. Depreciation on tangible assets of domestic offices is calculated for wear and tear on the basis of tax provisions. Low-value assets up to a net value of EUR 150 000 are fully written off in the year of addition. For assets with a net value of more than EUR 150.00 up to EUR 1 000.00, the omnibus items formed yearly for tax purposes have been transferred to the financial statements for reasons of simplification.

Depreciation on buildings is governed by the rates allowed by tax law.

The option described in § 248 (2) HGB is being exercised and internally generated intangible assets held as long-term investments will be recognized accordingly in future. No intangible assets held as long-term investments were internally generated in 2010.

Deferred Taxes.

With the introduction of BilMoG, the normal international balance sheet-based concept (temporary concept) has been incorporated in HGB and the previously applicable income statement-based timing concept abandoned. There is a recognition option for asset overhangs and a recognition obligation for liability overhangs. Accordingly, LBBW has not exercised the option in § 274 (1) clause 2 HGB regarding the recognition of deferred tax assets.

Deferred tax liabilities from the carrying amount of bonds, shares in affiliated companies, loans and advances to customers, other liabilities and deferred items varying in terms of tax were calculated with deferred tax assets on tax variations of trading items, securitized liabilities, provisions and loss carryforwards. Deferred tax assets beyond the scope of offsetting were not recognized as assets, exercising the option referred to in § 274 (1) clause 2 HGB.

Company-specific tax rates were used in the recognition of deferred taxes. For the German headquarters with a domestic consolidated group, the corporate income tax was recognized at 15.83 % including the solidarity surcharge. The average trade tax rate in the consolidated group of 14.51 % was used for the trade tax for the German headquarters. Deferred taxes for the foreign branches were recognized at the statutory tax rates applicable in those locations, ranging from 10.00 % to 42.59 %.

Liabilities.

Liabilities are recognized at the settlement amount as per § 253 (1) HGB.

Prepaid Expenses and Deferred Income.

Premiums and discounts relating to outstanding receivables and liabilities are allocated to prepaid expenses and deferred income respectively and reversed over their term.

Provisions.

Provisions for pension obligations are calculated on the basis of actuarial principles pursuant to § 253 HGB and the Richttafeln 2005 G (2005 G mortality tables), Heubeck-Richttafeln-GmbH, Cologne 2005.

The projected unit credit method was used as an actuarial calculation method. Accrual allocation of benefit payments during employment and actuarial assumptions are used for the assessment. The discount rate for pension obligations is 5.17 %, expected wage and salary increases are 2.0 %, plus a career trend of 0.5 % based on an age up to 50. Company-specific fluctuation of 5.5 % is still assumed. The necessary addition amount for pension provisions resulting from the initial application of the German Accounting Law Modernization Act (BilMoG) is EUR 397.1 million.

According to Art. 67 (1) clause 1 EGHGB (BilMoG transitional regulations), this addition amount can be spread over 15 years. LBBW has used this option and added EUR 26.5 million (1/15) to the pension provisions in profit or loss as of December 31, 2010. LBBW intends to add the remaining amount of EUR 370.6 million to pension provisions in equal annual installments until December 31, 2024.

Plan assets amounting to EUR 7.0 million were set up in the 2010 annual financial statements for the obligation for settlement arrears from partial retirement contracts. This amount corresponds to cost and the fair value of the plan asset as at December 31, 2010. The provisions for settlement arrears from partial retirement contracts amounting to EUR 12.7 million were offset against the plan assets in line with § 246 (2) clause 2 HGB. There were no returns on plan assets in the 2010 financial year.

For obligations from the LBBW Flexiwertkonto (working time account), there are plan assets with fair value of EUR 23.8 million as at December 31, 2010. Costs are EUR 23.9 million. The provisions from obligations for the Flexiwertkonto amounting to EUR 26.6 million were offset against the plan assets at fair value. Expenses of EUR 6.1 million (increase in obligation in 2010) were offset against income of EUR 4.1 million (increase in plan assets in 2010).

Other provisions are calculated under consideration of all contingent liabilities and anticipated losses from pending transactions on the basis of conservative commercial assessment. Provisions with a residual term of over a year are discounted at the interest rates published by Deutsche Bundesbank in accordance with § 253 (2) HGB.

The retention option for provisions as part of the BilMoG conversion balance in line with Art. 67 (1) EGHGB is exercised. The overcoverage amounts to EUR 22.2 million as at December 31, 2010.

Loss-free Valuation in the Banking Book.

The business activities of the banks in terms of the banking book do not permit regular immediate reciprocal allocation of individual asset and liability financial instruments. However, regardless of this, there is an economic link between these transactions recognized by court rulings (»funding partnership«) due to their objective (achieving an interest margin). Accordingly, the bank manages the interest margin/market value of all interest-bearing transactions as a whole in the banking book. The conservatism principle in line with the German Commercial Code is taken into account for all banking book financial instruments, the principle being that for an obligatory surplus from the valuation of the entire interest item in the banking book, a provision must be recognized in line with § 249 (1) clauses 1, 2 alternative HGB (»provision for onerous contracts«). There was no negative obligatory surplus for the bank at the reporting date.

Financial Instruments.

On-balance-sheet products, derivative financial instruments and similar ancillary agreements that are split off from on-balance sheet products of the trading portfolio are subject to portfolio valuation. Financial instruments in the trading portfolio that are traded on active markets are recognized at market prices. Financial transactions for which market prices are not available are recognized at prices determined with the help of valuation models or on the basis of indicative quotations and parameters obtained from market data providers. Market prices, quotations and parameters are largely validated by LBBW by means of statistical methods. The mark-to-market result is reduced by the value-at-risk for these portfolios determined in line with regulatory requirements (10-day holding period, 99.0 % confidence level, 250-day observation period).

The absolute amount of the risk discount is EUR 52.7 million for LBBW as at December 31, 2010.

This approach ensures that the statement of income drawn up in line with the German Commercial Code takes into account any potentially remaining realization risks in line with the conservatism principle.

In line with § 340e (4) HGB, the bank added 17 % of positive net income from the trading portfolio (EUR 3.0 million) to the fund for general banking risks in accordance with § 340g HGB.

Observable parameters are used for recognition processes, if available. The application of these models and the use of these parameters require assumptions and estimates on the part of the management, the extent of which depends on the transparency and availability of market data and the complexity of the instrument.

The valuation methods include all factors and parameters which LBBW believes would also be considered by market participants. If the valuation methods do not take individual factors into account, valuation adjustments are conducted. Valuation adjustments are determined by Risk Controlling and documented in a valuation adjustment policy. Significant valuation adjustments made for the first time on the reporting date affect valuation adjustments for the counterparty default risk of OTC derivatives (counterparty valuation adjustment) valuation adjustments for derivatives due to altered market standards for discounting collateralized OTC derivatives (discounting on the basis of EONIA rates). Furthermore, LBBW makes valuation adjustments, for example, to take account of bid-ask spreads, model weaknesses and valuation uncertainties etc. in determining the fair value of CDOs and asset-backed securities.

The key parameters incorporated in the LBBW valuation model are listed in the following table:

Derivatives/ Financial instruments	Valuation model	Main parameters
Interest rate swaps and options	Net present value method, Black-Scholes, replication and Copula-based model, Markov functional model and further interest structure model	Yield curves, swaption volatility, cap volatility, correlations
Forward rate agreements	Net present value method	Yield curves
Forward commodity agreements, currency forwards	Net present value method	Commodity rates/exchange rates, yield curves
Stock/index options	Black-Scholes, local volatility model	Share prices, share volatility, dividends, interest (swap, repo)
Currency options	Garman-Kohlhagen (mod. Black-Scholes)	FX rates, yield curves, FX volatility
Commodity options	Garman-Kohlhagen (mod. Black-Scholes)	Commodity rates, yield curves, FX volatility
Credit derivatives	Intensity model, Copula model	Credit spreads, yield curves and interest tranche prices for the Copula models
Money market transactions	Net present value method	Credit spreads*, yield curves
Securities, borrower's note loans, loans	Net present value method	Credit spreads*, yield curves
Forward security agreements	Net present value method	Stock prices, yield curves
Securitization	Net present value method	Liquidity spreads, yield rates, early repayment, arrears and default rates, losses

* Credit spreads for individual transactions are not currently considered in valuing money market transactions. Credit spreads are considered on a transitional basis by means of credit valuation adjustments.

The same models are used for recognizing trading transactions. They take the current market and contract prices of the underlying financial instruments, as well as fair value considerations, yield curves, and volatility factors, into account. In addition, the determination of the fair value takes into consideration expected market risks, model risks, credit risks, and administrative costs.

As of the 2010 financial year, with the implementation of the BilMoG regulations, LBBW shows net interest income from trading portfolio derivatives in a dedicated section corresponding to internal bank management. Until 2009, it was shown in net income/expenses from financial transactions.

As of January 1, 2010, all new transactions in money market term and overnight deposits are assigned to the trading portfolio or outside the trading portfolio depending on their intended purpose. The money market term and overnight deposits from the trading portfolio are shown at fair value in the new trading assets/liabilities balance sheet items. The money market term and overnight deposits outside the trading portfolio are still shown in the loans and advances to banks, loans and advances to customers, liabilities due to banks and liabilities due to customers balance sheet items. With regard to their valuation, refer to the corresponding information for these items.

The key issue in recognizing derivative financial transactions in the annual financial statements of LBBW is whether they are components of hedging relationships (micro or macro hedges) or are used in the course of trading operations.

Credit Derivatives, Non-trading.

Credit derivatives outside the trading portfolio are used in the form of credit default swaps and products with ancillary agreements of a credit default swap nature for risk assumption, arbitrage, hedging, and efficient portfolio management with regard to credit risks.

In accordance with IDW RS BFA statement 1, the treatment of credit derivatives differs depending on the respective intended purpose.

Protection seller transactions outside the trading portfolio that are not offset by specific compensating balances within the »Liabilities to banks« or »Liabilities to customers« balance sheet items are included below the line in »Contingent liabilities«, sub-item b) »Liabilities from sureties and guarantee agreements«.

Credit derivatives used for portfolio management purposes with regard to credit risks are not valued using the mark-to-market method provided the credit default swap constitutes an original lending transaction for LBBW. A prerequisite in this respect is the intention to hold the investment to maturity, and the credit default swap must not contain structures that cannot be part of the original lending transaction. Credit derivatives outside the trading portfolio that do not fulfill these conditions are valued separately. Unrealized measurement gains are offset only if the credit risk relates to one and the same reference debtor. Provisions for anticipated losses from pending transactions are set up for unrealized measurement losses, if necessary after offsetting against unrealized measurement gains. The results are included in write-downs of and adjustments to claims and certain securities as well as allocations to provisions for possible loan losses. Any measurement gains remaining after offsetting are not recognized. The risk report in compliance with § 289 HGB contains information about the scope and development of the Bank's market price risks.

Securities.

Securities in the liquidity reserve are reported in compliance with the strict lower-of-cost-or-market principle at the acquisition cost, or at the quoted/market price or fair value as of the balance sheet date (if lower). Securities arising from asset swap combinations are valued on a linked basis; market-induced impairment losses due to credit risks are recognized in income.

We carry securities held as long-term investments, companies in which an equity interest is held and shares in affiliated companies at acquisition cost or the fair value on the reporting date (if lower) in the case of continued impairment losses. If the reasons for impairment in earlier fiscal years have elapsed, additions up to the amount of the fair value are carried out to a maximum of the acquisition costs.

There is a financial guarantee from GPBW GmbH & Co. KG for certain securitizations. For payment defaults from these securitizations, there is a deductible of EUR 1.9 billion which is borne by LBBW. Additional payment defaults are covered by the financial guarantee. The financial guarantee is recognized as collateral and no write-downs take place on securitizations subject to the guarantee effect.

For securitizations whose value has been adjusted and for synthetic CDOs, the fair value on the balance sheet date was calculated using the discounted cash flow method, as no quoted or market prices were available, owing to illiquid markets.

For certain securities for which the fair value on the balance sheet date is not based solely on observable market prices or measurement parameters that can be observed on the market (synthetic CDOs, cash CDOs), remeasurements were carried out in order to take into account uncertainty regarding the balance sheet valuation.

3. Derivatives.

The following tables provide information on derivative financial instruments pursuant to § 285 nos. 19 and 20 HGB in conjunction with § 36 RechKredV that existed at LBBW as of the balance sheet date.

With due regard to accounting practice statement IDW RS HFA 22, issued by the Hauptfachausschuss (Auditing and Accounting Board) of the Institut der Wirtschaftsprüfer (IDW, the German Institute of Certified Public Accountants), ancillary agreements of a derivative nature included in portfolio-related management of trading positions are disclosed separately from the underlying transactions and are included in the following tables in the same way as derivative transactions that are concluded independently.

The tables exclude ancillary agreements of a derivative nature that are not reported separately on the balance sheet but that are instead components of compound instruments and are therefore included as assets or liabilities in the corresponding balance sheet items. The tables exclude internal financial instruments as well as netting and collateral agreements which mitigate default risks.

In addition to the main valuation parameters already named in General Accounting and Valuation Methods, there are further influencing factors for derivatives which determine the extent, time and collateral of future cash flows. In the case of options in particular, there are transaction-related disbursement conditions (e. g. trigger in case of exotic options, redemption date for premiums, design of option as American or European). Upfront or balloon payments can be agreed for interest swaps. Furthermore, the creditworthiness of the counterparties and the bank or the resulting default risk has a significant effect on future cash flows. For this purpose, the bank draws up a credit valuation adjustment (CVA) or reaches collateral agreements with counterparties. In the case of standardized derivatives traded at derivatives exchanges, margining can be agreed which guarantees payments between counterparties.

Derivative Transactions – Product Structure – Recognized at Fair Value.

EUR million	Nominal values Dec. 31, 2010	Nominal values Dec. 31, 2009	Positive market value[1] Dec. 31, 2010	Negative market value[1] Dec. 31, 2010
Interest rate swaps	1 489 145.1	1 224 356.8	31 564.3	28 604.1
FRAs	176 973.9	148 755.9	32.9	51.7
Interest rate options				
Purchases	21 354.0	30 796.6	508.3	29.6
Sales	35 853.9	50 552.5	66.8	2 310.5
Caps, floors, collars	53 775.5	50 342.2	642.8	382.5
Other interest rate contracts	433.7	0.0	77.2	56.5
Exchange-traded interest rate products	96 489.2	332 980.8	0.0	0.0
Interest rate risks – overall	**1 874 025.3**	**1 837 784.8**	**32 892.3**	**31 434.9**
Currency forwards	185 161.3	157 263.1	3 322.9	3 621.7
Cross-currency interest rate swaps	25 546.8	17 897.1	1 249.2	1 899.6
Currency options				
Purchases	4 069.1	5 492.7	174.4	0.0
Sales	3 973.1	5 419.1	0.0	144.3
Currency risks – total	**218 750.3**	**186 072.0**	**4 746.5**	**5 665.6**
Stock options				
Purchases	3 512.8	3 598.2	487.0	0.0
Sales	4 300.3	4 417.5	0.0	569.5
Exchange-traded equity and index products	7 144.2	8 159.2	259.1	471.0
Commodities	2 232.7	702.6	114.8	123.7
whereof exchange-traded	1 337.2	305.4	81.2	59.0
Equity forward contracts	24.0	0.0	0.5	0.4
Equities and other price risks – overall	**17 214.0**	**16 877.5**	**861.4**	**1 164.6**
Credit derivatives – protection seller	26 152.9	26 865.1	353.8	479.9
Credit derivatives – protection buyer	24 481.7	27 688.5	455.4	333.7
Credit derivatives	**50 634.6**	**54 553.6**	**809.2**	**813.6**
Risks – overall	**2 160 624.2**	**2 095 287.9**	**39 309.4**	**39 078.7**

1) Including interest deferral (dirty price).
2) The market values of exchange-traded futures are processed after accounting, according to which the transacted variation margin is offset against the market values of the exchange-traded futures, which had already been recognized in income.

Derivative Transactions – Product Structure
– Not Recognized at Fair Value –.

EUR million	Nominal values Dec. 31, 2010	Nominal values Dec. 31, 2009	Positive market value[1] Dec. 31, 2010	Negative market value[1] Dec. 31, 2010
Interest rate swaps	110 565.7	122 462.8	2 698.3	3 421.2
Interest rate options				
Purchases	3 736.3	0.0	0.0	0.0
Sales	53.3	49.2	904.0	0.5
Other interest rate contracts	2 836.0	0.0	3.8	0.2
Exchange-traded interest rate products	1 759.0	0.0	0.5	0.2
Caps, floors, collars	0.0	0.0	29.3	67.2
Interest rate risks – overall	**118 950.3**	**122 512.0**	**3 635.9**	**3 489.3**
Cross-currency interest rate swaps	15 231.7	13 874.3	1 326.3	1 619.9
Currency risks – total	**15 231.7**	**13 874.3**	**1 326.3**	**1 619.9**
Exchange-traded equity and index products	300.8	258.1	4.5	0.0
Equities and other price risks – overall	**300.8**	**258.1**	**4.5**	**0.0**
Credit derivatives – protection seller	18 104.8	27 441.7	–0.6	1 290.9
Credit derivatives – protection buyer	3 901.5	6 237.3	1 079.9	1 108.5
Credit derivatives	**22 006.3**	**33 679.0**	**1 079.3**	**2 399.4**
Risks – overall	**156 489.1**	**170 323.4**	**6 046.0**	**7 508.6**

1) Including interest deferral (dirty price).

Most of the transactions referred to above are concluded to cover interest rate, exchange rate or market price fluctuations, as well as for customer transactions and hedging these customer transactions.

With regard to the recognition model used, refer to the information under text item 2 General Accounting and Valuation Methods.

Please refer to the data presented in the »Other Assets« and »Other Liabilities« items for information on the carrying amount of options in the form of option premiums.

The carrying amounts of protection seller transactions outside the trading portfolio that are not offset by specific compensating balances within the »Liabilities to banks« or »Liabilities to customers« balance sheet items are included below the line in »Contingent liabilities«, sub-item b) »Liabilities from sureties and guarantee agreements« and amount to EUR 17 627.9 million.

Derivative Transactions – Maturity Structure (According to Remaining Maturity).

Nominal values EUR million	Up to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	More than 5 years	Total
Interest rate risks					
Dec. 31, 2010	255 586.2	556 114.6	666 793.2	514 481.6	1 992 975.6
Dec. 31, 2009	247 909.8	627 503.5	639 789.0	445 094.5	1 960 296.8
Currency risks					
Dec. 31, 2010	131 615.3	56 511.1	35 896.8	9 958.9	233 982.1
Dec. 31, 2009	117 833.9	48 383.3	24 426.6	9 302.5	199 946.3
Equities and other price risks					
Dec. 31, 2010	2 987.5	5 142.6	6 828.7	2 556.0	17 514.8
Dec. 31, 2009	2 939.4	4 763.2	6 730.5	2 702.4	17 135.5
Credit derivatives					
Dec. 31, 2010	1 647.8	3 480.4	57 871.1	9 641.5	72 640.8
Dec. 31, 2009	1 995.5	6 505.5	59 723.0	20 008.7	88 232.7
Risks – overall					
Dec. 31, 2010	**391 836.8**	**621 248.7**	**767 389.8**	**536 638.0**	**2 317 113.3**
Dec. 31, 2009	**370 678.6**	**687 155.5**	**730 699.1**	**477 108.1**	**2 265 611.3**

Derivative Transactions – Structure of Counterparties.

EUR million	Nominal values		Positive market value[1]	Negative market value[1]
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2010
Banks in the OECD	1 958 126.5	1 725 665.7	38 384.1	40 669.8
Banks outside the OECD	11 494.2	17 552.2	156.4	174.1
Public sector agencies in OECD countries	34 709.0	32 867.8	1 467.5	1 511.6
Other counterparties	312 783.6	489 525.6	5 347.4	4 231.8
Counterparties – total	**2 317 113.3**	**2 265 611.3**	**45 355.4**	**46 587.3**

1) Including interest deferral (dirty price).

4. Trading Portfolio.

Significant reclassifications of trading transactions from previous balance sheet items into the new trading assets/liabilities balance sheet items were required by BilMoG. See text item 7 for more detailed information on this.
The trading portfolio is composed as follows:

EUR million	Trading assets Dec. 31, 2010	Trading liabilities Dec. 31, 2010
Derivative financial instruments	38 574.6	38 802.8
Receivables/liabilities	37 293.5	43 638.7
Bonds and other fixed-income securities	16 669.8	–
Equities and other non-fixed-income securities	507.0	–
Other assets	– 37.5	–
	93 007.4	**82 441.5**

5. Valuation Units.

In the case of valuation units, underlyings are linked with derivative financial instruments to hedge market price risks (hereinafter referred to as micro hedge). The following table[1] illustrates the amount by which assets and liabilities are recognized with which risks in valuation units as at December 31, 2010.

	Micro hedge						
		Negative change in value			Positive change in value		
EUR million	Carrying amount$_{GG}$	Change in value$_{GG}$	Change in value$_{SG}$	Loss peak	Change in value$_{GG}$	Change in value$_{SG}$	Profit peak
Assets							
General interest rate risk	20 844.4	752.0	– 772.3	– 20.4	619.9	– 601.8	18.1
Structured interest rate risk and other market price risk	2 234.3	209.2	– 209.2	0.0			
Liabilities							
General interest rate risk	– 36 785.4	– 554.2	513.6	– 40.6	– 466.8	484.1	17.3
Structured interest rate risk and other market price risk	– 8 746.3	– 680.2	680.2	0.0			
Contracts in progress							
Structured interest rate risk and other market price risk	0.0	93.8	– 93.8	0.0			
Total				**– 61.0**			**35.4**

LBBW includes two types of hedge relationships under micro hedges. In the first, individual underlyings are hedged via individual hedging transactions. In the other, one or more underlyings are hedged in a compensatory way via one or more hedging transactions. Both types of micro hedge are documented by means of clear referencing of the underlying and hedging transactions.

Methods of Measuring Effectiveness.

For recognition of market price risks, refer to the chapter on market price risks in the Management Report (Risk Report) for the 2010 annual financial statements.

When a valuation unit is formed and on each reporting date, a check is carried out prospectively as to whether effective hedging is in place. The significant factors in underlying and hedging transactions are compared, such as hedged risk (e. g. interest rate risk), nominal amount, currency and duration.

This method, known as critical terms match, checks the compensatory settlement of risks for underlying and hedging transactions.

In the case of external micro hedges, which hedge the general interest rate risk, a regression analysis is also carried out to investigate the compensatory effect.

Retrospective measurement of effectiveness takes place on each reporting date with the help of the dollar-offset method. According to this method, the underlying is valued for the hedged risk and compared with the valuation of the hedging transaction for the hedged risk (e. g. interest rate risk). The procedure is already applied for the majority of valuation units formed for the purpose of hedging the general interest rate risk.

In the case of valuation units formed for the purpose of hedging the structured interest rate risk or other market price risks, the hedged risk of the underlying is valued, derived from the valuation of the hedging transaction.

Due to the nature of the micro hedge (hedged risk, nominal value, currency and duration receive the same coverage) and the positive result of the critical terms match, effectiveness is expected in future as well.

The changes in value of hedging and underlying transactions are calculated on the balance sheet for the effective part using the net hedge presentation method, with only a loss peak applied on the balance sheet as a provision for valuation units. The loss peak (ineffectiveness from the hedged risk) is expensed in the income statement.

1) The fair values of the derivatives are included in the changes in value.

6. Currency Translation.

Foreign currency assets worth EUR 91.3 billion (2009: EUR 53.0 billion) and foreign currency liabilities worth EUR 78.2 billion (2009: EUR 34.5 billion), as well as income and expenses, included in the financial statements were translated in compliance with § 256a and § 340h HGB. The risk of exchange rate movements associated with balance sheet items denominated in foreign currencies, including precious metals, is primarily covered by off-balance sheet hedging transactions.

In order to determine the currency position, LBBW offset foreign currency assets and foreign currency liabilities arising from on-balance and off-balance sheet transactions by currency.

Assets and liabilities – except for insignificant equity interests in fixed assets which were not funded with matching currencies – were translated at the middle currency spot rate as at December 30, 2010. Differences resulting from the translation of hedged assets and liabilities at the middle currency spot rate were allocated to the foreign currency adjustment item, which – depending on the balance – was recognized in other liabilities or other assets. The adjustment item primarily corresponds to the balance of the market values of the currency forwards, cross-currency/interest-rate swaps and currency swaps.

LBBW made consistent use of the option to split the forward rate into spot rate and swap rate for all currency forwards.

Except for strategic foreign currency positions, LBBW valued assets, liabilities and pending transactions (currency forwards/currency options/currency swaps/cross-currency/interest-rate swaps) in line with the method described above.

Notes to the Balance Sheet.

7. Effects of First-Time BilMoG Adoption.

BilMoG Adjustments as at December 31, 2009 (BilMoG Conversion Balance Sheet).

With the BilMoG, which came into force on May 25, 2009, and the provisions of the German Commercial Code it amended for drawing up single-entity and consolidated financial statements, various adjustments were made to the way in which the balance sheet of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim and Mainz is presented as of December 31, 2009. In accordance with Article 67 (8) clause 2 EGHGB, the previous year's figures provided in line with § 265 (2) clause 1 HGB were not adapted to the altered valuation methods as part of the first application of HGB as a result of the BilMoG. An adjustment to the previous year's figures in the balance sheet classification as per Form 1 of RechKredV amended by BilMoG took place only for the balance sheet. Adjustments from amended valuation methods and reclassifications in the income statement were recognized in the 2010 financial year.

The amendments to the balance sheet shown in the following table and explained afterwards regard reclassifications of trading portfolios, balance sheet extensions from derivative accounting and offsetting plan assets.

Balance Sheet of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz as at December 31, 2009 (before and after BilMoG Amendments without Revaluations).

Balance sheet EUR thousand	HGB old version (before BilMoG) Dec. 31, 2009	BilMoG amendments: trading portfolios	BilMoG amendments: derivatives	BilMoG amendments: provisions	HGB new version (after BilMoG) Dec. 31, 2009
1. Cash reserve	1 790 379	0	0	0	1 790 379
2. Public-sector debt instruments and bills eligible for rediscounting with central banks	41 174	0	0	0	41 174
3. Loans and advances to banks	101 077 958	-3 041 643	-8 126 960	0	89 909 355
4. Loans and advances to customers	158 133 239	-1 670 574	0	0	156 462 665
5. Bonds and other fixed-income securities	119 332 169	-32 253 408	0	0	87 078 761
6. Equities and other non-fixed-income securities	1 839 552	-613 695	0	0	1 225 857
6a. Trading portfolio	0	37 926 705	34 527 871	0	72 454 576
7. Equity investments	1 663 103	0	0	0	1 663 103
8. Shares in affiliated companies	3 885 417	0	0	0	3 885 417
9. Trust assets	666 164	0	0	0	666 164
10. Intangible assets	73 207	0	0	0	73 207
11. Property, plant and equipment	482 727	0	0	0	482 727
12. Other assets	5 309 599	0	-3 898 180	-19 697	1 391 722
13. Deferred items	1 783 431	-347 385	-20	0	1 436 026
Total assets	**396 078 119**	**0**	**22 502 711**	**-19 697**	**418 561 133**
1. Liabilities due to banks	132 742 979	-495 174	-7 967 327	0	124 280 478
2. Amounts due to customers	115 367 748	-22 781	-693 867	0	114 651 100
3. Securitized liabilities	116 238 221	-2 413 648	0	0	113 824 573
3a. Trading portfolio	0	5 967 689	31 967 993	0	37 935 682
4. Trust liabilities	666 164	0	0	0	666 164
5. Other liabilities	5 075 424	-3 036 086	-452 074	0	1 587 264
6. Deferred items	1 180 363	0	-352 014	0	828 349
7. Provisions	2 376 835	0	0	-19 697	2 357 139
9. Subordinated liabilities	5 308 028	0	0	0	5 308 028
10. Capital generated by profit-participation certificates	1 577 471	0	0	0	1 577 471
11. Fund for general banking risks	480 000	0	0	0	480 000
12. Equity	15 064 886	0	0	0	15 064 886
Total equity and liabilities	**396 078 119**	**0**	**22 502 711**	**-19 697**	**418 561 133**

The »BilMoG amendments: trading portfolios« column refers to pure reclassifications of portfolios classified as financial instruments of the trading portfolio, consisting of various asset and liability balance sheet items in the new »trading portfolio« balance sheet item. The effects of reclassification on the assets side amount to EUR 37 926.7 million. Particularly affected by the reclassification were bonds and other fixed-income securities with EUR 32 253.4 million plus loans and advances to banks with EUR 3 041.6 million.

With regard to liabilities, there were reclassifications from various liability items in the new liabilities trading portfolio amounting to EUR 5 967.7 million. Most affected by this were securitized liabilities with EUR 2 413.6 million and other liabilities with EUR 3 036.1 million.

Alongside the pure reclassifications, the first-time balance sheet presentation of the positive and negative market values from derivatives in the new trading portfolio item in the balance sheet led to a balance sheet extension of approximately EUR 22 502.7 million (»BilMoG amendments: derivatives« column).

Taking both adjustment effects into consideration resulted in a trading asset portfolio of EUR 72 454.6 million as at December 31, 2009 (after BilMoG amendments) and a trading liability portfolio of EUR 37 935.7 million as part of the BilMoG conversion balance sheet.

Due to the ban (newly introduced with BilMoG) on offsetting in accordance with § 246 (2) clause 2 HGB, the plan assets of the LBBW Flexiwertkonto amounting to EUR 19.7 million were offset against the recognized provision (»BilMoG amendments: provisions« column).

BilMoG Valuation Effects as of January 1, 2010.

In particular, the new valuation regulations regarding (pension) provisions and the new regulations on balance sheet presentation of valuation units led to valuation effects of EUR –118.3 million on extraordinary result. The effects were largely attributable to the

a) Adjustment to the recognition of pension provisions (EUR – 26.5 million),
b) Adjustment to the recognition of other personnel provisions (EUR –18.6 million),
c) Peaks from the recognition of hedge relationships (EUR – 77.6 million).

8. Relationships with Affiliated Companies and Companies in which an Equity Interest is Held.

The following balance sheet items include claims on and liabilities to affiliated companies or companies in which an equity interest is held:

EUR million	Dec. 31, 2010	Dec. 31, 2009
A3. Loans and advances to banks	**66 911.8**	**101 078.0**
whereof to affiliates	223.8	2 037.5
whereof to companies in which an equity interest is held	32 255.7	39 497.7
whereof to associated savings banks	31 058.7	39 260.8
A4. Loans and advances to customers	**135 833.1**	**158 133.2**
whereof to affiliates	11 175.7	17 485.6
whereof to companies in which an equity interest is held	1 277.9	597.4
A5. Bonds and other fixed-income securities	**74 483.6**	**119 332.2**
whereof to affiliates	6 004.4	7 793.2
whereof to companies in which an equity interest is held	4 493.5	4 630.7
P1. Liabilities due to banks	**78 947.1**	**132 743.0**
whereof to affiliates	60.3	1 072.2
whereof to companies in which an equity interest is held	10 210.8	19 692.2
whereof to associated savings banks	5 846.6	19 384.5
P2. Amounts due to customers	**99 676.2**	**115 367.7**
whereof to affiliates	4 369.1	6 791.3
whereof to companies in which an equity interest is held	898.4	169.0
P3. Securitized liabilities	**91 761.3**	**113 824.6**
whereof to affiliates	12.2	19.7
P9. Subordinated liabilities	**5 301.1**	**5 308.0**
whereof to affiliates	553.9	520.2
whereof to companies in which an equity interest is held	50.0	55.3

9. Maturity Structure of the Balance Sheet Items.

The following table contains a breakdown of the remaining maturity of claims and liabilities (including pro rata interest):

EUR million	Dec. 31, 2010	Dec. 31, 2009
A3. Loans and advances to banks	**66 911.8**	**101 078.0**
up to 3 months	13 975.6	32 940.7
more than 3 months to 1 year	9 793.4	14 906.7
more than 1 year to 5 years	30 767.6	33 613.5
more than 5 years	12 375.1	19 617.0
A4. Loans and advances to customers	**135 833.1**	**158 133.2**
up to 3 months	20 257.2	36 002.1
more than 3 months to 1 year	16 061.9	13 730.9
more than 1 year to 5 years	35 184.5	39 995.4
more than 5 years	58 212.3	62 772.6
with unlimited maturity	6 117.2	5 632.2
A5. Bonds and other fixed-income securities	**74 483.6**	**119 332.2**
whereof due in the following year	8 863.1	34 907.4
P1. Liabilities due to banks	**75 973.7**	**126 929.5**
up to 3 months	19 828.3	57 053.1
more than 3 months to 1 year	11 818.0	22 187.3
more than 1 year to 5 years	17 047.9	16 163.1
more than 5 years	27 279.5	31 526.0
P2. c) cb): Savings deposits to customers with agreed withdrawal notice of three months and more than three months	**1 006.4**	**813.0**
up to 3 months	0.0	7.3
more than 3 months to 1 year	523.5	106.9
more than 1 year to 5 years	466.0	675.6
more than 5 years	16.9	23.2
P2. d): Other liabilities to customers with agreed duration or withdrawal notice, including a) mortgage-backed registered covered bonds issued and b) public-sector registered covered bonds issued	**62 414.7**	**77 951.4**
up to 3 months	12 583.7	23 583.0
more than 3 months to 1 year	6 335.8	5 992.7
more than 1 year to 5 years	32 952.5	30 265.9
more than 5 years	10 542.7	18 109.8
P3. Securitized liabilities		
a) Bonds issued	**89 070.6**	**109 129.6**
whereof due in the following year	19 935.0	23 215.3
b) Other securitized liabilities	**2 690.7**	**7 108.6**
up to 3 months	1 742.9	6 103.1
more than 3 months to 1 year	947.8	1 005.5
more than 1 year to 5 years	0.0	0.0
more than 5 years	0.0	0.0

10. Securities and Equity Investments.

The assets items below include marketable securities as well as equity investments and affiliates in line with the less strict lower-of-cost-or-market principle:

EUR million	Dec. 31, 2010	Dec. 31, 2009
A5. Bonds and other fixed-income securities		
Marketable	73 465.9	119 348.9
whereof listed	66 778.6	104 095.3
No amortization due to temporary impairment		
Carrying amount	32 233.6	38 509.2
Fair value	30 878.2	37 547.1
A6. Equities and other non-fixed-income securities		
Marketable	855.8	1 839.6
whereof listed	466.8	1 152.0
No amortization due to temporary impairment		
Carrying amount	151.6	128.6
Fair value	0.0	0.4
A7. Equity investments		
Marketable	603.0	583.7
whereof listed	515.1	493.1
No amortization due to temporary impairment		
Carrying amount	78.7	16.7
Fair value	76.1	14.4
A8. Shares in affiliated companies		
Marketable	318.4	392.7
whereof listed	0.0	0.0
No amortization due to temporary impairment		
Carrying amount	364.5	0.0
Fair value	364.2	0.0

The fair values of securities that were not written down as there was no permanent impairment include the measurement of hedged and unhedged risks. Beyond the differences shown between the carrying amount and fair value, amortization of EUR 663.3 million was not written down for micro-hedged transactions (valuation of unhedged risks only).

Securities held as long-term investments, equity investments and shares in affiliated companies are carried at cost or amortized cost or at fair value (if lower) in the case of permanent impairment loss. The impairment of securities held as long-term investments, equity investments and shares in affiliated companies is determined on the reporting date on the basis of published stock market price quotations, i. e. in line with IDW S1 in conjunction with IDW RS HFA 10-recognized valuation methods (income value or discounted cash flow method).

In the case of impairments which are foreseeably not permanent, the option of § 253 (3) clause 4 HGB is exercised in conjunction with § 340e (1) HGB, so that no amortizations are made on the lower fair value (less strict lower-of-cost-or-market principle). The impairment is judged as non-permanent if the companies' net payments/deposits expected in the future allow this.

In the case of securities lending agreements, it is assumed that economic ownership is not transferred to the borrower. Securities that are lent are therefore still shown in the securities portfolio and accounted for accordingly (analogous application of the corresponding regulations for transactions with firm repurchase agreements in § 340b (4) clause 1 HGB).

The bank did not create valuation allowances on securities in the amount of EUR 45.3 million, owing to the guarantee agreement with the state of Baden-Württemberg.

11. Shares in Investment Fund Assets.

The value of the shares in investment fund assets is determined on the reporting date on the basis of published redemption prices in the case of retail funds and the market values provided in the case of special funds. In the case of impairments which are foreseeably not permanent, the option of § 253 (3) clause 4 HGB is exercised in conjunction with § 340e (1) HGB, so that no amortizations are made on the lower fair value (less strict lower-of-cost-or-market principle).

EUR Investment objective	Name	Fair value	Difference from fair value	Distribution for the financial year	Daily return possible	Impairment omitted
German open money market-related fund	LBBW EuroLiquid	64 587 966.29	0.00	2 415 395.00	yes	no
German mixed investment fund (less than 70% equity)	BWI-Fonds 106	68 405 721.63	5 933 151.81	0.00	yes	no
German mixed investment fund (less than 70% equity)	BWInvest-TR6	62 463 070.56	8 883 635.96	0.00	yes	no
German mixed investment fund (less than 70% equity)	BWInvest-PM4	3 092 653.80	0.00	3 301 616.97	yes	no
Mixed fund: all foreign/German up to 70% equity share	HUMBOLDT Mul.Inv. B-S. Lbk Dep. A	95 216 000.00	0.00	0.00	yes	no
Open ABS investment fund	Panacea Tr.-Lev. Accr. A. Mgmt II	10.00	– 60 771 768.81	0.00	yes	yes*
ABS bond fund	Pivot Master Tr.-LAAM XI	5.00	– 27 426 977.81	0.00	yes	yes*
Open ABS investment fund	Panacea Tr.-Lev. Accr. A. Mgmt	10.00	– 63 444 285.78	0.00	yes	yes*
Mixed fund: all foreign/German up to 70% equity share	Syn. Fix. Inc. Fin. Cap. FD No. 1 PLC	849 077.83	0.00	0.00	yes	no
Mixed fund: all foreign/German up to 70% equity share	Synapse L./Sh. Cre. Fd No. 1 PLC	453 334.99	0.00	0.00	yes	no
Bond fund	Synapse High Grade ABS Fd No. 1	1.00	0.00	0.00	yes	no
Foreign open futures market fund	AIM Fd-Altimum Finl+Commodity	8 813 103.47	0.00	0.00	yes	no
Mixed fund: all foreign/German up to 70% equity share	HUMBOLDT Mul. Inv. C-QE Balanced	4 903 000.00	0.00	10.00	yes	no
Bond fund	HUMBOLDT Mult. Inv. C-QE Bonds	4 954 500.00	0.00	260.00	yes	no
Equity fund	HUMBOLDT Mul. Inv. C-QE Equity	4 544 500.00	0.00	0.00	yes	no
Bond fund	Fisch U.-Fisch CB-Int. Conv. Ex.	14 006 400.00	0.00	0.00	yes	no
Bond fund	Johannes Führ Ren. Wachst. AMI	3 330 629.40	0.00	131 880.00	yes	no
Bond fund	LBBW Nachhaltigkeit Renten	34 559 880.00	0.00	205 320.00	yes	no
Equity fund	LBBW Nachhaltigkeit Aktien	17 699 060.00	0.00	159 200.00	yes	no
Mixed fund: all foreign/German up to 70% equity share	LBBW Pro-Fund Credit I	20 069 705.93	191 655.27	85 110.33	yes	no
Investment fund – closed fund investments	F&C European Cap. Partn. B Ltd.	26 746 000.00	0.00	0.00	no	no
Bond fund	OP-Fonds SKP	116 335 057.44	38 716 257.44	39 854 835.68	yes	no
Bond fund	PALLMALL-Hansa High Yield Fund	31 073 400.00	0.00	0.00	yes	no
		582 103 087.34	**– 97 918 331.92**	**46 153 627.98**		

* The recognition of fund units is based on the securities included in the fund. Impairment on included securities established by the fund is recognized to the same extent for fund units. Temporary impairment on the securities included in the fund is not recognized in the valuation of fund units.

12. Subordinated Assets.

Subordinated assets are included in the following asset items:

EUR million	Dec. 31, 2010	Dec. 31, 2009
A3. Loans and advances to banks	377.0	473.7
A4. Loans and advances to customers	7 112.5	1 354.1
A5. Bonds and other fixed-income securities	2 191.9	1 159.8
A6. Equities and other non-fixed-income securities	19.2	22.1

13. Transactions with Firm Repurchase Agreements.

The carrying amount of securities sold to other banks and non-banks under repurchase agreements as of the balance sheet date was EUR 35 703.3 million (2009: EUR 20 583.4 million).

14. Trust Activities.

The following table contains a breakdown of trust assets (asset item A9) and trust liabilities (liability item L4):

EUR million	Dec. 31, 2010	Dec. 31, 2009
Trust assets	**993.0**	**666.2**
Loans and advances to banks	561.3	203.9
Loans and advances to customers	202.1	181.5
Fixed-interest securities	4.4	5.1
Shares and non-fixed-income securities	1.4	0.6
Equity investments	86.4	126.4
Property, plant and equipment	30.0	47.1
Other assets	107.4	101.6
Trust liabilities	**993.0**	**666.2**
Liabilities due to banks	876.1	465.0
Amounts due to customers	116.9	201.2

15. Fixed Assets.

The following table shows the changes in fixed assets:

EUR million	Cost	Additions	Disposals	Reclassi-fications	Reversals of im-pairment losses	Cumulative write-downs and valuation allowances	Write-downs and valuation allowances in fiscal year	Accrued interest	Carrying amount Dec. 31, 2010	Carrying amount Dec. 31, 2009
Equity investments	1 944.7	14.5	96.8	- 4.0	33.3	230.8	10.2	–	1 627.6	1 663.1
Shares in affiliated companies	4 614.6	135.0	837.1	4.0	8.4	740.8	58.5	–	3 175.7	3 885.4
Investment securities	78 455.7	4 233.5	13 076.2	0.0	123.2	831.1	204.9	463.9	69 245.8	77 954.7
Intangible assets	424.5	41.6	9.7	- 5.7	0.0	376.8	35.2	–	73.8	73.2
Land and buildings	533.8	6.2	7.5	- 1.0	0.0	278.7	9.2	–	252.8	257.9
of which: land and buildings used commercially	364.4	6.1	6.2	- 1.5	0.0	186.2	6.6	–	176.6	179.4
Other equipment, operating and office equipment	628.2	25.7	49.2	6.6	0.0	411.2	46.5	–	200.1	224.8
Total fixed assets	86 601.5	4 456.5	14 076.5	- 0.1	164.9	2 869.4	364.5	463.9	**74 575.8**	**84 059.1**

16. Other Assets.

Items of particular significance included in LBBW's other assets are interest coupons and profit participation certificates, bills remitted for collection and other collection items amounting to EUR 414.8 million (2009: EUR 110.4 million), option premiums of EUR 223.3 million (2009: EUR 2 526.1 million) and tax refund claims of EUR 281.7 million (2009: EUR 670.1 million).

The tax refund claims from taxes on income primarily include domestic claims from past fiscal years amounting to EUR 79.5 million, claims of EUR 31.4 million from reversal effects in connection with the tax audit and claims relating to taxes on income for the 2010 financial year of EUR 92.3 million. The refund claims stand in contrast to tax provisions amounting to EUR 261.8 million (2009: EUR 265.1 million).

17. Deferred Items.

Deferred items include the following amounts:

EUR million	Dec. 31, 2010	Dec. 31, 2009
Prepaid expenses	**2 705.8**	**1 783.4**
Discount from liabilities in line with § 250 (3) HGB	512.5	699.3
Premium from receivables in line with § 340e (2) clause 3 HGB	158.7	164.3
Deferred income	**2 250.8**	**1 180.4**
Discount from receivables in line with § 340e (2) clause 2 HGB	215.1	289.1

Deferred items additionally include non-recurring payments from interest-rate swaps and cross-currency/interest-rate swaps amounting to EUR 102.3 million (2009: EUR 343.9 million) on the assets side and EUR 137.5 million (2009: EUR 85.5 million) on the liabilities side which resulted from asset- and liability swap combinations.

18. Coverage of Mortgage and Municipal Loan Transactions.

The liabilities below are covered as follows:

EUR million	Dec. 31, 2010	Dec. 31, 2009
Mortgage-backed covered bonds (Hypothekenpfandbriefe) issued in line with ÖPG (German Act concerning Pfandbriefe and associated Bonds of Banks under Public Law) and PfandBG (German Covered Bond Act)	5 590.4	6 518.5
To cover certain assets	12 767.0	12 611.6
A3. Loans and advances to banks	109.0	300.0
A4. Loans and advances to customers	12 199.6	12 186.2
A5. Bonds and other fixed-income securities	458.4	125.4
Overcoverage	**7 176.6**	**6 093.1**
Public-sector covered bonds (Öffentliche Pfandbriefe) in line with PfandBG	49 276.2	59 200.1
To cover certain assets	63 050.0	72 706.1
A3. Loans and advances to banks	28 431.2	35 433.3
A4. Loans and advances to customers	22 608.7	22 301.3
A5. Bonds and other fixed-income securities	12 010.1	14 971.5
Overcoverage	**13 773.8**	**13 506.0**

19. Transparency Provisions for Public-sector Covered Bonds (öffentliche Pfandbriefe) and Mortgage-backed Covered Bonds (Hypothekenpfandbriefe) Pursuant to § 28 PfandBG (German Covered Bond Act).

A) Transparency Provisions for Public-sector Covered Bonds Pursuant to § 28 PfandBG.

EUR million	Dec. 31, 2010	Dec. 31, 2009
a) Cover fund for public-sector covered bonds		
Nominal value	63 050	72 706
Present value	66 411	76 690
Present value (+ 250 bp)	62 524	71 944
Present value (– 250 bp)	70 492	81 713
Circulation of public-sector covered bonds		
Nominal value	49 276	59 200
Present value	52 649	63 246
Present value (+ 250 bp)	49 454	59 322
Present value (– 250 bp)	55 751	67 325
Overcoverage		
Nominal value	13 774	13 506
Present value	13 762	13 444
Present value (+ 250 bp)	13 070	12 622
Present value (– 250 bp)	14 741	14 388
Additional cover assets	50	15
b) Proportion of derivatives in cover fund	0	0

c) Term structure of public-sector covered bonds

	Dec. 31, 2010							
EUR million	up to 1 year	> 1 year to 2 years	> 2 years to 3 years	> 3 years to 4 years	> 4 years to 5 years	> 5 years to 10 years	> 10 years	**Total**
Cover fund	15 304	7 515	9 650	7 527	12 187	5 713	5 154	**63 050**
Circulating public-sector covered bonds	11 588	10 461	9 805	4 459	5 831	5 130	2 002	**49 276**

	Dec. 31, 2009							
EUR million	up to 1 year	> 1 year to 2 years	> 2 years to 3 years	> 3 years to 4 years	> 4 years to 5 years	> 5 years to 10 years	> 10 years	**Total**
Cover fund	13 200	12 735	7 975	9 132	7 841	16 555	5 268	**72 706**
Circulating public-sector covered bonds	11 420	11 690	10 561	9 334	4 479	9 736	1 980	**59 200**

d) Total nominal value of cover funds according to country/type

	Dec. 31, 2010				
EUR million	State	Regional government	Local government	Other debtors	Total
Austria	14	0	2	0	16
Canada	0	53	0	0	53
Cyprus	0	0	0	0	0
Czech Republic	15	0	0	0	15
Federal Republic of Germany	1 149	10 376	6 340	42 818	60 683
Finland	0	0	0	0	0
France incl. Monaco	0	1	6	0	7
Greece	246	0	0	0	246
Hungary	48	0	0	0	48
Iceland	20	0	0	0	20
Italy	33	36	22	0	91
Japan	250	0	0	0	250
Latvia	30	0	65	0	95
Luxembourg	0	0	0	0	0
Poland	22	0	0	0	22
Slovakia	0	0	0	0	0
Spain	0	171	102	0	273
Switzerland	0	762	0	0	762
United Kingdom	146	0	0	0	146
United States of America (incl. Puerto Rico)	174	126	0	23	323
Total	**2 147**	**11 525**	**6 537**	**42 841**	**63 050**

	Dec. 31, 2009				
EUR million	State	Regional government	Local government	Other debtors	Total
Austria	14	0	12	0	43
Belgium	0	0	0	0	0
Canada	0	71	0	0	71
Cyprus	10	0	0	0	10
Czech Republic	65	0	0	0	65
Federal Republic of Germany	1 134	10 574	6 428	50 606	68 742
Finland	48	0	0	0	48
France incl. Monaco	50	2	8	0	60
Greece	823	0	0	0	823
Hungary	48	0	0	0	48
Iceland	20	0	0	0	20
Ireland	0	0	0	0	0
Italy	669	141	22	0	832
Japan	300	0	0	0	300
Latvia	30	0	0	0	30
Luxembourg	0	0	0	9	9
The Netherlands	0	0	0	0	0
Poland	27	0	0	0	27
Portugal incl. Azores and Madeira	0	0	0	0	0
Slovakia	80	0	0	0	80
Slovenia	0	0	0	0	0
Spain	0	229	42	0	271
Switzerland	0	843	0	0	843
United Kingdom	73	0	0	0	73
United States of America (incl. Puerto Rico)	188	120	0	20	328
Total	**3 579**	**11 980**	**6 512**	**50 635**	**72 706**

e) Total amount of payments outstanding at least 90 days according to country/type

There were no payments outstanding by at least 90 days as at either December 31, 2010 or December 31, 2009.

B) Transparency Provisions for Mortgage-backed Covered Bonds (Hypothekenpfandbriefe) Pursuant to § 28 PfandBG.

EUR million	Dec. 31, 2010	Dec. 31, 2009
a) Cover fund for mortgage-backed covered bonds		
Nominal value	9 449	8 195
Present value	10 138	8 787
Present value (+ 250 bp and currency stress)	9 299	7 992
Present value (– 250 bp)	11 031	9 682
Circulation of mortgage-backed covered bonds		
Nominal value	4 395	4 162
Present value	4 627	4 367
Present value (+ 250 bp and currency stress)	4 290	4 065
Present value (– 250 bp)	4 992	4 699
Overcoverage		
Nominal value	5 054	4 033
Present value	5 511	4 420
Present value (+ 250 bp and currency stress)	5 009	3 927
Present value (– 250 bp)	6 039	4 983
Additional cover assets	313	150
b) Proportion of derivatives in cover fund	0	0

c) Term structure of the mortgage-backed covered bonds according to PfandBG

	Dec. 31, 2010							
EUR million	up to 1 year	> 1 year to 2 years	> 2 years to 3 years	> 3 years to 4 years	> 4 years to 5 years	> 5 years to 10 years	> 10 years	**Total**
Cover fund	1 196	1 080	1 085	940	1 333	3 117	698	**9 449**
Circulating mortgage-backed covered bonds	666	784	559	540	463	1 376	7	**4 395**

	Dec. 31, 2009							
EUR million	up to 1 year	> 1 year to 2 years	> 2 years to 3 years	> 3 years to 4 years	> 4 years to 5 years	> 5 years to 10 years	> 10 years	**Total**
Cover fund	1 180	594	1 012	860	657	3 255	637	**8 195**
Circulating mortgage-backed covered bonds	926	632	696	379	295	1 223	11	**4 162**

d) Total nominal value of the cover funds according to the amount of the individual cover funds

EUR million	Dec. 31, 2010	Dec. 31, 2009
Up to EUR 300 000	3 482	3 178
Between EUR 300 000 and EUR 5 million	2 625	2 280
More than EUR 5 million	3 342	2 737
Total	**9 449**	**8 195**

e) Total nominal value of cover funds according to type of use/country

	Dec. 31, 2010						
EUR million	Federal Republic of Germany	Netherlands	France	Belgium	USA	UK/Channel Islands	Total
Land used for commercial purposes	1	0	0	0	0	0	1
Land used for residential purposes	0	0	0	0	0	0	0
Apartments	1 157	0	0	0	0	0	1 157
Single-family houses	1 598	0	0	0	0	0	1 598
Multi-family houses	2 251	0	0	0	0	0	2 251
Office buildings	921	30	31	37	169	32	1 220
Trade buildings	717	0	14	0	0	0	731
Industrial buildings	89	0	0	0	0	0	89
Other commercially used buildings	1 745	0	0	0	0	18	1 763
Incomplete and not profitable new buildings	185	0	0	0	0	0	185
Building sites	19	0	0	0	0	0	19
Other cover	435	0	0	0	0	0	435
Total	9 118	30	45	37	169	50	9 449

	Dec. 31, 2009						
EUR million	Federal Republic of Germany	Netherlands	France	Belgium	USA	UK/Channel Islands	Total
Land used for commercial purposes	1	0	0	0	0	0	1
Land used for residential purposes	0	0	0	0	0	0	0
Apartments	1 080	0	0	0	0	0	1 080
Single-family houses	1 453	0	0	0	0	0	1 453
Multi-family houses	2 155	0	0	0	0	0	2 155
Office buildings	908	30	40	4	156	0	1 138
Trade buildings	602	0	14	0	0	0	616
Industrial buildings	62	0	0	0	0	0	62
Other commercially used buildings	1 256	0	0	0	0	17	1 273
Incomplete and not profitable new buildings	135	0	0	0	0	0	135
Building sites	15	0	0	0	0	0	15
Other cover	267	0	0	0	0	0	267
Total	7 934	30	54	4	156	17	8 195

f) Total amount of payments outstanding at least 90 days according to country

There were no payments outstanding by at least 90 days as at either December 31, 2010 or December 31, 2009.

g) Number of pending foreclosures and compulsory administration procedures carried out in the fiscal year

There were no foreclosures or compulsory administration procedures pending as at either December 31, 2010 or December 31, 2009. No compulsory administration procedures were carried out in the 2010 financial year.

h) Acquisition of land to prevent losses

There was no acquisition of land to prevent losses in either the 2010 or 2009 financial year.

i) Total amount of outstanding interest

There was no outstanding interest in either the 2010 or 2009 financial year.

20. Other Liabilities.

The most important individual components of the other liabilities item are option premiums totaling EUR 351.1 million (2009: EUR 3 400.0 million) and taxes to be transferred amounting to EUR 195.5 million (2009: EUR 148.1 million). Most of these are liabilities from capital gains tax and sales tax self-assessment returns.

21. Other Provisions.

The other provisions of EUR 941.3 million (2009: EUR 1 000.4 million) include provisions for restructuring expenses in the amount of EUR 358.0 million (2009: EUR 414.3 million), comprising EUR 211.5 million for the restructuring of human resources and EUR 146.5 million for the restructuring of material expenses. This balance sheet item also includes provisions for possible loan losses amounting to EUR 124.4 million (2009: EUR 226.7 million) and provisions from the valuation of financial transactions totaling EUR 265.9 million (2009: EUR 152.9 million).

22. Assets Assigned as Collateral for Own Liabilities.

Assets in the amounts stated below were assigned for the following liabilities and contingent liabilities.

EUR million	Dec. 31, 2010	Dec. 31, 2009
Liabilities due to banks	26 819.6	45 023.9
Amounts due to customers	8 883.7	4.2
Contingent liabilities	105.0	105.0
Trading liabilities	47.7	0.0
Securitized liabilities	0.0	17.0
Subordinated liabilities	0.0	10.0
Total amount of collateral transferred	**35 856.0**	**45 160.1**

23. Subordinated Liabilities.

The subordinated liabilities of EUR 5 301.1 million recorded in the balance sheet comply with the requirements of § 10 (5a), clause 5 KWG (German Banking Act) after deduction of Tier 3 capital (EUR 115.2 million), pro rata interest (EUR 85.7 million), the original discount (EUR 13.9 million), three issues not recognizable for regulatory purposes (EUR 0.6 million), write-ups of zero bonds in the last five years before maturity (EUR 95.3 million), and further corrections (EUR 10.7 million). After the deductions specified above, subordinated liabilities amount to EUR 4 979.8 million (2009: EUR 4 972.5 million). In this respect, only two-fifths (EUR 337.2 million) of EUR 843.1 million (book value or issuing price for zero bonds plus write-ups during the period ending five years before maturity; 2009: EUR 185.8 million) were recognized because these liabilities might fall due within the two-year period stipulated in § 10 (5a), clause 2 KWG (non-recognition of EUR 505.8 million).

EUR 30 million was not recognized so that, in the event of a withdrawal of EUR 30 million from the trust preferred securities, these can be replaced with silent partners' contributions. In such cases, coordination with BaFin took place so as to comply with the requirements for replacing components of equity.

A total of EUR 4 444.0 million of the subordinated liabilities as of December 31, 2010, was included in supplementary capital pursuant to § 10 (5a) KWG. A market-smoothing item totaling EUR 3.4 million is required to be deducted from this amount as of the reporting date (December 31, 2010), resulting in a capital requirement of EUR 4 440.6 million.

The corrections of EUR 10.7 million largely result from different conversion rates having been applied as of the balance sheet date by the reporting unit (ECB reference rate) and the accounting unit (EuroFX rate).

In the year under review, interest expenses of EUR 264.1 million (2009: EUR 269.9 million) were incurred for subordinated liabilities.

No new issues were made in the 2010 financial year. None of the issues is greater than 10% of the balance sheet item.

The following table includes bearer instruments, borrower's note loans and subordinated capital certificates, broken down and aggregated by year of maturity:

EUR million

Year/s of maturity	(Earliest) term start	Term end	Currency	Nominal values for foreign currency issues	Carrying amount without interest deferral ***	Interest rate
2011	1993	2011	EUR	–	122.4	4.93 – 7.75*
2012	2002	2012	EUR	–	100.0	1.00**
2012	2002	2012	EUR	–	464.0	5.44 – 8.02
2013	1992	2013	EUR	–	62.6	5.67 – 8.21
2014	2002	2014	EUR	–	109.3	6.0 – 6.6
2014	2004	2014	EUR	–	16.0	1.00**
2015	2000	2015	EUR	–	880.4	2.08 – 8.00
2015	2001	2015	EUR	–	80.0	1.00 – 2.00**
2016	2001	2016	EUR	–	78.0	4.27 – 7.00
2016	2006	2016	EUR	–	43.5	1.00**
2017	2000	2017	EUR	–	447.7	3.43 – 6.87
2018	2007	2018	EUR	–	42.9	3.00 – 5.51
2019	1999	2019	EUR	–	5.0	1.57**
2019	2006	2019	EUR	–	5.0	4.28
2020	2000	2020	EUR	–	73.5	3.44 – 6.00
2020	2000	2020	EUR	–	205.0	1.26 – 4.14**
2021 – 2041	2000	2041	EUR	–	405.5	4.47 – 6.52
2021 – 2041	2000	2041	EUR	–	604.1	1.00 – 4.37**
					3 744.9	
2012	2002	2012	USD	500.0	377.4	6.35
2015	1995	2015	JPY	20 000.0	184.9	4.25
2015	2002	2015	CHF	200.0	160.7	3.50
2015	2004	2015	USD	300.0	226.5	5.05
2017	2007	2017	CHF	10.0	8.0	4.15
2023	1993	2023	USD	300.0	226.5	7.63
2028	1998	2028	USD	300.0	226.4	6.88
2037	2007	2037	JPY	6 500.0	60.1	2.8
					1 470.5	
					5 215.4	

* Including liabilities from two effective bullet issues
** Variable interest
*** Nominal volume/issuing price for zero bonds plus write-ups, each without interest deferral

24. Equity.

LBBW's equity developed as follows in the fiscal year under review:

EUR million	
Equity as at December 31, 2009	15 064.9
+ Price-related changes in the silent partners	25.2
./. Silent partners' maturities	66.1
+ Replenishment of silent partners	209.6
+ Net retained profit 2010	0.0
Equity as at December 31, 2010	15 233.6

25. Items Below the Line.

Credit default swaps amounting to EUR 17 627.9 million (2009: EUR 22 945.3 million) for which LBBW provides counterparties with collateral similar in nature to guarantees are reported below the line. The credit default swaps relate to 553 individual transactions (2009: 788). Of the total volume, the main institution accounts for EUR 3 833.0 million (2009: EUR 6 212.6 million), the London branch for EUR 12 624.5 million, the Singapore branch for EUR 162.6 million and the New York branch for EUR 1 007.7 million.

The total portfolio, including the credit default swaps for which LBBW provides no collateral, is described under item No. 3 Derivatives.

Two CDS sell positions amounting to EUR 717.1 million and EUR 743.5 million represent material individual transactions within contingent liabilities. There is also a credit guarantee of EUR 550.0 million against an affiliate.

Contingent liabilities against affiliates as per § 268 (7) HGB in conjunction with § 251 HGB total EUR 1 990.0 million.

The irrevocable loan commitments are exclusively made up of external commitments. Delivery commitments arising from forward transactions totaled EUR 231.4 million as of the balance sheet date (2009: EUR 1 429.3 million). This figure includes borrower's note loans (EUR 90.0 million) and term money (EUR 141.4 million).

The material irrevocable loan commitments are two items against domestic companies totaling EUR 600.0 million and EUR 319.0 million. There is also a loan commitment of EUR 306.0 million to an affiliate.

Risk Assessment.
As part of its lending and guarantee business, the Bank issues loan commitments and provides its customers with guarantees, warranties and other contingent liabilities.

The utilization legally possible should – if it cannot be expected with certainty on the reporting date – be reported below the line. If utilization is expected, a provision or liability must be recognized in the balance sheet and the item below the line must be reduced by this amount.

If utilization takes place, there is a risk for the Bank that its claim (for recourse) against the guarantee holder or borrower less the collateral is not valuable.

The issue of (guarantee) lines and the management of risks – especially if creditworthiness deteriorates – takes place in the Bank as part of the regulated lending process and is subject to the requirements for on-balance sheet transactions (e.g. loan transactions).

If there are valid reasons for expected utilization, the Bank creates customer-specific valuation allowances, provided that imminent loss is expected. As a result of latent risks in (off-) balance sheet lending and guarantee transactions, the Bank creates global valuation allowances.

The following tables show the maximum (lending) risk from the committed items.

EUR million	Dec. 31, 2010	Dec. 31, 2009
Contingent liabilities	**30055.4**	**37117.8**
From rediscounted bills of exchange	**0.0**	**0.9**
From warranties and indemnity agreements	**30055.4**	**37116.8**
Credit guarantees	3600.8	4291.3
Other guarantees. warranties and indemnities	6388.7	6484.4
Letters of credit	2627.9	3561.9
Credit default swaps	17437.9	22779.2

Contingent liabilities from warranties, guarantees and indemnities are generally noted in full. They are reduced only by cash cover and valuation allowances.

In the case of credit default swaps for which LBBW is the protection seller, the Bank takes on the risk of a loan default of one or more assets by the protection buyer. In accordance with HGB, LBBW recognizes credit default swaps from the investment portfolio in the contingent liabilities item. The provisions for onerous contracts put in place as a result of negative value development for the swaps are deducted from the volume.

EUR million	Dec. 31, 2010	Dec. 31, 2009
Irrevocable loan commitments	**22012.3**	**27654.6**

All binding and as yet unutilized credit commitments are recognized below the line. Loan commitments which the Bank has the option to terminate unconditionally and without prior notice are not included. In addition to loan commitments, forward purchases of fixed-interest securities, borrower's note loans and pledgee transactions concluded on a forward basis which are not classified as part of the trading portfolio are recognized in this item.

26. Letter of Comfort.

Except for political risks and for the duration of an equity investment, LBBW ensures that the companies included in the list of shareholdings are in a position to cover their liabilities, regardless of the amount of the interest held by the Bank.

LBBW has issued letters of comfort in favor of BW Bank Capital Funding LLC I and BW Bank Capital Funding LLC II, which rank lower than all of LBBW's senior and subordinate liabilities, including the capital generated by profit participation certificates.

27. Guarantors' Liability (Gewährträgerhaftung).

In its capacity as guarantor, LBBW continues to be liable for liabilities of DekaBank Deutsche Girozentrale, Berlin and Frankfurt am Main, and LBS Landesbausparkasse Baden-Württemberg, Stuttgart and Karlsruhe, incurred until July 18, 2005 (elimination of the guarantor's liability), in certain cases depending on the time when the liabilities arose and upon their term; however, LBBW is in no event liable as guarantor for any liabilities that have arisen after this date.

This also applies externally to the liabilities of the following credit institutions provided that these liabilities arose during the time when LBBW was a guarantor of these credit institutions: former Landesbank Schleswig-Holstein Girozentrale, Kiel; Westdeutsche ImmobilienBank AG, Mainz; former SachsenLB Landesbank Sachsen Girozentrale, Leipzig; and former LRP Landesbank Rheinland-Pfalz, Mainz.

LBBW will also release the trustors and former guarantors of SachsenLB inter partes from all claims for liabilities arising from the guarantor's liability (Gewährträgerhaftung) and maintenance obligation (Anstaltslast) they have assumed for SachsenLB that are asserted against the trustors and former guarantors of SachsenLB for the first time after December 31, 2007. This applies only insofar as and to the extent that the guarantor's liability exists due to claims by LBBW or affiliates of LBBW within the meaning of §§ 15 et seq. AktG in connection with the Ormond Quay structure, including one or more Castle View vehicles to the extent that these entities have assets that were originally included in the Ormond Quay portfolio (Issuer Valuation Agreement of May 6, 2004, amended July 7, 2005, between SachsenLB Europe plc. and Ormond Quay Funding plc., Eden Quay Asset Limited, Ellis Quay Asset Management Limited and Merchants Quay Asset Management Limited).

LBBW will also release the trustors and former guarantors of SachsenLB inter partes from all claims for liabilities arising from the guarantor's liability and maintenance obligation they have assumed for SachsenLB that are asserted against the trustors and former guarantors of SachsenLB for the first time after December 31, 2010.

28. Other Financial Obligations.

Other financial obligations that neither appear on the balance sheet nor below the line amounted to EUR 688.0 million (2009: EUR 905.8 million) at LBBW. EUR 134.6 million per year thereof is accounted for by long-term rental and leasing contracts, while EUR 76.1 million is attributable to an obligation to contribute to Liquiditäts- und Konsortialbank GmbH, Frankfurt am Main, in the year under review. There are obligations to make further contributions of EUR 412.6 million to the reserve fund of the Landesbanken and the Girozentralen (central savings banks). Payment of these additional contributions can be immediately demanded in the event that an institution requires assistance.

EUR 28.0 million (2009: EUR 41.3 million) of the other financial obligations relate to affiliated companies.

Pursuant to § 5 (10) of the bylaws of the German Deposit Protection Fund, we undertook to indemnify Bundesverband Deutscher Banken e.V., Berlin, against any and all losses incurred by the latter as a result of assistance provided to credit institutions that are majority-owned by Landesbank Baden-Württemberg.

Owing to the net loss for the 2009 financial year, liabilities arising from profit participation certificates and silent partners' contributions were not paid on the previous annual accounts. Moreover, the liabilities arising from profit participation certificates and silent partners' contributions shared in the loss in line with their share in the liable capital. The two measures reduced the net loss for the year and accumulated loss in 2009.

The replenishment of capital generated by profit participation certificates and silent partners' contributions and the making good of omitted distributions is subject to a condition precedent and, if a net income for the year or net retained profit is recorded in future, is to be given priority over allocations to shareholders or to provisions. Depending on the contractual conditions, LBBW must in some cases also service deferred shares of the capital after repaying liabilities arising from profit participation certificates and silent partners' contributions that are due.

The condition precedent of the payment of distributions is also regulated differently in different contracts, but will not take place until complete replenishment of capital generated by profit participation certificates and silent partners' contributions and at a maximum up to the repayment of the respective capital.

The net income generated in the 2010 financial year led to a replenishment of contributions made by silent partners amounting to EUR 209.6 million and a reversal of capital generated by profit participation rights totaling EUR 74.1 million.

The remaining obligation to replenish capital generated by profit participation rights and silent partners' contributions and to make good the payments not yet made amounted to EUR 1 075.9 million as at December 31, 2010.

Income Statement Disclosures.

29. Other Operating Income and Expenses.

EUR 54.4 million (2009: EUR 28.8 million) of other operating income is accounted for by capital gains on the sale of equity interests and real estate held as fixed assets, as well as by income from renting and leasing land and buildings. Income from refunds of expenses from third parties amounted to EUR 54.8 million (2009: EUR 51.0 million).

Other operating expenses essentially comprise staff costs for employees seconded to third parties totaling EUR 23.7 million (2009: EUR 19.3 million), allocations to provisions of EUR 15.6 million (2009: EUR 18.7 million), operating expenses for non-banking business amounting to EUR 18.3 million (2009: EUR 12.2 million), expenses for land and buildings of EUR 13.6 million (2009: EUR 12.6 million) and cafeteria expenses of EUR 10.1 million (2009: EUR 10.1 million).

30. Auditors' Fees.

The total amount of auditors' fees in accordance with § 285 clause 1 no. 17 HGB was not reported, as the corresponding information in the consolidated financial statements of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz includes this amount.

31. Extraordinary Result.

The extraordinary result was mainly influenced by the effects of first-time BilMoG adoption. A negative extraordinary result of EUR 118.3 million resulted especially from valuation effects from pension and other provisions, as well as the loss peak from the valuation of hedging relationships.

The restructuring expenses brought about by the financial market crisis also affected the extraordinary result. This took the form of a negative extraordinary result of EUR 41.5 million (2009: EUR 375.6 million). from restructuring in 2010, largely caused by allocations to provisions for material costs and general restructuring.

32. Taxes on Income.

Periodic tax income of EUR 18.4 million (2009: expenses of EUR 39.0 million) can primarily be attributed to income from corporate tax at the New York branch. Owing to effects from previous years, there was a prior-period tax expense of EUR 54.5 million (2009: EUR 0.9 million), mainly due to the tax audit. Tax provisions were discounted as a result of the first application of BilMoG, which led to income of EUR 3.1 million.

Overall, taxes on income amounting to EUR 33.0 million (2009: EUR 39.9 million) were reported.

33. Breakdown of Income According to Geographic Markets.

The total amount from the income statement items

No. 1: Interest income
No. 3: Current income from shares and other non-fixed interest securities, companies in which an equity interest is held, and shares in affiliated companies
No. 5: Commission income
No. 7: Net income from the trading portfolio
No. 8: Other operating income

is distributed across the following geographical markets:

EUR million	Dec. 31, 2010	Dec. 31, 2009
Federal Republic of Germany	11 641.0	13 354.6
Europe (EU states excluding Germany)	641.5	1 118.6
Asia	138.1	225.6
America	217.5	351.6
Total	**12 638.1**	**15 050.4**

34. Administrative and Intermediary Services.

Services provided to third parties relate primarily to the administration of securities accounts, of trustee loans, of equity interests, and of investment and real estate investment funds, as well as related intermediary services.

Other Information.

35. Off-balance-sheet Transactions.

The passing of the German Accounting Law Modernization Act (BilMoG) requires the reporting company to provide information on off-balance sheet transactions. The nature and purpose of transactions not reported on the balance sheet and the risks and advantages associated with them are to be stated if this is necessary to assess the financial situation. This includes all transactions, not only those that are pending, that were not entered in the financial statements initially or that result in the permanent disposal of assets or liabilities from the financial statements.

Revocable Loan Commitments:

The granting of overdraft facilities that can be terminated by the Bank at any time allows customers to overdraw their checking accounts within the scope of the loan commitment, without generally having to provide collateral. The Bank itself benefits from this product, which is standardized and customary for the market, through higher interest income if the commitment is utilized or exceeded by the customer. At the same time, however, there are risks arising from deterioration in the financial situation of the borrower. At the end of the year, there were revocable loan commitments amounting to EUR 22.4 billion, which do not have to be reported either on the balance sheet or below the line.

Special-purpose Entities/Securitizations:

LBBW has business relationships with various special-purpose entities following different business models. These business relationships are all accounted for on the balance sheet (receivables, securities, valuation allowances) or in the form of contingent liabilities or other obligations in the financial statements.

The purchase of trading and leasing receivables by special-purpose entities serves primarily to finance SMEs. The special-purpose entities obtain their funding by issuing asset backed commercial papers (ABCP), among other sources. LBBW provides these special-purpose entities with loans and liquidity lines. Funding from LBBW is already reported in the accounts.

Other special-purpose entities invest in (securitized) securities. LBBW assumes risks by funding the companies through commercial papers, loans and securities repurchase agreements and by providing liquidity lines. Investment in securities and significant risks associated with them may lead to valuation allowances for loans granted to the special-purpose entity or to the utilization of guarantees provided in the Bank's financial statements. These risks are taken into account in the balance sheet or below the balance sheet.

36. Distribution Block.

In accordance with § 268 clause 8 HGB, a distribution block applies in connection with the option to recognize internally generated intangible assets held as long-term investments, the option to recognize deferred tax assets and the obligation for fair value measurement of pension-related assets.

Landesbank Baden-Württemberg has reported no distribution-blocked amounts on the balance sheet.

37. Related Party Disclosures.

Related party transactions are concluded at arm's length terms in the ordinary course of business. The following tables show the scope of such transactions:

EUR million	Companies with significant holdings (shareholders)	Members of the Board of Managing Directors and supervisory bodies	Affiliates	Associated companies	Joint ventures	Other related parties/ companies
Loans and advances to banks						
2010	1 167	0	224	16	0	1 137
2009	957	0	2 038	28	0	5 861
Loans and advances to customers						
2010	4 926	5	11 176	279	27	39
2009	4 439	3	17 486	301	27	29
Trading assets						
2010	1 515	0	7 645	28	0	333
2009	867	0	183	22	0	210
Non-current financial assets						
2010	12 805	0	950	0	0	5 716
2009	12 700	0	0	0	0	5 930
Total assets						
2010	**20 413**	**5**	**19 995**	**323**	**27**	**7 225**
2009	**18 963**	**3**	**19 707**	**351**	**27**	**12 030**

EUR million	Companies with significant holdings (shareholders)	Members of the Board of Managing Directors and supervisory bodies	Affiliates	Associated companies	Joint ventures	Other related parties/ companies
Liabilities due to banks						
2010	5 237	0	60	221	0	3 343
2009	5 064	0	1 072	225	0	8 828
Amounts due to customers						
2010	12 946	5	4 369	41	17	1
2009	13 986	5	6 791	41	9	0
Securitized debt						
2010	0	0	12	0	0	0
2009	0	0	20	0	0	0
Trading liabilities						
2010	1 070	0	1 004	53	0	12
2009	11	0	0	25	0	70
Subordinated capital						
2010	3 144	0	554	10	0	0
2009	3 116	0	520	10	0	0
Total liabilities						
2010	**22 397**	**5**	**5 999**	**325**	**17**	**3 356**
2009	**22 177**	**5**	**8 403**	**301**	**9**	**8 898**

Rental expenses of EUR 44.6 million are included in these amounts.

The increase to the volumes in the »Financial assets« and »Loans and advances to customers« items in the »Shareholders« column resulted primarily from the risk shield of EUR 12.7 billion provided by the state of Baden-Württemberg.

38. List of Shareholdings.

In the annual financial statements as at December 31, 2010, and pursuant to § 285 No. 11 HGB, the Landesbank Baden-Württemberg lists the shareholdings with details pursuant to § 285 No. 11a HGB in the Notes:

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
I. Companies included in the consolidated financial statements						
a. Fully consolidated subsidiaries						
Alpha Real Estate (Luxembourg) S.à.r.l. [1) 11)]	Luxembourg, Luxembourg	100.00		EUR	12.00	– 1.00
ALVG Anlagenvermietung GmbH [1) 4a) 16)]	Stuttgart	100.00		EUR	95 955.02	0.00
Austria Beteiligungsgesellschaft mbH [16)]	Stuttgart	66.67		EUR	35 641.74	1 652.28
Baden-Württemberg L-Finance N.V. [3) 16)]	DX Hoofddorp, Netherlands	100.00		EUR	5 137.23	1 347.02
Bahnhofplatz Objekt-GmbH & Co. KG [1) 16)]	Stuttgart	93.21	100	EUR	13 441.51	0.00
Bahnhofplatz Objektverwaltungs-GmbH [1) 16)]	Stuttgart	93.21	100	EUR	19.28	– 3.85
Bahnhofplatz-Gesellschaft Stuttgart AG [1) 4a) 16)]	Stuttgart	93.21		EUR	4 452.44	0.00
BETA REAL ESTATE (Luxembourg) S.à.r.l. [1)]	Luxembourg, Luxembourg	100.00			Not specified	Not specified
BW-Immobilien GmbH [1) 4a) 11)]	Stuttgart	100.00		EUR	2 362.00	0.00
CFH Beteiligungsgesellschaft mbH [16)]	Leipzig	100.00		EUR	91 086.83	522.24
Château de Beggen Participations S.A. [1) 16)]	Luxembourg, Luxembourg	100.00		EUR	11 181.94	11 806.94
Dritte Industriehof Objekt-GmbH & Co. KG [1) 16)]	Stuttgart	93.57	100	EUR	701.91	0.00
Einkaufszentrum Stachus München GmbH [1) 3a) 4a) 16)]	Stuttgart	100.00		EUR	25.00	0.00
Eisenbahn-Siedlungsgesellschaft Stuttgart gGmbH [1) 16)]	Stuttgart	94.87		EUR	11 000.00	11.23
Employrion Komplementär GmbH [1) 16)]	Weil	35.00	100	EUR	26.17	0.69
Entwicklungsgesellschaft Grunewaldstraße 61 – 62 mbH & Co. KG [1) 16)]	Berlin	94.84	94.9	EUR	– 369.23	– 235.38
Entwicklungsgesellschaft Uhlandstraße 187 GmbH & Co. KG [1) 16)]	Berlin	94.90		EUR	– 1 437.02	– 1 384.35
Erste IMBW Capital & Consulting Komplementär GmbH [1) 11)]	Weil	40.00	100	EUR	27.00	1.00
Erste Industriehof Objekt-GmbH & Co. KG [1) 16)]	Stuttgart	93.57	100	EUR	450.16	0.00
EuroCityCenterWest GmbH & Co. KG [1) 16)]	Stuttgart	100.00		EUR	– 5 165.33	– 984.34
EuroCityCenterWest Verwaltungs-GmbH [1) 16)]	Stuttgart	94.80		EUR	33.79	– 0.65
FLANTIR PROPERTIES LIMITED [1) 11)]	Nicosia, Cyprus	100.00		EUR	2.00	– 15.00
FOM/LEG Verwaltungs GmbH [1) 11)]	Heidelberg	50.00		EUR	25.00	3.00
Fünfte Industriehof Objekt-GmbH & Co. KG [1) 16)]	Stuttgart	93.57	100	EUR	634.23	0.00
Gewerbepark Königstraße Kaiserslautern GmbH [1) 16)]	Stuttgart	100.00		EUR	– 34.66	354.17
Grensstraat LR Development S.P.R.L. [1) 11)]	Brussels, Belgium	100.00		EUR	– 467.00	– 473.00
Grunewaldstraße 61 – 62 GmbH [1) 16)]	Berlin	94.84	100	EUR	24.91	0.96
HIRP Housing Initiative Rheinland-Pfalz Management- und Entwicklungsgesellschaft mbH [1) 16)]	Mainz	41.08	79.9	EUR	100.00	0.00
IMBW Capital & Consulting GmbH [1) 4a) 11)]	Stuttgart	100.00		EUR	250.00	0.00
Industriehof Objektverwaltungs-GmbH [1) 4a) 16)]	Stuttgart	93.57	100	EUR	30.14	6.64
Industriehof-Aktiengesellschaft [1) 4a) 16)]	Stuttgart	93.57		EUR	23 281.64	0.00
IRP Immobilien-Gesellschaft Rheinland-Pfalz mbH [1) 4c) 16)]	Mainz	51.41		EUR	1 702.20	227.02
Kiesel Finance Management GmbH [1)]	Baienfurt	90.00		EUR	23.30	2.40
Kommunalbau Rheinland-Pfalz GmbH [1) 4c) 16)]	Mainz	51.40		EUR	1 009.03	266.65
Landesbank Baden-Württemberg Capital Markets Plc [3) 16)]	London, UK	100.00		GBP	6 012.58	186.44
Lasssarus Handels GmbH (in Liqu.) [1) 14)]	Vienna, Austria	100.00		EUR	1 525 773.78	25 738.78
LBBW Asset Management Investmentgesellschaft mbH [3) 16)]	Stuttgart	100.00		EUR	24 588.54	3 101.64
LBBW Asset Management (Ireland) plc [16)]	Dublin 2, Ireland	100.00		EUR	43 255.00	32 704.00
LBBW Bank CZ a.s. [16)]	Prague 5, Czech Republic	100.00		CZK	109 703.56	– 30 367.08
LBBW Dublin Management GmbH [3) 4) 16)]	Mainz	100.00		EUR	230 845.91	0.00
LBBW Grundstücksverwaltungsgesellschaft mbH & Co. KG Objekt am Pariser Platz Stuttgart [16)]	Stuttgart	100.00		EUR	65 901.97	– 1 255.68
LBBW Immobilien Capital Fischertor GmbH & Co. KG [1) 16)]	Munich	93.98	94	EUR	– 5 879.69	– 1 360.69
LBBW Immobilien Capital GmbH [1) 16)]	Stuttgart	100.00		EUR	– 1 339.99	– 1 437.36
LBBW Immobilien Development Beteiligungen GmbH [1) 4a) 16)]	Stuttgart	100.00		EUR	25.00	0.00
LBBW Immobilien Development GmbH [1) 4a) 11)]	Stuttgart	94.90		EUR	5 000.00	0.00

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Cur-rency	Equity EUR th.	Result EUR th.
LBBW Immobilien Gebäude-Service GmbH [1) 4a) 16)]	Stuttgart	100.00		EUR	51.13	0.00
LBBW Immobilien GmbH [1) 4b) 16)]	Stuttgart	100.00		EUR	708 611.42	0.00
LBBW Immobilien GmbH & Co. Beteiligung KG [1) 16)]	Stuttgart	100.00		EUR	61 753.23	– 16 051.03
LBBW Immobilien Kommunalentwicklung GmbH [1) 4a) 16)]	Stuttgart	81.62		EUR	2 016.51	0.00
LBBW Immobilien Luxemburg S. A. [1) 11)]	Luxembourg, Luxembourg	100.00		EUR	– 4 716.00	– 4 910.00
LBBW Immobilien Management Gewerbe GmbH [1) 4a) 16)]	Stuttgart	94.90		EUR	3 303.97	0.00
LBBW Immobilien Management Wohnen GmbH [1) 4a) 11)]	Stuttgart	100.00		EUR	2 500.00	0.00
LBBW Immobilien Romania S.R.L. [1) 11)]	Bucharest, Romania	99.95	100	EUR	– 1 510.00	– 1 508.00
LBBW Immobilien Versicherungsvermittlung GmbH [1) 4a) 16)]	Stuttgart	100.00		EUR	25.00	0.00
LBBW Immobilien Wohnungsprivatisierung GmbH [1) 4a) 16)]	Stuttgart	94.90		EUR	262.58	0.00
LBBW Immobilien-Holding GmbH [4) 16)]	Stuttgart	100.00		EUR	976 250.54	0.00
LBBW Leasing GmbH [4) 16)]	Mannheim	100.00		EUR	475 088.54	0.00
LBBW Luxemburg S.A. [3) 16)]	Luxembourg, Luxembourg	100.00		EUR	262 500.00	– 103 000.00
LBBW Spezialprodukte-Holding GmbH [4) 16)]	Stuttgart	100.00		EUR	239 262.97	0.00
LBBW US Real Estate Investment LLC [11)]	Wilmington, Delaware, USA	100.00		USD	74 428.06	3 278.53
LEG Baden-Württemberg Verwaltungs-GmbH [1) 16)]	Stuttgart	100.00		EUR	24.72	4.77
LEG Projektgesellschaft 2 GmbH & Co. KG [1) 16)]	Stuttgart	100.00		EUR	– 6 763.80	– 6 598.49
LEG Projektgesellschaft 4 GmbH & Co. KG [1) 16)]	Stuttgart	100.00		EUR	– 33 161.30	– 31 307.27
LEG Verwaltungsgesellschaft 2 mbH [1) 16)]	Stuttgart	100.00		EUR	26.70	0.33
LOOP GmbH [1) 3a) 16)]	Stuttgart	100.00		EUR	– 2 020.61	– 485.79
LRP Capital GmbH [4) 16)]	Stuttgart	100.00		EUR	14 000.00	0.00
MANUKA Grundstücks-Verwaltungsgesellschaft mbH [1) 16)]	Stuttgart	100.00		EUR	23.84	– 0.88
MKB Mittelrheinische Bank GmbH [4a) 16)]	Koblenz	100.00		EUR	36 765.47	5 799.03
MKB Versicherungsdienst GmbH [1) 4a) 16)]	Koblenz	100.00		EUR	27.05	0.00
MMV Leasing GmbH [1) 4a) 16)]	Koblenz	100.00		EUR	21 000.00	0.00
MMV Mobilien Verwaltungs- und Vermietungsgesellschaft mbH [1) 4a) 16)]	Koblenz	100.00		EUR	26.00	0.00
Mogon Vermögensverwaltungs GmbH [4) 16)]	Mainz	100.00		EUR	138.00	0.00
Nagatino Property S.à.r.l. [1)]	Luxembourg, Luxembourg	100.00		EUR	– 29 233.70	– 27 064.90
Parc Helfent Participations S.A. [1) 16)]	Luxembourg, Luxembourg	100.00		EUR	11 868.28	11 528.93
Projekt 20 Verwaltungs GmbH [1) 16)]	Munich	93.98	100	EUR	29.30	3.44
Projektgesellschaft Bockenheimer Landstraße 33 – 35 GmbH & Co. KG [1) 11)]	Kronberg i. T.	94.00	50	EUR	– 5 094.00	– 1 393.00
Schlossgartenbau Objekt-GmbH & Co. KG [1) 4a) 16)]	Stuttgart	92.68	100	EUR	18 548.97	0.00
Schlossgartenbau Objektverwaltungs-GmbH [1) 16)]	Stuttgart	92.68	100	EUR	15.62	18.18
Schlossgartenbau-Aktiengesellschaft [1) 4a) 16)]	Stuttgart	92.68		EUR	6 592.42	0.00
Schockenried GmbH & Co. KG [1) 16)]	Stuttgart	100.00		EUR	– 4 428.39	– 1 461.13
Schockenriedverwaltungs GmbH [1) 16)]	Stuttgart	94.80		EUR	24.61	0.56
Sechste Industriehof Objekt-GmbH & Co. KG [1) 16)]	Stuttgart	93.57	100	EUR	307.51	0.00
SG Management GmbH [1) 16)]	Stuttgart	92.68	100	EUR	11 806.21	– 5 363.18
SGB – Hotel GmbH & Co. KG [1) 16)]	Stuttgart	92.68	100	EUR	– 975.62	– 984.52
SL Bayern Verwaltungs GmbH [1)]	Mannheim	100.00		EUR	940.80	80.90
SL RheinMainSaar Verwaltungs GmbH [1)]	Mannheim	100.00		EUR	515.70	4.30
SLN Maschinen-Leasing Verwaltungs-GmbH [1)]	Berlin	100.00		EUR	748.20	110.40
SLP Mobilien-Leasing Verwaltungs-GmbH [1)]	Mannheim	100.00		EUR	4 465.40	1 204.30
Süd KB Unternehmensbeteiligungsgesellschaft mbH [16)]	Stuttgart	100.00		EUR	47 713.52	15 507.57
SüdFactoring GmbH [4) 3b) 16)]	Stuttgart	100.00		EUR	2 600.00	0.00
Süd-Kapitalbeteiligungs-Gesellschaft mbH [1) 4a) 16)]	Stuttgart	100.00		EUR	88 981.87	0.00
SüdLeasing Finance-Holding GmbH [1)]	Stuttgart	100.00		EUR	10 037.80	– 9.90
SüdLeasing GmbH [2) 4a) 16)]	Mannheim	100.00		EUR	32 085.00	0.00
Turtle Beteiligungs-Ehningen II GmbH [1) 11)]	Frankfurt a. M.	49.00	100	EUR	25.00	1.00
Turtle Beteiligungs-Hannover-City GmbH [1) 11)]	Frankfurt a. M.	49.00	100	EUR	23.00	– 1.00
Turtle Beteiligungs-Portfolio GmbH [1) 11)]	Frankfurt a. M.	49.00	100	EUR	23.00	– 1.00
Turtle Ehningen II GmbH & Co. KG [1) 11)]	Frankfurt a. M.	49.00	100	EUR	– 20.00	– 8.00
Turtle Portfolio GmbH & Co. KG [1) 11)]	Frankfurt a. M.	49.00	100	EUR	– 5 315.00	– 5 359.00
Turtle 1. Verwaltungs-GmbH [1) 11)]	Frankfurt a. M.	49.00	100	EUR	27.00	1.00
Uhlandstraße 187 GmbH [1) 16)]	Berlin	94.90	100	EUR	24.46	0.86

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Cur-rency	Equity EUR th.	Result EUR th.
Vermietungs- und Verwaltungsgesellschaft Sendlinger Straße mbH [1) 11)]	Stuttgart	47.45	100	EUR	30.00	1.00
Vierte Industriehof Objekt-GmbH & Co. KG [1) 16)]	Stuttgart	93.57	100	EUR	1 176.78	0.00
VVS II GmbH & Co. KG [1) 11)]	Stuttgart	47.45	52.55	EUR	–248.00	–258.00
VVS II Verwaltungs-GmbH [1) 11)]	Stuttgart	47.45	50	EUR	27.00	2.00
VVS III GmbH & Co. KG [1) 11)])	Stuttgart	47.45	52.55	EUR	–306.00	–316.00
VVS III Verwaltungs-GmbH [1) 11)]	Stuttgart	47.45	50	EUR	26.00	1.00
Zenon Mobilien-Leasing GmbH [1)]	Mannheim	100.00		EUR	295.50	59.50
Zorilla Mobilien-Leasing GmbH [1)]	Mannheim	100.00		EUR	85.00	–9.10
Zweite IMBW Capital & Consulting Komplementär GmbH [1) 11)]	Stuttgart	100.00		EUR	27.00	1.00
Zweite Industriehof Objekt-GmbH & Co. KG [1) 16)]	Stuttgart	93.57	100	EUR	19 825.72	0.00
Zweite LBBW US Real Estate GmbH [16)]	Leipzig	100.00		EUR	51 162.98	–19 983.58
b. Fully consolidated subsidiaries (special-purpose entities)						
aiP Gärtnerplatz GmbH & Co. KG [1) 16)]	Oberhaching	45.00	50	EUR	–6 881.53	–2 254.55
aiP Isarauen GmbH & Co. KG [1) 16)]	Oberhaching	45.00	50	EUR	–352.14	–141.80
Bauwerk-Stuttgart GmbH [1) 16)]	Stuttgart	50.00		EUR	–58.44	–83.44
BWI Fonds 106 (ehemals STIRT Fonds) [16)]	Stuttgart	100.00	0	EUR	64 174.29	3 895.51
BWInvest-TR6-Fonds [16)]	Stuttgart	100.00	0	EUR	57 745.83	277.34
Employrion Immobilien GmbH & Co. KG [1) 16)]	Weil (Schwabhausen)	35.00	50	EUR	–3 233.57	–3 128.27
Erste IMBW Capital & Consulting Objektgesellschaft mbH & Co. KG [1) 11)]	Weil	40.00	50	EUR	–9 976.00	–3 155.00
FOM/LEG Generalübernehmer GmbH & Co. KG [1) 3a) 11)]	Heidelberg	50.00		EUR	–451.00	937.49
Georges Quay Funding I Limited [16)]	Dublin 1, Ireland	0.00		EUR	8.54	–0.23
Grundstücksgesellschaft Einkaufszentrum Haerder-Center Lübeck mbH & Co. KG [1) 11)]	Berlin	50.00		EUR	–2 459.00	–1 049.00
Grundstücksgesellschaft Einkaufszentrum Kröpeliner-Tor-Center Rostock mbH & Co. KG [1) 11)]	Berlin	39.94	50	EUR	–7 669.76	566.36
Kyma Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Löhr's Carré KG [1) 16)]	Haar	0.00		EUR	2 973.00	3 256.00
LAAM-Fonds I (LAAM Subtrust I) [16)]	George Town, Cayman Islands	100.00	0	EUR	79 034.40	7 936.51
LAAM-Fonds II [16)]	George Town, Cayman Islands	100.00	0	EUR	80 482.28	7 085.20
LAAM-Fonds XI [16)]	George Town, Cayman Islands	100.00	0	EUR	40 115.12	2 929.45
LBBW EuroLiquid [17)]	Stuttgart	96.02	0	EUR	74 258.28	–1 241.40
LEG Baden-Württemberg Wohnungsgesellschaft mbH & Co. KG [1) 3a) 16)]	Stuttgart	100.00	15	EUR	13 401.04	–13 585.42
LEG Baden-Württemberg Wohnungsverwaltungsgesellschaft mbH & Co. KG [1) 3a) 16)]	Stuttgart	100.00	15	EUR	14 205.00	–7 300.61
Mainau Funding Ltd. [16)]	Dublin 2, Ireland	0.00		EUR	–147 154.52	0.38
Parcul Banatului SRL [1) 16)]	Bucharest, Romania	47.45	50	EUR	–8 351.59	–2 273.29
S-Fix 1 GmbH [16)]	Frankfurt a. M.	0.00		EUR	25.97	0.90
Spencerview Asset Management Ltd. [16)]	Dublin 2, Ireland	0.00		EUR	1.00	0.00
Turtle Vermögensverwaltungs-GmbH & Co. KG [1) 11)]	Frankfurt a. M.	49.00	50	EUR	–45.00	–8.00
Vermietungs- und Verwaltungsgesellschaft Sendlinger Straße GmbH & CO. KG [1) 11)]	Stuttgart	47.45	50	EUR	–13 294.00	–11 178.00
2. Joint ventures: proportional consolidation						
ARGE ParkQuartier Berg [1) 11)]	Stuttgart	50.00		EUR	7 982.00	3 718.00
Bad Kreuznacher Entwicklungsgesellschaft mbH (BKEG) [1) 16)]	Bad Kreuznach	50.00		EUR	–2 180.59	625.21
LHI Leasing GmbH [1) 16)]	Pullach i. Isartal	51.00		EUR	41 138.89	628.21
TCD LEG/FOM GbR [1) 8)]	Stuttgart	50.00		EUR	168.00	23.00
Verwaltungsgesellschaft Filderbahnstraße mbH [1) 16)]	Stuttgart	47.45	50	EUR	23.86	0.06
Verwaltungsgesellschaft Hauptstraße mbH [1) 16)]	Stuttgart	47.45	50	EUR	23.20	0.20
3. Associated companies at equity						
Altstadt-Palais Immobilien GmbH & Co. KG [1) 11)]	Weil	40.00	50	EUR	–1 463.00	26 833.00
Bauland Kruft Süd GmbH [1) 16)]	Mainz	26.22	51	EUR	–760.00	–223.26
BWK GmbH Unternehmensbeteiligungsgesellschaft [1) 16) 22)]	Stuttgart	45.00		EUR	209 320.84	16 163.42
EGH Entwicklungsgesellschaft Heidelberg GmbH & Co. KG [1) 11)]	Heidelberg	33.33		EUR	1 947.00	–3 043.00
EGH Projektgesellschaft Heidelberg GmbH [1) 11)]	Heidelberg	33.33		EUR	27.00	2.00

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
SGB – Hotel – Verwaltung GmbH [1) 16)]	Stuttgart	46.34	50	EUR	16.74	–7.04
Vorarlberger Landes- und Hypothekenbank AG [1) 16)]	Bregenz, Austria	16.67	25	EUR	514 501.26	63 292.84
II. Companies not included in the consolidated financial statements due to being of minor significance						
1.1. Subsidiaries not included						
ABS Kompakt GmbH i.L. [16)]	Stuttgart	100.00		EUR	54.24	–6.18
Advanced Solutions GmbH [1) 11)]	Böblingen	100.00		EUR	504.23	846.91
AfL Mietkauf & Leasing GmbH & Co. KG [1)]	Mannheim	100.00		EUR	–63.50	141.50
aiP Gärtnerplatz Verwaltungs GmbH [1) 16)]	Oberhaching	45.00	100	EUR	22.86	1.18
aiP Hirschgarten 1 Verwaltungs GmbH [1) 11)]	Oberhaching	45.00	100	EUR	28.00	0.00
aiP Isarauen Verwaltungs GmbH [1) 16)]	Oberhaching	45.00	100	EUR	25.94	1.20
Atlas Beteiligungs-GmbH i.L. [4)]	Mannheim	100.00		EUR	25.56	0.00
Atlas Weyhausen Services GmbH & Co. KG [1)]	Mannheim	100.00		EUR	115.40	12.10
B. & C. Leasing GmbH & Co. KG [1) 16)]	Mannheim	0.00	75	EUR	2 807.03	257.51
Baden-Württembergische Equity Gesellschaft mit beschränkter Haftung [16)]	Stuttgart	100.00		EUR	1 024.46	197.04
Bahnhof Münster Komplementär GmbH i. L. [1) 16)]	Ettlingen	51.00		EUR	20.38	–4.62
Britta Grundstücksverwaltungsgesellschaft mbH [1) 4a) 16)]	Mannheim	100.00		EUR	35 247.65	0.00
BW Bank Capital Funding LLC I [1) 3) 16)]	Florham Park, USA	0.01	100	EUR	50 004.00	3 000.18
BW Bank Capital Funding LLC II [1) 3) 16)]	Florham Park, USA	0.01	100	EUR	50 003.00	2 099.64
BW Bank Capital Funding Trust I [1)]	Florham Park, USA	0.00	100		Not specified	Not specified
BW Bank Capital Funding Trust II [1)]	Florham Park, USA	0.00	100		Not specified	Not specified
BW Capital Markets Inc. [3) 16)]	Florham Park, NEW JERSEY, USA	100.00		USD	534.63	–130.34
BW Leasing GmbH & Co. KG [1) 16)]	Mannheim	100.00		EUR	–255.95	295.88
BW Mergers & Acquisitions GmbH i.L. [16)]	Stuttgart	100.00		EUR	19 958.57	447.41
BW-Holding GmbH i.L. [16)]	Stuttgart	100.00		EUR	429.98	–1.02
CARGO SL Mobilien-Leasing GmbH & Co. KG [1) 16)]	Mannheim	0.00	75	EUR	222.48	–17.88
Carmen Mobilien-Leasing GmbH i. L. [1) 16)]	Mannheim	100.00		EUR	22.18	–1.83
cellent AG [1) 9)]	Vienna, Austria	100.00		EUR	1 354.72	658.87
cellent AG [16)]	Stuttgart	100.00		EUR	14 683.65	1 792.87
Cellent Finance Solutions AG [16)]	Stuttgart	100.00		EUR	4 050.54	–60.64
Cellent Finance Solutions GmbH [1) 16)]	Munich	100.00		EUR	946.62	26.46
Centro Alemán de Industria y Comercio de México S.de R.L.de C.V. [2) 16)]	México, D. F., Mexico	100.00		MXN	–12 313.08	558.89
CFH Mittelstand Unternehmensbeteiligungsgesellschaft mbH [1) 16)]	Leipzig	100.00		EUR	11 411.85	424.52
CFH Osteuropafonds GmbH i. L. [1) 16)]	Leipzig	100.00		EUR	2.69	–5.04
CIM Real Estate Verwaltungs GmbH i. L. [1) 11)]	Munich	100.00		EUR	79.41	1.27
CS Consulting AG [1) 4a) 16)]	Hanover	60.00	100	EUR	1 050.00	0.00
CS Consulting GmbH [1) 16)]	Hanover	60.00		EUR	17 026.00	2 796.00
CS Insurance IT GmbH [1) 16)]	Langenhagen	60.00	100	EUR	310.37	85.16
DBW Advanced Fiber Technologies GmbH [1) 16)]	Bovenden	99.16	100	EUR	21 896.99	–2 576.71
DBW Fiber Corporation [1) 16)]	Summerville, SC 29483, USA	99.16	100	USD	574.90	179.85
DBW Holding GmbH [1) 16)]	Bovenden	99.16	94.64	EUR	22 307.38	–67.37
DBW Hungary KFT [1) 16)]	Tapolca, Hungary	99.16	100	HUF	24.36	9.79
DBW Ibérica Industria Automoción, S.A. [1) 16)]	Vall d'Uxo Castellón, Spain	99.16	100	EUR	421.25	–374.79
DBW Metallverarbeitung GmbH [1) 4a) 16)]	Ueckermünde	99.16	100	EUR	1 233.88	0.00
DBW Polska Sp.z. o.o. [1) 16)]	Cigacice, Poland	99.16	100	PLN	15.26	3.90
DBW Sudogda [1) 11)]	Sudogda, Russia	99.16	100	EUR	–4.36	–5.18
DBW-Fiber-Neuhaus GmbH [1) 4a) 16)]	Neuhaus am Rennweg	99.16	100	EUR	3 000.00	0.00
Deutsche Mittelstandsinformatik GmbH i. L. [16)]	Stuttgart	90.00		EUR	0.00	–402.57
Dresden Fonds GmbH [16)]	Dresden	50.05		EUR	4 555.57	–209.12
Dritte LBBW US Real Estate GmbH [16)]	Leipzig	100.00		EUR	7 151.47	–21 579.36
ERGE Miet- und Finanzvermittlung GmbH & Co. KG [1) 16)]	Kehl	0.00	66.66	EUR	–78.63	15.55
Euro Leasing AG [1) 16)]	Luxembourg, Luxembourg	100.00		EUR	162.39	–0.31
Financial ServiceS GmbH [1) 16)]	Leipzig	100.00		EUR	136.41	3.85
Finclusive Alfmeier Leasing Services GmbH & Co. KG [1) 16)]	Mannheim	80.00	81	EUR	15.38	121.66
FIRKO Betreuungs GmbH [1) 16)]	Leipzig	100.00		EUR	395.31	37.12

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
FIRKO Betreuungs GmbH & Co. Windpark Zaulsdorf KG [16)]	Leipzig	100.00		EUR	–54.74	187.01
Franca Grundstücksverwaltungsgesellschaft mbH [1) 4a) 16)]	Mannheim	100.00		EUR	525.81	0.00
Franca Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien KG [2) 16)]	Mannheim	100.00		EUR	2 471.11	41.31
fsg Miet- und Leasing GmbH & Co. KG [1) 16)]	Mannheim	100.00		EUR	–79.80	–11.40
German Centre for Industry and Trade Beijing Co., Ltd. [16)]	Beijing, China	100.00		CNY	9.87	4.40
German Centre for Industry and Trade GmbH, Beteiligungsgesellschaft [4) 16)]	Stuttgart	100.00		EUR	989.39	0.00
German Centre for Industry and Trade Pte. Ltd. Singapore [1) 16)]	Singapore, Singapore	100.00		SGD	10 308.66	1 739.28
Gesellschaft zur Verwaltung von Gemeinschaftsanlagen mbH i.L. [1) 16)]	Stuttgart	100.00		EUR	14.82	0.00
Gmeinder Lokomotivenfabrik GmbH [1) 16)]	Mosbach	90.00		EUR	345.00	298.00
Grutrans GmbH i. L. [1) 16)]	Mannheim	100.00		EUR	19.00	–3.76
GVZ NORD PLANT GmbH [1) 16)]	Leipzig	100.00		EUR	5.25	–19.75
Haerder-Center Lübeck Verwaltungsgesellschaft mbH [1) 11)]	Berlin	50.00	100	EUR	26.00	1.00
Hemming AG [1) 5)]	Landau	92.19		EUR	118.00	422.00
Heurika Mobilien-Leasing GmbH [1) 3a) 16)]	Mannheim	100.00		EUR	–2 236.95	259.70
HO-IMMOTREU Grundstücksverwaltungsgesellschaft mbH [1) 16)]	Dornbirn, Austria	74.00	100	EUR	240.48	36.88
»HSL – Lindner« Traktorleasing GmbH [1) 16)]	Dornbirn, Austria	55.49	74.99	EUR	416.91	82.71
HSL Logisztika Hungary Korlátolt Felelösségü Társaság [1) 16)]	Budapest, Hungary	74.00	100	HUF	0.03	25.81
HÜCO Circuit Technology GmbH [1) 4a) 16)]	Espelkamp	90.00	100	EUR	35.21	0.00
Hüco electronic GmbH [1) 4a) 16)]	Espelkamp	90.00		EUR	3 333.39	0.00
HÜCO Leiterplatten GmbH [1) 4a) 16)]	Espelkamp	90.00	100	EUR	132.94	0.00
Hueco electronic (India) Private Ltd. [1) 19)]	Pune, India	90.00	100	INR	775.92	142.34
Hypo SüdLeasing ALPHA Mobilienverwaltung GmbH [1) 16)]	Dornbirn, Austria	74.00	100	EUR	17.50	63.53
Hypo SüdLeasing BETA Mobilienverwertung GmbH [1) 16)]	Dornbirn, Austria	74.00	100	EUR	17.50	20.11
Hypo SüdLeasing Beteiligungs GmbH [1) 16)]	Dornbirn, Austria	74.00	100	EUR	17.50	–2.99
Hypo SüdLeasing Car Fleet GmbH [1) 16)]	Dornbirn, Austria	74.00	100	EUR	17.50	–10.62
Hypo SüdLeasing EPSILON Mobilienleasing GmbH [1) 16)]	Dornbirn, Austria	74.00	100	EUR	17.50	210.13
Hypo SüdLeasing GmbH [1) 16)]	Dornbirn, Austria	74.00		EUR	–3 853.98	–5 433.85
Hypo SüdLeasing Immobilien GmbH [1) 16)]	Dornbirn, Austria	74.00	100	EUR	354.79	319.79
Hypo SüdLeasing KAPPA Mobilienleasing GmbH [1) 16)]	Dornbirn, Austria	74.00	100	EUR	17.50	–3.06
Hypo SüdLeasing Real Estate alpha GmbH [1) 16)]	Dornbirn, Austria	74.00	100	EUR	17.50	55.78
Hypo SüdLeasing Real Estate Austria Holding GmbH [1) 16)]	Dornbirn, Austria	74.00	100	EUR	9.89	16.44
Hypo SüdLeasing Real Estate International Holding GmbH [1) 16)]	Dornbirn, Austria	74.00	100	EUR	17.50	–196.64
Ina Grundstücksverwaltungsgesellschaft mbH i. L. [1) 16)]	Mannheim	100.00		EUR	5.29	–11.21
INPROX BP XX. Hypo SüdLeasing Korlátolt Felelösségü Társaság [1) 16)]	Budapest, Hungary	74.00	100	HUF	0.00	–0.01
INPROX GY Hypo SüdLeasing Ingatlanforgalmazó és Ingatlan-hasznositó Korlátolt Felelóssegü Tarsaság [1) 16)]	Budapest, Hungary	74.00	100	HUF	–17.29	–17.39
INPROX Praha Letnany – Hypo SüdLeasing s.r.o. [1) 16)]	Prague 1, Czech Republic	74.00	100	CZK	1 417.45	65.61
INPROX Praha Michle, s.r.o. [1) 16)]	Prague 1, Czech Republic	74.00	100	CZK	3 475.78	176.77
Iris Grundstücksverwaltungsgesellschaft mbH i. L. [1) 16)]	Mannheim	100.00		EUR	5.08	–11.20
I&S IT-Beratung & Services GmbH [1) 16)]	Dortmund	60.00	100	EUR	191.25	0.00
Janina Grundstücksverwaltungsgesellschaft mbH i. L. [1) 4a) 16)]	Mannheim	100.00		EUR	24.13	0.00
John Deere Leasing GmbH [1)]	Mannheim	100.00		EUR	–2 810.50	1 716.70
Karin Mobilien-Leasing GmbH [1) 16)]	Mannheim	100.00		EUR	618.89	164.46
Kiesel Finance GmbH & Co. KG [1) 16)]	Baienfurt	0.00	75	EUR	35.00	174.36
Kögel financial service GmbH & Co. KG [1) 16)]	Mannheim	100.00		EUR	–20.99	25.79
Kröpeliner-Tor-Center Rostock Vermietungsgesellschaft mbH i. L. [1) 11)]	Berlin	83.40		EUR	8.00	30.00
Kröpeliner-Tor-Center Rostock Verwaltungsgesellschaft mbH [1) 11)]	Berlin	39.94	100	EUR	14.00	0.00
KURIMA Grundstücksgesellschaft mbH & Co. KG [1) 16)]	Grünwald	1.00	84	EUR	8.05	–6.12
LA electronic Holding GmbH [1) 16)]	Espelkamp	100.00		EUR	–6 086.43	–2 326.11
Laurus Grundstücksverwaltungsgesellschaft mbH [1) 16)]	Mannheim	100.00		EUR	1 655.37	2.75
LBBW Equity Partners GmbH & Co. KG [16)]	Munich	100.00		EUR	671.93	–2 039.65
LBBW Equity Partners Verwaltungs GmbH [16)]	Munich	100.00		EUR	19.47	–1.69
LBBW Gastro Event GmbH [4) 16)]	Stuttgart	100.00		EUR	130.00	0.00
LBBW Grundstücksverwaltungsgesellschaft mbH [4) 16)]	Stuttgart	100.00		EUR	25.99	0.00

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
LBBW Grundstücksverwaltungsgesellschaft mbH & Co. KG Objekt Am Hauptbahnhof Stuttgart [16)]	Stuttgart	100.00		EUR	–45 309.21	1 857.40
LBBW Grundstücksverwaltungsgesellschaft mbH & Co. KG Objekt Lessingstraße 11, Freiburg [16)]	Stuttgart	100.00		EUR	6 101.79	1 070.03
LBBW GVZ Entwicklungsgesellschaft Leipzig mbH [16)]	Leipzig	100.00		EUR	2 294.45	–837.62
LBBW México [2) 16)]	México, Mexico	100.00		MXN	975.25	–483.79
LBBW Pensionsmanagement GmbH [4) 16)]	Stuttgart	100.00		EUR	25.00	0.00
LBBW Repräsentanz Sao Paulo Ltda. [2) 16)]	Itaim-Bibi/ Sao Paulo, Brazil	100.00		EUR	121.95	2.42
LBBW (Schweiz) AG [16)]	Zurich, Switzerland	100.00		EUR	13 624.26	162.89
LBBW Service GmbH [4) 16)]	Mainz	100.00		EUR	25.00	125.45
LBBW Trust GmbH i.L. [16)]	Stuttgart	100.00		EUR	2 792.76	10.89
LBBW Venture Capital GmbH [16)]	Stuttgart	100.00		EUR	29 810.28	109.13
LBBW Verwaltungsgesellschaft Leipzig mbH [1) 16)]	Leipzig	100.00		EUR	23.78	–3.83
LBBW Verwaltungsgesellschaft Leipzig mbH & Co. Parking KG [16)]	Leipzig	100.00		EUR	95.45	–159.97
LBBW Verwaltungsgesellschaft Leipzig mbH & Co. REKIM KG [16)]	Leipzig	100.00		EUR	10 277.10	50.07
LEG Osiris 4 GmbH [1) 16)]	Stuttgart	100.00		EUR	22.77	–0.57
LEG Osiris 5 GmbH [1) 16)]	Stuttgart	100.00		EUR	21.69	–1.00
LEG Projektgesellschaft 5 GmbH & Co. KG [1) 16)]	Stuttgart	100.00		EUR	–8.39	–2.16
LEG Verwaltungsgesellschaft 3 mbH [1) 16)]	Stuttgart	100.00		EUR	15.26	–11.25
LEG Verwaltungsgesellschaft 4 mbH [1) 16)]	Stuttgart	100.00		EUR	26.90	0.64
LEG Verwaltungsgesellschaft 5 mbH [1) 16)]	Stuttgart	100.00		EUR	26.47	0.35
LG Grundstücksanlagen-Gesellschaft mbH [16)]	Stuttgart	100.00		EUR	30.66	–0.73
LG Grundstücksanlagengesellschaft mbH & Co. KG – Immobilienverwaltung – [16)]	Stuttgart	100.00		EUR	1 387.05	–1 317.79
LGZ-Anlagen-Gesellschaft mbH [4) 16)]	Mainz	100.00		EUR	110.00	0.00
lighting+design GmbH [1) 16)]	Hennef	93.02		EUR	9 703.59	74.69
L-Immobilien GmbH [4) 16)]	Mannheim	100.00		EUR	180.95	0.00
Lissi Grundstücksverwaltungsgesellschaft mbH i. L. [1) 4a) 16)]	Mannheim	100.00		EUR	24.13	0.00
LLC German Centre for Industry and Trade [16)]	Moscow, Russia	100.00		RUB	2 843.15	–211.78
LRI Support Personenvereinigung [2)]	Luxembourg, Luxembourg	100.00			Not specified	Not specified
LSK Leasinggesellschaft für Sparkassenkunden mbH [1) 16)]	Mannheim	100.00		EUR	25.76	–3.62
MANUKA Grundstücksgesellschaft mbH & Co. KG [1) 16)]	Stuttgart	6.00	88	EUR	0.94	–6.24
MDL Mitteldeutsche Leasing GmbH [1) 16)]	Leipzig	100.00		EUR	–20 413.50	–459.83
Meridian Vermögensverwaltungsgesellschaft mbH i. L. [16)]	Mainz	100.00		EUR	–92.91	–7.09
MKL GmbH & Co. KG [1) 16)]	Mannheim	100.00		EUR	–882.20	–82.10
MLG GmbH & Co. KG [1) 16)]	Mannheim	100.00		EUR	–183.88	155.17
MLP Leasing GmbH & Co. KG [1) 16)]	Mannheim	100.00		EUR	–46.00	9.70
MLP Verwaltungs GmbH [1) 16)]	Mannheim	100.00		EUR	121.21	7.98
MLS GmbH & Co. KG [1)]	Mannheim	100.00		EUR	–1 134.10	823.60
MMV Mittelrheinische Leasing GmbH [1) 16)]	Koblenz	100.00		EUR	26.44	0.00
»Mongala« Beteiligungsverwaltung GmbH [1) 16)]	Dornbirn, Austria	73.70	99.6	EUR	17.50	28.32
OLIGO Lichttechnik GmbH [1) 4a) 16)]	Hennef	93.02	100	EUR	6 235.45	0.00
P.Lease GmbH & Co. KG [1) 16)]	Mannheim	100.00	81	EUR	2 556.46	402.50
Pollux Fünfte Beteiligungsgesellschaft mbH [16)]	Mainz	100.00		EUR	23.42	–0.46
Pollux Vierte Beteiligungsgesellschaft mbH [1) 16)]	Mainz	100.00		EUR	23.10	–0.46
Radon Verwaltungs-GmbH [16)]	Stuttgart	100.00		EUR	19 454.80	467.41
Remseck Grundstücksverwaltungsgesellschaft mbH in Stuttgart [1) 4a) 16)]	Stuttgart	100.00		EUR	33 788.52	0.00
Rhenus Mobilien GmbH & Co KG [1) 16)]	Holzwickede	0.00	51	EUR	250.00	1 931.57
Rhenus Mobilien II GmbH & Co. KG [1) 16)]	Holzwickede	0.00	51	EUR	340.87	613.73
Rhin-Neckar S.A. [16)]	Munsbach, Luxembourg	100.00		EUR	160.29	–128.02
RS Technologies GmbH i.I. [1)]	Leipzig	49.81	55.3		Not specified	Not specified
Sachsen V.C. GmbH & Co. KG [2) 16)]	Leipzig	75.19		EUR	9 387.18	449.73
Sachsen V.C. Verwaltungsgesellschaft mbH [1) 16)]	Leipzig	100.00		EUR	29.62	–2.34
SachsenFonds International Equity Holding I GmbH [1) 16)]	Aschheim-Dornach	96.15	100	EUR	5 068.12	123.36
SachsenFonds International Equity I GmbH & Co. KG [1) 16)]	Leipzig	96.15	96.14	EUR	15 538.18	497.48
SBF Sächsische Beteiligungsfonds GmbH [1) 16)]	Leipzig	100.00		EUR	63.99	–199.94
Schiffsfinanzierungsgesellschaft Danubia 1 GmbH [1) 16)]	Basel, Switzerland	100.00		CHF	299.44	12.67
Schiffshaltergesellschaft Albia 1 GmbH [1) 16)]	Basel, Switzerland	100.00		CHF	538.85	82.51

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Cur-rency	Equity EUR th.	Result EUR th.
Schiffshaltergesellschaft Moenum 1 GmbH [1) 16)]	Basel, Switzerland	100.00		CHF	538.80	82.99
Schmidt W & K Leasing GmbH & Co. KG [1) 16)]	Mannheim	90.00	97	EUR	0.00	36.99
SDT – Stanz und Dämmtechnik GmbH [1) 4a) 16)]	Berga	99.16	100	EUR	138.40	0.00
Servicios Administrativos GCM [2) 16)]	México, Mexico	100.00		MXN	52.90	–45.65
SKH Beteiligungs Holding GmbH [16)]	Leipzig	100.00		EUR	2 629.79	–200.65
SL Advance Leasing GmbH & Co. KG [1) 16)]	Mannheim	100.00		EUR	50.00	649.48
SL Aviation Lease GmbH i. L. [1) 16)]	Mannheim	100.00		EUR	6.38	–3.80
SL Bremen Verwaltungs-GmbH [1) 16)]	Mannheim	100.00		EUR	1 239.06	290.32
SL BW Verwaltungs GmbH [1) 16)]	Mannheim	100.00		EUR	860.90	168.56
SL CANADA, GP [1) 16)]	Ontario, Canada	100.00		CAD	–174.00	–174.00
SL Canada Holdings LLC [1) 16)]	Wilmington, New Castle County, Delaware, USA	100.00		USD	0.00	0.00
SL Düsseldorf Verwaltungs GmbH [1) 16)]	Mannheim	100.00		EUR	493.24	58.99
SL ENERCON Verwaltungs GmbH [1) 16)]	Mannheim	100.00		EUR	17.77	–3.88
SL FINANCIAL MEXICO, S.A. DE C.V., SOFOM, E. N. R. [1) 16)]	Col. Lomas de Santa Fe, Mexico	100.00		MXN	2 384.74	389.13
SL Financial Services Corporation [1) 16)]	Westport/ Connecticut, USA	100.00		USD	8 338.94	–19 761.23
SL First Credit Corporation [1) 7)]	Westport/ Conneticut, USA	100.00		USD	–2.26	0.00
SL Mobilien-Leasing GmbH & Co. ENERCON KG [1) 16)]	Mannheim	0.00	80	EUR	29 155.41	2 578.92
SL Mobilien-Leasing GmbH & Co. Hafis KG [1) 16)]	Mannheim	0.00	90	EUR	5 000.00	0.00
SL Mobilien-Leasing GmbH & Co. Helix KG [1) 16)]	Mannheim	100.00		EUR	1.82	0.44
SL Nordlease GmbH & Co KG [1) 16)]	Mannheim	0.00	60	EUR	0.00	1 283.60
SL Operating Services GmbH [1) 16)]	Mannheim	100.00		EUR	36.26	–14.55
SL Rail Services GmbH [1) 16)]	Mannheim	100.00		EUR	18.42	–4.15
SL Schleswig-Holstein Verwaltungs GmbH [1) 16)]	Mannheim	100.00		EUR	117.72	8.82
SL Stolle Mobilien-Leasing GmbH & Co. KG [1) 16)]	Mannheim	100.00		EUR	–30.90	–19.20
SLF-Leasing GmbH & Co. KG [1) 16)]	Mannheim	0.00	75	EUR	–3 611.54	768.93
SLKS GmbH & Co. KG [1)]	Stuttgart	100.00		EUR	1 420.90	4 359.60
SLN Maschinen Leasing GmbH & Co. OHG [1) 16)]	Berlin	0.00	75	EUR	0.00	795.15
SLP Mobilien-Leasing GmbH & Co. OHG [1) 16)]	Mannheim	0.00	75	EUR	688.83	225.57
SPI SüdProject International GmbH i. L. [16)]	Stuttgart	100.00		EUR	5 390.99	–325.28
STAATLICHE MAJOLIKA MANUFAKTUR KARLSRUHE GmbH [4) 16)]	Karlsruhe	100.00		EUR	2 136.26	0.00
Städtische Pfandleihanstalt Stuttgart Aktiengesellschaft, Gemeinnützige Kreditanstalt [16)]	Stuttgart	100.00		EUR	5 010.48	479.75
Steelcase Leasing GmbH & Co KG [1)]	Mannheim	100.00		EUR	265.40	18.10
Stuttgarter Aufbau Bau- und Verwaltungs-Gesellschaft mbH [4) 16)]	Stuttgart	100.00		EUR	153.39	0.00
Süd Beteiligungen GmbH [16)]	Stuttgart	100.00		EUR	194.26	1.21
Süd Beteiligungsberatung GmbH [16)]	Stuttgart	100.00		EUR	1 729.09	445.20
Süd Mobilien-Leasing GmbH [1) 4a)]	Stuttgart	100.00		EUR	28.30	60.30
Süd Private Equity Capital Partners I GmbH & Co. KG [1) 16)]	Stuttgart	100.00		EUR	55.58	–9.57
Süd Private Equity Capital Partners I Verwaltungs GmbH [1) 16)]	Stuttgart	100.00		EUR	11.96	–2.81
Süd Private Equity Fonds I GmbH & Co. KG [1) 16)]	Stuttgart	100.00		EUR	19.53	–7.54
Süd Private Equity Management GmbH [1) 16)]	Stuttgart	100.00		EUR	208.89	118.75
Süddeutsche Allgemeine Finanz- und Wirtschaftsgesellschaft mbH [1) 4a) 16)]	Mannheim	100.00		EUR	511.29	0.00
SüdImmobilien GmbH [4) 16)]	Mannheim	100.00		EUR	2 574.87	0.00
SüdLeasing Beteiligungsgesellschaft K mbH & Co. KG i. L. [1) 16)]	Mannheim	0.00	90	EUR	0.00	–5.72
SüdLeasing Beteiligungsgesellschaft P GmbH & Co. KG [1) 16)]	Mannheim	100.00		EUR	–33.73	–24.36
SüdLeasing d.o.o. Zagreb i. L. [1) 16)]	Zagreb, Croatia	100.00		HRK	0.03	1.64
SüdLeasing Espana E.F.C.S.A. [1) 16)]	Barcelona, Spain	100.00		EUR	24 502.00	–2 236.00
SüdLeasing Kft. [1) 16)]	Szekszard, Hungary	100.00		HUF	8.08	0.30
SüdLeasing Polska SP.z.o.o. [1) 16)]	Warsaw, Poland	100.00		PLN	0.07	–0.05
SüdLeasing s.r.o. (Prag) [1) 16)]	Prague 5, Czech Republic	100.00		CZK	1 499.37	–373.53
SüdLeasing Structured Finance GmbH i. L. [1) 16)]	Mannheim	0.00	100	EUR	509.74	–2.77
SüdLeasing Suisse AG [1) 16)]	Bachenbülach, Switzerland	100.00		CHF	16 704.15	136.23
SüdRenting S.L. [1) 16)]	Barcelona, Spain	100.00		EUR	2 853.47	995.54
SuedLeasing Romania IFN S.A. [1) 16)]	Bucharest, Romania	100.00		RON	947.16	29.73

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Cur-rency	Equity EUR th.	Result EUR th.
Tacita Mobilien-Leasing GmbH [1]	Mannheim	100.00		EUR	15.20	–3.00
Tamaris Mobilien-Leasing GmbH [1]	Mannheim	100.00		EUR	17.60	–2.50
Technologiegründerfonds Sachsen Holding GmbH & Co. KG [1] [16]	Leipzig	0.00	100	EUR	0.00	0.00
Technologiegründerfonds Sachsen Seed GmbH & Co. KG [2] [16]	Leipzig	3.34	93.34	EUR	15 155.25	–3 266.73
Technologiegründerfonds Sachsen Start up GmbH & Co. KG [2] [16]	Leipzig	10.83	78.33	EUR	37 024.66	–1 372.39
Technologiegründerfonds Sachsen Verwaltung GmbH [1] [16]	Leipzig	100.00		EUR	23.75	1.54
Thömen Leasing GmbH & Co. KG [1] [16]	Mannheim	0.00	75	EUR	941.18	260.83
Truck Trailer Leasing GmbH & Co. KG [1] [16]	Mannheim	0.00	60	EUR	–88.70	0.00
uwe Leasing GmbH & Co. KG [1] [16]	Mannheim	100.00		EUR	–46.55	60.62
Valerie Grundstücksverwaltungsgesellschaft mbH i.L. [1] [4a] [16]	Mannheim	100.00		EUR	24.39	0.00
Wachstumsfonds Mittelstand Sachsen Verwaltung GmbH [1] [16]	Leipzig	100.00		EUR	33.40	2.58
WM Mobilien-Leasing GmbH & Co. KG [1] [16]	Mannheim	0.00	75	EUR	3 230.15	2 314.50
Yankee Properties LLC	Wilmington/ Delaware, USA	100.00			Not specified	Not specified
YOZMA III GmbH & Co. KG [1] [16]	Munich	77.14		USD	984.84	418.55
Zweite Karl-Scharnagl-Ring Immobilien Verwaltung GmbH [1] [16]	Munich	100.00		EUR	29.12	1.25
1.2. Subsidiaries not included, no consolidation (special-purpose entities)						
Amaryllis Asset Linked Securities Ltd. [16]	Dublin 1, Ireland	0.00		EUR	0.00	0.00
AROSA FUNDING LIMITED, Serie 2006-10 [16]	St. Helier JE4 9WG, UK	0.00		EUR	0.00	0.00
AROSA FUNDING LIMITED, Serie 2007-4 [16]	St. Helier JE4 9WG, UK	0.00		EUR	0.00	0.00
ASPEN Lucian Ltd. [16]	Kaim George Town, G.C. KY1–1104, Cayman Islands	0.00		EUR	0.00	0.00
Cairn Company (Jersey No.3) Limited [16]	GB St. Helier JE4 8ZB, UK	0.00		EUR	0.00	0.00
Cairn Company (Jersey No.5) Limited [16]	St.Helier JE4 8ZB, UK	0.00		EUR	0.00	0.00
Cairn Company Jersey No.6 Limited [16]	St. Helier JE4 8ZB, UK	0.00		EUR	0.00	0.00
CLARIS III Ltd. [16]	St.Helier JE 4 8PX, UK	0.00		EUR	0.00	0.00
CLARIS SV 2007-3 A2 (Serie 104-2007) [16]	St.Helier JE4 8PX, UK	0.00		EUR	0.00	0.00
Cloverie Public Limited Company [16]	Dublin 1, Ireland	0.00		EUR	0.00	0.00
Corsair Jersey No.6 Limited [16]	GB St. Helier JE4 8ZB, UK	0.00		EUR	0.00	0.00
Entry Funding No.1 plc [16]	Dublin 2, Ireland	0.00		EUR	–37 867.46	–29 149.39
Hirschgarten GÜ GmbH & Co. KG [1] [11]	Oberhaching	45.00	50	EUR	354.00	493.00
Humboldt Multi Invest B SICAV-FIS LBBW Absolute Return Fund [12]	Luxembourg, Luxembourg	100.00		EUR	64 488.34	–4 133.51
Impactor Credit SPI (Ireland) plc [16]	Dublin 1, Ireland	0.00		EUR	40.96	0.00
Iris II SPV Ltd., (Serie 11) [16]	St.Helier JE4 8PX, UK	0.00		EUR	0.00	0.00
IRIS SPV PUBLIC LIMITED COMPANY [16]	Dublin 2, Ireland	0.00		EUR	0.00	0.00
LBBW Asset Management (Ireland) Fixed Income Fund Plc [16]	Dublin 2, Ireland	0.00		EUR	125 416.93	–755.87
LBBW Asset Management (Ireland) Long/Short Credit Fund Plc [16]	Dublin 2, Ireland	0.00		EUR	86 672.57	–3 346.47
LBBW Nachhaltigkeit Aktien I (ehemals: LBBW NachhaltigkeitsStrategie BWI) [1] [16]	Stuttgart	66.77	0	EUR	22 863.80	5 034.63
LBBW Nachhaltigkeit Renten [16]	Stuttgart	97.45	0	EUR	35 993.18	–147.92
LBBW Pro-Fund Credit I	Frankfurt	100.00	0		Not specified	Not specified
Liquidity & Limited (Serie Nr. 1) [16]	Kaim George Town, Cayman Islands	0.00		EUR	0.00	0.00
Liquidity & Limited (Serie 2) [16]	Kaim George Town, Cayman Islands	0.00		EUR	0.00	0.00
Magnolia Finance VI plc [16]	Dublin 1, Ireland	0.00		EUR	0.00	0.00
Magnolia Finance VII Public Limited Company [16]	Dublin 1, Ireland	0.00		EUR	0.00	0.00
M-Korb Funding No.1 Ltd. [16]	Dublin 2, Ireland	0.00		EUR	–18 572.84	–14 084.48
Omega Capital Investments plc (Serie 67, Van Gogh Notes) [16]	Dublin 2, Ireland	0.00		EUR	0.00	0.00
Peter Pike Funding LLC/Rathlin Loan Ltd. [16]	Dublin 2, Ireland	0.00		EUR	0.00	0.00
Platino S.A. [16]	Luxembourg, Luxembourg	0.00		EUR	60.00	81.80
Starling Finance Public Limited Company [16]	Dublin 1, Ireland	0.00		EUR	0.00	0.00

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Cur-rency	Equity EUR th.	Result EUR th.
Synapse High Grade ABS Fund Nr. 1 plc	Dublin 1, Ireland	89.00	0		Not specified	Not specified
Weinberg Capital Ltd. [16]	Dublin 2, Ireland	0.00		EUR	1.75	0.00
Weinberg Funding Ltd. [16]	St. Helier, Jersey, UK	0.00		EUR	5.05	0.00
Xelo plc (früher Xelo V plc) [16]	Dublin 2, Ireland	0.00		EUR	0.00	0.00
2. Not included joint ventures						
Aaron Grundstücksverwaltungsgesellschaft mbH [1) 8)]	Oberursel	50.00		EUR	–654.78	–28.15
Bietigheimer Wohnungsprivatisierungsgesellschaft mbH [16]	Bietigheim-Bissingen	50.00		EUR	12 938.31	1 388.62
German Centre for Industry and Trade India Holding-GmbH [1) 16)]	Munich	50.00		EUR	111.15	–2 520.18
LBBW Immobilien Verwaltung GmbH [1) 16)]	Stuttgart	50.00		EUR	33.79	3.58
LHI Südwest Immobilien GmbH [16]	Pullach i. Isartal	6.00	50	EUR	7 344.45	853.31
MIG Immobiliengesellschaft mbH i. L [15]	Mainz	36.36		EUR	6 694.42	–36.10
Residenzpost Planen + Bauen GmbH & Co. KG [1) 16)]	Munich	50.00		EUR	4.47	–5.02
Residenzpost Planen + Bauen Verwaltung GmbH [1) 16)]	Munich	50.00		EUR	16.32	–6.68
RN Beteiligungs-GmbH [16]	Stuttgart	50.00		EUR	14 214.87	886.36
SachsenFonds Immobilien GmbH [1) 16)]	Aschheim-Dornach	49.00		EUR	60.96	–7.07
SHS Gesellschaft für Beteiligungen mbH & Co. Mittelstand KG [1) 16)]	Tübingen	75.02		EUR	5 642.00	–457.00
SHS Venture Capital GmbH & Co. KG [1) 16)]	Tübingen	95.45		EUR	4 193.00	395.00
SüdLeasing GUS Financial Holding GmbH [1]	Stuttgart	50.00		EUR	21 863.80	–83.70
3. Not included associated companies						
Abrosa Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Sachsen I KG [16]	Wiesbaden, Mz-Kastel	100.00	50	EUR	–3 771.28	300.75
Alida Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG [1) 16)]	Pullach (Munich District)	99.89	50	EUR	2 520.92	2 496.02
ALUHEAT GmbH [1) 21)]	Freiberg	1.00	29.97	EUR	25.00	Not specified
ATRAV Beteiligungs GmbH [16]	Hanover	32.40		EUR	6 881.71	1 007.10
Bankhaus Ellwanger & Geiger KG [16]	Stuttgart	47.70		EUR	12 300.00	231.98
BioP Biopolymer GmbH i.I. [1]	Dresden	30.11			Not specified	Not specified
B+S Card Service GmbH [13]	Frankfurt am Main	25.10		EUR	9 015.09	–1 562.52
Bubbles and Beyond GmbH [1) 16)]	Leipzig	30.25		EUR	1 178.00	–706.00
Cäcilienpark am Neckar GbR [1) 16)]	Heilbronn	33.33		EUR	4 410.64	735.51
CDPC Holdings Limited [19]	St. Helier, Jersey	31.85		EUR	6 569.00	–112.00
CheckMobile GmbH – The Process Solution Company [1) 16)]	Hamburg	44.80		EUR	704.00	–1 743.00
Corporateworld Managementgesellschaft für Buchungs- und Abrechnungssysteme mbH [1) 16)]	Hamburg	22.47		EUR	680.00	–2 399.00
Cortex Biophysik GmbH [1) 16)]	Leipzig	47.70		EUR	–1 086.18	84.46
dimensio informatics GmbH [1) 20)]	Chemnitz	1.67	25.1	EUR	25.00	Not specified
Druck & Werte GmbH [1) 16)]	Leipzig	2.72	25.15	EUR	452.38	–70.29
Egerland Lease GmbH & Co. KG [1) 16)]	Mannheim	0.00	50	EUR	1 162.23	646.72
European Energy Exchange AG [16]	Leipzig	22.96		EUR	56 093.97	3 783.62
FEAG GmbH [1) 16)]	Forchheim	19.61	20	EUR	6 847.04	2 965.55
GAG Bioscience GmbH i.I. [1]	Bremen	30.08	40		Not specified	Not specified
Genesis Private Equity Fund II L.P. [16]	St. Peter Port, Guernsey	24.75		EUR	–7.66	–975.81
GLB Verwaltungs-GmbH [16]	Frankfurt a. M.	30.00		EUR	32.92	2.20
Global Teleport GmbH i.I. [1]	Leipzig	21.42			Not specified	Not specified
GUMES Verwaltung GmbH & Co. Objekt Rostock KG [16]	Munich	49.50	25	EUR	25.43	0.00
HiperScan GmbH [1) 16)]	Dresden	2.60	24	EUR	–452.40	–298.60
HM Grundstücks GmbH & Co. KG [1) 16)]	Leipzig	49.00		EUR	–21.80	–29.05
Impactor Credit Fund Limited [16]	George Town, Cayman Islands	0.04	21.86	EUR	19 084.59	1 932.22
Keßler Real Estate Solutions GmbH [1) 16)]	Leipzig	26.57	28.01	EUR	5.00	419.77
Kopal Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Löhr's Carré OHG [16]	Mainz	94.00	24	EUR	–13 590.50	458.98
Kreditgarantiegemeinschaft der Industrie, des Verkehrsgewerbes und des Gastgewerbes Baden-Württemberg Verwaltungs-GmbH [16]	Stuttgart	30.57		EUR	1 299.87	0.00
Kreditgarantiegemeinschaft in Baden-Württemberg Verwaltungs-GmbH [16]	Stuttgart	40.00		EUR	1 022.58	0.00
Ladon GmbH [1) 16)]	Oelsnitz/Vogtland	1.14	34.12	EUR	372.49	–408.07
Lecturio GmbH [1) 16)]	Leipzig	1.20	36.07	EUR	217.04	–244.80

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
LightDesign Solutions GmbH [1,18]	Dresden	2.72	39.65	EUR	55.00	Not specified
LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Landesfunkhaus Erfurt KG [16]	Erfurt	99.77	24	EUR	–11 928.30	161.50
M Cap Finance Deutsche Mezzanine Fonds Zweite GmbH & Co. KG [16]	Leipzig	49.75		EUR	36 859.10	5 183.40
MediaInterface Dresden GmbH, Sprach- und Dialogsysteme [1,13]	Dresden	10.01	20	EUR	25.72	141.93
meetwise GmbH [1,16]	Chemnitz	1.52	45.65	EUR	49.23	–239.45
Mittelständische Beteiligungsgesellschaft Sachsen mbH [16]	Dresden	25.27		EUR	26 787.85	1 795.02
MOLWANKUM Vermietungsgesellschaft mbH & Co. Objekt Landkreis Hildburghausen KG [16]	Düsseldorf	94.00	49	EUR	–1 217.84	311.66
MSC Investoren GmbH [1,16]	Stutensee	37.50		EUR	120 132.22	47.82
MyMobai GmbH [1]	Leipzig	1.00	30.07		Not specified	Not specified
Palmsche Park GbR Esslingen [1,16]	Stuttgart	92.78	33.33	EUR	–608.05	–808.05
PaperC GmbH [1,16]	Leipzig	0.67	20	EUR	447.54	–124.91
pe Diagnostik GmbH i.I. [1,6]	Leipzig	30.06		EUR	–440.00	–45.00
Pharetis GmbH [1,16]	Leipzig	1.29	38.65	EUR	109.28	–158.06
Prime 2006-1 Funding L.P. [13]	St. Helier, Jersey, JE4 8PX, Jersey	47.50		EUR	7 508.69	–8 660.03
PublicSolution GmbH i.I. [1]	Dresden	2.99	27.6		Not specified	Not specified
Qoniac GmbH [1,16]	Dresden	2.47	37.26	EUR	244.11	–30.88
RESprotect GmbH [1,11]	Dresden	29.56	32.8	EUR	–454.00	945.00
Rhein-Neckar Wohnwerte Beteiligungs-Unternehmergesellschaft (haftungsbeschränkt) [1,16]	Heidelberg	27.21	33.33	EUR	0.00	–0.83
Rhein-Neckar Wohnwerte Projekt-Unternehmergesellschaft (haftungsbeschränkt) & Co. KG [1,16]	Heidelberg	27.21	33.33	EUR	–139.54	–148.54
RiboxX GmbH [1,16]	Radebeul	2.14	33.86	EUR	480.81	–46.32
Ritterwand Metall-Systembau Beteiligungs GmbH [1,16]	Nufringen	49.97		EUR	6 063.96	330.96
SDD Holding GmbH [1,11]	Stuttgart	100.00		EUR	–2 890.19	–2 914.99
Sentex Chemnitz GmbH [1]	Chemnitz	1.27	38		Not specified	Not specified
Siedlungswerk gemeinnützige Gesellschaft für Wohnungs- und Städtebau mbH [16]	Stuttgart	25.00		EUR	197 025.55	4 949.69
Sireo und LBBW Projekt »Schiller« GmbH&Co. OHG i. L. [16]	Stuttgart	30.00		EUR	720.15	0.00
SLB Leasing-Fonds GmbH & Co. Portos KG [1,16]	Pöcking	35.12	35.1	EUR	11 161.68	–1 410.92
Stollmann Entwicklungs- und Vertriebs GmbH [1,16]	Hamburg-Bahrenfeld	29.00		EUR	1 988.65	161.54
svt Holding GmbH [1,16]	Seevetal	25.00	27.78	EUR	7 802.37	745.50
TC Objekt Bonn Beteiligungs-GmbH [1,8]	Soest	23.73	25	EUR	23.00	–2.00
TC Objekt Darmstadt Beteiligungs-GmbH [1,8]	Soest	23.73	25	EUR	23.00	0.00
TC Objekt Münster Nord Beteiligungs-GmbH [1,8]	Soest	23.73	25	EUR	23.00	0.00
TC Objekt Münster Süd Beteiligungs-GmbH [1,8]	Soest	23.73	25	EUR	23.00	0.00
Technologiegründerfonds Sachsen Initiatoren GmbH & Co. KG [1,16]	Leipzig	25.00		EUR	2.96	–0.23
Technologiegründerfonds Sachsen Management GmbH & Co. KG [1,16]	Leipzig	25.00		EUR	4.00	1 068.35
Universal-Investment-Gesellschaft mbH [13]	Frankfurt a. M.	26.67		EUR	31 744.15	4 407.41
Viola Grundstücksverwaltungs-GmbH & Co. Verpachtungs KG [16]	Pullach	99.41	50	EUR	1 399.00	618.97
Wachstumsfonds Mittelstand Sachsen GmbH & Co. KG [16]	Leipzig	27.55		EUR	24 973.92	–2 782.03
Wachstumsfonds Mittelstand Sachsen Initiatoren GmbH & Co. KG [1,16]	Leipzig	33.33		EUR	1.07	–0.24
Wachstumsfonds Mittelstand Sachsen Management GmbH & Co. KG [1,16]	Leipzig	33.33		EUR	3.00	599.23
Wolff & Müller Wohnbau GmbH & Co. Objekt Fürth KG [16]	Pullach i. Isartal	5.00	25	EUR	–1 695.30	30.69
Woman Pur GmbH [1,16]	Stuttgart	25.00		EUR	–43.75	210.63
4. Investments with a capital share of 20 % and more [23]						
Bürgschaftsbank Sachsen GmbH [16]	Dresden	27.96	18.44	EUR	26 307.62	684.10
Candover 2001 GmbH & Co. KG [1,16]	Frankfurt a. M.	25.64		EUR	36 798.55	6 661.76
Dr. Gubelt Immobilien Vermietungs-Gesellschaft mbH & Co. Objekt Feuerwache Dresden KG [16]	Düsseldorf	90.00	15	EUR	–4 413.93	93.13
GLB GmbH & Co. OHG [16]	Frankfurt a. M.	30.05		EUR	2 205 371.65	25 308.04
Helmut Fischer GmbH i.L. [1]	Talheim	48.35	0		Not specified	Not specified

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Cur-rency	Equity EUR th.	Result EUR th.
Humboldt Multi Invest B SICAV – AIG-Fund of Hedge Funds 1) 10)	Hesperange, Luxembourg	100.00		EUR	113 101.30	101.30
Humboldt Multi Invest: Sachsen LB Depot A (SLB_DA) 12)	Hesperange, Luxembourg	100.00		EUR	256 770.65	– 73 892.94
INULA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG 16)	Grünwald	80.00	18.25	EUR	– 42 024.86	2 002.35
Korin Grundstücksgesellschaft mbH & Co.Projekt 19 KG 1) 16)	Grünwald	80.00	19	EUR	162.00	53.10
LBBW Immobilien Landsiedlung GmbH 1) 16)	Stuttgart	85.67		EUR	63 316.95	– 769.62
LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Polizei Nordhausen KG 16)	Erfurt	100.00	15	EUR	– 6 507.85	228.94
LUTEA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Flöha KG 16)	Berlin	100.00	15	EUR	– 4 858.65	495.44
MBG Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH 16)	Mainz	21.74		EUR	6 863.47	615.06
OXID eSales AG 1) 16)	Freiburg	22.85		EUR	0.00	– 4 654.00
PARAMOUNT GROUP REAL ESTATE FUND I, L.P. 1) 16)	Wilmington, Delaware, USA	29.13	28.29	USD	88 776.29	– 161 903.36
Paramount Group Real Estate Fund II, L.P. 1) 16)	Wilmington, Delaware, USA	29.13	28.29	USD	54 902.08	– 50 559.64
Paramount Group Real Estate Fund V (Core) 1) 16)	Wilmington, Delaware, USA	24.51	4.99	USD	– 38 114.56	– 144 822.93
5. Investments in major corporations with a share of voting rights of at least 5 % pursuant to § 340a HGB						
Bertrandt AG 1) 13)	Ehningen	12.74		EUR	114 114.00	24 605.00
Clean Car AG 1) 13)	Meerbusch	14.77	15	EUR	20 012.89	2 397.88
Deutscher Sparkassen Verlag GmbH 16)	Stuttgart	8.11		EUR	111 109.48	13 912.29
Dürr AG 1) 16)	Stuttgart	5.00		EUR	294 915.00	– 25 740.00
HSBC Trinkaus & Burkhardt AG 16)	Düsseldorf	18.66		EUR	879 670.29	125 850.00
Rohwedder AG 1) 11)	Bermatingen	10.01		EUR	19 695.00	– 22 864.00
Schweizerische National-Versicherungs-Gesellschaft 1) 16)	Basel, Switzerland	11.35	5	CHF	241 619.25	31 252.81
SGL Carbon SE 1) 16)	Wiesbaden	5.42		EUR	755 200.00	– 60 300.00
SOTRADA AG i.L. 16)	Stuttgart	19.35		EUR	44 207.04	– 4 858.84
Südwestdeutsche Salzwerke AG 16)	Heilbronn	6.40		EUR	76 776.00	8 846.00
Vita 34 International AG 1) 11)	Leipzig	15.83		EUR	8 649.00	– 443.90
Württembergische Lebensversicherung AG 16)	Stuttgart	9.86		EUR	165 030.00	15 222.00
Wüstenrot & Württembergische AG 16)	Stuttgart	8.97		EUR	1 732 551.00	115 133.00

1) Held indirectly.
2) Including shares held indirectly.
3) A letter of comfort exists on the part of LBBW for the duration of the equity investment.
3a) A letter of comfort exists on the part of a Group subsidiary for the duration of the equity investment.
3b) With the publication of LBBW's Annual Report on December 31, 2010, letter of comfort exists on the part of LBBW for the duration of the equity investment.
4) A profit transfer and/or control agreement has been concluded with the company.
4a) A profit transfer and/or control agreement has been concluded with another company.
4b) A control agreement has been concluded with the company.
4c) A control agreement has been concluded with another company.
5) Data available only as of May 31, 2002.
6) Data available only as of December 31, 2005.
7) Data available only as of December 31, 2006.
8) Data available only as of December 31, 2007.
9) Data available only as of April 30, 2008.
10) Data available only as of July 31, 2008.
11) Data available only as of December 31, 2008.
12) Data available only as of July 31, 2009.
13) Data available only as of September 30, 2009.
14) Data available only as of November 30, 2009.
15) Data available only as of December 16, 2009.
16) Data available only as of December 31, 2009.
17) Data available only as of January 31, 2010.
18) Data available only as of March 23, 2010.
19) Data available only as of March 31, 2010.
20) Data available only as of July 21, 2010.
21) Data available only as of August 18, 2010.
22) Capital and share of voting rights pursuant to HGB/IFRS 45 %, for regulatory puropses 40 % (UBBG).
23) Refutation of control and significant influence.

39. Legal Representatives or Employees of LBBW Occupied the Following Positions on Statutory Supervisory Boards and Similar Supervisory Bodies of Large Corporations and Banks.

Company	Position	Incumbent
AdCapital AG, Leinfelden-Echterdingen	Member of the Supervisory Board	Hans-Joachim Strüder
AKA Ausfuhrkredit GmbH, Frankfurt am Main	Member of the Supervisory Board	Joachim Landgraf
	Deputy Member of the Supervisory Board	Elvira Bergmann
Allgaier Werke GmbH, Uhingen	Member of the Supervisory Board	Joachim E. Schielke
Asknet AG, Karlsruhe	Member of the Supervisory Board	Joachim Hug until March 31, 2010
B+S Card Service GmbH, Frankfurt am Main	Member of the Supervisory Board	Rudolf Zipf
Bankhaus Ellwanger & Geiger KG, Stuttgart	Chairman of the Supervisory Board	Michael Horn
börse-Stuttgart AG, Stuttgart	Member of the Supervisory Board	Hans-Joachim Strüder
Bürgerliches Brauhaus Ravensburg-Lindau AG, Ravensburg	Deputy Chairman of the Supervisory Board	Harald R. Pfab
Bürgschaftsbank Baden-Württemberg GmbH, Stuttgart	Deputy Chairman of the Supervisory Board	Dr. Bernhard Walter until April 22, 2010
	Member of the Supervisory Board	Claudia Diem from April 22, 2010
	Member of the Supervisory Board	Jürgen Kugler
Bürgschaftsbank Sachsen GmbH, Dresden	Member of the Supervisory Board	Harald R. Pfab
DekaBank Deutsche Girozentrale, Berlin and Frankfurt am Main	1st Deputy Chairman of the Supervisory Board	Hans-Jörg Vetter
	Member of the Supervisory Board	Michael Horn
Deutscher Sparkassenverlag GmbH, Stuttgart	Member of the Supervisory Board	Hans-Jörg Vetter
Dürr AG, Stuttgart	Member of the Supervisory Board	Joachim E. Schielke
ECC European Commodity Clearing AG, Dresden	Member of the Supervisory Board	Harald R. Pfab
Euwax AG, Stuttgart	Member of the Supervisory Board	Hans-Joachim Strüder
Grieshaber Logistik AG, Weingarten	Member of the Supervisory Board	Michael Horn
HSBC Trinkaus & Burkhardt AG, Düsseldorf	Member of the Supervisory Board	Hans-Jörg Vetter
Hymer AG, Bad Waldsee	Member of the Supervisory Board	Michael Horn
LBBW Asset Management Investmentgesellschaft mbH, Stuttgart	Chairman of the Supervisory Board	Hans-Joachim Strüder
	Member of the Supervisory Board	Dr. Peter Merk
	Member of the Supervisory Board	Dr. Peter M. Haid
LBBW Bank CZ a.s., Prague	Chairman of the Supervisory Board	Michael Horn
	Deputy Chairman of the Supervisory Board	Dr. Peter Kaemmerer
	Member of the Supervisory Board	Andreas Fohrmann
	Member of the Supervisory Board	Harald R. Pfab
LBBW Immobilien GmbH, Stuttgart	Chairman of the Supervisory Board	Hans-Jörg Vetter
	Member of the Supervisory Board	Dr. Peter Kaemmerer
	Member of the Supervisory Board	Dr. Bernhard Walter until April 30, 2010
	Member of the Supervisory Board	Rudolf Zipf from July 1, 2010
LBBW Luxemburg S.A., Luxembourg	Chairman of the Supervisory Board	Hans-Joachim Strüder
	Member of the Supervisory Board	Michael Horn
	Member of the Supervisory Board	Dr. Peter Kaemmerer
	Member of the Supervisory Board	Berthold Veil
LBBW (Schweiz) AG, Zurich	Chairman of the Supervisory Board	Dr. Peter M. Haid from March 17, 2010
LBS Baden-Württemberg, Stuttgart and Karlsruhe	Member of the Supervisory Board	Michael Horn
	Deputy Member of the Supervisory Board	Rudolf Zipf
LHI Leasing GmbH, Munich	Chairman of the Supervisory Board	Joachim E. Schielke
	Member of the Supervisory Board	Dr. Peter Kaemmerer
	Member of the Supervisory Board	Dr. Bernhard Walter until April 30, 2010
	Member of the Supervisory Board	Rudolf Zipf from July 1, 2010
MKB Mittelrheinische Bank GmbH, Koblenz	Chairman of the Supervisory Board	Joachim E. Schielke
	Deputy Chairman of the Supervisory Board	Michael Horn
	Member of the Supervisory Board	Dr. Bernhard Walter until April 30, 2010
	Member of the Supervisory Board	Rudolf Zipf from July 1, 2010

Company	Position	Incumbent
MMV-Leasing GmbH, Koblenz	Chairman of the Advisory Board	Joachim E. Schielke
	Deputy Chairman of the Advisory Board	Michael Horn
	Member of the Advisory Board	Dr. Bernhard Walter until April 30, 2010
	Member of the Advisory Board	Rudolf Zipf from July 1, 2010
Paul Hartmann AG, Heidenheim a. d. Brenz	Member of the Supervisory Board	Joachim E. Schielke
Schlossgartenbau AG, Stuttgart	Chairman of the Supervisory Board	Achim Kern
	Member of the Supervisory Board	Dr. Armin Brendle until June 30, 2010
	Member of the Supervisory Board	Dieter Hildebrand from June 30, 2010
Schweizerische National-Versicherungs-Gesellschaft, Basel	Member of the Supervisory Board	Dr. Peter Kaemmerer
Siedlungswerk Gemeinnützige Gesellschaft für Wohnungs- und Städtebau mbH, Stuttgart	Deputy Chairman of the Supervisory Board	Michael Horn
	Member of the Supervisory Board	Dr. Stefan Hofmann
	Member of the Supervisory Board	Andreas Benninger
SOTRADA AG i.L., Stuttgart	Chairman of the Supervisory Board	Ralf Menzel
	Member of the Supervisory Board	Andreas Leonhard until December 13, 2010
SV SparkassenVersicherung Holding AG, Stuttgart	Member of the Supervisory Board	Michael Horn until June 25, 2010
Universal-Investment-Gesellschaft mbH, Frankfurt am Main	Member of the Supervisory Board	Hans-Joachim Strüder from April 1, 2010
Vorarlberger Landes- und Hypothekenbank, Bregenz	Member of the Supervisory Board	Michael Horn
Württembergische Lebensversicherung AG, Stuttgart	Member of the Supervisory Board	Michael Horn until May 20, 2010
Wüstenrot & Württembergische AG, Stuttgart	Member of the Supervisory Board	Joachim E. Schielke
Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg	Member of the Supervisory Board	Hans-Joachim Strüder

40. Employees (Annual Averages).

	Male	Female	Total
German headquarters/branches	5 082	5 353	10 435
Company officers	260	15	275
Other staff	4 822	5 338	10 160
Foreign branches	135	89	224
Company officers	6	0	6
Other staff	129	89	218
Representative offices	21	16	37
Company officers	0	0	0
Other staff	21	16	37
LBBW total	**5 238**	**5 458**	**10 696**
For information purposes:			
Trainees	250	306	556

41. Total Remuneration of the Executive Bodies.

The total remuneration paid to the Board of Managing Directors of LBBW was EUR 4.2 million (2009: EUR 4.5 million). The remuneration paid to the members of the Supervisory Board (modified on November 8, 2010) and the Owners' Meeting was EUR 0.3 million and EUR 0.1 million respectively (same as 2009). The total remuneration paid to former members of the Board of Managing Directors and their surviving dependents amounted to EUR 9.5 million (2009: EUR 9.0 million); the provisions for pensions for former members of the Board of Managing Directors and their surviving dependents totaled EUR 85.7 million (2009: EUR 80.1 million). The necessary addition amount for pension provisions for former members and their dependents resulting from the German Accounting Law Modernization Act (BilMoG) was EUR 23.5 million. According to Art. 67 (1) clause 1 EGHGB (BilMoG transitional regulations), this addition amount can be spread over 15 years. LBBW has used this option and added EUR 1.6 million (1/15) of the addition amount to the pension provisions in profit or loss as of December 31, 2010.

42. Advances and Loans to and Contingent Liabilities Assumed in Favor of the Executive Bodies of LBBW and their Predecessors.

EUR million	Board of Managing Directors	Member of the Supervisory Board	Owners' Meeting
Advances and loans	0.5	2.7	0.0
Contingent liabilities	0.0	0.0	0.0

LBBW Board of Managing Directors and Supervisory Board.

Board of Managing Directors.

HANS-JÖRG VETTER
Chairman
Responsible for
Corporate Center

MICHAEL HORN
Deputy Chairman
Responsible for
Savings Bank,
Private Customers/Private Banking

RUDOLF ZIPF
Responsible for
Finance, Operations and IT

INGO MANDT
(from October 15, 2010)
Responsible for
Back Office

DR. BERNHARD WALTER
(until April 30, 2010)
Responsible for
Back Office

HANS-JOACHIM STRÜDER
Responsible for
Financial Markets

JOACHIM E. SCHIELKE
Responsible for
Corporate Customers I

DR. PETER A. KAEMMERER
Responsible for
Corporate Customers II

LBBW Supervisory Board.

Note: The Supervisory Board's constituting meeting took place on November 8, 2010.

Chairman

HANS WAGENER
Auditor, tax consultant

Deputy Chairman

WILLI STÄCHELE MdL *
Finance Minister for
Baden-Württemberg

Members

HANS BAUER *
Employee representative for
Landesbank Baden-Württemberg

HARALD COBLENZ *
Employee representative for
Landesbank Baden-Württemberg

WOLFGANG DIETZ *
Lord Mayor of
Weil am Rhein

WALTER FRÖSCHLE *
Employee representative for
Landesbank Baden-Württemberg

PROFESSOR DR. ULRICH GOLL MdL *
Justice Minister for
Baden-Württemberg

PETER HAUK MdL *
Chairman of the CDU Parliamentary Group in
the State Parliament of Baden-Württemberg

HELMUT HIMMELSBACH *
Deputy Chairman of the Supervisory Board
of Südwestdeutsche Salzwerke AG

**PROFESSOR DR. SC. TECHN.
DIETER HUNDT** *
Chairman of the Supervisory Board of
Allgaier Werke GmbH

JENS JUNGBAUER *
Employee representative for
Landesbank Baden-Württemberg

BETTINA KIES-HARTMANN *
Employee representative for
Landesbank Baden-Württemberg

GÜNTHER NOLLERT *
Employee representative for
Landesbank Baden-Württemberg

DR. FRITZ OESTERLE
Chairman of the Management Board
at Celesio AG

DIPL.-KFM. MARTIN PETERS
Managing Partner of
Unternehmensgruppe Eberspächer

NORBERT H. QUACK
Lawyer, notary

PETER SCHNEIDER MdL *
President of the
Sparkassenverband Baden-Württemberg

DR. WOLFGANG SCHUSTER *
Lord Mayor of the
state capital Stuttgart

DR.-ING. HANS-JOCHEM STEIM
Chairman of the Supervisory Board of
Hugo Kern und Liebers GmbH & Co. KG

DIPL.-KFM. VOLKER WIRTH *
Savings Bank Director, Chairman of
the Board of Managing Directors of
Sparkasse Singen-Radolfzell

NORBERT ZIPF *
Employee representative for
Landesbank Baden-Württemberg

* Member of the previous Landesbank Baden-Württemberg Supervisory Board until November 8, 2010

Previous LBBW Supervisory Board.

Note: The terms of all members ended – unless noted otherwise – on November 8, 2010.

Chairman

PETER SCHNEIDER MdL*
President of Sparkassenverband
Baden-Württemberg, Stuttgart

1st Deputy Chairman

STEFAN MAPPUS MdL
until February 11, 2010
Minister-President of the State of
Baden-Württemberg, Stuttgart

PETER HAUK MdL*
from March 23, 2010
Chairman of the CDU Parliamentary
Group in the State Parliament
of Baden-Württemberg, Stuttgart

2nd Deputy Chairman

DR. WOLFGANG SCHUSTER*
Lord Mayor of the state capital, Stuttgart

Members

DIPL.-OEC. MUHTEREM ARAS
City councilor, tax consultant, Chairman of
the Bündnis 90/Die Grünen Parliamentary
Group of the Stuttgart City Council

HANS BAUER*
from January 22, 2010
Employee of Landesbank
Baden-Württemberg, Stuttgart

THOMAS BERRETH
until January 22, 2010
Employee of Landesbank
Baden-Württemberg, Stuttgart

HARALD COBLENZ*
Employee of Landesbank
Baden-Württemberg, Karlsruhe

WOLFGANG DIETZ*
Lord Mayor of Weil am Rhein

DR.-ING. E.H. HEINZ DÜRR
Chairman of the Supervisory Board of
Dürr AG, Stuttgart

ARMIN FREUNDL
from January 22, 2010
Employee of Landesbank
Baden-Württemberg, Stuttgart

WALTER FRÖSCHLE*
Employee of Landesbank
Baden-Württemberg, Stuttgart

PROF. DR. ULRICH GOLL MdL*
Deputy Prime Minister, Justice Minister of
the State of Baden-Württemberg, Stuttgart

DR. JUR. RAINER HAAS M.A.
Senator h. c.,
District Administrator of the Ludwigsburg
District, Chairman of the Supervisory Board
of Kreissparkasse Ludwigsburg

ALBERT HÄBERLE
Savings Bank Director, Chairman of
the Board of Managing Directors of
Kreissparkasse Waiblingen

KARLHEINZ HEINZELMANN*
until January 22, 2010
Bank employee in early retirement,
Besigheim

HELMUT HIMMELSBACH*
Lord Mayor of Heilbronn

UDO HUMMEL
until January 22, 2010
Employee of Landesbank
Baden-Württemberg, Stuttgart

**PROF. DR. SC. TECHN.
DIETER HUNDT***
Senator E. h., President of the
Confederation of German Employers'
Associations, Chairman of the
Supervisory Board of ALLGAIER-WERKE
GmbH, Uhingen

JENS JUNGBAUER*
Employee of Landesbank
Baden-Württemberg, Stuttgart

BETTINA KIES-HARTMANN*
from January 22, 2010
Employee of Landesbank
Baden-Württemberg, Stuttgart

LIAN LIE LIEM
Employee of Landesbank
Baden-Württemberg, Stuttgart

GÜNTHER NOLLERT*
Employee of Landesbank
Baden-Württemberg, Mannheim

PROF. DR. WOLFGANG REINHART MdL
Minister for Federal, European and
International Affairs

HELMUT WALTER RÜECK MdL
from March 30, 2010
Member of the Board of Managing
Directors of the CDU Parliamentary
Group in the State Parliament of
Baden-Württemberg, Stuttgart

DIPL.-VOLKSWIRT EUGEN SCHÄUFELE
Savings Bank Director, Chairman of
the Board of Managing Directors of
Kreissparkasse Reutlingen

DR. STEFAN SCHEFFOLD MdL
until February 24, 2010
Lawyer, State Secretary in the Ministry of
Finance of Baden-Württemberg, Stuttgart

DR. NILS SCHMID MdL
Lawyer, Deputy Chairman of the
SPD Parliamentary Group in the State
Parliament of Baden-Württemberg,
Stuttgart

* Member of the Landesbank Baden-Württemberg Supervisory Board since November 8, 2010.

CLAUS SCHMIEDEL MdL
Chairman of the SPD Parliamentary Group in the State Parliament of Baden-Württemberg, Stuttgart

WILLI STÄCHELE MdL *
Finance Minister of the State of Baden-Württemberg, Stuttgart

FRED-JÜRGEN STRADINGER
City Councilor, Chairman of the CDU Parliamentary Group in the City Council of the State Capital Stuttgart

WERNER UNFRIED
until January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

MICHAEL WARFOLOMEOW
from January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

KURT WIDMAIER
District Administrator of the Ravensburg District, Chairman of the Supervisory Board of Kreissparkasse Ravensburg

VOLKER WIRTH *
from January 1, 2010
Savings Bank Director, Chairman of the Board of Managing Directors of Sparkasse Singen-Radolfzell, Singen

NORBERT ZIPF *
Employee of Landesbank Baden-Württemberg, Stuttgart

Deputy Members

JOSEF AHMED
until January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

HANS BAUER
until January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

DIPL.-WIRTSCH.-ING. (FH) BERND BECHTOLD
Chairman of the Chamber of Industry and Commerce, Karlsruhe District, Managing Shareholder of b.i.g. bechtold INGENIEURGESELLSCHAFT MBH, Karlsruhe

THOMAS BERRETH
from January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

DR. ROSWITHA BLIND
City Councilor, Chairman of the SPD Parliamentary Group in the City Council of the State Capital Stuttgart

CHRISTIAN BRAND
Chairman of the Board of Managing Directors of Landeskreditbank Baden-Württemberg – Förderbank, Karlsruhe

OTWIN BRUCKER
Mayor (retired), Pliezhausen

ROLAND BÜRKLE
Mayor of Bad Wurzach

YVONNE EISELE
from January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

HEINZ FENRICH
from January 25, 2010
Lord Mayor of Karlsruhe

MICHAEL FÖLL
First Mayor of the state capital Stuttgart

REINHARD FRANK
District Administrator of the Main-Tauber District, Chairman of the Supervisory Board of Sparkasse Tauberfranken, Tauberbischofsheim

ARMIN FREUNDL
until January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

DR. HANS-DIETER FREY
Director General (retired), Ammerbuch

DIRK GAERTE
District Administrator of the Sigmaringen District, Chairman of the Supervisory Board of Hohenzollerische Landesbank Kreissparkasse Sigmaringen

REINHOLD GALL MdL
Parliamentary secretary of the SPD Parliamentary Group in the State Parliament of Baden-Württemberg, Stuttgart

BARBARA GRENZDÖRFFER
from January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

GERNOT GRIEBLING
from January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

MANFRED GROH MdL
from June 9, 2010
Mayor (retired), Karlsruhe

EBERHARD HÄGE
until January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

MARTIN HAIBLE
Employee of Landesbank Baden-Württemberg, Stuttgart

DIPL.-VERW.-WIRT (FH) KLAUS HERRMANN MdL
Deputy Chairman of the CDU Parliamentary Group in the State Parliament of Baden-Württemberg, Stuttgart

UDO HUMMEL
from January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

DR. MICHAEL KIENZLE
City Councilor, Stuttgart

MICHAEL KLEINER
Director General in the Baden-Württemberg State Ministry, Stuttgart

SABINE LEHMANN
Employee of Landesbank Baden-Württemberg, Mannheim

* Member of the Landesbank Baden-Württemberg Supervisory Board since November 8, 2010.

THOMAS LÜTZELBERGER
Savings Bank Director, Chairman of the Board of Managing Directors of Sparkasse Schwäbisch Hall-Crailsheim

GÜNTHER-MARTIN PAULI MdL
from September 1, 2010
District Administrator of the Zollernalb District, Balingen

BERNHARD RÖPKE
from January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

DIETER RÖSLER
until January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

CHRISTIAN ROGG
Employee of Landesbank Baden-Württemberg, Stuttgart

JOHANN ROTH
Savings Bank Director, Chairman of the Board of Managing Directors of Bezirkssparkasse Reichenau

HELMUT WALTER RÜECK MdL
until March 30, 2010
Member of the Board of Managing Directors of the CDU Parliamentary Group in the State Parliament of Baden-Württemberg, Stuttgart

DIPL.-ING. (FH) INGO RUST MdL
Chairman of the Finance Committee of the State Parliament of Baden-Württemberg, Stuttgart

DR. H.C. KLAUS SCHMIDT
Stuttgart

GERD SIEBERTZ
until January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

RENATE STEINER
until January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

JOACHIM WALTER
until August 31, 2010
District Administrator of the Tübingen District, Chairman of the Supervisory Board of Kreissparkasse Tübingen

KLAUS ZIESKE
from January 22, 2010
Employee of Landesbank Baden-Württemberg, Stuttgart

Responsibility Statement.

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Landesbank Baden-Württemberg, and the management report includes a fair review of the development and performance of the business and the position of Landesbank Baden-Württemberg, together with a description of the principal opportunities and risks associated with the expected future development of Landesbank Baden-Württemberg.

Stuttgart, Karlsruhe, Mannheim, and Mainz, March 18, 2011

The Board of Managing Directors

HANS-JÖRG VETTER
Chairman

MICHAEL HORN
Deputy Chairman

DR. PETER A. KAEMMERER

INGO MANDT

JOACHIM E. SCHIELKE

HANS-JOACHIM STRÜDER

RUDOLF ZIPF

Auditor's Report.

»We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim and Mainz, (LBBW) for the business year from January 1, to December 31, 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the LBBW's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB (»Handelsgesetzbuch«: »German Commercial Code«) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.
In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the LBBW´s position and suitably presents the opportunities and risks of future development.«

Stuttgart, March 18, 2011

KPMG AG, Wirtschaftsprüfungsgesellschaft

KOCHOLL	**BEIER**
Wirtschaftsprüfer	Wirtschaftsprüfer