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

Annual financial statements and management report for the business year from 1 January to 31 December 2011.

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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 1 January to 31 December 2011, consisting of the balance sheet, income statement and the notes. The 2011 annual financial statements and the 2011 management report were issued an unqualified auditor's report by KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

Business and general conditions.

Business activities of LBBW.

Landesbank Baden-Württemberg (LBBW) is a public law institution (rechtsfähige Anstalt öffentlichen Rechts) with four registered offices in Stuttgart, Karlsruhe, Mannheim, and Mainz. Its owners are the Savings Bank Association of Baden-Württemberg (Sparkassenverband 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.

As a universal and commercial bank, LBBW offers every type of business provided by a large, modern bank in over 200 branches and offices, and is particularly geared toward a sustainable customer business. The regional retail banks BW-Bank, Rheinland-Pfalz Bank, and Sachsen Bank are an important part of LBBW. As dependent institutions with own market presence, these three strong regional pillars represent the Bank's domestic business with corporate and private clients in the respective core markets. In accordance with the state banking law LBBW acts as a savings bank in Stuttgart, the state capital of Baden-Württemberg. This function is assumed by BW-Bank.

The business with large corporates operating across Germany and internationally, the real estate business, and the Bank's function as the central bank for savings banks are located within LBBW itself. The function of a central institution is assumed for savings banks in Baden-Württemberg, Rhineland-Palatinate, and Saxony. Essential staff and service functions are also concentrated within LBBW.

LBBW also supports its domestic customers and customers of affiliated savings banks abroad and offers them an on-site service at selected locations. With subsidiaries and representative offices, and five German centers, in Beijing, Mexico City, Singapore, Dehli.Gurgaon, and Moscow, LBBW has a presence in the up-and-coming centers in the world's economy to support local corporate customers.

Strategic profile of LBBW.
The business strategy is based on five pillars.

Since the initiated restructuring in 2009, when fresh capital was injected and a guarantee provided, the business model of LBBW has been based on five pillars. Accordingly, the business model encompasses the business areas of corporate customers, private customers, savings banks, financial markets and real estate financing.

Corporate customers.

The corporate customer business in the core markets of the three retail banks constitutes a cornerstone of LBBW's business model. LBBW serves corporate customers in Baden-Württemberg under the BW-Bank brand. In Rhineland-Palatinate and in the neighboring economic areas, this function is assumed by Rheinland-Pfalz Bank and in central Germany by Sachsen Bank. BW-Bank has also been operating selectively in Bavaria since 2011. The Corporate Customer segment also encompasses the business with selected large customers in Germany, Austria, and Switzerland.

In addition, LBBW offers its customers special products and services via its subsidiaries SüdLeasing, MKB Mittelrheinische Bank/MMV Leasing and SüdFactoring, particularly in the fields of leasing and the sale of receivables.

Furthermore, Süd Beteiligungen enables equity funding for SMEs based in the core markets of LBBW.

LBBW Immobilien Management is another important subsidiary. The company primarily offers real estate development, commercial real estate asset management, and real estate services.

The business with corporate customers has proved itself to be a stable income basis, especially in the difficult environment of the last few years and will therefore be developed further in LBBW's strategic orientation. On the one hand, a more intensive market development is planned, especially in the regions of Bavaria and North Rhine-Westphalia, on the other hand, growth is aimed for in the existing markets by broadening the product range. Alongside corporate loan lending as an anchor product, LBBW offers a variety of financing options, e.g. capital market products and tailored services. In addition, it will enhance customer support in the international business.

Private customers.

The private customer business area encompasses activities with private, investment, private banking, and wealth management customers. The products on offer range from classic checking accounts to investment advice right through to specialized services, such as financial planning, asset management, securities account management, and foundation management.

In this customer segment LBBW focuses on meeting the needs and requirements of high net-worth private customers via BW-Bank. In private banking and wealth management, the position of BW-Bank will be strengthened as one of the leading providers for the high net-worth segment with specially tailored products and intensive support. Additionally, business with high net-worth customers is operated by Sachsen Bank and Rheinland-Pfalz Bank with a local presence. Furthermore, this pillar represents the classic retail business including the savings bank functions in Stuttgart.

Savings banks.

The business with savings banks is a further cornerstone of the Bank's business model.
In business with savings banks, LBBW acts as a central bank to savings banks in the core markets of Baden-Württemberg, Saxony, and Rhineland-Palatinate. It supplies products and services to the savings banks, forming a network to support market penetration for private and corporate customers.

Overall, the segment caters for three essential types of cooperation:

- The support for the proprietary business of the savings banks encompasses all product categories for hedging and investment of the savings bank itself.
- 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 accounts.
- Finally, processing transactions are also performed in the service business, such as securities processing, or international payment transactions.

Financial markets.

The financial markets segment primarily supports companies, savings banks, banks, and private and institutional customers (in particular pension funds, insurance companies, asset managers, local authorities, foundations, and churches). The activities concentrate on German-speaking countries, while international customers are essentially supported on the money and foreign currency markets and in the new issues business.

Furthermore, in the financial markets segment trading activities in LBBW's capital market business are combined. LBBW offers its customers solutions for the management of interest, credit, currency and, selectively, commodity risks, as well as the procurement and investment of short-term and long-term funds on the capital markets. LBBW also offers support regarding the optimization of balance sheet structures and asset/liability management as well as the proprietary business of the savings banks i. e. interest and credit products.

LBBW Asset Management Investmentgesellschaft complements the product range offered by LBBW in this line of business. The asset management company primarily focuses on consulting and management of security trust assets for institutional and private investors.

Real estate financing.

The real estate financing segment is geared toward open and closed-end funds and special funds, private and institutional investors, real estate companies, real estate corporations, project developers, privatization agencies, REITs and housing companies. As an arranger or consortium bank, LBBW offers project, portfolio, and company-related financing solutions. At the same time, there is a range of additional products and services.

The commercial real estate business concentrates on the core regions of Germany, the US and the UK as well as on the types of use: office, residential, and commerce. This focus leads to a significant reduction in real estate financing business abroad and in certain property categories.

Credit investment portfolio.

Alongside the five pillars of LBBW's business model, the credit substitute business of LBBW, of the former Sachsen LB and the former Landesbank Rheinland-Pfalz is bundled within the credit investment portfolio. This includes bonds, credit derivatives, securitizations, and structured products in particular. No further new business will be concluded and the portfolio will therefore be completely run down in the course of time.

Restructuring process at LBBW.

Strategic realignment already introduced in 2009.

LBBW started a fundamental program of restructuring in 2009 in conjunction with capital and guarantee measures by the owners and an EU state aid process. The consistent reduction of non-customer related volatile capital markets buiness and an overall stronger focus on the customer-oriented business, overall, is at the heart of this restructuring.

Business fields now outside the core business will no longer be actively pursued but gradually run down.

Overall, the measures aim to reduce the risk assets and balance sheet total significantly, to safeguard profitability and strengthen capital ratios. Particularly the latter is key given the new and more stringent capital requirements in Europe.

In view of a significant increase in the minimum capital ratios by the EBA (9% Common Equity Tier 1 Capital [CET1 capital]) based on the valuation of the government securities at current market rates), LBBW is striving for the silent partners' contributions underwritten by the owners, which will no longer qualify as CET1 capital according to the future legal situation pursuant to CRD IV/CRR (Capital Requirements Regulation), to be transferred to CET1 capital.

LBBW's business model is geared completely towards a sustainable customer business. This is where the future of the Bank lies; specific growth particularly in the German corporate customer business and its high net-worth private customer business.

Furthermore, the restructuring entails a significant reduction of the cost basis. This part of restructuring is being pushed ahead through the sale of equity investments and savings on material costs and personnel costs. In addition, the new strategic realignment of the Bank includes approximately 2 500 job cuts, which will be carried out in a way as socially acceptable as possible. The focus will be on jobs in business fields that are no longer being pursued and on downstream staff and service functions. By contrast, the customer support areas will see some new recruitment.

Restructuring is on schedule.

LBBW significantly exceeded the target set for 2011 in terms of downsizing the credit substitute business; this also applies to the cutbacks with regard to risk assets, as well as strengthening the Tier 1 capital ratio. LBBW makes ongoing progress with the reduction of its investment portfolio: 2011 saw the sale of shares in DekaBank, LBS Landesbausparkasse Baden-Württemberg, and the European Energy Exchange AG, to name but a few. Business operations of LBBW Asset Management (Ireland) Plc also ceased trading. The number of smaller investments was significantly reduced in line with the new business strategy. At the same time, the sale of LBBW Immobilien GmbH with its 21 000 apartments to a consortium led by Patrizia Immobilien AG was decided in February 2012. The transaction is expected to be completed in the first quarter of 2012. Further investments are to be sold off successively by 2013.

Successes in terms of costs can also be reported, with both material and personnel costs having been brought down in key areas. Since the start of the restructuring process, agreements regarding the cutting of approx. 2 000 FTE posts have been reached on the basis of voluntary measures.

Policy decision on IT outsourcing.

It is, in particular, on account of the rising challenges facing the IT infrastructure in the future that LBBW, in addition to the restructuring program launched in 2009, looked into the feasibility of outsourcing IT operations to company Finanz Informatik GmbH & Co. KG in 2011. Based on these findings the Board of Managing Directors, as part of a policy decision, decided to outsource LBBW's IT data center and to replace the current core bank system for the Retail and Corporates departments over the medium term. The decision by the Board of Managing Directors applies subject to the outcome of the contract negotiations with Finanz Informatik and the approval of the competent bodies.

Social responsibility.

Employees.

LBBW's corporate success is due in no small part to its employees, which is why a human resources policy geared toward demographics and the future is very important to LBBW. The guidelines for a sustainable human resources policy decided by the Board of Managing Directors in 2010 have proven themselves, particularly during a period of restructuring.

Landesbank Baden-Württemberg's workforce fell from 10 472 employees to 9 877 as at 31 December 2011. The fall is essentially the result of implementing EU restructuring. The rate of staff turnover, based on the BDA formula, stood at 8.4 % for LBBW in 2011 compared with 6.5 % the previous year. Adjusted for EU restructuring-related early retirement and severance agreements (4.0 %), the rate was 4.4 %, higher than that of the previous year (3.9 %).

The average age of employees at the Bank rose slightly during the year under review to 43.1 compared with 42.4 in 2010, while the average length of service stood at 16.4 in 2011 compared with 15.9 years in 2010.

Women, with a share of 51.3 % (previous year: 51.0 %) were again in the majority at the Bank in 2011 compared with men. The proportion of part-time workers, including partial retirement, also rose at LBBW from 22.2 % to 23.2 % in 2011.

Measures aimed at reducing headcount through voluntary redundancies were the focus of **human resource implementation of EU restructuring** in 2011. The collective wage agreement signed with ver.di in 2010 to secure employment and Germany's place as a business center, and the service agreement signed between the Bank and the General Staff Council to shape the internal labor market have proven their worth in this respect. Evidence of the excellent success brought about by stepping up the internal labor market is the fact that the number of internal jobs being advertised was once again doubled to over 1 000 in 2011, compared with 480 in 2010, together with the associated internal recruitment by hiring trainees and employee redeployment.

LBBW views the **professional qualification of young people** as a sociopolitical and operational responsibility. At the end of 2011, 506 (previous year: 547) trainees and students from universities of cooperative education were working at the Bank. The proportion of trainees (average number of trainees and students as a share of the total workforce) rose slightly from 5.1 % to 5.2 % and therefore achieved the level of the previous years.

The **qualification and further training** of managers and employees remained an important issue at LBBW in 2011. While the number of personnel development initiatives fell by 17 % in the year under review against the previous year, with 11 610 seminar visits by staff of the Bank compared with 13 992 the previous year, the number of management seminar visits rose again by 22 % in 2011 from 652 to 798.

To support the Bank's change and restructuring processes, 171 workshops with a total of 2 935 participants were held for management (previous year: 2 481). Many executives also took advantage of the coaching services offered by LBBW's management consultancy.

Diversity stands for a concept of management which aims to recognize and value variety among employees and customers and use it for the success of the company. The issue of equal opportunities for men and women plays a central role in diversity and is given a new significance against the background of demographic change. Around a half (48.1%) of trainees, students, and trainees in cooperative education at LBBW are female, and it is an important task for the Bank to utilize the potential of these well-educated women still further. LBBW's aim is to encourage female staff to pursue ambitious career goals and increase the proportion of women in executive positions.

After a successful audit and certification, LBBW has been nominated by the Hertie Foundation as a **family-friendly company** since 2010. The first report on the implementation of the measures to maintain certification was submitted in April 2011. The assessors certified that LBBW has continued to develop as a family-friendly business.

Health, performance, and commitment are essential to LBBW, particularly in difficult economic times with high demands on employees and management. This is why LBBW works proactively to maintain and promote these factors. In the national German comparison of companies by EuPD Research, TÜV Süd Life Service and Handelsblatt, LBBW's workplace health management has once again improved. Since 2010 LBBW has been in the so-called premier class of workplace health management and above the sector average for financial organizations/insurers since 2011.

In accordance with the regulations in Section 7 and Section 8 of the Remuneration Ordinance for Institutions (Instituts-Vergütungsverordnung, InstitutsVergV) dated 13 October 2010, LBBW produced a remuneration report for 2011 that is scheduled to be published on the homepage of the LBBW website at www.LBBW.de during the second quarter of 2012.

Sustainability.

Sustainability is an integral part of LBBW's business policy that is based on the conviction that economic success is not achievable in the long term without responsible ecological, societal, and social performance. LBBW's commitment to sustainability is therefore anchored in both its company-wide mission statement and in the operating business.

LBBW's sustainability policy brings together principles for sustainable development in the areas of corporate governance, business operation, human resources, communication and social commitment.

LBBW has set itself suitable goals to define its sustainability policy. The **»Guidelines for Sustainability«** are the general specific framework for implementing these targets. They mark the corridor within which LBBW pursues its sustainability targets in the investment and lending business, in human resources policy and in how it handles its resources, and therefore form the basis for sustainable development. The sustainability guidelines were decided by the Board of Managing Directors in March 2009 and updated in October 2011.

The LBBW **Climate Strategy** was also agreed by the Board of Managing Directors in October 2011. The Climate Strategy describes and clarifies LBBW's position on key issues relating to climate.

The standards listed apply to LBBW's parent company (including BW-Bank, Rheinland-Pfalz Bank, and Sachsen Bank) as well as to the wholly-owned subsidiaries GastroEvent GmbH, LBBW Immobilien Management GmbH (including the integrated BW Immobilien GmbH), and LBBW Asset Management Investmentgesellschaft mbH integrated within the **sustainability management system**.

In the Sustainalytics Sustainability Rating 2011, LBBW received 73 of 100 possible points (previous year: 70) and therefore holds 7th place out of 219 in the international banking industry category (previous year: 2nd place out of 76 in the nonexchange-listed banks category). Among German banks, LBBW took 2nd place after KfW Bankengruppe (as of June 2011). LBBW's commitment to environmental issues was weighted particularly positively.

In imug's 2011 sustainability rating LBBW received a favorable rating as issuer of covered bonds, Hypothekenpfandbriefe (mortgage-backed covered bonds) and uncollateralized bonds*.

* (The term »uncollateralized bonds« includes all types of uncollateralized fixed-income securities, time and savings deposits.)

Overall economic development.

Global economy.

The rate of expansion of the global economy is likely to have slowed from 5.2% in 2010 to 4.2% in 2011. There are many different reasons for this. In the People's Republic of China the rate of growth in GDP fell slightly because of the continued restricted course adopted by China's central bank and a loss in purchasing power in the wake of rising food prices. The rate of growth slowed from 10.4% in 2010 to 9.2% in 2011. Japan suffered, particularly in the first half year, from the aftermath of the earthquake and from the nuclear disaster at Fukushima. GDP contracted by 0.9% in 2011 compared with the previous year.

GDP growth in the US fell from 3.0% in 2010 to 1.7% in 2011. Gasoline prices reached virtually record levels, while failures to deliver following the natural disasters in Japan and restrictive spending in the country, particularly at federal state and district levels, slowed down the economy. In addition, the conflict over the budget in Washington and the uncertainty that this has generated about the future course of fiscal policy is likely to have dampened the investment climate. Nonetheless, the overall economic output of the United States recovered during the course of 2011 and grew by around 2.8% (annualized) in the closing quarter.

The economy in the eurozone had a dynamic start to 2011 – the rate of growth for GDP in the first quarter stood at 0.8% over the previous quarter, but was unable to maintain this pace. Quarters two and three only managed modest growth of +0.2% over the respective previous quarter. For the year as a whole, the real GDP growth rate came to 1.4%, down from 1.9% in 2010. However, there were extremely wide variations in the economic development of the individual member states in 2011. The countries most affected by the debt crisis, Greece and Portugal in particular, were at the bottom of the league table with significant falls in income of 6.8% and 1.5% respectively. But growth was significantly below 1% even in large countries such as Spain and Italy, compared to 1.7% in France. A not insignificant part of the drop in growth in the first three countries mentioned is likely to be due to enforced budget consolidation, while weak growth in Italy can almost be described as chronic.

Inflation remained stubbornly high in 2011. In the eurozone it rose to 3.0% by November and was never below 2.3%. For 2011 overall, inflation was 2.7% compared with 1.6% the previous year.

Germany.

Germany, by contrast, once again proved to be an extremely strong driver for growth in 2011. After 3.7% in 2010, growth for the whole of 2011 was 3.0%. Growth only dipped during the second quarter of 2011. The rapid closure of several nuclear power stations following the disaster in Japan was a major factor, which resulted in reducing Germany's power generation capacity and turned the country into an importer of electricity. In 2011, economic growth was fueled in particular by foreign trade, with Germany benefiting from the expansion in world trade by around 6.9% and from its high competitiveness. Exports for the whole of 2011 increased by a further 11.4% compared with the previous year. Alongside exports, the economy also received a boost from investment and from consumer spending. The latter benefited particularly from the extremely positive trends on the labor market. Employment covered by social security reached the 29-million mark in fall 2011 and therefore its highest level since the start of the 1990s.

Inflation performed more favorably in the reporting period here than in the eurozone. The rate of inflation for all commodity groups moved between 2.0% and 2.6% during the course of the year and was therefore nearly always above the upper limit of 2.0% accepted as conducive to price stability. Over the year, inflation was 2.3%, up from 1.1% in 2010.

Central bank policy.

Although the Federal Reserve did not tighten interest rates in 2011 and left its prime rate in the range 0% to 0.25%, it was by no means inactive. On the one hand, it started »Operation Twist« in which it extended the duration of its government bond portfolio by actively switching from short- to long-term securities. On the other hand, in a conditioned self-commitment at the start of 2012, it established that the economic situation is likely to make an extremely low federal funds rate necessary until late 2014.

Against the backdrop of an initially robust economy and rising inflation, the ECB embarked on a course leading toward higher interest rates under the leadership of its former president Trichet, raising interest rates in two steps from 1.00% to 1.50%. Meanwhile, during the rest of the year the ongoing eurozone debt crisis and the more pronounced cooling down in economic activity within the eurozone led the ECB itself to expect a »mild« recession for the winter half year for the eurozone, and it therefore reduced interest rates back to 1.00% under its new President Draghi. Alongside cutting interest rates, the ECB also extended the collateral framework for securities lending and terminated two three-year tenders with full allotment for the first time in its history. The aim of the measures was to provide commercial banks that are only able to fund themselves under difficult conditions on the interbank market with the necessary liquidity as »lender of last resort«.

Particularly worthy of mention is the concerted action with which the large central banks (including the Fed, ECB, Bank of Japan, and Bank of England) guaranteed the supply of USD liquidity to commercial banks on 30 November 2011 by extending the availability of USD swap facilities and making them more affordable until 1 February 2013.

Bond market.

The debt crisis among EMU countries that is now in its third year made for continued uncertainty on the financial markets in 2011. The series of downgrades of numerous EMU countries continued virtually throughout the year.

In parallel to increasing doubts over the creditworthiness of Spain and Italy, their risk premiums for ten-year bonds rose to new record levels of 470 bp and 550 bp, respectively, against the corresponding federal government bonds (Bunds) at the start of November 2011. They have never been higher since the creation of the eurozone. Bunds, in particular, have benefited from the risk aversion on the part of investors and worries about a potential break-up of the currency union and have been sought as a safe haven. Yields on ten-year Bunds fell from 3.50% in April 2011 to 1.83% at the end of the year, marking a low of 1.67% at the end of September. Yields on two-year government bonds fell until the end of December 2011 to a previously unseen 0.144%.

The EU summit at the start of December afforded some relief on the markets, paving the way toward fiscal union in the EMU, which provides the core elements of a debt brake, disclosure of credit plans to the EU Commission, and automatic sanctions in the event of excessive deficits. With the support offered by the three-year tender from the ECB with full allotment and the improved refinancing conditions that this entails for the banks, Italy and Spain were able to place new government bonds on the market at the start of 2012 at significantly lower yields. Against this background, even some of the terror was taken away on the markets from still further downgrades by rating agency Standard & Poor’s. Despite the immediate downgrade of nine EMU states, including previously AAA-rated France and Austria, by one or two notches on 13 January 2012, the trend toward falling risk premiums continued for most eurozone countries.

Currency market.

On the currency markets the EUR completed an extended sideways move against the USD. However, the predominant direction of movement changed during the course of the year. After the EUR had experienced an upward trend in the first months up to the start of May 2011, which brought it from just under EUR/USD 1.30 to over EUR/USD 1.48, it was downhill from then on with fluctuations. The EUR then closed the year again at just under 1.30 against the USD.

The appreciation of the EUR up to May 2011 took place against a background of rising interest rates in the eurozone and significant weakness in the US economy. During the second half this picture reversed increasingly. The single currency lost ground as it became very apparent that the debt crisis would continue to be a burden for the economy and because the ECB was gradually moving its position away from rising interest rates toward a further easing of its monetary policy.

While the EUR did not undergo any significant movement against the USD when seen historically and measured in terms of purchasing power parity, the value of the EUR did reach a record low against the CHF. The value of the EUR also reached its lowest level against the JPY since 2001. Both currencies were considered by many investors as a haven of security and stability. Parity was even in sight for a short time in the EUR/CHF exchange rate before the Swiss National Bank (SNB) issued a statement at the start of September 2011 to the effect that it would not accept an exchange rate below 1.20. Following this announcement and subsequent intervention on the currency market by the SNB, the exchange rate finally climbed above EUR/CHF 1.20 once again.

Stock market.

Stock markets were beset by severe turbulence during 2011. Although the start was promising, with the DAX rising above the 7 000-point mark and climbing to 7 500 points by May while the Dow Jones Index soared from just under 11 600 points to over 12 800 points, a significant downturn quickly followed. Poor economic data from the US and doubts over a resolution of the EMU debt crisis prompted many investors to part with their stock. By September the DAX had reached a low of 5 072 points and the Dow Jones fell to 10 655 points at its lowest point in October. Although a gradual upward trend again ensued with quite significant daily fluctuations in some cases, there was no recovery in the direction of the annual high. The DAX stood at 5 898.3 points at the end of the year and the Dow Jones at 12 217.6 points. Despite a historically favorable pricing of the stocks included in the DAX, fears of a recession on the one hand and worries over the future of the eurozone on the other, thwarted any return to the highs recorded in 2011.

Banking industry performance.

The performance of the banking industry was marked, in particular, by three factors last year.

Firstly, by a continued good economic climate in Germany, secondly, the unforeseeable debt situation, especially in Greece but also in several other countries, particularly in the eurozone, which led to a further crisis of confidence on the financial markets in the second half of the year. And, thirdly, by the progressive reform of the regulatory framework and the profound effect this has on the banking industry as a whole and on individual institutions.

While the good economic situation of the German economy made a positive impact in terms of operating income and the quality of domestic credit, a further aggravation of Greece's debt crisis resulted in noticeable negative effects for financial institutions with a corresponding holding of outstanding receivables. In view of the close connections between the public and financial sectors and the interconnectedness of the financial markets, particularly in Europe, the crisis of confidence spread, resulting in considerable tension in the financial markets. The turbulence impacted business and profit growth in many banks and also made the refinancing conditions, in particular, more difficult for the banking industry. The European Central Bank made considerable funds available to stabilize the banking system in the eurozone.

In these overall difficult market conditions, preparing for the more stringent regulatory landscape in the future constituted an additional challenge for the sector. In particular, the subject of improved capitalization, in which the German banking industry has already made significant progress in previous years, was given a further stimulus. In response to the difficult market conditions, the European Banking Authority (EBA) increased the demands on financial institutions. Given the henceforth higher CET1 capital ratios required by mid-2012 that go beyond Basel III, several German institutions were faced with having to cover short-term capital requirements, too. At the same time, the reduction in risk assets, particularly in non-core business fields, and the drive toward improved cost efficiency continued. This is also expressed in the examination and adaptation of business models that is being carried out by many banks in light of the future general framework and the conditions imposed by the EU Commission as a result of state aid proceedings. Above that, the imposition of the new bank levy represented a direct burden on the German banking industry last year.

Business performance of Landesbank Baden-Württemberg (LBBW).

Results of operations, net assets, and financial position.

The LBBW generated **profit for the period** of EUR 404 million in the 2011 fiscal year, well above the prior year's net income of EUR 284 million. This performance was boosted by the much better interest income, lower provision for credit losses and non-recurrent items. The trend of provision for credit losses was the result of the good economic performance in the German real economy. Considerable charges arising from the sovereign debt crisis linked to Greece prompted revaluations across the board during the year under review. Consequently, the **profit from ordinary activities** of the LBBW Bank came to EUR 442 million, after EUR 477 million in 2010.

The financial position of the Bank can be deemed healthy throughout the entire reporting year due to the good liquidity. The LBBW also made further progress in reducing **risk assets** during the reporting period; they decreased by –11.0% to EUR 103.0 billion. In addition to the nominal approx. EUR 18.0 billion reduction of the credit investment portfolio (CIP), which is no longer a strategic part of the core bank, the exposure to the countries impacted by the European debt crisis (PIIGS) was also reduced.

At the end of December, the Bank had a **Tier 1 capital ratio** of 14.5% and **total equity ratio** of 19.3%, according to the Solvency Regulation.

Results of operations.

	1 Jan. 2011 – 31 Dec. 2011	1 Jan. 2010 – 31 Dec. 2010	Change from 2010 to 2011	
	EUR million	EUR million	EUR million	in %
Net interest income	2 719	2 361	358	15.2
Net fee and commission income	174	256	– 82	– 32.0
Net fee and commission income without guarantee commission	472	553	– 81	– 14.6
Guarantee commission for Baden-Württemberg	– 298	– 297	– 1	0.3
Net gain/loss from the trading portfolio	– 154	15	– 169	< – 100.0
Administrative expenses	– 1 367	– 1 350	– 17	1.3
Other operating income/expenses	17	17	0	0.0
Operating income before provision for credit losses/valuation result	**1 390**	**1 299**	**91**	**7.0**
Provision for credit losses/valuation result	– 948	– 822	– 126	15.3
Operating result (profit from ordinary activities)	**442**	**477**	**– 35**	**– 7.3**
Extraordinary result	– 12	– 160	148	– 92.5
Net profit/loss for the year before tax	**430**	**317**	**113**	**35.6**
Income Tax	– 27	– 33	6	– 18.2
Net profit/loss for the year after tax	**404**	**284**	**120**	**42.3**

Differences of +/– one unit are due to rounding up/down.

Net interest income.

Net interest income significantly increased by EUR 358 million year-on-year or 15 % to EUR 2 719 million. In addition to solid earnings from both private and corporate customers, the bank benefited from nonrecurring positive effects from the restructuring of a larger corporate investment and higher payouts from its investments and subsidiaries. On the other hand, Compensation from the early repayment of loans and advances shrank year-on-year.

Net fee and commission income.

Net fee and commission income fell against the previous year by EUR – 82 million or – 32 % to EUR 174 million. In addition to the decrease in net fee and commission income from the loan processing business and guarantee business, commissions from the securities business, and from agency fees were also down. As in the year before, the guarantee commission for the risk shield of the State of Baden-Württemberg had a significant negative impact of EUR – 298 million.

Net gain/loss from the trading portfolio.

The **net gain/loss from financial operations with the trading portfolio** fell from EUR 15 million to EUR – 154 million. The Capital Markets Trading and the Treasury segments were unable to repeat the well-balanced results of the prior year. As expected, income from the Money Market business, the Fixed Income business and the Equity segment came out far short of the prior year's income due to the lower risk profile, less market volatility and narrower bid-ask spreads. In addition, the revaluation of financial instruments recognized at fair value was a burden on net income in the 2011 financial year.

Administrative expenses.

The **administrative expenses** increased during the year under review by EUR 17 million or 1 % to EUR 1 367 million. The decline in personnel expenses for salaries and wages of EUR 20 million to EUR – 590 million was mainly the result of downsizing. The average number of employees over the course of the year was 10 080, which is 616 fewer than in the previous year. This was partly mitigated by the increase in expenses for pensions, which rose by EUR 19 million to EUR 62 million.

The other administrative expenses increased during the year under review by 5 % or EUR – 23 million to EUR 528 million. This figure included banking fees of EUR – 57 million, charged for the first time during the reporting year, as well as lower expenses of EUR 15 million for dues and allocations. Excluding the banking fees, the administrative expenses would have decreased by a total of EUR 40 million to EUR 1 310 millon during the reporting year.

Other operating income/expenses.

Other operating income/expenses was in line with the previous year's level at EUR 17 million. The EUR 79 million in proceeds from the disposal of equity investments were mitigated by expenses of EUR – 59 million for appropriations to provisions for legal risks in particular.

Provision for credit losses/valuation result.

The **provision for credit losses/valuation result** worsened in the year under review by EUR 126 million or 15 % to EUR – 948 million. It consists of the following main items:

- The measurement effect on securities, borrower's note loans and derivatives of the liquidity reserve improved by EUR 147 million to EUR – 111 million. The change resulted from a drop in losses incurred in the redemption of own issues and from capital losses due to the closeout of CDS positions.
- The measurement effect on the **fixed asset securities** worsened by EUR – 637 million against the previous year to EUR – 725 million. This was nearly entirely due to the exposures in southern European sovereigns. In this context, securities issued by the Greek state were written down to market value. The write-downs avoided on account of the risk shield totaled EUR – 13 million in the year under review. There was again no payment obligation for the state of Baden-Württemberg as at 31 December 2011.

- Net allocations to the **provision for credit losses** declined by a significant EUR – 19 million against the previous year (EUR – 360 million). Economic growth and the resulting recovery in the real economy in Germany had a positive effect.

Extraordinary result.

The **extraordinary result** essentially included proceeds of EUR 19 million from releasing restructuring provisions and appropriations to pension provisions totaling EUR – 27 million. The retirement benefit obligations increased in 2010 due to the revised BilMoG valuation rules. The rules grant the option to make the necessary appropriations to pension provisions in installments over a 15-year period.

Income tax.

The **tax expense** for the year under review amounted to EUR – 27 million.

Net profit after tax.

At the end of the 2011 financial year, net profit after tax was EUR 404 million, a rise of EUR 120 million on the previous year's result of EUR 284 million. One benefit of the greatly improved earnings was that silent partners' contributions and profit participation rights could be completely replenished. There will be no distribution in the 2011 financial year for current or cumulative interest claims on silent partners' contributions and profit participation rights.

Net assets and financial position.

	31 Dec. 2011	31 Dec. 2010	Change from 2010 to 2011	
Assets	EUR million	EUR million	EUR million	in %
Cash reserve	5 700	204	5 496	>100.0
Public sector debt instruments and bills of exchange eligible for refinancing with central banks	72	163	– 91	– 55.8
Loans and advances to banks	63 147	66 912	– 3 765	– 5.6
Loans and advances to customers	123 549	135 833	– 12 284	– 9.0
Bonds and other fixed-income securities	65 662	74 484	– 8 822	– 11.8
Equities and other non-fixed-income securities	525	856	– 331	– 38.7
Trading assets	112 943	93 007	19 936	21.4
Shares and non-fixed-income securities	806	1 628	– 822	– 50.5
Shares in affiliated companies	3 175	3 176	– 1	0.0
Trust assets	1 004	993	11	1.1
Intangible assets	77	74	3	4.1
Property and equipment	396	453	– 57	– 12.6
Other assets	892	1 262	– 370	– 29.3
Deferred items	2 399	2 706	– 307	– 11.3
Total assets	**380 346**	**381 750**	**– 1 404**	**– 0.4**

Differences of +/- one unit are due to rounding up/down.

Liabilities	31 Dec. 2011 EUR million	31 Dec. 2010 EUR million	Change from 2010 to 2011 EUR million	in %
Deposits from banks	81 539	78 947	2 592	3.3
Deposits from customers	87 006	99 676	-12 670	-12.7
Securitized liabilities	81 850	91 761	-9 911	-10.8
Trading liabilities	101 272	82 441	18 831	22.8
Trust liabilities	1 004	993	11	1.1
Other liabilities	705	747	-42	-5.6
Deferred items	1 938	2 251	-313	-13.9
Provisions	2 382	2 406	-24	-1.0
Subordinated debts	5 263	5 301	-38	-0.7
Capital generated by profit-participation certificates	1 354	1 510	-156	-10.3
Fund for general banking risks	483	483	0	0.0
Equity	15 550	15 234	316	2.1
Total liabilities	**380 346**	**381 750**	**-1 404**	**-0.4**
Contingent liabilities	22 113	30 055	-7 942	-26.4
Other obligations	23 206	22 012	1 194	5.4
Business volume [1]	**425 665**	**433 817**	**-8 152**	**-1.9**

1) In addition to the total assets, the business volume includes off-balance sheet contingent liabilities and other obligations.
Differences of +/- one unit are due to rounding up/down.

Business volume.

LBBW's business volume fell year-on-year by EUR -8.2 billion or -2% to EUR 425.7 billion. The reduction in loans and advances to customers, in amounts due to customers, and in contingent liabilities was partly offset by changes in the trading portfolio.

At EUR 2 270 billion at the end of the year, the nominal volume of the derivatives was 2% below the previous year's figure (EUR 2 317 billion). 94% of the entire derivatives volume was related to trading activities. Trading activities included largely closed-out positions from offsetting derivatives.

Lending.

Loans and advances to banks decreased by EUR 3.8 billion or -6% to EUR 63.1 billion in 2011. This drop was largely due to a reduction in promissory note bonds from savings banks.

At the same time, **loans and advances to customers** were reduced by EUR -12.3 billion or -9% to EUR 123.5 billion. This decline resulted primarily from a reduction in promissory note bonds to public authorities and from reclassifying a counterparty totaling EUR 2.6 billion to loans and advances to banks.

The portfolio of **bonds and other fixed-income securities** decreased against the previous year by EUR – 8.8 billion or – 12 % to EUR 65.7 billion. This development is the result particularly of the reduction in money market securities that matured in the prior financial year, as well as the bonds and notes of third-party issuers.

The trading portfolio (assets) increased year-on-year by EUR 19.9 billion or 21 % to EUR 112.9 billion. The increase is primarily due to the falling capital market interest rates during the year under review.

The EUR – 0.8 billion decline in **equity investments** to EUR 0.8 billion is primarily the result of the disposal of investments.

Funding.

At EUR 81.5 billion, **deposits from banks** constituted one of the Bank's main funding pillars as of the end of the year. This represented a year-on-year increase of EUR 2.6 billion against 31 December 2010. The change was primarily based on the portfolio reclassification from counterparties to amounts due to banks. Adjusted for these reclassification effects, deposits from banks would have declined by EUR – 4.5 billion.

Deposits from customers declined by around EUR – 12.7 billion or – 13 % year-on-year to EUR 87.0 billion. EUR – 3.1 billion of this decrease was due to registered mortgage bonds and EUR – 5.7 billion to the portfolio reclassification to liabilities due to banks described above. Adjusted for the above-mentioned reclassification effect, amounts due to customers would have decreased by EUR – 5.6 billion.

A further important funding pillar, **securitized liabilities,** was valued at EUR 81.9 billion as of the end of 2011, which is also a decrease of EUR – 9.9 billion. The drop was essentially owed to covered bonds with extraordinary terms reaching their final maturities.

The trading portfolio (liabilities) rose against the previous year by EUR 18.8 billion to EUR 101.3 billion. The increase was primarily due to the falling capital market interest rates during the year under review, which prompted the opposite trend in trading assets.

The Bank has continued to run its **liquidity risks** down and was able to obtain funding on the requisite scale via the market at all times.

The requirements of the Liquidity Regulation were adhered to at all times in the year under review. The **Bank's liquidity ratio** as of 31 December 2011 was 1.59 (2010: 1.45).

Equity.

Equity as disclosed on the balance sheet.

Equity was EUR 15.6 billion as at December 31, 2011. The year-on-year difference of EUR 316 million mainly resulted from the replenishment of silent partners' contributions.

Own regulatory funds.

LBBW reported a gain in equity of EUR 284 million for the 2010 financial year. These funds were used to partially replenish the silent partners' contributions diminished in the prior year (shown in Tier 1 capital) and the profit participation rights (shown in Tier 2 capital). Due to the failure to reach the minimum residual durations required for recognition as liable capital, nominal amounts of EUR 303 million in profit participation rights were no longer recognized as regulatory equity in 2011. Because of contractually stipulated lock-in clauses, however, this capital could still be recognized as Tier 3 funds.

After a value adjustment surplus reported for 2010, which augmented Tier 2 capital, a value adjustment deficit was reported for 2011 deducted in equal measure from Tier 1 and Tier 2 capital. Items subject to capital charge were reduced by EUR – 12.8 billion to EUR 103.0 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:

	31 Dec. 2011	31 Dec. 2010	Change from 2010 to 2011	
	EUR million	EUR million	EUR million	in %
Own Regulatory Funds [1]	**19 934**	**20 507**	**– 573**	**– 2.8**
whereof Tier 1 capital	14 896	14 981	– 85	– 0.6
whereof Tier 2 capital	4 322	5 024	– 702	– 14.0
whereof Tier 3 capital	716	502	214	42.6
Qualifying items	**103 048**	**115 846**	**– 12 798**	**– 11.0**
Tier 1 ratio in %	**14.5**	**12.9**		**1.6 PP**
Overall capital ratio in %	**19.3**	**17.7**		**1.6 PP**

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

Risk report.

Disclosure guideline and area of applicability.

This risk report has been prepared on the basis of the German Commercial Code (HGB) and German Accounting Standards No. 5 (Risk Reporting) and No. 5 – 10 (Risk Reporting of Credit and Financial Services Institutions). The information provided relates, in particular, to risks arising from financial instruments. Further information can be found in the notes.

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 and the strategy set out by the Board of Managing Directors. 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.

Risk management thus forms a core element of the Group-wide system for risk-oriented management of the Bank as a whole and particularly comprises the organizational and operational structure, the 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.

Risk strategy guidelines are defined in the Group risk strategy, which applies to the entire Group and across all risk categories. These were consolidated in 2012 for the first time in the form of the so-called »risk tolerance« in accordance with the third amendment to the Minimum Requirements for Risk Management (MaRisk). It is determined through the definition of basic risk-strategy principles, strategic limits, the liquidity risk tolerance and the principles of risk management and must be observed in all business activities.

The basic risk-strategy principles reflect the conservative risk policy defined in the Bank's business strategy. The strategic limit system operationalizes the requirements and objectives defined in the business strategy for all material risk types covered by risk-bearing capacity. The liquidity risk tolerance caps the liquidity risk in the narrower meaning (i. e. the inability to meet payment obligations). The risk 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 requirements. They contribute to the creation of a uniform risk culture and – in accordance with materiality principles – form the framework for the precise organization of processes and methods of risk management.

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, particularly with respect to risk-bearing capacity, includes many details applicable to the Group and, hence, to certain material subsidiaries.

In addition, the risk strategies document LBBW's current and targeted risk profile, define customer, product and market-specific requirements, and together with the business strategy thus provide the framework for medium-term planning.

Operational implementation of these requirements is monitored by means of deviation analyses, business field dialogs, monthly analyses of results and strategic and operational limit systems.

Risk-bearing capacity and risk types.
Risk types.

LBBW distinguishes between material and non-material risk types. Risk types are identified and their materiality determined on the basis of the results of the annual and ad hoc risk inventory.

The following risk types were identified and classified for 2011. There were changes with respect to pension risks, which tie up greater economic capital on account of an enhanced quantification methodology and thus constitute as a material risk.

Risk types.

	Risk category	Describes possible …
Material risks	Credit risks	… losses arising from the default or deterioration in the credit rating of business partners. … defaults by sovereign borrowers or restrictions on payments. … losses arising from shortfall in 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, volatility.
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	Operational risks	… losses arising from the unsuitability or failure of internal processes and systems, people, or due to external events, including legal risks.
Material risks	Investment risks	… losses in the value of Group companies and equity investments not included in the above risk categories.
Material risks	Reputation risks	… losses caused by damage to the Bank's reputation.
Material risks	Business risks	… losses due to less favorable business performance than expected unless they do not relate to other characteristic banking risks.
Material risks	Pension risks	… increase in pension provisions.
Material risks	Strategic risks	… losses due to strategic decisions.
Material risks	Real estate risks	… losses in the 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 Management GmbH.
	Funding risks	… additional expense as a result of higher funding costs.
	Model risks	… misrepresentations of actual risk.
	Dilution risks	… losses due to a lack of legal payment obligations for purchased receivables.
	Fund placement risks	… losses due to non-placement of equity components in the case of closed-end funds.

Economic capital and aggregate risk cover.

A Group-wide compilation of risks across all material risk types 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.

At LBBW, aggregate risk cover (corresponds to risk coverage potential as per MaRisk) denotes the equity restricted according to economic criteria which is available to cover unexpected potential losses. In addition to equity (as per IFRS including revaluation reserves), subordinated capital, P&L results (IFRS), and hidden losses are considered components of aggregate risk cover. Furthermore, it has included extensive conservative deductions since December 2011 in accordance with regulatory requirements.

Economic capital is calculated as a uniform risk measure at the highest level. It is defined as the volume of economic capital which is required to cover the risks arising from LBBW's business activities. In contrast to the capital stipulated by regulatory bodies, it therefore represents the capital backing required from LBBW's point of view for economic purposes, calculated using the Bank's own risk models. As a fundamental rule, it is quantified as value-at-risk (VaR) at a confidence level of 99.95% and a 1-year holding period for credit, market price, real estate, development, investment and operational risks and using simplified processes for the other risk types. By contrast, liquidity risks are managed and limited by the quantitative and procedural rules defined in the liquidity risk tolerance.

The upper risk limit for economic capital represents the Group-wide overarching limit for all relevant quantified risk types. This limit reflects LBBW's maximum willingness to accept risk. In keeping with the conservative principle underlying risk tolerance it is substantially below the aggregate risk cover and thus provides scope for an additional buffer for risks arising from unforeseeable stress situations. On the basis of the upper risk limit for economic capital, limits for economic capital are defined for the various directly quantified risk types and other risks not quantified within a model approach.

In addition to management across risk types, economic risk management at segment and business line level was prepared and implemented in the course of 2011.

Stress tests.

In addition to statistical indicators, which are ultimately based on historical data and risk measurement tools, stress scenarios play an important part in risk assessment. They analyze in advance the impact of possible economic volatility and market crises in order to establish whether LBBW is able to withstand extreme situations.

Stress tests are therefore an integral part of LBBW's internal risk management. Stress scenarios are arranged in such a way that extraordinary but plausible events of different degrees of severity can be considered from economic, regulatory and accounting perspectives.

For this purpose, various methods ranging from a simple sensitivity analysis to complex macroeconomic scenarios addressing multiple risk types are applied. In addition, reverse stress testing is regularly carried out. As part of this, it is determined which scenarios would lead to the existence of the Bank coming under threat.

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 types which are compared with the buffer held for stress scenarios. These basis scenarios underwent further development in 2011. The focus is now on carefully considered over-arching macroeconomic scenarios taking account of risk concentration across multiple risk types.

Moreover, LBBW took part in the Europe-wide stress test for banks in 2011 carried out for the first time by the European Banking Authority (EBA). In this stress test, LBBW exceeded the minimum Tier 1 capital ratio defined by the EBA.

Development of the risk situation in 2011.

Measures have been implemented within the LBBW Group as part of appropriate risk management to limit or minimize all material risks. Sufficient capital was available to cover all risks.

The risk-bearing capacity in the first half of 2011 gradually improved compared with 31 December 2010. This was particularly reflected in the considerable decline of market price risk, which was primarily due to the reduction of positions held in the credit investment portfolio (see chapter on market price risk) as well as the declining credit risk as a result of the rundown and improvement in the quality of the portfolio (see chapter on credit risk).

The second half of 2011 was mainly dominated by the further deterioration of the European sovereign debt crisis. This had negative effects on aggregate risk cover (e. g. write-down of Greece exposures) and additionally resulted in an increase in economic capital (as a result of market dislocations and a deterioration in the quality of the sovereign portfolio).

Regardless of this, methodological adjustments were made to the calculation of risk-bearing capacity as at 30 November 2011 in response to new regulatory requirements, leading to a substantial increase in the utilization of aggregate risk cover as a result of economic capital despite an unchanged risk situation.

In connection with the annual revisions to the risk-bearing capacity system, the other risk types were additionally included in the limits on economic capital; prior to this, they were counted as buffer items in risk-bearing capacity. This reclassification, which resulted in an increase in the upper limit on economic capital, did not lead to any effective increase in risk.

Despite this strain, there were no restrictions to the Group risk-bearing capacity at any time in the year or as at 31 December 2011 even with the buffer amount for the stress test included. Utilization of aggregate risk cover stood at 70% as at 31 December 2011.

LBBW Group.

	31 Dec. 2011			31 Dec. 2010		
EUR million	Limit[3]	Absolute	Utilization	Limit[3]	Absolute	Utilization
Aggregate risk cover		18 060	70%		21 025	57%
Economic capital committed	15 000	12 626	84%	14 300	11 903	83%
Diversification effects		660			1 493	
Credit risk		6 565			6 556	
Market price risk		3 662			5 010	
Investment risk		432			360	
Operational risk[1]		803			742	
Development risk		262			345	
Real estate risk		376			383	
Other risks[2]		1 186				

1) Value in 2011 OpVaR confidence level 99.95%, comparative figure for the end of 2010, confidence level 99.9%
2) Other risks (reputation, business, pension and strategic risks) included in the risk-bearing capacity calculation from November 2011.
3) The individual risk types are capped by means of economic capital limits.

In addition to an analysis of the current situation, LBBW examined the potential effects of the aforementioned basis stress scenarios on risk-bearing capacity. In all cases, the effects of the basis stress test scenarios defined were within the buffer amount for stress tests set for this purpose.

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 offices divisions
  - Credit and risk management
  - Central loan processing
- Country Limit Committee
- Joint decision-making authority on lending with front offices
- Group Risk Control

Market price risk, liquidity risk, operational risk strategy

Market price risks
Liquidity risks
- Treasury
- Trading divisions:
  - Capital Markets – Trading
  - Capital Markets – Clients
- Group Risk Control

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

Investment risk, real estate risk and development risk strategy

Investment risks
- Group Strategy/Legal

Real estate risks
- LBBW Immobilien Management GmbH

Development risks
- LBBW Immobilien Management GmbH

Other risks
- Strategic risks
- Business risks
- Reputation risks
- Pension risks
- Funding (spread) risks
- Model risks
- Dilution risks
- Fund placement risks

Risk management and monitoring.

At LBBW, transactions can only be entered into within clearly defined limits or competencies and in accordance with the principles of the risk strategy. 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 types.

Potential concentration of risk receives particular attention. On the one hand, concentrations tend to arise as a result of the synchronization of risk positions within one of the risk types. For another, it can also be produced as a result of common risk factors or interactions between various risk factors of different risk types. At LBBW, appropriate processes are used to identify and to deliberately manage risk concentration. Risks to the Bank's going-concern status must be excluded. There is a range of different monitoring processes (e. g. stress tests) and limits (e. g. sector and country limits) available for the purpose of monitoring this strategic requirement.

The Risk Committee comprises the Board members in charge of financial markets, finance/operations and IT, and back office functions, in addition to division managers from risk control, financial controlling, and the front and back office, 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 on specific issues as required 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.

The Asset Liability Committee prepares decisions for the Board of Managing Directors and supports it in ensuring the adequacy of the capital resources, asset/liability management and determining the liquidity and refinancing strategy, among other things. The resolution is passed by the Group's Board of Managing Directors. The Committee comprises the Chairman of the Board of Managing Directors, the Board members 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 accounting and risk controlling. At LBBW, this generally concerns trading and credit products. Mainly trading products are concerned. If it is not possible to fully integrate the trading products into the model immediately, a step-by-step approach is taken in which these products are initially only traded under very strict supervision.

Process-independent monitoring.

The Group 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 Group Auditing division exercises its duties autonomously. The Board of Managing Directors is informed of the results of audits in written audit reports discussed with the audited operating units. Group Auditing also monitors the measures taken in response to the audit findings.

Implementation of regulatory requirements.

MaRisk.

LBBW is fully subject to the regulations on the Minimum Requirements for Risk Management (MaRisk). On 15 December 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 and further announcements made by the regulator tighten and broaden the regulatory requirements for the strategy process, consideration of 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 were to be implemented in full by 31 December 2011. Most of the matters had been implemented by the end of the year. The subjects still requiring attention will be implemented in 2012.

Basel III.

In response to 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 reforms is to make the financial system as a whole more resistant.

As part of this reform, the Basel Committee on Banking Supervision on behalf of the G20 states has agreed on new and expanded regulations (the Basel III framework). A draft EU directive and regulation for transposing this reform into European law have been tabled and the European legislative process is currently ongoing.

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 extensions to risk measurement. In future, banks will be required to hold considerably more equity to cover their risk-weighted assets. This will be operationalized by higher minimum ratios and additional capital buffers.

In addition to new indicators for liquidity backing 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 were defined in greater precision.

These new regulatory developments have implications for 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 call for an integrated approach.

At LBBW, the implementation of Basel III is being supported by an interdisciplinary project team which, in addition to quantitative effect analyses, is developing recommendations for action and has initiated a Basel III implementation project.

Credit risks.

The following diagram illustrates the various components of credit risk:

Credit risk components.

Credit risk

Borrower, counterparty issuer and equity investment risk

- Credit rating deterioration
- Default

Country and transfer risk

- Credit rating deterioration
- Payment restriction
- Default

Collateral risk

- Change in value
- Liquidation rates

Borrower, counterparty, issuer and equity investment risk.

The risk that a contractual partner does not meet his payment obligations or does not meet them in full within the stipulated period and that deteriorations in the credit ratings lead to a decline in value.

The counterparty risk also includes replacement and settlement risks. The replacement risk refers to the potential cost of closing outstanding items at less favorable market prices, while the settlement risk reflects the risk arising from trades in which LBBW makes advance payment but the counterparty does not render the agreed consideration.

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 the transfer of foreign currencies or other government actions.

Collateral risk.

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

Components of credit risk management.

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

Credit risk management.

Risk measurement	■ Risk classification procedure (PD) ■ Exposure at default (EaD) ■ Liquidation and recovery ratios (LGD) ■ Expected losses ■ Credit value-at-risk (CVaR) ■ Risk concentration ■ Stress tests
Risk monitoring and reporting	■ Level of the individual commitment, early warning indicators ■ Intensive care of problem assets ■ Portfolio level ■ Valuation allowances ■ Ad hoc information on risk situation
Risk management	■ Risk and capital-adequate pricing ■ Observance of the stipulation of the credit risk strategy at the level of the individual commitment ■ Measures for observing various portfolio limits ■ Observance of the stipulations of the credit risk strategy at the 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 undergo further development as and when required.

Risk classification procedures.

LBBW uses specific risk classification procedures for all relevant business fields. These procedures quantify the probability of default of the individual investment. For this purpose, the counterparty risk is calculated both including and excluding the transfer risk.

The quality of the risk classification procedures in use is reviewed regularly and the procedures are refined if necessary. These 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).

Rating procedures which have been approved for the IRB approach are applied to most of the portfolio. In these cases, the precision and forecastability are additionally documented for submission to the banking regulator. IRBA approval is being requested for further rating procedures in 2012.

Exposure at default.

Whereas exposure is tied to a specific date for reporting purposes and for calculating CVaR, potential future exposure is calculated for charging positions such as derivatives and foreign-currency trades to limits. Potential future exposure is chiefly determined on the basis of market values and add-ons. The add-on calculation takes account of the remaining maturity, product type and market factors (interest, currency etc.). Netting and collateral agreements are used for reducing risk.

(Modified) nominals are used for calculating the capital charges for issuer and reference debtor risks from securities and holdings in the banking book. The capital charges for credit derivatives held in the trading book take account of the settlement payments and actual market values losses as a result of default (»jump-to-default« method).

The settlement risk equals the payment owed for the settlement period.

Liquidation of collateral: liquidation and recovery rates.

Collateral is evaluated on the basis of its market value, which is regularly reviewed in the light of the pledged assets and adjusted in the event of any change in the relevant factors. On the basis of the valuation of the individual items of collateral, loss given default is estimated at the portfolio level. In this respect, estimates are calculated for liquidation rates (average proceeds expected from the liquidation of collateral) 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«.

Collateral is evaluated in the light of granulated estimates for liquidation rates and recovery rates on a risk-congruent basis.

Expected losses.

The expected loss – as an indicator that depends on customer creditworthiness, an estimation of the loss at default and the expected exposure at 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 connection with the calculation of impairments, the concept of the expected loss is also used to calculate general loan loss 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.

The credit rating of the counterparties (or the resultant default risk) and the credit rating of LBBW have an impact on the valuation of derivatives on the basis of market prices. For this purpose, credit valuation adjustments (CVA) are calculated and included in LBWW's profit/loss among other things.

Credit value-at-risk: quantification of the credit risk for calculating risk-bearing capacity.

At LBBW, unexpected loss or credit value-at-risk (CVaR) represents the potential present value loss of a portfolio above its expected loss. This determines the amount that will not be exceeded by losses with a probability (confidence level) defined by parameterizing the risk-bearing capacity within a time horizon of one year. 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 can be adequately taken into account and borrower, sector and country concentration mapped. The credit portfolio model uses a Monte Carlo simulation approach to calculate risk. CVaR is used as the parameter for economic capital for credit risks in LBBW's risk-bearing capacity analysis.

Risk concentration and stress tests.

One of the main tasks of credit risk management is to avoid the concentration of risks from individual commitments and also at the portfolio level. For this purpose, there are specific limit systems restricting the acceptance of commitments at the borrower, sector and country level. Credit risk concentration is additionally recorded and monitored by including CVaR in risk-bearing capacity.

In addition, LBBW calculates extensive stress scenarios – particularly in the light of possible concentration risks – to analyze possible changes in its portfolio arising from potential developments (e. g. sector crises) or market conditions in particular. In addition, credit risks are included in scenarios covering multiple risk types.

Risk monitoring and reporting.

Individual transaction level.

LBBW has procedural rules which are supported by system-generated signals for the early detection of any warning signals pointing to a potential deterioration in credit ratings.

As part of risk monitoring, the responsible risk managers permanently track compliance with the limits granted as well as any changes in information of relevance for credit ratings. This includes monitoring any irregularities in account behavior, evaluating company news and observing macroeconomic and sector trends. In cases in which market data can be observed for a given company, a market data-based system is additionally used.

The early detection of any deterioration in credit ratings allows appropriate precautions, e. g. additional collateral or pre-emptive restructuring, to be taken in good time in consultation with the customer. Depending on the level of risk, problem assets are classified as cases requiring intensified support, restructuring or liquidation and are dealt with by specialist divisions. LBBW aims to minimize losses through successful restructuring activities, in line with the Bank's own interests and those of its customers.

Portfolio level.

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

The limits to exposure or economic capital based on CVaR set at the various portfolio levels are monitored in the monthly overall risk report.

Compliance with country limits is monitored on a daily basis with a special limit system. The Board of Managing Directors has additionally intensified risk monitoring to countries, which are continuing to attract great attention (esp. the »PIIGS« countries).

The financial institutions portfolio has both an overall limit and limits depending on countries, in addition to the country limit. Within each country, exposure to all non systemically relevant financial institutions is also capped by means of a further limit.

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

Adjustments to problem assets.

The provisions necessary for credit risks are calculated in accordance with uniform Group-wide measures and their appropriateness monitored on an ongoing basis.

Provisions for loans and advances are set aside (or increased) if there is objective evidence that the value of an individual financial asset or group of financial assets is impaired. Objective evidence of impairment particularly includes recognizable financial difficulty on the part of the borrower, a breach of contract (default or past due interest or principal payments), an increased likelihood that the borrower will enter bankruptcy or other financial reorganization, and granting by the lender, for economic or legal reasons relating to the borrower's financial difficulty, of a concession that the lender would not otherwise consider.

Information on risk situation.

An ad hoc reporting process is implemented for significant and extraordinary events for specific reporting to the decision-makers in charge. In addition, larger commitments or ones exposed to heightened risk are regularly reported to the Group Board of Managing Directors and the supervisory bodies with well-founded statements about the respective investment strategy and financial development.

The Risk Committee informs the Board of Managing Directors of the risk situation at the portfolio level, compliance with requirements of the credit risk strategy and compliance with the limits described. The portfolio analyses additionally report on the risk situation of individual industries for example.

The comprehensive credit risk report, submitted on a quarterly basis as part of the overall risk report, contains additional detailed information on the development of provisions for losses on loans and advances, rating distributions, size classes, product types, remaining maturities, new business and risk concentration arising from individual commitments. If necessary, recommendations for action are submitted to the Board of Managing Directors.

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.

Credit risks are managed, in particular, through the requirements of the credit risk strategy, compliance with the economic capital limit with regard to the Credit Value-at-Risk and the monitoring of concentration risks (sector, countries, individual counterparties).

Individual transaction level.

Risk management at the level of individual counterparties is the duty of the credit back offices. A material part of managing individual transactions involves monitoring compliance with the requirements defined in the credit risk strategy. This determines the framework for the LBBW Group’s lending business on the basis of the business strategy and in the light of the Group risk strategy. Particular attention is paid to avoiding concentration risks.

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 entering into business; for this reason, preliminary costing of all individual 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 individual customer level.

Sub-portfolio level.

Country limits are determined by the Board of Managing Directors, based on the proposals 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 sector portfolio triggers controlling measures such as hedging transactions to reduce risk or a ban on new business if certain thresholds are exceeded.

At the business field level, risks are limited through measures to ensure 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).

Total 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 mitigate risk are initiated 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 which may trigger measures for reducing risk.

Risk situation.
Preliminary note.

The following information on the risk situation is based on the management approach, i.e. the credit portfolio is described on the same basis as that used in internal risk reporting to the Board of Managing Directors. The deviations in the balance sheet volume are chiefly due to differences in the definition of the amount sizes and differing consolidation groups.

The details given on the portfolio quality, regions, sectors, rating migration and size classes provide a good overview of LBBW's risk situation. The amount reported is gross exposure or, alternatively, net exposure. Gross exposure is defined as the market value or utilization plus open external credit commitments. Whereas gross exposure represents the maximum default risk, net exposure includes risk-mitigating effects such as netting and collateral agreements, the hedging effect of credit derivatives or the inclusion of conventional loan collateral such as real estate liens, financial collateral, guarantees or bonds.

Development of exposure and collateral.

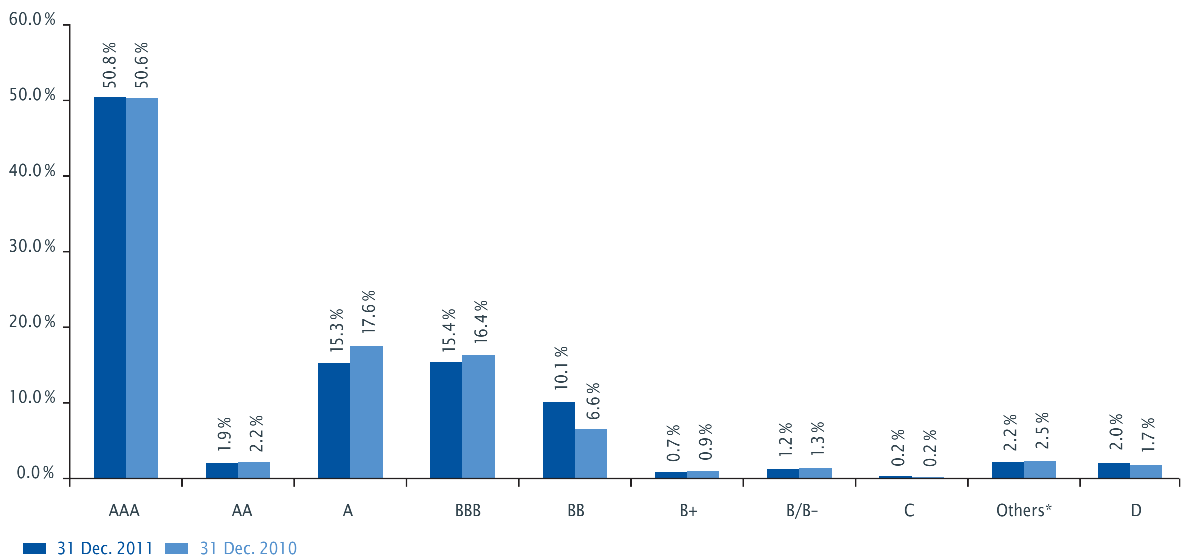
As at 31 December 2011, gross exposure stood at EUR 449 billion, a decline of EUR 12 billion or 3 % over the previous year. The portfolio runoff was reflected only moderately in gross exposure as positive trends in market values exerted a compensatory effect. The portfolio rundown actually achieved was reflected more clearly in net exposure, which dropped by EUR 37 billion or 11 %:

in EUR million	31 Dec. 2011	31 Dec. 2010
Gross exposure	**448 671**	**460 441**
Netting/collateral	73 192	41 602
Credit derivatives	29 757	30 865
Conventional credit collateral	45 937	51 688
Net exposure	**299 785**	**336 286**

Portfolio quality.

As in the previous year, around half of the net exposure had the highest rating class[1)] (AAA rating). The proportion of very good or good ratings (AA to BBB –) contracted slightly over the year as a whole. This was chiefly due to reduced exposure to financial institutions and public sector bodies with above-average ratings. The proportion of the portfolio with inferior ratings (B to C) dropped in both relative and absolute terms. The increase in the default rating class (D) was particularly due to exposure to Greece; otherwise the proportion accounted for by this rating class would have narrowed over the year as a whole.

Net exposure in %.



* The »Other« category pools commitments for which no rating has been assigned, e. g. for reasons of risk relevance, and for which there is no default.

1) The quality of the portfolio is illustrated by reference to equivalent external rating classes.

Regions.

The share of domestic business in net exposure widened by just under 5 percentage points to over 72% for the year as a whole. This reflected a focus on core markets in private, SME, and large customer business, as well as the function as a central bank to savings banks.

More than 90% of foreign commitments were distributed across western Europe and North America. Total commitments in eastern Europe, Latin America, Africa and to supranational institutions represented less than 2% of the overall portfolio.

Net exposure by region.

Region	Share 31 Dec. 2011	Share 31 Dec. 2010
Germany	72.5%	67.7%
Western Europe (excluding Germany)	18.6%	21.0%
North America	6.3%	7.7%
Asia/Pacific	1.4%	2.0%
Eastern Europe	0.8%	1.1%
Latin America	0.4%	0.4%
Africa	0.0%	0.0%
Supranationals	0.0%	0.0%
Total	**100.0%**	**100.0%**

The European sovereign debt crisis continued to adversely affect LBBW's risk situation, with the markets still paying particularly close attention to the eurozone periphery countries. As part of country risk management, risk-mitigation measures were implemented. A particular focus here is on the eurozone including the PIIGS countries. Belgium and countries with great potential of debt contagion (Cyprus, for example) and countries suffering economic upheaval (such as Hungary) are also under particular observation.

Against the backdrop of our exposures a major influence on LBBW's risk situation stemmed only from the PIIGS countries; we therefore show them in detail below. The information provided is based on the items in the balance sheet prepared in accordance with the HGB balance sheet and set out the commitments per country, borrower and balance sheet category.

Loans and advances to governments, financial institutions and companies in the PIIGS countries came to a total of EUR 13 billion. The tables below provide a detailed overview of exposure sizes in the PIIGS countries and of the loan loss provisions set aside.

Exposure to financial institutions.

in EUR million	Greece	Ireland [1]	Italy	Portugal	Spain
Loans and advances (net)					
Balance sheet value	1.4	69.3	271.6	106.1	143.6
Accumulated depreciation	0.1	0.0	0.1	0.1	0.1
Bonds and other fixed-income securities					
Assets					
Balance sheet value	0.0	472.2	809.7	70.1	1 820.9
Accumulated depreciation					
Liquidity reserve					
Balance sheet value	0.0	111.6	0.0	0.0	101.4
Trading assets					
Derivatives, balance sheet value	0.0		78.6	7.9	35.8
Other trading assets, balance sheet value	0.0	50.4	69.0	7.3	679.8
Trading liabilities					
Derivatives, balance sheet value	0.0	– 94.3	– 76.6	– 12.7	– 114.2
Other trading liabilities, balance sheet value	0.0	0.0	0.0	0.0	0.0
Total	**1.4**	**609.3**	**1 152.3**	**178.7**	**2 667.3**
Derivatives held in bank book					
CDSs					
Nominals of assets		8.0	90.0	10.0	290.0
Nomimals of liabilities				10.0	
Provisions for threatened losses					

1) Loans and advances (net) to Ireland: do not include intragroup loans and advances to subsidiaries Spencerview and Georges Quay. (Loans and receivables [gross] to Spencerview and Georges Quay EUR 4.9 billion of which cumulative write-downs EUR 549.7 million)

The exposure to Ireland includes, among other things, loans and advances to, and securities of, group companies Spencerview and George Quay. All told, write-downs totaling EUR 549.7 million were performed on loans and advances to these two securitization companies.

Exposure to corporates.

in EUR million	Greece	Ireland	Italy	Portugal	Spain
Loans and advances (net)					
Balance sheet value	60.3	382.9	174.0	26.9	829.6
Accumulated depreciation	0.0	0.5	0.2	0.7	46.9
Bonds and other fixed-income securities					
Assets					
Balance sheet value	96.5	126.0	10.2		179.9
Accumulated depreciation	-235.3				
Liquidity reserve					
Balance sheet value					24.6
Trading assets					
Derivatives, balance sheet value	10.2	1.5	44.2	3.9	49.3
Other trading assets, balance sheet value		20.9			23.9
Trading liabilities					
Derivatives, balance sheet value	-26.7	-1.1	-24.7	-3.2	-8.0
Other trading assets, balance sheet value					
Total	**140.3**	**530.2**	**203.6**	**27.7**	**1 099.3**
Derivatives held in bank book					
CDSs					
Nominals of assets	20.0				
Nomimals of liabilities	20.0	17.0	10.5		
Provisions for threatened losses					

Exposure to public sector bodies.

in EUR million	Greece	Ireland	Italy	Portugal	Spain
Loans and advances (net)					
Balance sheet value	0.0	0.0	0.0	40.0	13.1
Accumulated depreciation	0.0	0.0	0.0	2.0	0.0
Bonds and other fixed-income securities					
Assets					
Balance sheet value	140.1		2 110.2	571.7	901.8
Accumulated depreciation	– 505.5				
Liquidity reserve					
Balance sheet value	2.0	78.5	1 156.8	416.0	993.9
Trading assets					
Derivatives, balance sheet value	130.0	29.7	61.3	40.3	– 13.6
Other trading assets, balance sheet value	2.2	0.0	3.0	0.0	41.0
Trading liabilities					
Derivatives, balance sheet value	– 147.4	– 31.2	– 64.3	– 40.3	13.6
Other trading assets, balance sheet value					
Total	**126.8**	**77.0**	**3 267.0**	**1 027.7**	**1 949.8**
Derivatives held in bank book					
CDSs					
Nominals of assets		102.0	1 512.9	576.6	1 859.2
Nomimals of liabilities		90.0	1 185.0	500.0	1 000.0
Provisions for threatened losses					

The market value has been applied as the fair value for bonds issued by the Greek government as well as a quasi-government transport company in Greece. This does not include credit risks from positions held in the Bank's ABS/CDO structures. The nominal value of these structures stood at EUR 3.5 billion as at 31 December 2011.

Sectors.

As in the previous year, financial institutions constituted the largest of the four main sectors (financial institutions, corporates, public sector bodies, private individuals) in terms of both gross and net exposure at EUR 228 billion and EUR 146 billion, respectively.

In the chart below the exposure to financial institutions is shown separately for exposure with state liability and exposure without state liability. Exposure with state liability includes, in particular, transactions which come under guarantor's liability or are covered by the guarantee provided by the federal state of Baden-Württemberg.

Exposure with state liability was reduced by EUR 8 billion each in terms of gross and net exposure to EUR 56 billion for gross exposure and EUR 54 billion for net exposure. The decline was essentially observed in transactions covered by guarantor's liability.

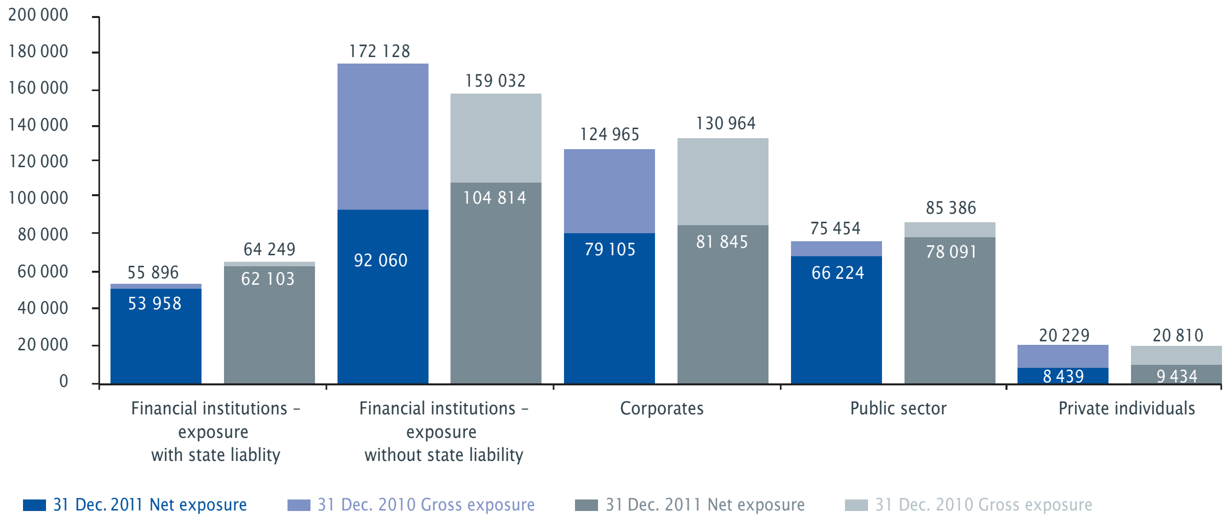
Gross exposure without state liability increased by EUR 13 billion to EUR 172 billion. The increase was primarily due to the sharp rise in the market value of interest derivatives (»in the money«), which more than offset an otherwise discernible decline in gross exposure to financial institutions. Given the heightened netting effects between interest derivatives in the money and out of the money, interest derivatives hardly had any effect on net exposure on balance. Net exposure reflects the development of the portfolio more accurately in terms of risk congruence and highlights the reduction to financial institutions without state liability by EUR 13 billion to EUR 92 billion.

Gross exposure to companies dropped by EUR 6 billion to EUR 125 billion in 2011. In the same period of time, net exposure contracted by EUR 3 billion to EUR 79 billion.

The reduction of EUR 10 billion in gross exposure to public sector bodies to EUR 75 billion (reduction in net exposure by EUR 12 billion to EUR 66 billion) was disproportionately large compared with the portfolio as a whole. The decline was particularly evident in credit derivatives. The portfolio benefited from the large proportion of domestic public sector bodies (68% of gross exposure and 77% of net exposure) with continued good to very good ratings. The differences between gross and net exposure were minimal as it is not customary for collateral to be provided in the case of these very good ratings.

Exposure toward private individuals remained very largely unchanged over the year as a whole. This customer group contributed to portfolio diversification thanks to its high granularity.

Gross/net exposure, EUR million.



Portfolio quality by sector.

A further breakdown of net exposure by rating and sector provides information on the scope of LBBW's business activities and the risk situation in the respective sector. The sector classification in the following section is based on LBBW's internal risk-oriented sector key.

Just under 80% of net exposure toward financial institutions was accounted for by credit institutions and the rest by other financial service providers. The proportion of exposure contributed by transactions with very good to good ratings (AAA to BBB–) stood at over 90% and thus remained high, in line with the previous year.

The portfolio of corporate customers reflects the diversification of sectors. The total of eleven sectors with a share of more than 3% in the corporate customer portfolio is broken down in the following diagram. As in the previous year, commercial real estate (CRE), automotive, utilities and construction were the most important sectors in the portfolio.

Whereas net exposure to commitments in default in the corporate customer portfolio rose slightly by EUR 0.2 billion to EUR 4.4 billion the proportion of weaker ratings (B to C) was reduced significantly by EUR 1.6 billion to EUR 2.3 billion (net exposure).

Exposure to public sector bodies shrank significantly over the year as a whole. The deterioration in the portfolio structure compared to the previous year with respect to public sector bodies was primarily due to developments in a number of eurozone periphery countries.

in EUR million	AAA – BBB –	BB+ – B+	B – C	Others[1)]	Default[2)]	Total 31 Dec. 2011	Total 31 Dec. 2010
Financial institutions							
Gross exposure	213 041	12 354	999	688	941	228 024	223 281
Net exposure	132 836	11 119	745	453	865	146 017	166 917
Credit institutions	112 702	1 636	376	13	287	115 015	136 502
Financial services	20 134	9 484	368	440	577	31 002	30 415
Corporates							
Gross exposure	80 410	30 821	4 702	2 720	6 311	124 965	130 964
Net exposure	51 153	20 009	2 337	1 190	4 417	79 105	81 845
Automotive	6 093	3 575	106	16	459	10 250	8 961
Construction	3 054	1 965	214	116	461	5 809	6 419
Cross-industry industrial goods	2 793	594	61	40	81	3 570	2 965
Commercial real estate (CRE)	4 222	3 932	758	124	1 431	10 468	10 505
Renewable energies	2 131	428	36	1	147	2 742	2 436
Health care	1 807	368	35	125	68	2 403	2 782
Food retail and other non-cyclical consumer goods	2 739	477	147	12	137	3 510	2 924
Cross-industry mechanical and tool engineering	1 821	752	62	18	135	2 789	2 431
Transport and logistics	2 433	622	394	23	428	3 900	4 296
Insurance	2 333	126	4	22	47	2 532	3 524
Utilities	6 115	580	31	27	25	6 779	5 352
Other sectors[3)]	15 612	6 589	489	665	998	24 353	29 250
Public sector							
Gross exposure	70 850	2 122	1 807	32	642	75 454	85 386
Net exposure	64 012	384	1 183	31	614	66 224	78 091
Private individuals							
Gross exposure	6 501	2 220	205	10 925	376	20 229	20 810
Net exposure	2 213	954	77	4 983	212	8 439	9 434
Total							
Gross exposure	370 802	47 518	7 714	14 365	8 271	448 671	460 441
Net exposure	250 213	32 466	4 341	6 658	6 107	299 785	336 286

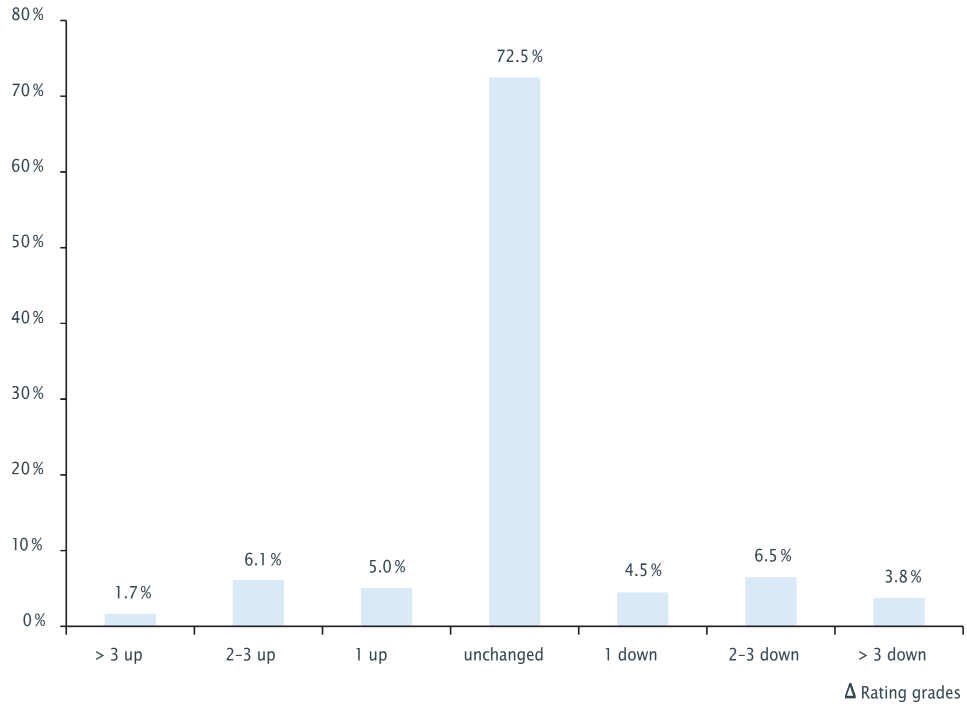
1) »Others« comprise exposure which has not been rated. e. g. for risk relevance reasons, and which is performing as planned.
2) »Default« refers to exposure for which a default event as defined in § 125 SolvV has occurred, e. g. 90-day default, improbability of repayment or the recognition of loan-loss provisions. The exposure is presented before risk-provisioning/impairments.
3) »Others sectors« include sectors accounting for less than 3 % of the corporate portfolio.

Rating migrations.

The following chart shows the weighted 12-month rating migration of the Bank's borrowers (net exposure). Rating migration by one notch is equivalent to a change by one class in the internal rating on a scale of a total of 24 rating classes.

Over the year as a whole, 72 % of borrowers had an unchanged rating; with 13 % of borrowers, the rating improved by at least one notch and in the case of 15 % it deteriorated by one or more notches. The downward rating migrations of more than 3 notches were largely due to rating downgrades in some of the eurozone periphery countries.

Rating migrations in %.

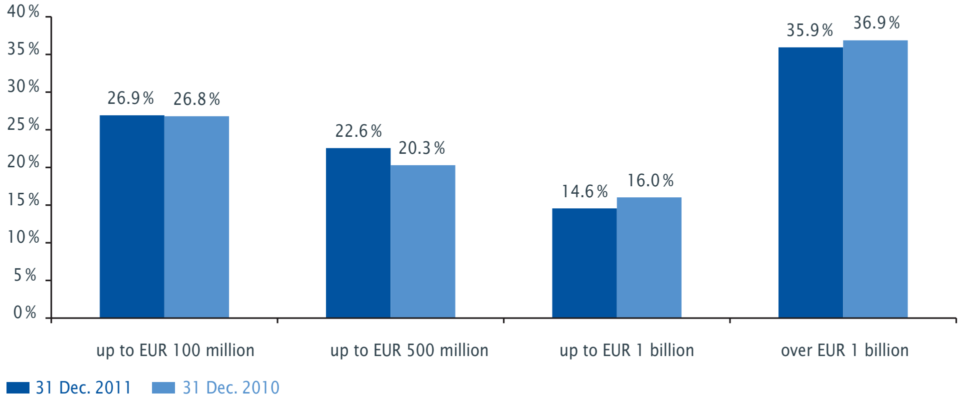


Size classes.

The proportion of the portfolio with net exposure of greater than EUR 1 billion contracted by one percentage point to 36 % over the year as a whole; of this, 41 % comprised exposure to »Landesbanken« and savings banks (of which two thirds were subject to guarantor's liability) and a further 34 % to public sector bodies (especially domestic regional authorities). The remaining 25 % were spread across banks and companies almost exclusively with good to very good credit ratings. A further reduction in the share in the overall portfolio of the size class with net exposure of > EUR 1 billion will be achieved by means of the successive disposal of major individual commitments.

With shares of over 90% in both cases, very good to good credit ratings also dominated the two middle-size classes (net exposure of up to EUR 1 billion and up to EUR 500 million, respectively). The size class with net exposure up to EUR 100 million was a granular portfolio consisting, in particular, of corporate and retail customers.

Net exposure in %.



Risk provisions.

The development of allowances for losses on loans and advances is shown in the table below:

Net valuation result on loans.

EUR million	Amount 12/2010 (1)	Reclassifi-cations (2)	Allocation (3)	Reversals (4)	Utilization (5)	Direct write-downs/ recoveries on loans written off (6)	Currency translation difference (7)
Credit rating risks	4 162.2	-20.9	719.0	798.5	608.2	150.6	17.3
GLLP	305.2	0.0	156.0	207.7	0.0	0.0	-0.5
LBBW (Bank)	**4 467.4**	**-20.9**	**874.9**	**1 006.2**	**608.2**	**150.6**	**16.9**

EUR million	P/L-relevant risk costs (3)-(4)+(6)	Amount 12/2011 (1)+(2)+(3) -(4)-(5)+(7)	% of gross exposure	Gross exposure
Credit rating risks	71.1	3 470.8	0.77 %	448 670.6
GLLP	-51.7	253.0		
LBBW (Bank)	**19.3**	**3 723.8**		

At around EUR 19 million in December 2011, the allowances for losses on loans and advances were significantly below the previous year's figure (EUR 360 million).

This was chiefly due to the favorable economic conditions, which resulted in considerable reversals in single loan loss provisions as well as portfolio adjustments as a result of rating improvements. This was seen the most clearly in the automotive sector, in which net reversals of around EUR 69 million arose in 2011.

The development of write-downs on financial assets is shown in the table below:

EUR million	P/L-relevant risk costs
Greece	741
of which Greek state	506
of which Greek state-owned companies	235
ABSs/miscellaneous	19
GLLP	14
Valuation allowance against financial assets	**774**

Write-downs on financial assets came to EUR 774 million. Of this, the Greek state accounted for EUR 506 million. In addition, a valuation allowance of EUR 235 million was set up for a quasi-government transport company in Greece.

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 influences.

The following characteristics of market price risks arise as a result of the nature of LBBW's business activities:

Characteristics of market price risks.

Market price risks	Characteristics
Equity 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 with a confidence level of 99% and a holding period of ten days; for the purposes of internal bank management, a confidence level of 95% and a holding period of one day are applied. The confidence level and holding period are scaled to a level adjusted to economic capital for risk-bearing capacity purposes.

This calculation is based on an in-house procedure involving a conventional Monte Carlo simulation. In most cases, the simulation enables LBBW not only 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 weighted equally in covariance estimates. LBBW backtests its analyses to ensure the quality of the VaR estimation procedures applied. The LBBW model is also used for the other Group companies with material market price risks, enabling standardized Group-wide management based on the value-at-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 interest rate position of the banking book can be affected by potentially detrimental developments in market interest rates.

In the course of the financial market crisis, 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 sector-dependent yield curves. In this way, 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 multi-index model previously used for credit spread risks from credit derivatives was replaced in May 2011 by the allocation of reference borrowers to CDS sector curves. The allocated CDS sector curves are deflected for the general interest risk and the remaining maturities for the specific risk.

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 2011 to the development of macroeconomic scenarios in which the further course and potential effects of the European sovereign crisis were analyzed. Historical scenarios have been generated from data analyses of market shocks, with stress tests for the eurozone sovereign debt crisis 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 results are taken into consideration and reported to the responsible persons both on a portfolio basis and with regard to their impact on the Group as a whole and its risk-bearing capacity. The changes in values simulated under stress are also integrated in the scenarios for multiple risk types and are therefore relevant for risk-bearing capacity.

The regulatory requirement to implement a stressed value-at-risk concept and implement 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. For LBBW this model went live in September 2011 and integrated it in overall bank management and the calculation of risk-bearing capacity. For this purpose, the stress VaR in the Solvency Regulation (Solvabilitätsverordnung, SolvV) portfolio that is relevant for reporting to the supervisory authorities is calculated on a weekly basis for the relevant observation period. A second analysis simulates the increase in risk under stress for the period of relevance for the Group; this value is also included in the scenarios for multiple risks and is therefore relevant for risk-bearing capacity.

New products and further development of the risk model.

New products have to pass through a »new product process« before they are admitted for trading. The process assures the correct valuation in the systems of LBBW for e. g. accounting and risk controlling. If a full valuation is not possible, a method called »Stufenkonzept« is executed in which trading in these products is highly reglemented for the first time, LBBW again enhanced its internal market risk model in 2011 based on the dynamics of the capital markets and changed regulatory requirements. With the implementation of a new interest risk model, material changes such as the maturity-linked addition to the risk factors for CDS spreads, the improved mapping of the base risk between the bond and CDS markets as well as the change-over from modeling relative interest and spread changes to absolute interest and spread changes were put into practice.

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 addresses 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 amount is also included in risk-bearing capacity for model risks. Specifically, allowance is made for returns from micro issues as well as products with heavily simplified inclusion in risk and backtesting.

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), loss warnings and sensitivities are set by the Group 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 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 Bank's trading units are responsible for managing market price risks in the trading book. In particular, the market price risks arising from transactions entered into by the sales units that are not to be hedged by Treasury are assigned to the trading books. The trading units are assigned responsibility for market price risks and earnings.

Credit investment transactions are bundled in a portfolio (CIP). The holdings are being run off step by step in accordance with the EU plan.

Interest rate risks from new transactions with customers are largely closed out by the Treasury division on a near real-time basis by means of 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 detailed risk strategy among other things defined in the portfolio characteristics, are monitored by the relevant persons with portfolio responsibilities in Group Risk Control and reported to the Group Board of Managing Directors. In addition to daily reports, the Group 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 stress scenarios. Since September 2011, the supplementary stress VaR figures have been calculated on a weekly basis and are included in a weekly report for the SolvV portfolio; they are included for the Group in the monthly overall risk report. The overall risk report additionally monitors compliance with the limit on economic capital for market price risks.

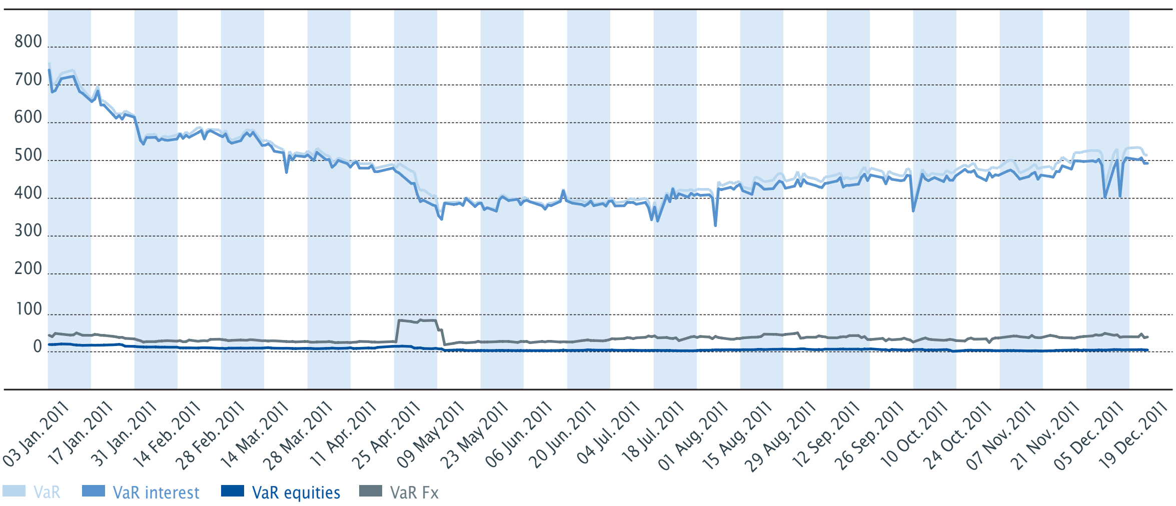
Risk situation.

Development of market price risks.

The market price risks entered into were fully within LBBW's risk-bearing capacity in 2011; at the Group level, the risk limit was not exceeded in 2011. However, there was some overshooting of VaR limits in Treasury's investment book at the end of October/beginning of November 2011 as a result of the European sovereign debt crisis. The stop loss limit and loss warning trigger was exceeded in November and December 2011 for Treasury's banking book. This also resulted in overshooting of the limits of the strategic bank positions on six days. All these incidents were communicated and approved in accordance with the internal escalation process.

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

Trends in LBBW Bank's risk in EUR million (99%/10 days).



In the first half of the year, the Bank's market price risk dropped substantially due to the reduction of positions held in the credit investment portfolio. However, the Group's risk rose again toward the end of the year as a result of widening credit spreads on sovereigns in the wake of the worsening European sovereign debt crisis. The widening credit spreads led to a change in the spread level and a heightened volatility.

LBBW's market price risks are generally characterized by interest rate risk and credit spread risks contained therein. The overall risk is dominated by the positions in the banking book. The basis risks in the interest area 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 holds to only a limited degree.

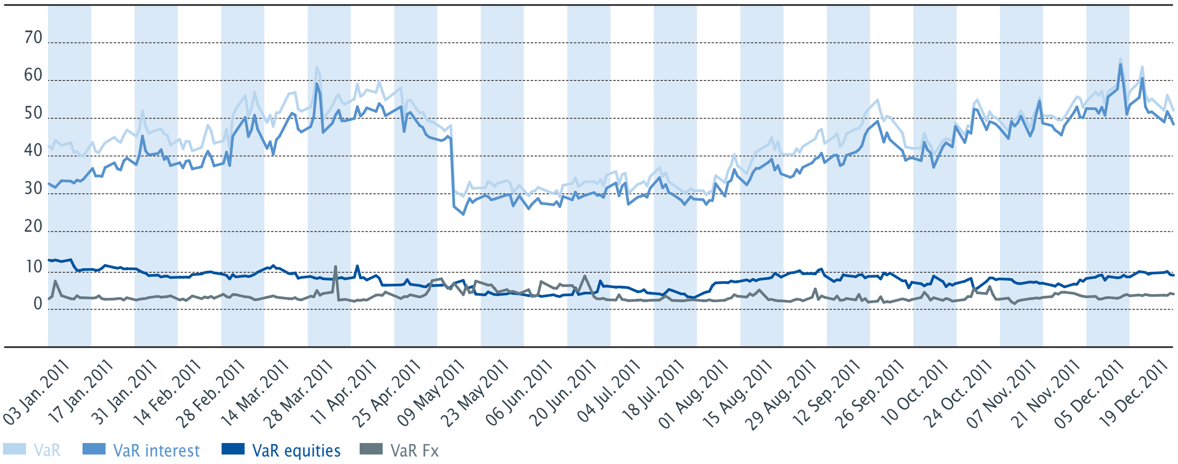
The following table illustrates the composition of VaR (99%/10 days) by risk type at the overall Bank level:

VaR 99%/10 days

EUR million	Average	Maximum	Minimum	30 Dec. 2011	30 Dec. 2010
LBBW (Bank)	**481**	**747**	**340**	**510**	**717**
Interest risks	468	729	327	488	704
Equity risks	11	26	5	9	24
FX risks	39	87	22	42	46

The following chart and table show the composition of market price risks for the trading positions:

Trend in trading position risks in EUR million (99%/10 days).



VaR 99%/10 days

EUR million	Average	Maximum	Minimum	30 Dec. 2011	30 Dec. 2010
LBBW Bank trading positions	**44**	**64**	**29**	**51**	**43**
Interest risks	40	63	24	47	32
Equity risks	7	13	3	9	12
FX risks	3	11	1	4	3

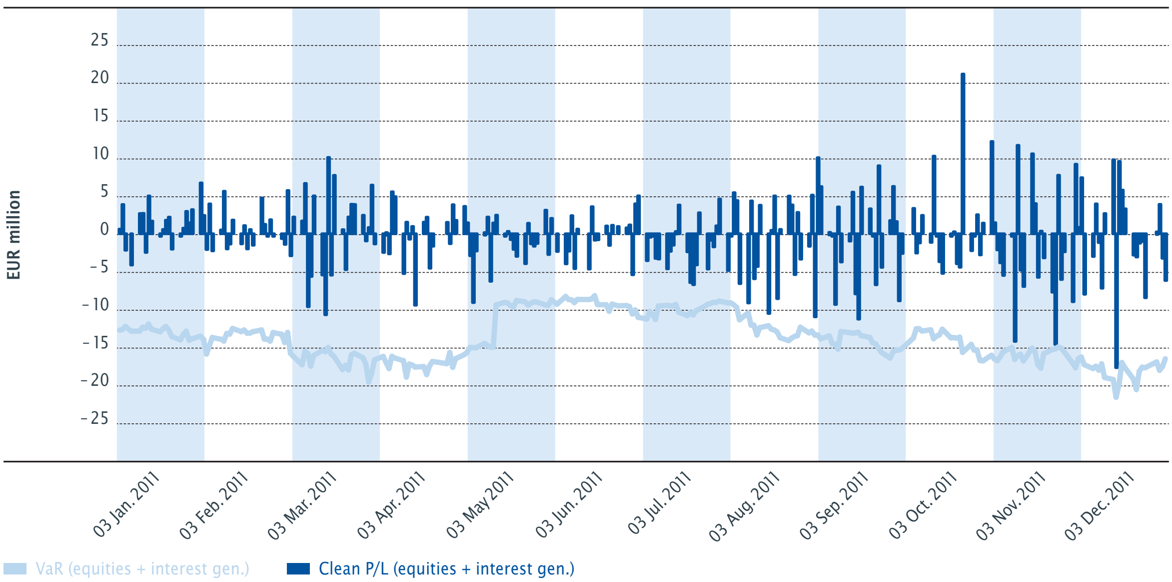
The European sovereign debt crisis had less of an effect on the trading book risks than on the banking book as a result of the lower credit spread exposure. The sharp decline in risk in May is due to the implementation of the new interest risk model. The increase in risk from August onwards reflects heightened volatility particularly in the fixed-income markets.

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. Up to and including 30 December 2011, backtesting for the preceding 250 trading days indicated 17 model outliers for the trading book and 26 outliers for the Group. The outliers arose as a result of the European sovereign crisis due to the widening of the credit spreads on the sovereigns concerned and the widening spreads between the EUR financials and government yield curves and the EUR swap curve. The SolvV 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 is required for model outliers for regulatory purposes.

Backtesting of SolvV portfolio for the period 3 January 2011 – 30 December 2011.

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



Here as well it is clear that risks in and the volatility of the clean P/L rose substantially from the middle of the year onwards following the further deterioration in the European sovereign debt crisis.

Stress test.

In November, new scenarios specifically for the sovereign crisis were implemented; these are now the relevant scenarios for LBBW (Bank) and are included in the scenarios covering multiple risk types for risk-bearing capacity. Prior to the implementation of the new scenarios, the Lehman crisis scenario had been the relevant worst-case scenario. There was no overshooting of the stress test limit for the Bank's market price risks in 2011.

Market liquidity risks.

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, potentially reducing 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 uses the jump-to-default method for calculating the market liquidity risk with respect to equities and equity derivatives. 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. At the end of 2011, there was limit-overshooting by individual names. This was communicated and monitored in line with the internal escalation process.

Moreover, the concept of market liquidity risks also relates to potential losses in an assumed stress scenario in the sense that the liquidity of market segments may decline, as was the case in 2007 and 2008 in the area of credit spread products and especially asset-backed securities. 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. As at 30 December 2011, the market liquidity risk of LBBW (Bank) stood at EUR 551 million.

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 mapped in a comparable way using historical models. This is mapped in the stress tests using scenarios in which the yield curves for bonds are shifted in accordance with segment and rating. The market data for CDSs is shifted specifically for each issuer.

In 2011, the valuation process was improved with the introduction of further valuation adjustments (closed-out valuation adjustments for interest derivatives, model valuation adjustments for FtDs and equity derivatives and day-one adjustments for FtDs).

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 positions despite unfavorable market liquidity situation.

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 funding shortfall, and the 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 funds at any time is not a risk which can be covered by equity and can therefore not be quantified or analyzed appropriately on the basis of value at risk. It is therefore managed in the LBBW Group using quantitative requirements and limits which have been established by the Board of Managing Directors in accordance with liquidity risk tolerance.

Determining the liquidity risk position involves:

- Identifying liquidity gaps over a time horizon of up to twelve months on a daily basis and, for the Group, on a weekly basis, at a minimum.
- Calculating the potential funding available from central banks on a daily basis.
- Identifying gaps for long durations on a monthly basis 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 with simultaneous 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 by reference to 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 for the maximum funding requirements based on maturities from the business portfolio from a five-day, three-month and twelve-month perspective.

In order to analyze liquidity risks in the Group, all key subsidiaries as defined in the risk inventory and all conduits/SIVs are included in regular reporting in accordance with LBBW guidelines (weekly consolidated cash flow, and 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 Asset Liability Committee (ALCo) is responsible for managing liquidity risks and funding. Treasury prepares all the decisions to be made by the ALCo with the aim of active income and risk optimization while simultaneously ensuring solvency at all times and compliance with the requirements with respect to liquidity risk tolerance; it is additionally responsible for implementing the decisions.

The purpose of LBBW's funding strategy is to diversify product and investor groups. In 2011, 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 Treasury is a fundamental aspect of management of assets and liabilities at 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. It plans daily payments and calculates cash requirements up to the end of the day, while continuously taking into account payment inflows and outflows that only become known during the course of the day as well as performing 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 the management level and Liquidity Risk Control within the Group Risk Control division at the operating level. As part of the overall risk report, 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, are reported in detail to the Risk Committee.

Risk situation.

There were again periodic substantial distortions on the money and capital markets in 2011 as a result of the crisis in Europe. In spite of this difficult environment, LBBW continued to reduce its liquidity risks and was able to procure the necessary funding on the market at all times.

The Bank's funding requirements for its business came to EUR 5.8 billion on a three-month basis, and EUR 5.5 billion on a twelve-months basis as at 31 December 2011. Free eligible collateral (liquidity reserve) of EUR 26.7 billion was available on a three-month basis.

The requirements of the standard approach of the Liquidity Regulation (Liquiditätsverordnung) were adhered to at all times in the year under review. As at 31 December 2011, the Bank's liquidity ratio was 1.59 (2010: 1.45).

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 German Covered Bond Act [Pfandbriefgesetz, PfandBG]). 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 is implemented. The Board of Managing Directors and the Risk Committee are informed on a quarterly basis of compliance with the provisions of the PfandBG 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. In connection with the Bank's risk-bearing capacity, an operational value-at-risk (OpVaR) model is applied. In line with the current process of enhancing methods, a confidence level of 99.95 % for operational value at risk was adopted in 2011. In addition, dependencies in the overall distribution of loss across the individual risk categories was introduced via a copula model.

The model is based on the loss distribution approach. Frequency and loss amount distribution is modeled separately for the individual business areas. Internal and external losses are included for the OpVaR calculation. The model is subject to ongoing further development. There are plans to include the scenario analysis in the OpVaR model in 2012.

Risk management and monitoring.

Ensuring an active risk culture in addressing 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, serve as 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.

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. In addition to 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, along with measures aimed at promoting a sound and safe risk culture at LBBW, and current events are discussed.

The OpVaR model implemented for internal controlling is integrated into the Group's strategic limit system. There are economic stress scenarios that vary the risk parameters of the OpVaR model (frequency or amount of loss in expected future loss events). This covers the main business lines and event types. The stress scenarios for operational risk are also incorporated in the overarching stress scenarios for risk-bearing capacity.

The OpRisk Data Consortium (DakOR) has developed standard scenarios which are used as part of the scenario analysis. The greatest risks to LBBW are analyzed using the standard scenarios. A pilot project was established in 2011 for the first business line, with the new method to be rolled out across other business lines within the Bank in 2012. The results of the scenario analysis are to be incorporated in the OpVaR model.

Risk situation.

As the information presented in the sections below illustrates, LBBW does not expect any operational risks to its going-concern status. Despite the extensive precautionary measures taken, operational risks can never be entirely avoided.

IT risks.

LBBW takes international IT security standards into consideration on a continuous 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.

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 capabilities, 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 specialist divisions.

LBBW's productive IT operations are based on ITIL processes and corresponding control processes have been implemented.

LBBW operates 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 specialist divisions. Furthermore, there are permanent backup workstations at the alternate location for trading and processing trading transactions. The fundamental security of supply of data centers is guaranteed by compliance with external and internal provisions for maintenance work and function tests.

Personnel risks.

LBBW's success depends materially on the dedication of its employees, and this idea is anchored in LBBW's mission statement: »We employees with our skills, knowledge and commitment drive the Bank's success.« The aim 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 »resignation risk«, for example, employees leaving LBBW are asked in writing about their reasons for leaving. This provides these employees with another opportunity to express freely their opinion about LBBW as an employer.

One focus here is developing and promoting young employees within the company. In order to address the risk of a shortage of high-performance employees (»bottleneck risk«), employee potential is systematically documented and analyzed. The age structure of LBBW's employees is watched particularly closely in the light of demographic changes, although there are no signs of any need for action over the next few years.

LBBW has already implemented a series of measures to address possible personnel risks. These measures range from legal protection for LBBW to ensuring that employees are qualified to perform 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 providing training in and monitoring of statutory money laundering and compliance regulations.

Since the start of restructuring the shedding of more than 2 000 FTE posts has been agreed through voluntary redundancies. As the layoff process is being implemented on a controlled basis and affects only 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 full or partial failure to comply 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 efforts to limit these in a suitable manner. The National Legal and International Legal departments have 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 publishing house. 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 shape 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 the Association of German Public Sector Banks (Bundesverband Öffentlicher Banken Deutschlands, VOB), the German Savings Bank Association (Deutscher Sparkassen- und Giroverband, DSGV), and the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken, VdP) in particular.

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. There are currently no legal risks liable to threaten LBBW's going-concern status. 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 applies the definitions of the German Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e.V., IDW) on the accounting-related internal control system (IDW PS 261 Item 19 f.) and the risk management system (IDW PS 340 Item 4). This entails principles, processes and measures for ensuring the organizational implementation of decisions made by management

- to ensure the efficacy and economic efficiency of the business activities (including the protection of assets as well as the prevention and discovery of any loss of assets),

- to safeguard the propriety and reliability of internal and external accounting and
- to observe the statutory rules and regulations of relevance for the Bank.

The internal control and risk management system for the accounting process helps to provide a true and fair view of LBBW's net assets, financial position and results of operations. 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 has 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 integrated 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 toward ensuring that the financial statements are prepared in accordance with German commercial law and comply with ongoing internal and external financial reporting requirements.

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

In particular, the dual-control principle, the separation of functions and the assignment of authorities in line with existing decision-making regulations ought to be mentioned.

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

The preparation of the financial statements by the Accounting/Reporting/Tax division is predominantly carried out on a decentralized basis at LBBW with the involvement of the specialist 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 to all processes relevant to accounting, the assignment of authorities complied with and the separation of functions taken into account.

The process for the preparation of the financial statements makes use of the system landscape at LBBW comprising the upstream systems for managing portfolios (sub-ledgers), the SAP main ledger system, the central Financial Database (FDB) as well as the consolidation software Konsis. The specialist divisions record, process and post transactions relevant to accounting, which are mapped by the system, in the appropriate IT systems. IAS-/HGB-Mart, which is located downstream from FDB, consolidates the main data and prepares them for inclusion in the financial statements.
All data of relevance for the financial statements from the SAP main ledger and IAS-HGB-Mart are pooled centrally via Konsis.

Extensive ICS reconciliation steps are executed 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 through the performance of these ICS reconciliation steps. Measures to be taken to eliminate future errors are also established on this basis.

Financial instruments recognized 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«, within 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 specialist 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 to determine how they should be treated in accordance with the German Commercial Code. This process also defines the structures and embedded derivatives 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, analysis 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 issued rules stipulating that it must be informed immediately if doubts arise in individual divisions as to proper business organization (»ad hoc reporting requirement«). The same also applies to accounting. If information is also significant in terms of risk aspects, the Board of Managing Directors must also forward the information to the Risk Committee of the Supervisory Board.

Monitoring.

LBBW's current ICS is characterized by strongly decentralized responsibility of the specialist units for essential accounting-relevant processes. The aim of the project »Strengthening the accounting-related internal control system« is to optimize the decentralized monitoring ability of the ICS and the structure, also in terms of cost/benefit aspects.

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 on an ongoing basis during 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 used by the entire management. 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 at the Group level in other companies or assigns functions to subsidiaries if this appears to be appropriate in the light of strategic aims or returns.

Here, equity investments are managed by the relevant specialist 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 Group-level 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. These subsidiaries are managed and monitored by institutionalized Supervisory Boards.

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 types, i. e. 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 far 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 on the basis of the interest held and included as a whole in LBBW's risk management system. This calculation is performed using a ratings-based CVaR approach including stress testing, 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. When acquisitions are planned, a comprehensive risk analysis (legal, financial etc.) is normally conducted in the form of a due diligence exercise with the involvement of LBBW's specialist divisions. Of particular importance here are factors such as ensuring that inappropriate concentration of risk does not arise in the investment portfolio.

LBBW uses transaction agreements to contractually hedge risks as far as possible. In addition, the buying process includes the 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 German Institute of Auditors (IDW, Institut der Wirtschaftsprüfer) 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 prorated 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. The main drivers here are the large strategic equity investments. LBBW's investment portfolio has a strong financial focus. Accordingly, a disruption in this market segment may lead to significant losses from investments.

In addition, liability risks arise from the profit/loss transfer agreements entered into with a number of subsidiaries. Furthermore, LBBW has signed letters of comfort with various investees. LBBW no longer has any guarantor's liability and maintenance obligation with respect to existing equity interests in credit institutions.

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

LBBW continued to make good progress in reducing its portfolio of equity interests: among other things, the shares in DekaBank Deutsche Girozentrale, LBS Landesbausparkasse Baden-Württemberg and European Energy Exchange AG were sold in 2011. As well as this, the activities of LBBW Asset Management (Ireland) Plc were discontinued. Moreover, the number of smaller equity interests was reduced substantially in accordance with the new business strategy. The sale of the residential real estate portfolio comprising 21 000 apartments held by LBBW Immobilien GmbH to a syndicate led by Patrizia Immobilien AG was also decided in February 2012. The transaction is expected to be completed in the first quarter of 2012. Further investments are to be sold step by step between now and 2013 as part of the Bank's reorientation.

Reputation risks, business risks, pension 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 may be caused by an incident of loss resulting from operational risk or other risk types 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 Communications/Marketing/General Secretary 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 Human Ressources department. Moreover, the Compliance department is responsible for ensuring that all relevant legal rules and regulations are duly observed. 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 risk is the risk of unexpected falls in earnings and negative plan variances not caused by other defined risk types.

Among other things, business risk may be caused by changes in customer behavior or changes to the economic environment that are not of a legal nature. The front office is responsible for taking 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.

The pension risk entails the possible need to increase pension provisions on account of heightened pension expense. This may particularly be caused by changes in interest rates, pensions and salaries. Pension risks are identified by means of scenario analyses as part of an actuarial report.

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 new markets are entered, but equally when new areas for achieving potential success are not established.

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, are monitored by the relevant divisions together with Financial Controlling.

Reputation risks, business risks, pension risks and strategic risks as well as other immaterial risk positions are taken into account in determining risk-bearing capacity.

Real estate risks.

Real estate risks are defined as potential negative changes in the value of the Group's own real estate holdings due to deterioration in 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 type, or risks from service business. The latter are taken into consideration in the LBBW Group as part of business risk.

The LBBW Group's real estate portfolio is managed by the subsidiary LBBW Immobilien Group[3)].

LBBW uses a real estate value at risk (IVaR) model to measure real estate risk. The central Group Risk Control division calculates IVaR 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 Group 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 viable portfolio that provides a balanced ratio of opportunities to risks.

3) Part of the Group's real estate holdings are assigned to the subsidiary LBBW Immobilien.

The requirements imposed by the EU Commission in connection with the restructuring of the LBBW Group provided for the sale of the residential real estate held by the LBBW Immobilien Group. For the purpose of meeting these requirements, residential and commercial real estate holdings (activities being retained by LBBW Immobilien) were separated in 2011. In the context of the sales process being conducted with external transaction advisors, which was still ongoing as of the qualifying date, the sale of LBBW Immobilien GmbH with its 21 000 apartments to a consortium led by Patrizia Immobilien AG was decided in February 2012. The transaction is expected to be completed in the first quarter of 2012. The sale of the residential real estate holdings, which will also involve the transfer of the employees concerned, will mark a significant change in the portfolio and structure of investment properties. As a result, the scope for diversification by type of use will be restricted. However, diversification is still possible within commercial real estate, particularly for office and retail use, and by size class. Diversification in terms of macro-location is also reduced as the remainder of the commercial portfolio is predominantly located in Stuttgart. However, this is a stable market with relatively low rent fluctuations overall. What is more, the real estate owned by LBBW Immobilien is mostly situated in prime locations with low rental risk and leased to tenants of good credit standing. The credit rating of potential tenants is examined carefully when new properties are let and attempts are always made to ensure that the lease is as long as possible. Overall, macro-location risks are therefore considered to be 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 use by the Group, and appropriate solutions are found on a case-by-case basis.

The customer in 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 the real estate risk.

Development risks.

Development risks[4)] 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 arise from letting and selling as well as in the deviations that may emerge between what is planned as feasible under building law and the projected 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 make decisions. The occurrence of these risks may 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.

4) The development risks are allocated to the subsidiary LBBW Immobilien.

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, Rhineland-Palatinate, and Munich. The LBBW Immobilien Group acts as an investor and service provider in commercial and residential real estate on these markets. Work on existing projects outside these target markets continued to proceed well in 2011.

The residential real estate held by the LBBW Immobilien Group for trading purposes is also being sold alongside the residential real estate portfolio in accordance with EU requirements.

The LBBW Immobilien Group uses a risk model that was validated with the assistance of a major auditing company when it was launched in the 2010 financial year to measure development risks. Development risk is calculated quarterly by the Controlling division of the LBBW Immobilien Group. 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 determined and applied to the real case calculation. A normal and extreme risk are calculated on the basis of different fluctuation ranges of risk factors.

Events after the reporting date.

Restructuring of the Republic of Greece.

In an offer published on 24/26 February 2012 to swap Greek government bonds, investors were called upon to participate in a tender process expiring on 8 March 2012. The entire LBBW Group swapped all of its holdings of Greece bonds under this tender process. This swap had virtually no effect on profit and loss as the holdings had been written down as of the end of the year.

Sale of the residential real estate portfolio held by LBBW Immobilien.

In February 2012, the sale of LBBW Immobilien GmbH with its 21 000 apartments to a consortium led by Patrizia Immobilien AG was decided. The transaction is expected to be completed in the first quarter of 2012.

Outlook.

Anticipated economic performance.

The year 2012 will bring some major challenges. A recession is looming in the eurozone. The consequences of the debt crisis are being felt above all in the large Mediterranean countries, i.e. Spain, Italy and France. Initially the unavoidable consolidation of state finances will involve a slowdown in growth. For this reason the economic output of the entire eurozone is likely to decrease by 0.2% in 2012.

By contrast, Germany will probably be able to avoid a recession. Private consumption, supported by the good situation on the domestic labor market, low interest rates and a declining inflation rate, should become the growth driver, taking over from foreign trade in 2012. All in all, Germany should be able to achieve real GDP growth of 0.8%, although this falls far short of the good years, 2010 and 2011, with 3.7% and 3.0% GDP growth, respectively. German GDP is likely to show a tendency to grow a little faster in the second half of 2012 than in the first half. This is suggested by the substantial improvement in the leading economic indicators since December. In the US, too, the major economic indicators have mostly provided a pleasant surprise; consequently, the upturn in the US economy noted at the turn of the year is likely to continue. Boosted by the very expansive monetary policy, robust consumer spending and a recovery in the construction sector, the largest economy in the world should achieve GDP growth of 2.3% in 2012, making it the only major economic area to outdo its 2011 performance. The global number two, China, will also record strong growth again in 2012. LBBW projects an increase of 7.9%, down from 9.2%, driven by investment and consumer spending, which benefit from a declining inflation rate. Conversely, foreign trade will become less important for China in relative terms. Globally speaking, economic output is thus likely to rise by 3.7% in 2012, which means that it will grow by 0.5 percentage points less than in the year 2011.

However, the risks for the trend outlined are high. Even restructuring, Greek debt is still not sustainable. Furthermore, the state of public finances in the US and the UK is anything but rosy. So any worsening of the debt crisis could lead to new uncertainty on the financial and credit markets at any time and to this extent have a negative impact on the real economy. The inflation rate in the eurozone, which remains above the ECB's price stability target with a greater degree of stubbornness than expected, also harbors an economic risk. Although the economic slowdown is causing a decrease in the pressure on prices in most eurozone countries, the crude oil price has risen substantially since the start of the year. The price of a barrel of North Sea Brent crude is now around USD 124. Given the geopolitical risks in the Persian Gulf region, a short-term turnaround is not to be expected. Against this backdrop and in view of the rising administered prices, which are likely to be located principally in those countries that are in need of considerable consolidation, the risks to price stability continue to point upward.

Industry and competitive situation.

The situation and outlook in the banking sector in Germany continue to be characterized substantially by significant uncertainties in the political and regulatory setting.

While the tailwind provided for the sector by the economy is likely to decrease given the economic slowdown now also evident in Germany, not inconsiderable uncertainties continue to exist for banks above all in view of the unpredictable future development of the sovereign debt crisis in Europe, but also because of the ongoing changes in the regulatory framework.

Depending on the future trend, in addition to negative economic effects, the sovereign debt crisis still entails the risk of upheaval and turbulence on the markets, which may have an indirect and direct negative impact on the sector's earnings situation. An improvement in the situation in the wake of progress made in terms of measures to deal with the crisis is likely to have a marked positive effect on the climate in the sector.

The measures taken by the European Central Bank to stabilize the refinancing and liquidity situation will continue to support the banking system for the foreseeable future. Fundamentally, however, it can be assumed that in future the requirements for raising funds will increase in relation to the individual positioning and situation of the banks given the trends in the regulatory setting and the considerable funding required by numerous countries.

Overall, the large number of regulatory reforms and those related to the financial market currently being implemented or still under discussion, headed by Basel III, will weigh on the sector, reduce willingness to take risks and increase the cost of capital in the years to come. The actual dimensions of these burdens can still not be estimated in all the details in spite of the progress made in these processes.

With regard to capitalization, the requirement of a Common Equity Tier 1 capital ratio of 9% by mid-2012 at the latest as set by the EBA within the framework of its capital survey at the end of last year represents a stricter condition than those required by Basel III at this point in time. For some banks that did not meet this mark in the test, achieving this level in the short term in a difficult market setting will probably take a considerable effort. In Germany a total of six banks are faced with the challenge of closing a capital gap totaling EUR 13.1 billion by mid-2012. The reactivation of the state bank rescue fund SoFFin created the necessary prerequisites for any government support that might be required for individual banks. Future EBA stress tests raise worries that further banks may be faced with additional capital requirements.

All in all, the strengthening of capital resources together with reviewing and focusing business models, reducing risk assets, above all in non-core business areas, and improving cost efficiency are likely to remain central strategic topics in the sector. As a consequence of this, the number of market players may decline in some areas. In the traditional banking business continuing tough competition can be expected, especially when it comes to customers with a good credit standing.

LBBW's business strategy, opportunities and risks.

The LBBW Group is essentially governed by LBBW (Bank) – dividends and profit distributions of the Group companies are recognized by the Bank and 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 approved by the EU Commission. This also includes the planned reduction of total assets and costs. Implementation of the restructuring process is on schedule and must be completed by 2013, meaning that LBBW will continue to be occupied with implementing the planned measures in 2012 and 2013.

The underlying conditions for the financial services industry will also be determined by future trends on the financial and capital markets in the year 2012. In its core business LBBW anticipates an overall increase in operating earnings compared to fiscal 2011. The strict implementation of LBBW's wide-ranging cost management program will also be continued in the future. This should mean that administrative expenditure before the bank levy in 2012 will continue to decline in spite of the inclusion of increases in costs and pay scales. Due to the state of the economy, in 2011 only moderate provisioning was recorded in the lending business. Expenditure in fiscal 2012 and 2013 is therefore expected to be higher than the 2011 level.

The 2011 financial statements evaluated the sovereign exposure for Greece at market values and included write-downs averaging 21 % on the current price although LBBW does not expect any significant additional negative effects to result from this in 2012. Overall, LBBW expects a clearly positive pre-tax result for fiscal 2012.

In 2011 LBBW completely recovered the remaining write-offs in silent partners' contributions and profit participation rights due to the 2009 loss participation. In the subsequent years, given the afore-mentioned underlying conditions, the Bank expects to be able to recoup the deferrals on interest payments in the form of profits, depending on the terms and conditions of investment.

LBBW's investment volume for 2012 is projected to be higher than that in the previous year. The principal reasons for this are planned capital spending due to the further implementation of statutory and regulatory requirements, the continuation of the EU restructuring plan, measures to step up sales activities and investments in the further development of LBBW's management instruments for the Bank as a whole.

Within the framework of last year's EBA capital survey with its stringent requirement of a Common Equity Tier 1 capital ratio of at least 9%, the European Banking Authority (EBA) found that no capital was required for LBBW. Irrespective of this result of the EBA review, LBBW will push ahead with a further strengthening of the Common Equity Tier 1 capital ratio by transferring the silent partners' contributions underwritten by the owners to Common Equity Tier 1 capital. In this connection the focus is also on the topic of »Recognition of silent partners' contributions as Common Equity Tier 1 capital by BaFin and the EBA«. Further reduction of risk positions and the widening of the capital base should mean that LBBW will be well prepared for future EBA tests and able to show sustained stable Tier 1 capital ratios even with the expected Basel III requirements.

Significant risks for planning exist especially in the ongoing crisis in some member states of the European Monetary Union, the future development of which could severely upset the stability of the financial markets and the confidence of banks in each other. Against this backdrop Moody's rating agency also sees higher risks for European banks and thus potential for downgrades. In mid-February Moody's therefore opened a review procedure for 114 European banks, which will also affect LBBW with a possible downgrade of up to one notch in the financial strength, short-term and long-term rating. The effects on LBBW cannot be quantified at present, above all because these depend to a great extent on how the whole banking industry changes.

Furthermore, there is uncertainty regarding the potential effects of the expected economic performance on the LBBW's customers. This in turn could lead to slower earnings growth and a stronger increase in loan loss provisions than planned.

Apart from this, additional risks are involved, firstly in the tightened regulatory measures initiated in the wake of the financial market crisis and secondly in the emerging changes in accounting standards, which may 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, the regulatory initiatives of the Basel Committee and German legislation will lead to greater liquidity and capital requirements 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 2012 and 2013 – is described below.

In the **Corporates** segment LBBW continues to focus on its core markets in Baden-Württemberg, Rhineland-Palatinate, Saxony and the neighboring economic areas. Apart from this, the customer portfolio also includes selected major customers from the regions of Germany, Austria, and Switzerland as well as real estate finance with conservative financing structures in the core regions of Germany, the US and the UK in selected property categories. Thus, the Corporates segment will continue to contribute a stable share of LBBW Group's earnings in the future, too.

Regardless of the poorer economic performance of Germany as a whole compared to 2011, higher growth rates are projected for LBBW's core markets – above all for Baden-Württemberg with its strong export sector. For this reason LBBW anticipates moderate economic growth combined with a continuing strong export situation for its mid-size corporate customers. This means that we can expect to continue extending commercial foreign business and financing export activities. We expect economic growth to be reflected in an increasing inclination to invest and thus a stronger demand for credit. For our large customers we expect an increase in the trend to refinance via the capital market. Above all in the real estate finance business LBBW sees a highly competitive situation in the high-quality but closely defined market segments – despite the marked decrease in the number of banks operating on the market.

The focus in the LBBW's **Retail/Savings Bank** segment is still on developing the upmarket private customer business in the core markets of Baden-Württemberg, Rhineland-Palatinate, and Saxony. Services for high-net-worth wealth-management customers in Stuttgart and Mannheim are to be further extended. LBBW operates as a savings bank in the Stuttgart area under the BW-Bank brand and offers its retail banking customers an wide range of financial services with a comprehensive network of branches.

Despite the fact that competition is likely to continue to intensify – banks increasingly see deposits as a stable source of funding – moderate growth of retail deposits is expected. This expectation is supported by the continuing strong demand for secure investment products. The higher volume projected here should more than compensate for the expected margin decrease. In the securities business a slight upturn is anticipated thanks to the expansion of asset management.

As far as the lending business is concerned, the strong competition is expected to continue, probably resulting in corresponding pressure on margins in new business.

In its core markets of Baden-Württemberg, Rhineland-Palatinate, and Saxony, LBBW will continue to be the **central bank** for the savings banks. 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. On the basis of these hitherto positive synergy effects, this collaboration, which is strategically important for both parties, is being further developed, above all in the areas of liquidity and funding.

The further expansion of customer-driven capital markets business will remain 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. When it comes to customer demand the focus is expected to lie increasingly on plain vanilla products. By contrast, structured (credit) products are likely to benefit less from the trend.

In the **Credit Investment** segment, which pools the surrogate-credit business, which is geared to the capital market and is to be reduced (securities incl. ABS and loan derivatives) at LBBW, the portfolio will continue to be reduced in 2012 and 2013.

All in all, LBBW is confident of being well positioned for the future with its customer-oriented and sustainable business model. For this reason, a great deal of effort will be dedicated to the systematic implementation of all resolved measures in the coming years. In the future too, LBBW will continue to assist its customers as an efficient business partner and provide its support on all questions relating to the banking business.

Financial statements.

Balance sheet

of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz as at 31 December 2011.

Assets.

EUR million	Disclosures to the Notes (chapter)			31 Dec. 2011	31 Dec. 2010
Cash reserve					
a) Cash in hand			132		135
b) Balances with central banks			5 568		69
including: with Deutsche Bundesbank		*4 906*			*57*
				5 700	**204**
Public sector debt instruments and bills of exchange eligible for refinancing at central banks					
a) Treasury bills and discounted treasury notes, as well as similar public sector debt instruments			72		163
				72	**163**
Loans and advances to banks	7, 8, 11, 13, 17				
a) Mortgage loans			111		337
b) Public sector loans			44 000		54 434
c) Other loans and advances			19 036		12 141
of which: payable on demand		*2 467*			*1 444*
				63 147	**66 912**
Loans and advances to clients	7, 8, 11, 13, 17				
a) Mortgage loans			31 842		33 020
b) Public sector loans			25 944		30 754
c) Other loans and advances			65 763		72 059
of which: collateralized by securities		*0*			*0*
				123 549	**135 833**
Bonds and other fixed-income securities	7, 8, 9, 11, 13, 17				
a) Money market instruments					
aa) issued by public sector borrower		0			640
of which: eligible as collateral with Deutsche Bundesbank		*0*			*640*
ab) issued by other borrowers		1			0
of which: eligible as collateral with Deutsche Bundesbank		*0*			*0*
			1		640
b) Bonds and notes					
ba) issued by public sector borrowers		9 673			8 743
of which: eligible as collateral with Deutsche Bundesbank		*6 737*			*4 263*
bb) issued by other borrowers		47 942			57 604
of which: eligible as collateral with Deutsche Bundesbank		*31 678*			*27 118*
			57 614		66 347
c) Own bonds			8 046		7 497
Nominal amount		*8 053*			*7 468*
				65 662	**74 484**

Differences in the amount of +/– one unit in the Balance Sheet, Income Statement and the Notes are due to rounding.

Assets.

EUR million	Disclosures to the Notes (chapter)			31 Dec. 2011	31 Dec. 2010
Equities and other non-fixed-income securities	9, 11, 13, 17			525	856
Trading portfolio	4, 11			112 943	93 007
Equity participations	9, 13, 14			806	1 628
of which: in banks		*500*			*539*
of which: in financial services companies		*0*			*0*
Shares in affiliated companies	9, 14			3 175	3 176
of which: in banks		*602*			*605*
of which: in financial services companies		*178*			*178*
Trust assets	13			1 004	993
of which: trust loans		*770*			*763*
Intangible assets	14				
a) Internally generated industrial property rights and similar rights and assets			0		0
b) Concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets			54		60
c) Advance payments			22		14
				77	74
Tangible fixed assets	14			396	453
Other assets	15			892	1 262
Deferred items	16				
a) From issuing and lending business			866		677
b) Other			1 533		2 029
				2 399	2 706
Total assets				380 346	381 750

Differences in the amount of +/– one unit in the Balance Sheet, Income Statement and the Notes are due to rounding.

Liabilities.

EUR million	Disclosures to the Notes (chapter)			31 Dec. 2011	31 Dec. 2010
Deposits from banks	7, 8, 13, 21				
a) Mortgage-backed registered covered bonds (Hypotheken-Namenspfandbriefe) issued			723		709
b) Public sector registered covered bonds (Öffentliche Namenspfandbriefe) issued			4 092		4 478
c) Other liabilities			76 724		73 760
of which: payable on demand		*2 867*			*2 973*
				81 539	**78 947**
Deposits from customers	7, 8, 13, 21				
a) Mortgage-backed registered covered bonds			1 261		1 593
b) Public sector registered covered bonds (Öffentliche Namenspfandbriefe) issued			11 922		15 039
c) Savings deposits					
ca) with an agreed notice period of three months		5 573			5 724
cb) with an agreed notice period of more than three months		917			1 006
			6 490		6 731
d) Other liabilities			67 333		76 314
of which: payable on demand		*29 885*			*30 531*
				87 006	**99 676**
Securitized liabilities	7, 8				
a) Bonds issued					
aa) Covered bonds (mortgage-backed)		4 802			12 345
ab) Public sector covered bonds		24 910			22 620
ac) Other debt instruments		50 613			54 105
			80 325		89 071
b) Other securitized liabilities			1 526		2 691
of which: money market instruments		*1 526*			*2 691*
				81 850	**91 761**
Trading portfolio	4, 21			**101 272**	**82 441**
Trust liabilities	13			**1 004**	**993**
of which: trust loans		*770*			*763*
Other liabilities	19			**705**	**747**
Deferred items	16				
a) From issuing and lending business			1 099		450
b) Other			838		1 801
				1 938	**2 251**
Provisions	20				
a) Provisions for pensions and similar obligations			1 295		1 203
b) Provisions for taxes			265		262
c) Other provisions			822		941
				2 382	**2 406**
Subordinated liabilities	7, 22			**5 263**	**5 301**

Differences in the amount of +/– one unit in the Balance Sheet, Income Statement and the Notes are due to rounding.

Liabilities.

EUR million	Disclosures to the Notes (chapter)			31 Dec. 2011	31 Dec. 2010
Capital generated by profit-participation certificates	27			**1 354**	**1 510**
of which: maturing in less than two years		*860*			*822*
Fund for general banking risks				**483**	**483**
of which: transfers in accordance with § 340e Abs. 4 HGB		*0*			*3*
Equity	23, 27				
a) Subscribed capital					
aa) Share capital		2 584			2 584
ab) Silent partners' contributions		4 607			4 291
			7 190		6 874
b) Capital reserves			6 910		6 910
c) Retained earnings					
ca) Other retained earnings		1 449			1 449
			1 449		1 449
d) Unappropriated profit/loss			0		0
				15 550	**15 234**
Total liabilities				**380 346**	**381 750**
Contingent liabilities	21, 24				
a) Liabilities from guarantees and indemnity agreements			22 113		30 055
				22 113	**30 055**
Other obligations	24				
a) Placement and assumption obligations			80		0
b) Irrevocable loan commitments			23 126		22 012
				23 206	**22 012**

Differences in the amount of +/- one unit in the Balance Sheet, Income Statement and the Notes are due to rounding.

Income statement

for the period 1 January to 31 December 2011 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

EUR million	Disclosures to the Notes (chapter)			31 Dec. 2011	31 Dec. 2010
Interest income from	28, 33				
a) Lending and money market transactions		41 255			9 132
b) Fixed-income securities and book-entry securities		2 306			2 470
			43 561		**11 602**
Interest expenses			**-41 124**		**-9 489**
				2 437	**2 113**
Current income from	33				
a) Equities and other non-fixed-income securities			74		62
b) Equity participations			56		30
c) Shares in affiliated companies			98		64
				228	**156**
Income from profit-pooling, profit transfer and partial profit transfer agreements				**54**	**92**
Fee and commission income	33		**605**		**718**
Commission expenses			**-430**		**-462**
including: guarantee provision for Baden-Württemberg		*-298*			*-297*
				174	**256**
Net gain/loss from the trading portfolio				**-154**	**15**
Other operating income	29, 33			**189**	**147**
General administrative expenses					
a) Staff costs					
aa) Wages and salaries		-590			-610
ab) Social security and pension costs		-162			-144
of which: pension costs		*-62*			*-43*
			-752		-754
b) Other administrative expenses			-528		-505
				-1 280	**-1 259**
Amortization/depreciation and write-downs of intangible assets and tangible fixed assets				**-87**	**-91**

Differences in the amount of +/– one unit in the Balance Sheet, Income Statement and the Notes are due to rounding.

EUR million	Disclosures to the Notes (chapter)			31 Dec. 2011	31 Dec. 2010
Other operating expenses	29			**– 167**	**– 126**
Impairments and write-downs of loans and advances and certain securities, as well as additions to provision for credit losses			– 131		– 618
Income from write-ups to loans and advances and certain securities, as well as from the reversals to provision for credit losses			0		0
				– 131	**– 618**
Impairments and write-downs of equity investments, shares in affiliated companies and securities treated as fixed assets			– 784		– 115
Income from write-ups to equity investments, shares in affiliated companies and securities treated as fixed assets			0		0
				– 784	**– 115**
Cost of loss absorption				**– 33**	**– 89**
Operating result of normal activities				**447**	**480**
Extraordinary income	31		19		23
Extraordinary expenses	31		– 30		– 183
Extraordinary result	31		**– 12**		**– 160**
				435	**320**
Taxes on income	32		– 27		– 33
Other taxes, unless reported under other operating expenses			– 5		– 4
				– 32	**– 37**
Net profit/loss				**404**	**284**
Replenishment of contributions made by silent partners	23, 27		– 312		– 210
Replenishment of profit participation capital	27		– 92		– 74
				– 404	**– 284**
Unappropriated profit	23, 27			**0**	**0**

Differences in the amount of +/– one unit in the Balance Sheet, Income Statement and the Notes are due to rounding.

Notes

of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz as at 31 December 2011.

General.

1. Principles governing the preparation of the financial statements.

The financial statements for the financial year 2011 of Landesbank Baden-Württemberg (LBBW) with headquarters in Stuttgart, Karlsruhe, Mannheim, and Mainz were drawn up in compliance with the provisions of the German Commercial code (Handelsgesetzbuch – HGB), in particular the Supplemental Regulations for Banks (§§ 340 et seq. HGB), the German Accounting Regulation for Banks and Financial Service Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV) and the German Pfandbrief Act (Pfandbriefgesetz – PfandBG. For the purpose of transparency, the values are stated in EUR millions.

2. General accounting and valuation methods.

Provision for credit losses and receivables.

Bills and forfeiting transactions held in the portfolio are stated at their discounted face amount, less individual loan loss provisions.

Loans and advances to banks and customers are stated at their nominal value, where necessary after deduction of the applicable write-offs. 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.

Loan loss provisions were deducted from the other loans and advances in the net amount.

Provisions for specific loan losses have been recognized for significant loans (loan volume > EUR 1.0 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 (loan volume of less than EUR 1.0 million per individual borrower), for which objective evidence indicating an impairment has been identified, general loan loss provisions for individual risks are recognized by using a statistically calculated or estimated default amount. General loan loss provisions 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 ratios 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.

Within the scope of a guarantee structure with a guarantee company of the State of Baden-Württemberg, the Bank's or various Group companies' portfolio of securitized products with a residual nominal value of EUR 11.1 billion as at 31 December 2011 was hedged by a maximum guarantee amount of EUR 6.7 billion. A deductible was agreed up to an amount of EUR 1.9 billion (first loss) for losses on assets in the ABS portfolio, at the Bank's or Group companies' expense.
At the level of the single-entity financial statements of LBBW, securitizations in the amount of EUR 3.2 billion held by the Bank benefited directly from the hedging effect of the guarantee, since this is guaranteed fully by the Bank, while the Bank's loans and advances in the amount of EUR 6.5 billion to various special purpose entities are indirect beneficiaries. A nominal amount of EUR 1.4 billion of the portfolio of securitized products is held by investees. The hedging effect of the guarantee is taken into consideration directly in the valuation of the securitizations and indirectly in the valuation of the Bank's loans and advances to special purpose entities, so that no more provisions are created for expected default risks that exceed the Bank's first loss of EUR 1.9 billion. The expected default risks of EUR 1.9 billion as at 31 December 2011 were addressed adequately through the creation of write-downs on securities or loans and advances.

Equity investments.

Sales profit or loss from investment transactions is recorded in other operating income or expenses on the basis of § 340c (2) sentence 2 HGB. For a list of shareholdings in accordance with § 285 (11) HGB, refer to item 37.

Fixed assets.

Acquired intangible assets are carried at acquisition cost less scheduled amortization and, where necessary, non-scheduled write-downs.

Internally generated intangible assets held as long-term investments will be recognized in accordance with the option described in § 248 (2) HGB.

Tangible assets are carried at acquisition or production cost less scheduled depreciation and, where necessary, non-unscheduled write-downs.

Depreciation is affected at the rates permitted by tax laws since, in our opinion, these correspond to the economic life.

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 net lending positions and a recognition obligation for net borrowing position. Accordingly, LBBW has not exercised the option in § 274 (1) sentence 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, trading portfolio and deferred items varying in terms of tax were calculated with deferred tax assets on tax variations of loans and advances to banks, 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) sentence 2 HGB.

Company-specific tax rates were used in the recognition of deferred taxes. For the domestic consolidated group, the corporate income tax was recognized at 15.83% including the solidarity surcharge. The average trade tax rate of 14.51% for the tax entity was also used for the domestic tax entity. Deferred taxes for the foreign branches were recognized at the statutory tax rates applicable in those locations, ranging from 12.00% to 45.12%.

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 2005 G mortality tables (Richttafeln 2005 G, 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 5.13%, 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.

According to Article 67 (1) sentence 1 of the BilMoG transitional regulations (EGHGB), this addition amount for pension provisions can be spread over 15 years, resulting from the initial application of BilMoG. LBBW has used this option and added EUR 26.5 million (1/15) to the pension provisions in 2011. The remainder amounts to EUR 344.2 million and at least EUR 26.5 million must be added annually until 31 December 2024.

Plan assets of EUR 10 million were set up in the 2011 annual financial statements for the obligation for settlement arrears from partial retirement contracts. This corresponds to the fair value of the plan asset as at 31 December 2011. The provisions for settlement arrears from partial retirement contracts amounting to EUR 14.9 million were offset against the plan assets in line with § 246 (2) sentence 2 HGB. Expenses of EUR 3.5 million were offset against income of EUR 0.1 million.

Plan assets with a fair value of EUR 25.4 million as at 31 December 2011 are in place to meet obligations from the LBBW Flexiwertkonto (working time account). Acquisition costs are EUR 25.8 million. The provisions from obligations for the Flexiwertkonto amounting to EUR 28.4 million were offset against the plan assets at fair value. Expenses of EUR 1.8 million (higher obligations in 2011) were offset against income of EUR 1.6 million (increase in plan assets in 2011).

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 one year are discounted at the interest rates published by Deutsche Bundesbank in accordance with § 253 (2) HGB.

The continuation option for provisions as part of the BilMoG conversion balance in line with Article 67 (1) EGHGB is exercised. The excess cover amounts to EUR 17.5 million as at 31 December 2011.

Loss-free valuation in the banking book.

The business activities of the banks within the scope of the banking book do not permit regular immediate reciprocal allocation of individual 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/the cash flows of all interest-bearing transactions as a whole in the banking book. The principle of prudence as laid down by the German Commercial Code is taken into account for all interest-bearing financial instruments in the banking book, the principle being that for any commitment surplus from valuing the interest component of the banking book's overall interest-rate position, a provision must be recognized in line with § 340 in conjunction with § 249 (1) sentences 1, 2 alternative HGB (provision for onerous contracts).

In the draft statement issued by the German Institute of Auditors (Institut der Wirtschaftsprüfer – IDW) on the loss-free valuation of interest-bearing transactions in the banking book (ERS BFA 3), the bank has already taken into consideration that net interest income from these transactions are compared with the administrative and credit risk costs, supplemented by the present value of the interest rate risk. No negative excess liability existed as at the reporting date. Accordingly, no provisions were created.

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 62.7 million for LBBW as at 31 December 2011 (2010: EUR 52.7 million).

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.

Owing to negative net loss from the trading portfolio for the 2011 financial year, no allocation was made to the fund for general banking risks in line with § 340e (4) HGB. There was no reversal of the special item for general banking risks in accordance with Section 340g HGB.

Observable parameters are used for measurement methods, 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 in question. These involve a certain level of uncertainty and may be subject to change. Therefore, actual results and values may differ from these assumptions and estimates.

The measurement methods include all factors and parameters which LBBW believes would also be considered by market participants. If the measurement 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 value adjustments made 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 among other things, in determining the fair value of CDOs and asset-backed securities. Value adjustments were also made for individual valuation uncertainties as at year-end. New valuation adjustments introduced in the 2011 financial year are model value adjustments for model weaknesses and valuation uncertainties for FtDs (first to default CDS), model valuation adjustments for valuation uncertainties for the valuation of equity derivatives, close-out valuation adjustments for interest rate derivatives and day-1 P & L adjustments for FtDs.

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

Derivatives/ Financial instruments	Valuation models	Main parameters
Interest rate swaps and options	Net present value method, Black-Scholes, replication and Copula-based model, Markov functional model and other interest structure models	Yield curves, swaption volatility, cap volatility, correlation
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	Equity prices, share volatility, dividends, interest rates (swap, repo)
Currency options	Garman-Kohlhagen (Black-Scholes)	FX rates, yield curves, FX volatility
Commodity options	Garman-Kohlhagen (Black-Scholes)	Commodity rates, yield curves, volatility
Credit derivatives	Intensity model, Copula model	Credit spreads, yield curves and interest tranche prices for the Copula model
Money market transactions	Net present value method	Credit spreads*, yield curves
Securities, borrowers' note loans, loans	Net present value method	Credit spreads*, yield curves
Forward security agreements	Net present value method	Stock prices, yield curves
Securitizations	Net present value method	Liquidity spreads, yield curves, prepayments, 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 the valuation of trading transactions. They take into account the current market and contract prices of the underlying financial instruments, as well as fair value considerations, yield curves, and volatility factors. In addition, the determination of the fair value allows for expected market risks, model risks, credit risks, and administrative costs.

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 outside the trading portfolio.

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 statement IDW RS BFA 1, the treatment of credit derivatives differs depending on the purpose.

Protection seller transactions in the non-trading portfolio are included below the line in Contingent liabilities, subitem a) 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 in the non-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 created for unrealized measurement losses, if necessary after netting unrealized measurement gains. The results are included in write-downs of and adjustments to loans and advanced and certain securities as well as allocations to loan loss provisions. Any measurement gains remaining after netting are not recognized. The Risk Report in accordance with § 289 HGB contains information about the scope and development of the Bank's market price risks.

Securities.

Securities in the liquidity reserve are measured at cost observing the principle of strict lower-of-cost-or-market, or at the lower quoted/market price or fair value (if lower) as at the balance-sheet date.

Securities held as long-term investments, equity participations and shares in affiliated companies are carried at cost or the fair value on the reporting date (if lower) in the case of continued impairment losses. Provided the reasons for impairment in earlier financial years have elapsed, additions up to the amount of the fair value are carried out to a maximum of the acquisition costs.

Securities arising from asset swap combinations are valued as a valuation unit; for securities in the liquidity reserve from asset swap combinations, market-induced impairment losses due to credit risks are recognized in income.

GPBW GmbH & Co. KG extends a financial guarantee 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 within the scope of securitizations and these securitizations are not subject to any write-downs.

For impaired securitizations 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.

Notes to the balance sheet.

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 Main Committee (Hauptfachausschuss) of the German Institute of Certified Public Accountants (IDW), 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 derivative 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 payment terms (e. g. trigger for exotic options, redemption date for premiums, structuring the option as American or European). Upfront or balloon payments can be agreed for interest rate 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 hedges payments between counterparties.

Derivative transactions – Product structure – Recognized at fair value.

EUR million	Nominal values		Positive market value[1) 2)]	Negative market value[1) 2)]
	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2011
Interest rate swaps	1 458 955	1 489 145	53 293	49 838
FRAs	165 402	176 974	52	57
Interest rate options	66 094	57 208	533	3 960
Purchases	25 230	21 354	468	17
Sales	40 864	35 854	66	3 942
Caps, floors, collars	51 781	53 776	652	391
Other interest rate contracts	155	434	0	1
Exchange-traded interest rate products	38 983	96 489	0	0
Interest rate risks – overall	**1 781 369**	**1 874 025**	**54 531**	**54 247**
Currency forwards	181 741	185 161	3 466	3 740
Interest rate/currency swaps	31 982	25 547	1 098	1 149
Currency options	8 085	8 042	171	109
Purchases	4 048	4 069	171	0
Sales	4 037	3 973	0	109
Currency risks – total	**221 808**	**218 750**	**4 735**	**4 998**
Equity options	66 428	7 813	215	237
Purchases	32 952	3 513	215	-20
Sales	33 475	4 300	0	257
Exchange-traded equities and index products	6 359	7 144	264	579
Commodities	2 225	2 233	107	103
of which exchange-traded	1 087	1 337	35	63
Equity forward transactions	0	24	0	0
Equities and other price risks – overall	**75 012**	**17 214**	**587**	**919**
Credit derivatives – protection seller	25 218	26 153	61	1 103
Credit derivatives – protection buyer	22 070	24 482	1 079	103
Credit derivatives	**47 287**	**50 635**	**1 140**	**1 205**
Risks – overall	**2 125 476**	**2 160 624**	**60 992**	**61 369**

1) Including interest deferral (dirty price).
2) The treatment of the fair values of exchange-traded futures is in line with the accounting. Accordingly the variation margins are offset against the exchange-traded futures, which have already been recognized in the Income Statement.

Derivative transactions – Product structure – Not recognized at fair value.

EUR million	Nominal values		Positive market value [1] [2]	Negative market value [1] [2]
	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2011
Interest rate swaps	102 033	110 566	4 475	2 364
Interest rate options	4 100	3 790	300	2 594
Purchases	3 405	3 736	300	49
Sales	695	53	0	2 544
Other interest rate contracts	1 221	2 836	72	83
Exchange-traded interest rate products	5 488	1 759	2	0
Caps, floors, collars	0	0	0	0
Interest rate risks – overall	**112 843**	**118 950**	**4 849**	**5 041**
Currency forwards	0	0	5	0
Interest rate/currency swaps	15 181	15 232	1 606	1 337
Currency risks – total	**15 181**	**15 232**	**1 611**	**1 337**
Equity forward transactions	26	301	0	0
Equities and other price risks – overall	**26**	**301**	**0**	**0**
Credit derivatives – protection seller	10 320	18 105	34	357
Credit derivatives – protection buyer	5 694	3 901	1 201	1 564
Credit derivatives	**16 014**	**22 006**	**1 235**	**1 921**
Risks – overall	**144 064**	**156 489**	**7 696**	**8 299**

1) Including interest deferral (dirty price).
2) The treatment of the fair values of exchange-traded futures is in line with the accounting. Accordingly the variation margins are offset against the exchange-traded futures, which have already been recognized in the Income Statement.

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 measurement model used, refer to the information under Chapter 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.

Protection seller transactions outside the trading portfolio are included below the line in Contingent liabilities, subitem a) Liabilities from sureties and guarantee agreements and amount to EUR 9 877.9 million.

Derivative transactions – maturity structure (by remaining maturity).

Nominal values EUR million	Up to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Interest rate risks					
31 Dec. 2011	212 660	447 358	668 626	565 569	1 894 212
31 Dec. 2010	255 586	556 115	666 793	514 482	1 992 976
FX risks					
31 Dec. 2011	126 615	54 272	44 870	11 232	236 989
31 Dec. 2010	131 615	56 511	35 897	9 959	233 982
Equity and other price risks					
31 Dec. 2011	1 968	66 564	4 529	1 977	75 038
31 Dec. 2010	2 988	5 143	6 829	2 556	17 515
Credit derivatives					
31 Dec. 2011	1 829	8 606	48 996	3 870	63 301
31 Dec. 2010	1 648	3 480	57 871	9 642	72 641
Risks – overall					
31 Dec. 2011	**343 071**	**576 800**	**767 022**	**582 647**	**2 269 540**
31 Dec. 2010	**391 837**	**621 249**	**767 390**	**536 638**	**2 317 113**

Derivative transactions – by counterparty.

EUR million	Nominal values		Positive market value 1)	Negative market value 1)
	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2011
Banks in the OECD	1 918 729	1 958 126	57 468	61 550
Banks outside the OECD	10 902	11 494	49	161
Public sector agencies in OECD countries	33 138	34 709	3 497	1 426
Other counterparties	306 771	312 784	7 673	6 530
Counterparties – total	**2 269 540**	**2 317 113**	**68 688**	**69 668**

1) Including interest deferral (dirty price).

4. Trading portfolio.

The trading portfolio is composed as follows:

EUR million	Trading assets Dec. 31, 2011	Trading liabilities Dec. 31, 2011
Derivative financial instruments	60 576	60 784
Receivables/liabilities	32 050	40 489
Bonds and other fixed-income securities	19 708	–
Equities and other non-fixed-income securities	414	–
Other assets	195	–
	112 943	**101 272**

5. Valuation units.

In the case of valuation units, underlying transactions (assets, debt and derivatives separable from the balance sheet) are linked with hedging transactions (derivative financial instruments and on-balance sheet assets) to hedge market price risks (hereinafter referred to as micro hedge).

The hedged risks include general and structured interest rate risks, equity risks, credit risks and currency risks.

The following table illustrates the amount by which assets and liabilities are incorporated to hedge whatever risks in valuation units as at 31 December 2011.

	Micro hedge						
		Negative change in value			Positive change in value		
EUR million	Carrying amount$_{UT}$	Change in value$_{UT}$	Change in value$_{HT}$	Loss peak	Change in value$_{UT}$	Change in value$_{HT}$	Profit peak
Assets							
General interest rate risk	16 722	1 235	–1 236	–1	619	–564	55
Structured interest rate risk and other market price risk	4 096	66	–66	0	0	0	0
Liabilities							
General interest rate risk	–34 450	–625	615	–10	–1 014	1 015	1
Structured interest rate risk and other market price risk	–8 146	–672	672	0	0	0	0
Contracts in progress							
Structured interest rate risk and other market price risk	–130	289	–289	0	0	0	0
Total				**–11**			**56**
UT = underlying transaction; HT = hedging transaction				Provisions loss peak			Profit peak

This results in a EUR 50.1 million reduction in the loss peak compared with 31 December 2010 and a EUR 20.7 million increase in the profit peak.

LBBW includes two types of hedge relationships under micro hedges. In the first, individual underlying transactions are hedged by individual hedging transactions. In the other, one or more underlying transactions are hedged by 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.

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 (hedged risk, nominal amount, currency and duration). This method, known as critical term 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 transaction is valued for the hedged risk and compared with the valuation of the hedging transaction for the hedged risk (e. g. interest rate risk). This also forms the basis for calculating the previous invalidity and any loss peak. 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 almost receive the same coverage) and the resulting positive result of the critical term match, and the calculation of the previous invalidity, effectiveness (between the change in value of underlyings and hedging transactions) expected in future (the remaining term of the transactions) 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 taken into account in the income statement.

Brokered, structured derivatives, from which the market price risk is eliminated, are treated as economic hedges in risk management. These transactions are allocated to the trading book (so-called back-to-back operations) in the financial statements pursuant to German law.

For recognition of market price risks, refer to the chapter on market price risks in the Management Report (Risk Report) for the 2011 annual financial statements.

6. Currency translation.

Foreign currency assets worth EUR 117.5 billion (2010: EUR 91.3 billion) and foreign currency liabilities worth EUR 110.0 billion (2010: EUR 78.2 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 offsets foreign currency assets and foreign currency liabilities arising from on-balance and off-balance sheet transactions by currency.

Assets and liabilities are translated at the mid-spot exchange rate as at the reporting date. Differences resulting from the translation of hedged assets and liabilities at the mid-spot exchange rate correspond to the balance of the market values of the currency forwards, cross-currency/interest-rate swaps and currency swaps. These are recognized in the balance sheet as part of the positive or negative market values in trading assets/liabilities.

The forward rate is split into spot rate and swap rate for 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.

7. Relationships with affiliated companies and companies in which equity interests are held, and with affiliated savings banks (Sparkassen).

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

EUR million	31 Dec. 2011	31 Dec. 2010
Loans and advances to banks	**63 147**	**66 912**
of which to affiliates	76	224
of which to companies in which an equity interest is held	1 284	32 256
of which to associated savings banks	28 081	0
Loans and advances to customers	**123 549**	**135 833**
of which to affiliates	8 716	11 176
of which to companies in which an equity interest is held	818	1 278
Bonds and other fixed-income securities	**65 662**	**74 484**
of which from affiliates	4 717	6 004
of which from companies in which an equity interest is held	4	4 494
Liabilities due to banks	**81 539**	**78 947**
of which to affiliates	14	60
of which to companies in which an equity interest is held	44	10 211
of which to associated savings banks	10 194	5 847
Amounts due to customers	**87 006**	**99 676**
of which to affiliates	2 635	4 369
of which to companies in which an equity interest is held	964	898
Securitized liabilities	**81 850**	**91 761**
of which to affiliates	0	12
of which to companies in which an equity interest is held	9	0
Subordinated liabilities	**5 263**	**5 301**
of which to affiliates	590	554
of which to companies in which an equity interest is held	0	50

Relationships to affiliated savings banks under loans and advances to/from credit institutions were reported in the amount of EUR 28 342.8 million and EUR 5 806.1 million respectively, under relationships with companies in which equity interests are held.

8. Maturity structure of the balance sheet items.

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

EUR million	31 Dec. 2011	31 Dec. 2010
Loans and advances to banks	**63 147**	**66 912**
up to 3 months	16 862	13 976
more than 3 months to 1 year	7 235	9 793
more than 1 year to 5 years	27 099	30 768
more than 5 years	11 952	12 375
Loans and advances to customers	**123 549**	**135 833**
up to 3 months	22 521	20 257
more than 3 months to 1 year	14 642	16 062
more than 1 year to 5 years	31 605	35 184
more than 5 years	54 678	58 212
with unlimited maturity	103	6 117
Bonds and other fixed-income securities	**65 662**	**74 484**
of which due in the following year	7 351	8 863
Liabilities to banks with agreed duration or withdrawal notice	**78 672**	**75 974**
up to 3 months	23 704	19 828
more than 3 months to 1 year	13 478	11 818
more than 1 year to 5 years	14 618	17 048
more than 5 years	26 872	27 280
Savings deposits to customers with agreed withdrawal notice of three months and more than three months	**917**	**1 006**
more than 3 months to 1 year	230	524
more than 1 year to 5 years	687	466
more than 5 years	0	17
Other liabilities to customers with agree duration or withdrawal notice, incl. mortgage-backed registered covered bonds and public sector registered covered bonds issued	**50 631**	**62 415**
up to 3 months	7 675	12 584
more than 3 months to 1 year	3 836	6 336
more than 1 year to 5 years	29 324	32 953
more than 5 years	9 797	10 543
Securitized liabilities	**81 850**	**91 761**
a) Bonds issued	**80 325**	**89 071**
of which due in the following year	16 110	19 935
b) Other securitized liabilities	**1 526**	**2 691**
up to 3 months	905	1 743
more than 3 months to 1 year	621	948
more than 1 year to 5 years	0	0
more than 5 years	0	0

9. Securities and equity investments.

The assets items below include negotiable securities as well as equity investments and affiliates measured at the less strict lower-of-cost-or-market principle:

EUR million	31 Dec. 2011	31 Dec. 2010
Bonds and other fixed-income securities		
marketable	65 386	73 466
of which listed	59 617	66 779
No amortization due to temporary impairment		
Carrying amount	29 005	32 234
Fair value	27 600	30 878
Equities and other non-fixed-income securities		
marketable	525	856
of which listed	150	467
No amortization due to temporary impairment		
Carrying amount	158	152
Fair value	0	0
Equity participations		
marketable	530	603
of which listed	483	515
No amortization due to temporary impairment		
Carrying amount	70	79
Fair value	69	76
Share in affiliated companies		
marketable	312	318
of which listed	0	0
No amortization due to temporary impairment		
Carrying amount	35	364
Fair value	35	364

With micro-hedged transactions, the carrying amounts shown above do not include any corresponding adjustments to the book values for hedged risks (see Chapter 5 Valuation Units). Including these carrying amounts increases the write-downs not carried out on the bonds and other fixed-income securities by EUR 1 032.7 million.

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, price quotations from market data providers, 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) sentence 4 HGB is exercised in conjunction with § 340e (1) HGB, so that no write-downs are recognized on the lower fair value (less strict lower-of-cost-or-market principle).

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) sentence 1 HGB).

The bank did not create write-downs on securities in the amount of EUR 31.9 million (2010: EUR 45.3 million), owing to the guarantee agreement with the state of Baden-Württemberg.

10. 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) sentence 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 million Investment objective	Name	Fair value	Difference from fair value	Distribution for the financial year	Daily return possible	Impairment omitted
Bond fund	Brookfield-Hansa High Yield Fd	26.7	0.0	2.0	yes	no
German mixed investment fund (less that 70% equity)	BWI-Fonds 106	68.1	5.6	0.0	yes	no
German mixed investment fund (less that 70% equity)	BWInvest-TR6	60.9	7.3	0.0	yes	no
Venture capital fund – closed end fund investment	F&C European Cap. Partn.B Ltd.	28.9	0.4	0.0	no	no
Bond fund	Fisch U.-Fisch CB-Int.Conv.Ex.	13.6	0.0	0.0	yes	no
Bond fund	Fr.Temp.Inv.Fds-T.Gl.Tot. Ret.	6.1	0.0	0.4	yes	no
Bond fund	Fr.Temp.Inv.Fds-T.Gl.Tot. Ret.	5.7	0.0	0.4	yes	no
Mixed fund: all foreign/German up to 70% equity share	Humboldt Mul.Inv.B-S.Lbk Dep.A	87.0	0.0	0.0	yes	no
Bond fund	Johannes Führ Ren. Wachst. AMI	3.3	0.0	0.1	yes	no
German money-market related fund	LBBW EuroLiquid	52.0	0.0	2.0	yes	no
Equity fund	LBBW Nachhaltigkeit Aktien	7.2	0.0	0.2	yes	no
Equity fund	LBBW Nachhaltigkeit Aktien	4.4	0.0	0.0	yes	no
Bond fund	LBBW Nachhaltigkeit Renten	27.6	0.0	1.0	yes	no
Mixed fund: all foreign/German up to 70% equity share	LBBW Pro-Fund Credit I	19.9	0.0	0.4	yes	no
Bond fund	LBBW Unternehmensanl. Euro Sel.	23.5	0.0	0.0	yes	no
Bond fund	OP-Fonds SKP	125.3	47.7	50.0	yes	no
Open-ended investment fund ABS fund	Panacea Tr.-Lev. Accr.A.Mgmt	0.0	–57.6	0.0	yes	yes*
Open-ended investment fund ABS fund	Panacea Tr.-Lev. Accr.A.Mgmt II	0.0	–67.2	0.0	yes	yes*
Bond fund ABS fund	Pivot Master Tr.-LAAM XI	0.0	–33.6	0.0	yes	yes*
Index fund	Pioneer S.F. – EUR Commodities	2.4	0.0	0.0	yes	no
Bond fund	Synapse High Grade ABS Fd No.1	0.0	0.0	0.0	yes	no
		562.6	**–97.4**	**56.5**		

* The recognition of these 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.

11. Subordinated assets.

Subordinated assets are included in the following asset items:

EUR million	31 Dec. 2011	31 Dec. 2010
Loans and advances to banks	428	377
Loans and advances to customers	6 004	7 113
Bonds and other fixed income securities	2 405	2 192
Equities and other non-fixed-income securities	16	19
Trading assets	889	0

12. 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 40 646.4 million (2010: EUR 35 703.3 million).

13. Trust activities.

The following table contains a breakdown of trust assets and trust liabilities:

EUR million	31 Dec. 2011	31 Dec. 2010
Trust assets	**1 004**	**993**
Loan and advances to banks	560	561
Loans and advances to customers	210	202
Bonds and other fixed-income securities	5	4
Equities and other non-fixed-income securities	1	2
Equity participations	86	86
Tangible fixed assets	19	30
Other trust assets	122	107
Trust liabilities	**1 004**	**993**
Deposits from banks	895	876
Deposits from customers	109	117

14. Fixed assets.

The following table shows the changes in fixed assets:

EUR million	Cost of acquisition	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 31 Dec. 2011	Carrying amount 31 Dec. 2010
Equity participations	1 858	4	-791	0	1	-265	-53	0	806	1 628
Shares in affiliated companies	3 917	260	-263	0	23	-739	-28	0	3 175	3 176
Investment securities	69 672	1 805	-12 601	0	119	-1 299	-602	356	57 933	69 246
Intangible assets	451	42	-14	4	0	-406	-38	0	77	74
Land and buildings	532	3	-40	-2	0	-277	-9	0	215	253
of which: land and buildings used commercially	363	3	-37	-4	0	-183	-7	0	142	177
Other equipment, operating and office equipment	611	20	-56	-2	0	-393	-39	0	181	200
Total fixed assets	77 040	2 133	-13 765	0	144	-3 378	-769	356	**62 387**	**74 576**

The option described in § 248 (2) HBG) is being exercised. Internally generated intangible assets held as long-term investments were recognized in the 2011 financial year. Development costs in the 2011 financial year, which were accounted for fully by the internally-generated intangible assets, amounted to EUR 0.4 million.

15. Other assets.

Items of particular significance included in LBBW's other assets are option premiums of EUR 257.8 million (2010: EUR 223.3 million and tax refund claims of EUR 270.1 million (2010: EUR 281.6 million).

The tax refund claims primarily include domestic claims from past financial years amounting to EUR 131.2 million, claims from the current financial year in the amount of EUR 67.4 million as well as other tax receivables, comprising mainly VAT prepayments of EUR 11.5 million. The refund claims stand in contrast to tax provisions amounting to EUR 264.5 million (2010: EUR 261.8 million).

16. Deferred items.

Deferred items include the following amounts:

EUR million	31 Dec. 2011	31 Dec. 2010
Prepaid expenses	**2 399**	**2 706**
Discount from liabilities in line with § 250 (3) HGB	430	513
Premium from receivables in line with § 340e (2) sentence 3 HGB	102	159
Deferred income	**1 938**	**2 251**
Discount from receivables in line with 340e (2) sentence 2 HGB	190	215

Deferred items also include one-off payments from interest and interest/currency swaps that arose in conjunction with asset and liability swap combinations of EUR 52.5 million (2010: EUR 102.3 million) on the assets side and EUR 93.5 million (2010: EUR 137.5 million) on the liabilities side.

17. Coverage for the mortgage and public sector lending business.

The liabilities below are covered as follows:

EUR million	31 Dec. 2011	31 Dec. 2010
Public sector covered bonds issued pursuant to PfandBG	40 656	49 276
To cover certain assets	52 079	63 050
Loans and advances to banks	21 769	28 431
Loans and advances to customers	20 178	22 609
Bonds and other fixed income securities	10 050	12 010
Equities and other non-fixed-income securities	37	0
Trust assets	45	0
Excess cover	**11 423**	**13 774**
Mortgage-backed covered bonds issued pursuant to ÖPG and PfandBG	6 675	5 590
To cover certain assets	12 971	12 767
Loans and advances to banks	104	109
Loans and advances to customers	12 415	12 200
Bonds and other fixed income securities	441	458
Trading assets	10	0
Excess cover	**6 296**	**7 177**

18. Transparency provisions for public sector covered bonds (öffentliche Pfandbriefe) and mortgage-backed covered bonds (Hypothekenpfandbriefe) pursuant to § 28 PfandBG.

A) Transparency provisions for public sector covered bonds pursuant to § 28 PfandBG.

EUR million	31 Dec. 2011	31 Dec. 2010
a) Cover fund for public sector covered bonds		
Nominal value	52 079	63 050
Present value	55 711	66 411
Present value (+250 bp and currency stress)	52 440	62 524
Present value (–250 bp)	59 195	70 492
Circulation of public sector covered bonds		
Nominal value	40 656	49 276
Present value	43 659	52 649
Present value (+250 bp and currency stress)	41 467	49 454
Present value (–250 bp)	45 915	55 751
Excess cover		
Nominal value	11 423	13 774
Present value	12 052	13 762
Present value (+250 bp and currency stress)	10 973	13 070
Present value (–250 bp)	13 280	14 741
Additional cover assets	45	50
b) Proportion of derivatives in cover fund	0	0

c) Term structure of the public sector covered bonds

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								
31 Dec. 2011	10 925	10 004	7 228	11 945	2 102	4 642	5 233	**52 079**
31 Dec. 2010	15 304	7 515	9 650	7 527	12 187	5 713	5 154	**63 050**
Circulation of public sector covered bonds								
31 Dec. 2011	10 788	10 133	5 952	5 843	2 344	3 531	2 065	**40 656**
31 Dec. 2010	11 588	10 461	9 805	4 459	5 831	5 130	2 002	**49 276**

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

EUR million	Country	Regional government	Local government	Other debtors [1]	Total
			31 Dec. 2011		
Federal Republic of Germany	1 673	8 232	6 089	34 367	50 361
Finland	0	0	0	0	0
France incl. Monaco	0	1	3	0	4
Greece	0	0	0	0	0
UK	181	0	0	0	181
Iceland	0	0	0	0	0
Italy	35	36	22	0	93
Japan	250	0	0	0	250
Lithuania	30	0	67	0	97
Luxembourg	0	0	0	0	0
Poland	22	0	0	0	22
Canada	0	16	0	0	16
Austria	27	0	2	0	29
Switzerland	0	468	0	0	468
Slovakia	0	0	0	0	0
Spain	0	172	42	0	214
Czech Republic	15	0	0	0	15
Hungary	24	0	0	0	24
USA (incl. Puerto Rico)	159	122	0	24	305
Cyprus	0	0	0	0	0
Total	**2 416**	**9 047**	**6 225**	**34 391**	**52 079**

1) The item includes savings banks and Landesbanken with guarantee obligations in the amount of EUR 27 062 million (2010: EUR 34 192 million) and the development banks in the amount of EUR 2 995 million (2010: EUR 4 060 million).

EUR million	Country	Regional government	Local government	Other debtors [1]	Total
			31 Dec. 2010		
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
UK	146	0	0	0	146
Iceland	20	0	0	0	20
Italy	33	36	22	0	91
Japan	250	0	0	0	250
Lithuania	30	0	65	0	95
Luxembourg	0	0	0	0	0
Poland	22	0	0	0	22
Canada	0	53	0	0	53
Austria	14	0	2	0	16
Switzerland	0	762	0	0	762
Slovakia	0	0	0	0	0
Spain	0	171	102	0	273
Czech Republic	15	0	0	0	15
Hungary	48	0	0	0	48
USA (incl. Puerto Rico)	174	126	0	23	323
Cyprus	0	0	0	0	0
Total	**2 147**	**11 525**	**6 537**	**42 841**	**63 050**

1) The item includes savings banks and Landesbanken with guarantee obligations in the amount of EUR 27 062 million (2010: EUR 34 192 million) and the development banks in the amount of EUR 2 995 million (2010: EUR 4 060 million).

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 31 December 2011 or 31 December 2010.

B) Transparency provisions for mortgage-backed covered bonds (Hypothekenpfandbriefe) pursuant to § 28 PfandBG.

EUR million	31 Dec. 2011	31 Dec. 2010
a) Cover fund for mortgage-backed covered bonds		
Nominal value	10 365	9 449
Present value	11 315	10 138
Present value (+250 bp and currency stress)	10 416	9 299
Present value (–250 bp)	12 105	11 031
Circulation of public sector covered bonds		
Nominal value	5 896	4 395
Present value	6 259	4 627
Present value (+250 bp and currency stress)	5 853	4 290
Present value (–250 bp)	6 614	4 992
Excess cover		
Nominal value	4 469	5 054
Present value	5 056	5 511
Present value (+250 bp and currency stress)	4 563	5 009
Present value (–250 bp)	5 491	6 039
Additional cover assets	263	313
b) Proportion of derivatives in cover fund	0	0

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

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								
31 Dec. 2011	1 533	1 302	1 125	1 673	817	3 216	699	**10 365**
31 Dec. 2010	1 196	1 080	1 085	940	1 333	3 117	698	**9 449**
Circulating mortgage-backed covered bonds								
31 Dec. 2011	1 155	1 135	660	542	574	1 747	83	**5 896**
31 Dec. 2010	666	784	559	540	463	1 376	7	**4 395**

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

EUR million	31 Dec. 2011	31 Dec. 2010
Up to EUR 300 000	3 862	3 482
Between EUR 300 000 and EUR 5 million	2 737	2 625
More than EUR 5 million[1]	3 766	3 342
Total	**10 365**	**9 449**

1) The item includes other cover in the amount of EUR 422 million (2010: EUR 435 million).

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

EUR million	31 Dec. 2011 Federal Republic of Germany	The Netherlands	France	Belgium	USA	United Kingdom/ Channel Islands	Total
Land used for commercial purposes	0	0	0	0	0	0	**0**
Land used for residential purposes	0	0	0	0	0	0	**0**
Apartments	1 280	0	0	0	0	0	**1 280**
Single-family houses	1 793	0	0	0	0	0	**1 793**
Multi-family houses	2 432	0	0	0	0	0	**2432**
Office buildings	1 081	59	31	33	174	33	**1 411**
Trade buildings	841	0	14	0	0	0	**855**
Industrial buildings	89	0	0	0	0	0	**89**
Other commercially used buildings	1 836	0	0	0	0	18	**1 854**
Incomplete and not profitable new buildings	203	0	0	0	0	0	**203**
Building sites	15	0	0	0	0	0	**15**
Other cover[1]	433	0	0	0	0	0	**433**
Total	**10 003**	**59**	**45**	**33**	**174**	**51**	**10 365**

1) Including: excess cover of EUR 170 million (2010: EUR 122 million) and further cover assets in the amount of EUR 263 million (2010: EUR 313 million).

EUR million	31 Dec. 2010 Federal Republic of Germany	The Netherlands	France	Belgium	USA	United Kingdom/ 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[1]	435	0	0	0	0	0	**435**
Total	**9 118**	**30**	**45**	**37**	**169**	**50**	**9 449**

1) Including: excess cover of EUR 170 million (2010: EUR 122 million) and further cover assets in the amount of EUR 263 million (2010: EUR 313 million).

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 31 December 2011 or 31 December 2010.

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

There were no foreclosures or compulsory administration procedures pending as at either 31 December 2011 or 31 December 2010. No compulsory administration procedures were carried out in the 2011 financial year.

h) Acquisition of land to prevent losses

There was no acquisition of land to prevent losses in either the 2011 or 2010 financial year.

i) Total amount of outstanding interest

There was no outstanding interest in either the 2011 or 2010 financial year.

19. Other liabilities.

The most important individual components of the other liabilities item are option premiums totaling EUR 335.3 million (2010: EUR 351.1 million) and taxes to be transferred amounting to EUR 194.5 million (2010: EUR 195.5 million). Most of these are liabilities from capital gains tax and sales tax self-assessment returns.

20. Other provisions.

The other provisions of EUR 822.3 million (2010: EUR 941.3 million) include provisions for restructuring expenses in the amount of EUR 246.0 million (2010: EUR 358.0 million), comprising EUR 140.3 million (2010: EUR 211.5 million) for the restructuring of human resources and EUR 105.7 million (2010: EUR 146.5 million) for the restructuring of material expenses. This balance sheet item also includes provisions for possible loan losses amounting to EUR 251.0 million (2010: EUR 124.6 million) and provisions from the valuation of financial transactions totaling EUR 62.8 million (2010: EUR 265.9 million).

21. Assets assigned as collateral for own liabilities.

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

EUR million	31 Dec. 2011	31 Dec. 2010
Deposits from banks	53 368	26 820
Deposits from customers	1 265	8 884
Trading liabilities	17 525	48
Contingent liabilites	104	105
Total amount of collateral transferred	**72 262**	**35 856**

Receivables of EUR 18 988.5 million assigned to the refinancing banks within the scope of the development lending business, were taken into consideration for the first time in the 2011 financial year.

22. Subordinated liabilities.

The subordinated liabilities were raised in the form of borrower's note loans and issues denominated in EUR, CHF, JPY and USD. No new issues were launched this year. None of the issues is greater than 10% of the balance sheet item.

EUR 1 049.2 million (2010: EUR 1 063.8 million) will mature within the next two years. The last subordinated liabilities will be repaid in 2041. The rate of interest ranges between 1.67% and 8.21%.

With the exception of three issues with a nominal volume of EUR 0.2 million, the subordinated liabilities complied with the requirements of § 10 (5a) of the German Banking Act (KWG).

In the year under review, interest expenses of EUR 280.2 million (2010: EUR 264.1 million) were incurred for subordinated liabilities.

23. Equity.

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

EUR million	
Equity as of 31 December 2010	15 234
+ Price-related changes in the silent partners	8
./. Silent partners maturities	– 5
+ Replenishment of silent partners	312
+ Unappropriated profit 2011	0
Equity as at 31 December 2011	15 550

With the replenishment of EUR 312.2 million, the silent partners' contributions will be reported again at 100% of their nominal value.

24. Items below the line.

Credit default swaps amounting to EUR 9 877.9 million (2010: EUR 17 627.9 million) for which LBBW provides counterparties with collateral similar in nature to guarantees are reported below the line. The credit default swaps relate to 337 individual transactions (2010: 553). Of the total volume, the main institution in Stuttgart accounts for EUR 3 058.7 million (2010: EUR 3 833.0 million), the London branch for EUR 6 444.20 million, the New York branch for EUR 367.2 million and Singapore for EUR 7.7 million.

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

Two CDS sell positions amounting to EUR 250.0 million and EUR 193.3 million represent material individual transactions within contingent liabilities. There is also a credit guarantee of EUR 228.7 million against an affiliate.

Contingent liabilities against affiliates as per § 268 (7) HGB in conjunction with § 251 HGB total EUR 1 848.0 million.

The irrevocable loan commitments of EUR 23 126.5 million are exclusively made up of external commitments. Delivery commitments arising from forward transactions totaled EUR 195.9 million as of the balance sheet date (2010: EUR 231.4 million). This figure includes borrower's note loans (EUR 97.2 million) and term money (EUR 98.7 million).

The material irrevocable loan commitments are two items against domestic companies totaling EUR 600.0 million and EUR 433.9 million. Two loans in the amount of EUR 841.9 million were granted to affiliated companies.

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 potential legal claim should – if it cannot be expected with certainty on the reporting date – be reported below the line. If a claim 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 a guarantee is drawn on, 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 claim, the Bank creates customer-specific write-downs, provided that imminent loss is expected. As a result of latent risks in (off-) balance sheet lending and guarantee transactions, the Bank creates provisioning on a portfolio basis.

The following tables show the maximum (lending) risk from the items entered into under contractual agreement.

EUR million	31 Dec. 2011	31 Dec. 2010
Contingent liabilities	**22 113**	**30 055**
From warrantees and indemnity agreements	22 113	30 055
Credit guarantees	2 992	3 601
Other guarantees, warrantees and indemnities	7 599	6 389
Letters of credit	1 657	2 628
Credit default swaps	9 865	17 438
Other obligations	**23 206**	**22 012**
Placement and assumption obligations	80	0
Irrevocable loan commitments	23 126	22 012

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

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 put in place as a result of negative performance of the swaps are deducted from the volume.

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.

25. Letter of comfort.

LBBW has issued a letter of comfort, which reads as follows, in favor of the wholly-owned subsidiaries Baden-Württemberg L-Finance N.V., Amsterdam, Landesbank Baden-Württemberg Capital Markets Plc, London, LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, BW Capital Markets Inc., New York, LBBW Dublin Management GmbH, Mainz, and LBBW Luxemburg S.A., Luxembourg:

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

LBBW has issued a letter of comfort, which reads as follows, in favor of the wholly-owned subsidiaries BW Bank Capital Funding LLC I, Wilmington and BW Bank Capital Funding LLC II, Wilmington:

»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.«

26. 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 18 July 2005 (abolition of the guarantors' 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: the former Landesbank Schleswig-Holstein Girozentrale, Kiel; Westdeutsche ImmobilienBank AG, Mainz and the former SachsenLB Landesbank Sachsen Girozentrale, Leipzig; and the 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 guarantors' 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 31 December 2007. This applies only and insofar as and to the extent that the guarantors' liability exists due to claims by LBBW or affiliates of LBBW within the meaning of § 15 et seq. of the German Stock Corporation Act (Aktiengesetz – AktG) in connection with the Sealink structure (successor company to Ormond Quay and Castle Views) 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 dated May 6, 2004 as amended July 7, 2005 between Sachsen LB 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 guarantors' 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 31 December 2010.

27. Other financial obligations.

Other financial obligations that neither appear on the balance sheet nor below the line amounted to EUR 472.4 million (2010: EUR 688.0 million) at LBBW. EUR 127.8 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 248.6 million to the reserve fund of the Landesbanken and the Girozentralen (central savings banks).

EUR 17.8 million (2010: EUR 28.0 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.

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 2011 financial year led to a full replenishment of contributions made by silent partners amounting to EUR 312.2 million and a reversal of capital generated by profit participation rights totaling EUR 91.8 million.

The remaining obligation to make good the payments not yet made from 2009 to 2011 amounted to EUR 815.9 million. In the event of a positive result in the 2012 financial year, servicing the distribution of current income would take priority over the carrying forward of suspended dividends.

Income statement disclosures.

28. Net interest income.

Interest expenses and interest income arising from trading activities were recognized as gross amounts for the first time in the 2011 financial year. This raised interest expense and income to EUR 29 218.2 million.

Since the 2011 financial year, the compounding effect for all provisions with a term of more than 12 months is reported collectively under interest expenses. In 2011, the compounding effect for provisions from obligations for semi-retirement, anniversary, early retirement and benefit payments was reported in the amount of EUR 5.7 million under other operating expenses.

29. Other operating income and expenses.

EUR 97.5 million (2010: EUR 54.4 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 income from renting and leasing land and buildings. Income from refunds of expenses from third parties amounted to EUR 48.0 million (2010: EUR 54.8 million).

Other operating expenses essentially comprised allocations to provisions of EUR 68.1 million (2010: EUR 15.6 million), operating expenses for non-banking business amounting to EUR 21.5 million (2010: EUR 18.3 million), staff costs for employees seconded to third parties totaling EUR 18.7 million (EUR 23.7 million), expenses for land and buildings of EUR 15.4 million (2010: EUR 13.6 million) and cafeteria expenses of EUR 9.2 million (2010: EUR 10.1 million).

30. Auditors' fees.

The total amount of auditors' fees in accordance with § 285 sentence 1 no. 17 HGB was not reported, since these amounts are disclosed in the consolidated financial statements of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz includes this amount.

31. Extraordinary result.

The negative extraordinary result of EUR 11.6 million (2010: EUR 159.8 million, mainly influenced by the effects of first-time adoption of BilMoG), comprises extraordinary income in the amount of EUR 18.7 million and extraordinary expenditure of EUR 30.3 million.

Extraordinary income represents in full reversals of provisions for restructuring expenses. Extraordinary expenditure mainly includes appropriations to pension provisions arising from the BilMoG conversion in the amount of EUR 26.5 million.

32. Taxes on income.

Periodic tax expense of EUR 42.6 million (2010: EUR 18.4 million income) is mainly attributable to the domestic corporation and trade tax expense. Owing to effects from the previous year, there was prior-year tax income of EUR 16.0 million (2010: EUR 54.5 expense) that was primarily due to deductible capital gains tax and solidarity surcharge, as well as a refund applications for previous years.

Overall, taxes on income amounting to EUR 26.6 million (2010: EUR 33.0 million) were reported.

33. Breakdown of income according to geographic markets.

The total amount from the income statement items

- interest income,
- current income from shares and other non-fixed interest securities, companies in which an equity interest is held, and shares in affiliated companies,
- fee and commission income and
- other operating income

is distributed across the geographical markets below as follows:

EUR million	31 Dec. 2011	31 Dec. 2010
Federal Republic of Germany	42 922	11 641
Europe (EU states excluding Germany)	1 167	641
Asia	172	138
America	322	218
Total	**44 583**	**12 638**

Gross interest expenses and income from trading activities were reported for the first time in the 2011 financial year. This resulted in an increase of EUR 29 218.2 million in interest expenses and income.

34. Administrative and intermediary services.

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

Other information.

35. Off-balance sheet items.

The passing of the German Accounting Law Modernization Act (Gesetz zur Modernisierung des Bilanzrechts – 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.

Irrevocable 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 a deterioration in the financial situation of the borrower. At the end of the year, there were revocable loan commitments amounting to EUR 25.2 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, write-downs, interest deferrals, valuations) or in the form of 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 paper (ABCP), among other sources. LBBW provides these special-purpose entities with loans and liquidity lines.

Other special-purpose entities invest in (securitized) securities. LBBW assumes risks by funding the companies through commercial paper, loans and securities repurchase transaction and by providing liquidity lines. LBBW concluded some derivatives transactions with the special purpose entities.

The transactions with special purpose entities are subject to risks (such as credit and market risks) that could lead to write-downs in the future.

36. Distribution block.

In accordance with § 268 sentence 8 HGB, a payout 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 reported payout-blocked amounts totaling EUR 0.4 million on the balance sheet in the 2011 financial year.

37. List of shareholdings.

In the annual financial statements as at 31 December 2011, and pursuant to § 285 No. 11 HGB, 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) 15)]	Luxembourg, Luxembourg	100.00		EUR	-15.67	-27.14
ALVG Anlagenvermietung GmbH [1) 4a) 15)]	Stuttgart	100.00		EUR	95 955.02	0.00
Austria Beteiligungsgesellschaft mbH [15)]	Stuttgart	66.67		EUR	35 317.06	2 034.62
Baden-Württemberg L-Finance N.V. [3) 15)]	DX Hoofddorp, Netherlands	100.00		EUR	4 957.33	670.10
Bahnhofplatz Objekt-GmbH & Co. KG [1) 4a)]	Stuttgart	100.00		EUR	13 442.00	3 451.00
Bahnhofplatz Objektverwaltungs-GmbH [1) 15)]	Stuttgart	100.00		EUR	16.21	-3.07
Bahnhofplatz-Gesellschaft Stuttgart AG [1) 4a) 15)]	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	3 199.30	0.00
CFH Beteiligungsgesellschaft mbH [1) 15)]	Leipzig	100.00		EUR	91 166.82	579.99
Château de Beggen Participations S.A. [1) 15)]	Luxembourg, Luxembourg	100.00		EUR	44.42	-237.52
Dritte Industriehof Objekt-GmbH & Co. KG [1) 4a)]	Stuttgart	100.00		EUR	702.00	1 434.00
Einkaufszentrum Stachus München GmbH [1) 3a) 4a) 15)]	Stuttgart	100.00		EUR	25.00	0.00
Eisenbahn-Siedlungsgesellschaft Stuttgart gGmbH [1) 4a) 15)]	Stuttgart	94.87		EUR	12 638.94	1 475.04
Employrion Komplementär GmbH [1) 15)]	Weil	100.00		EUR	26.53	0.36
Entwicklungsgesellschaft Grunewaldstraße 61 – 62 mbH & Co. KG [1) 15)]	Stuttgart	94.84	94.90	EUR	-5 390.50	-5 021.10
Entwicklungsgesellschaft Uhlandstraße 187 GmbH & Co. KG [1) 15)]	Stuttgart	94.90		EUR	-1 958.22	-521.20
Erste IMBW Capital & Consulting Komplementär GmbH [1) 11)]	Weil	100.00		EUR	26.93	-0.56
Erste Industriehof Objekt-GmbH & Co. KG [1) 4a)]	Stuttgart	100.00		EUR	450.00	274.00
EuroCityCenterWest GmbH & Co. KG [1) 3a) 15)]	Stuttgart	100.00		EUR	-10 965.37	-5 800.04
EuroCityCenterWest Verwaltungs-GmbH [1) 15)]	Stuttgart	94.80		EUR	33.87	0.09
FOM/LEG Verwaltungs GmbH [1) 11)]	Heidelberg	50.00		EUR	26.63	1.50
Fünfte Industriehof Objekt-GmbH & Co. KG [1) 4a)]	Stuttgart	100.00		EUR	634.00	892.00
Gewerbepark Königstraße Kaiserslautern GmbH [1) 15)]	Stuttgart	100.00		EUR	294.93	329.59
Grensstraat LR Development S.P.R.L. [1) 15)]	Brussels, Belgium	100.00		EUR	-5 049.99	-2 291.75
Grundstücksgesellschaft Einkaufszentrum Haerder-Center Lübeck mbH & Co. KG [1) 11)]	Stuttgart	94.00		EUR	-20 640.17	-17 924.27
Grunewaldstraße 61 – 62 GmbH [1) 15)]	Stuttgart	100.00		EUR	25.53	0.62
HIRP Housing Initiative Rheinland-Pfalz Management- und Entwicklungsgesellschaft mbH [1) 15)]	Mainz	79.90		EUR	100.00	0.00
IMBW Capital & Consulting GmbH [1) 4a) 15)]	Stuttgart	100.00		EUR	250.00	0.00
Immobilienvermittlung BW GmbH [15)]	Stuttgart	100.00		EUR	2 498.50	0.10
Industriehof Objektverwaltungs-GmbH [1) 15)]	Stuttgart	100.00		EUR	33.15	3.01
Industriehof-Aktiengesellschaft [1) 4a) 15)]	Stuttgart	93.63		EUR	23 281.64	0.00
IRP Immobilien-Gesellschaft Rheinland-Pfalz mbH [1) 15)]	Mainz	51.41		EUR	1 554.98	-147.22
Kiesel Finance Management GmbH [1)]	Baienfurt	90.00		EUR	27.40	1.70
Kommunalbau Rheinland-Pfalz GmbH [1) 15)]	Mainz	51.40		EUR	1 102.70	93.67
Landesbank Baden-Württemberg Capital Markets Plc [3) 15)]	London, UK	100.00		EUR	5 860.00	267.00
LBBW Asset Management Investmentgesellschaft mbH [3) 15)]	Stuttgart	100.00		EUR	30 076.64	10 288.09
LBBW Asset Management (Ireland) Plc [15)]	Dublin 2, Ireland	100.00		EUR	24 956.00	6 701.00
LBBW Bank CZ a.s. [15)]	Prague 5, Czech Republic	100.00		EUR	2 786.08	15.08
LBBW Dublin Management GmbH [3) 4) 15)]	Mainz	100.00		EUR	20 845.91	0.00
LBBW Grundstücksverwaltungsgesellschaft mbH & Co. KG Objekt am Pariser Platz Stuttgart [15)]	Stuttgart	100.00		EUR	60 050.39	-5 860.58
LBBW Immobilien Capital Fischertor GmbH & Co. KG [1) 15)]	Munich	93.98	94.00	EUR	-6 257.59	-377.90
LBBW Immobilien Capital GmbH [1) 15)]	Stuttgart	100.00		EUR	-1 922.92	-582.92
LBBW Immobilien Development GmbH [1) 4a) 15)]	Stuttgart	94.90		EUR	5 000.00	0.00

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
LBBW Immobilien Gebäude-Service GmbH 1) 4a) 15)	Stuttgart	100.00		EUR	51.13	0.00
LBBW Immobilien GmbH 1) 4) 15)	Stuttgart	100.00		EUR	588 611.42	0.00
LBBW Immobilien GmbH & Co. Beteiligung KG 1) 15)	Stuttgart	100.00		EUR	59 708.43	–2 044.43
LBBW Immobilien Kommunalentwicklung GmbH 1) 4a) 15)	Stuttgart	81.62		EUR	2 016.51	0.00
LBBW Immobilien Luxembourg S. A. 1) 15)	Luxembourg, Luxembourg	100.00		EUR	–74 745.38	–7 865.78
LBBW Immobilien Management Gewerbe GmbH 1) 4a) 15)	Stuttgart	94.90		EUR	3 303.97	0.00
LBBW Immobilien Management GmbH 1) 4a) 15)	Stuttgart	100.00		EUR	25.00	0.00
LBBW Immobilien Management Wohnen GmbH 1) 4a) 15)	Stuttgart	100.00		EUR	2 500.00	0.00
LBBW Immobilien Romania S.R.L. 1) 9)	Bucharest, Romania	100.00		EUR	–1 510.00	–1 508.00
LBBW Immobilien Versicherungsvermittlung GmbH 1) 4a) 15)	Stuttgart	100.00		EUR	25.00	0.00
LBBW Immobilien Wohnungsprivatisierung GmbH 1) 4a) 15)	Stuttgart	94.90		EUR	262.58	0.00
LBBW Immobilien-Holding GmbH 4) 15)	Stuttgart	100.00		EUR	959 050.54	0.00
LBBW Leasing GmbH 4) 15)	Mannheim	100.00		EUR	283 488.54	0.00
LBBW Luxemburg S. A. 3) 11)	Luxembourg, Luxembourg	100.00		EUR	262 500.00	–103 000.00
LBBW Spezialprodukte-Holding GmbH 4) 15)	Stuttgart	100.00		EUR	200 769.73	0.00
LBBW US Real Estate Investment LLC 9)	Wilmington, Delaware, USA	100.00		USD	76 223.18	3 357.61
LBBW Venture Capital GmbH	Stuttgart	100.00		EUR	28 412.43	–267.87
LEG Baden-Württemberg Verwaltungs-GmbH 1) 15)	Stuttgart	100.00		EUR	25.26	0.54
LEG Projektgesellschaft 2 GmbH & Co. KG 1) 15)	Stuttgart	100.00		EUR	–6 922.70	–158.90
LEG Projektgesellschaft 4 GmbH & Co. KG 1) 15)	Stuttgart	100.00		EUR	–38 939.58	–5 777.28
LEG Verwaltungsgesellschaft 2 mbH 1) 15)	Stuttgart	100.00		EUR	26.94	0.23
LOOP GmbH 1) 15)	Stuttgart	100.00		EUR	211.85	2 232.46
LRP Capital GmbH 1) 4) 15)	Stuttgart	100.00		EUR	14 000.00	0.00
Mannheim O 4 Projektgesellschaft mbH & Co. KG 1) 15)	Stuttgart	100.00		EUR	–10.57	–2.18
MANUKA Grundstücks-Verwaltungsgesellschaft mbH 1) 15)	Stuttgart	100.00		EUR	56.76	–3.66
MKB Mittelrheinische Bank GmbH	Koblenz	100.00		EUR	47 737.77	6 469.36
MKB Versicherungsdienst GmbH 1) 4a)	Koblenz	100.00		EUR	27.05	0.00
MMV Leasing GmbH 1) 4a)	Koblenz	100.00		EUR	21 000.00	0.00
MMV Mobilien Verwaltungs- und Vermietungsgesellschaft mbH 1) 4a)	Koblenz	100.00		EUR	26.00	0.00
Nagatino Property S.à.r.l. 1) 15)	Luxembourg, Luxembourg	100.00		EUR	–42 226.74	–13 993.04
Parc Helfent Participations S. A. 1) 15)	Luxembourg, Luxembourg	100.00		EUR	1 047.81	–407.64
Projekt 20 Verwaltungs GmbH 1) 15)	Munich	100.00		EUR	30.42	1.12
Projektgesellschaft Bockenheimer Landstraße 33 – 35 GmbH & Co. KG 1) 9)	Kronberg i. T.	94.00	50.00	EUR	–5 094.00	–1 393.00
Projektgesellschaft Harrlachweg GmbH & Co. KG 1)	Stuttgart	100.00			Not specified	Not specified
Schlossgartenbau Objekt-GmbH & Co. KG 1) 4a)	Stuttgart	100.00		EUR	18 549.00	3 744.00
Schlossgartenbau Objektverwaltungs-GmbH 1) 15)	Stuttgart	100.00		EUR	10.68	–4.94
Schlossgartenbau-Aktiengesellschaft 1) 4a) 15)	Stuttgart	92.68		EUR	6 592.42	0.00
Schockenried GmbH & Co. KG 1) 15)	Stuttgart	100.00		EUR	–4 186.31	242.09
Schockenriedverwaltungs GmbH 1) 15)	Stuttgart	94.80		EUR	24.71	0.11
Sechste Industriehof Objekt-GmbH & Co. KG 1) 4a)	Stuttgart	100.00		EUR	308.00	6 502.00
SG Management GmbH 1) 15)	Stuttgart	100.00		EUR	7 764.41	–4 041.80
SGB – Hotel GmbH & Co. KG 1) 15)	Stuttgart	100.00		EUR	–1 164.67	–189.05
SL Bayern Verwaltungs GmbH 1)	Mannheim	100.00		EUR	1 024.20	83.40
SL RheinMainSaar Verwaltungs GmbH 1)	Mannheim	100.00		EUR	515.70	–3.00
SLN Maschinen-Leasing Verwaltungs-GmbH 1)	Berlin	100.00		EUR	1 001.10	252.90
SLP Mobilien-Leasing Verwaltungs-GmbH 1)	Mannheim	100.00		EUR	4 866.00	411.30
Süd Beteiligungen GmbH 15)	Stuttgart	100.00		EUR	2 209.38	880.29
Süd KB Unternehmensbeteiligungsgesellschaft mbH 1) 15)	Stuttgart	100.00		EUR	48 588.08	798.25
SüdFactoring GmbH 3b) 4) 15)	Stuttgart	100.00		EUR	5 000.00	0.00
Süd-Kapitalbeteiligungs-Gesellschaft mbH 1) 4a) 15)	Stuttgart	100.00		EUR	88 981.87	0.00
SüdLeasing Finance-Holding GmbH 1)	Stuttgart	100.00		EUR	6 670.60	90.70
SüdLeasing GmbH 2) 4a) 15)	Mannheim	100.00		EUR	32 085.00	0.00
Turtle Beteiligungs-Ehningen II GmbH 1) 11)	Frankfurt a. M.	100.00		EUR	25.41	0.36
Turtle Beteiligungs-Hannover-City GmbH 1) 11)	Frankfurt a. M.	100.00		EUR	22.31	–1.07
Turtle Beteiligungs-Portfolio GmbH 1) 11)	Frankfurt a. M.	100.00		EUR	25.62	2.27

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
Turtle Ehningen II GmbH & Co. KG [1) 11)]	Frankfurt a. M.	100.00		EUR	–30.55	–10.97
Turtle Portfolio GmbH & Co. KG [1) 11)]	Frankfurt a. M.	100.00		EUR	–41 611.64	–36 296.81
Turtle 1. Verwaltungs-GmbH [1) 11)]	Frankfurt a. M.	100.00		EUR	36.21	9.02
Uhlandstraße 187 GmbH [1) 15)]	Stuttgart	100.00		EUR	24.53	0.07
Vermietungs- und Verwaltungsgesellschaft Sendlinger Straße mbH [1) 3a) 15)]	Stuttgart	100.00		EUR	25.02	–3.57
Vierte Industriehof Objekt-GmbH & Co. KG [1) 4a)]	Stuttgart	100.00		EUR	1 177.00	866.00
VVS II GmbH & Co. KG [1) 3a) 15)]	Stuttgart	52.55		EUR	–4 134.28	–2 266.34
VVS II Verwaltungs-GmbH [1) 15)]	Stuttgart	50.00		EUR	20.34	–1.64
VVS III GmbH & Co. KG [1) 3a) 15)]	Stuttgart	51.55		EUR	–5 768.51	–2 946.37
VVS III Verwaltungs-GmbH [1) 15)]	Stuttgart	50.00		EUR	19.80	–1.48
Zenon Mobilien-Leasing GmbH [1)]	Mannheim	100.00		EUR	352.90	56.40
Zorilla Mobilien-Leasing GmbH [1)]	Mannheim	100.00		EUR	78.10	–6.90
Zweite IMBW Capital & Consulting Komplementär GmbH [1) 11)]	Stuttgart	100.00		EUR	26.93	–0.07
Zweite Industriehof Objekt-GmbH & Co. KG [1) 4a)]	Stuttgart	100.00		EUR	19 826.00	1 026.00
Zweite LBBW US Real Estate GmbH [15)]	Leipzig	100.00		EUR	55 578.04	4 415.06
b. Fully consolidated subsidiaries (SIC 12)						
aiP Gärtnerplatz GmbH & Co. KG [1) 11)]	Oberhaching	45.00	50.00	EUR	–6 881.53	–2 254.55
aiP Isarauen GmbH & Co. KG [1) 3a) 11)]	Oberhaching	45.00	50.00	EUR	–352.14	–141.80
Bauwerk-Stuttgart GmbH [1) 15)]	Stuttgart	50.00		EUR	–272.26	–213.82
BWI Fonds 106 (ehemals STIRT Fonds) [15)]	Stuttgart	100.00	0.00	EUR	68 411.94	4 237.64
BWInvest-TR6-Fonds [15)]	Stuttgart	100.00	0.00	EUR	62 464.02	4 718.19
Employrion Immobilien GmbH & Co. KG [1) 15)]	Weil (Schwabhausen) district	35.00	50.00	EUR	–2 939.84	–50.43
Erste IMBW Capital & Consulting Objektgesellschaft mbH & Co. KG [1) 11)]	Weil	40.00	50.00	EUR	–14 322.56	–4 334.62
FOM/LEG Generalübernehmer GmbH & Co. KG [1) 3a) 11)]	Heidelberg	50.00		EUR	–1 295.57	–563.69
Georges Quay Funding I Limited [15)]	Dublin 1, Ireland	0.00		EUR	8.87	0.34
Grundstücksgesellschaft Einkaufszentrum Kröpeliner-Tor-Center Rostock mbH & Co. KG [1) 9)]	Berlin	39.94	50.00	EUR	–7 669.76	566.36
Humboldt Multi Invest: Sachsen LB Depot A (SLB_DA) [13)]	Hesperange, Luxembourg	100.00		EUR	93 887.24	5 176.26
Kyma Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Löhr's Carré KG [15)]	Haar	0.00		EUR	–3 865.17	–3 743.88
LAAM-Fonds I (LAAM Subtrust I) [15)]	George Town, Cayman Islands	100.00	0.00	EUR	82 708.25	3 673.85
LAAM-Fonds II [15)]	George Town, Cayman Islands	100.00	0.00	EUR	83 666.62	3 184.33
LAAM-Fonds XI [15)]	George Town, Cayman Islands	100.00	0.00	EUR	42 421.72	2 306.60
LBBW EuroLiquid [17)]	Stuttgart	95.46	0.00	EUR	67 852.10	773.13
LEG Baden-Württemberg Wohnungsverwaltungsgesellschaft mbH & Co. KG [1) 3a) 15)]	Stuttgart	100.00	15.00	EUR	14 410.38	418.31
Parcul Banatului SRL [1) 15)]	Bucharest, Romania	50.00		EUR	–10 825.94	–2 922.45
S-Fix 1 GmbH [15)]	Frankfurt a. M.	0.00		EUR	25.70	0.65
Spencerview Asset Management Ltd. [15)]	Dublin 2, Ireland	0.00		EUR	1.00	0.00
Turtle Vermögensverwaltungs-GmbH & Co. KG [1) 11)]	Frankfurt a. M.	49.00	50.00	EUR	–65.33	–19.26
Vermietungs- und Verwaltungsgesellschaft Sendlinger Straße GmbH & Co. KG [1) 15)]	Stuttgart	50.00		EUR	–66 716.59	–25 280.28
2. Joint ventures – proportional consolidation						
ARGE ParkQuartier Berg [1) 15)]	Stuttgart	50.00		EUR	616.17	462.87
Bad Kreuznacher Entwicklungsgesellschaft mbH (BKEG) [1) 15)]	Bad Kreuznach	50.00		EUR	–2 217.86	–37.27
LHI Leasing GmbH [1) 15)]	Pullach i. Isartal	51.00		EUR	46 597.99	3 699.62
TCD LEG/FOM GbR [1) 7)]	Stuttgart	50.00		EUR	168.00	23.00
Verwaltungsgesellschaft Filderbahnstraße mbH i. L. [1) 15)]	Stuttgart	50.00		EUR	–7.55	–1.40
Verwaltungsgesellschaft Hauptstraße mbH i. L. [1) 15)]	Stuttgart	50.00		EUR	–8.10	–1.29
3. Associated companies at equity						
Altstadt-Palais Immobilien GmbH & Co. KG [1) 15)]	Weil	40.00	50.00	EUR	–630.70	72.33
Bauland Kruft Süd GmbH [1) 15)]	Mainz	51.00		EUR	–1 031.19	–271.19
BWK GmbH Unternehmensbeteiligungsgesellschaft [1) 24)]	Stuttgart	40.00		EUR	231 072.89	49 738.59
EGH Entwicklungsgesellschaft Heidelberg GmbH & Co. KG [1) 15)]	Heidelberg	33.33		EUR	1 586.21	829.94

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
EGH Projektgesellschaft Heidelberg GmbH [1] [15]	Heidelberg	33.33		EUR	31.33	1.99
SGB – Hotel – Verwaltung GmbH [1] [15]	Stuttgart	50.00		EUR	2.71	–14.03
Vorarlberger Landes- und Hypothekenbank AG [1] [15]	Bregenz, Austria	25.00		EUR	558 244.87	54 910.31
II. Companies not included in the consolidated financial statements due to being of minor significance						
I.1. Subsidiaries not included						
ABS Kompakt GmbH i. L. [15]	Stuttgart	100.00		EUR	43.57	–10.67
Advanced Solutions GmbH [1] [15]	Böblingen	100.00		EUR	1 107.20	457.94
AfL Mietkauf & Leasing GmbH & Co. KG [1]	Mannheim	100.00		EUR	–38.10	25.40
aiP Gärtnerplatz Verwaltungs GmbH [1] [15]	Oberhaching	100.00		EUR	22.43	–0.43
aiP Hirschgarten 1 Verwaltungs GmbH [1] [15]	Oberhaching	100.00		EUR	27.85	–0.39
aiP Isarauen Verwaltungs GmbH [1] [15]	Oberhaching	100.00		EUR	23.80	–2.14
Atlas Beteiligungs-GmbH i. L. [4] [15]	Mannheim	100.00		EUR	25.56	0.00
Atlas Weyhausen Services GmbH & Co. KG [1]	Mannheim	100.00		EUR	95.90	21.90
B. & C. Leasing GmbH & Co. KG [1] [15]	Mannheim	0.00	75.00	EUR	1 701.53	112.64
Baden-Württembergische Equity Gesellschaft mit beschränkter Haftung [15]	Stuttgart	100.00		EUR	1 439.80	612.38
Bahnhof Münster Komplementär GmbH i. L. [1] [11]	Ettlingen	51.00		EUR	20.38	–4.62
Britta Grundstücksverwaltungsgesellschaft mbH [1] [4a] [15]	Mannheim	100.00		EUR	36 827.90	0.00
BW Bank Capital Funding LLC I [1] [3] [15]	Florham Park, USA	100.00		EUR	50 004.00	1 998.99
BW Bank Capital Funding LLC II [1] [3] [15]	Florham Park, USA	100.00		EUR	50 003.00	1 669.51
BW Bank Capital Funding Trust I [1]	Florham Park, USA	0.00	100.00		Not specified	Not specified
BW Bank Capital Funding Trust II [1]	Florham Park, USA	0.00	100.00		Not specified	Not specified
BW Capital Markets Inc. [3] [15]	Florham Park, NEW JERSEY, USA	100.00		USD	3 048.92	2 506.22
BW Leasing GmbH & Co. KG [1] [15]	Mannheim	100.00		EUR	8.32	0.00
BW Mergers & Acquisitions GmbH i. L. [15]	Stuttgart	100.00		EUR	1 154.88	–3.69
BW-Holding GmbH i. L. [15]	Stuttgart	100.00		EUR	431.33	1.35
CARGO SL Mobilien-Leasing GmbH & Co. KG [1]	Mannheim	0.00	75.00	EUR	475.60	269.50
Carmen Mobilien-Leasing GmbH i. L. [1] [20]	Mannheim	0.00	100.00	EUR	19.95	1.24
cellent AG [15]	Stuttgart	100.00		EUR	15 123.78	2 026.81
cellent AG [1] [8]	Vienna, Austria	100.00		EUR	1 354.72	658.87
Cellent Finance Solutions AG [15]	Stuttgart	100.00		EUR	4 310.16	259.62
Centro Alemán de Industria y Comercio de México S. de R.L. de C.V. [2] [15]	México, D. F., Mexico	100.00		MXN	–10 084.64	1 100.76
CIM Real Estate Verwaltungs GmbH i. L. [1] [11]	Munich	100.00		EUR	28.08	–51.33
DBW Advanced Fiber Technologies GmbH [1] [15]	Bovenden	100.00		EUR	21 813.06	–83.93
DBW Fiber Corporation [1] [15]	Summerville, SC 29483, USA	100.00		USD	1 214.72	582.27
DBW Holding GmbH [1] [15]	Bovenden	99.16	94.64	EUR	21 970.38	–37.00
DBW Hungary KFT [1] [15]	Tapolca, Hungary	100.00		HUF	2 642.44	1 338.74
DBW Ibérica Industria Automoción, S. A. [1] [15]	Vall d'Uxo Castellón, Spain	100.00		EUR	562.83	141.58
DBW Metallverarbeitung GmbH [1] [4a] [15]	Ueckermünde	100.00		EUR	1 233.88	0.00
DBW Polska Sp.z. o.o. [1] [15]	Cigacice, Poland	100.00		PLN	1 569.20	558.74
DBW Sudogda [1] [9]	Sudogda, Russia	100.00		EUR	–4.36	–5.18
DBW-Fiber-Neuhaus GmbH [1] [4a] [15]	Neuhaus am Rennweg	100.00		EUR	3 000.00	0.00
Deutsche Mittelstandsinformatik GmbH i. L. [11]	Stuttgart	90.00		EUR	0.00	–402.57
Dresden Fonds GmbH [15]	Dresden	50.05		EUR	4 474.78	–80.79
Dritte LBBW US Real Estate GmbH [15]	Leipzig	100.00		EUR	3 250.59	–3 900.88
ERGE Miet- und Finanzvermittlung GmbH & Co. KG [1]	Kehl	0.00	66.66	EUR	64.00	179.30
Euro Leasing AG [1] [11]	Luxembourg, Luxembourg	100.00		EUR	162.39	–0.31
Financial ServiceS GmbH [1] [15]	Leipzig	100.00		EUR	164.19	27.77
Finclusive Alfmeier Leasing Services GmbH & Co. KG [1]	Mannheim	100.00		EUR	60.20	–40.50
FIRKO Betreuungs GmbH [1] [15]	Leipzig	100.00		EUR	431.94	36.63
FIRKO Betreuungs GmbH & Co. Windpark Zaulsdorf KG [15]	Leipzig	100.00		EUR	1.71	56.50
FLANTIR PROPERTIES LIMITED [1] [15]	Nicosia, Cyprus	100.00		EUR	1.71	–5 832.78
Franca Grundstücksverwaltungsgesellschaft mbH [1] [4a] [15]	Mannheim	100.00		EUR	525.81	46.72
Franca Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien KG [15]	Mannheim	100.00		EUR	2 337.06	–133.71
FRONTWORX Informationstechnologie AG [1]	Vienna, Austria	100.00			Not specified	Not specified

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
German Centre for Industry and Trade Beijing Co., Ltd. [15]	Beijing, China	100.00		CNY	1 499.52	440.98
German Centre for Industry and Trade GmbH, Beteiligungsgesellschaft [4) 15]	Stuttgart	100.00		EUR	2 739.91	0.00
German Centre for Industry and Trade Pte. Ltd. Singapore [1) 15]	Singapore, Singapore	100.00		SGD	12 076.14	1 565.78
Gesellschaft zur Verwaltung von Gemeinschaftsanlagen mbH i. L. [1) 15]	Stuttgart	100.00		EUR	14.58	– 0.24
Gmeinder Lokomotivenfabrik GmbH [1) 15]	Mosbach	90.00		EUR	947.00	102.00
Grutrans GmbH i. L. [1) 20]	Mannheim	0.00	100.00	EUR	18.87	2.80
GVZ NORD PLANT GmbH [1) 15]	Leipzig	100.00		EUR	37.97	32.73
Haerder-Center Lübeck Verwaltungsgesellschaft mbH [1) 15]	Stuttgart	100.00		EUR	28.38	1.10
Hemming AG [1) 5]	Landau	92.19		EUR	118.00	422.00
Heurika Mobilien-Leasing GmbH [1) 3a) 15]	Mannheim	100.00		EUR	– 510.25	1 726.70
HÜCO Automotive GmbH [1) 4a) 15]	Espelkamp	100.00		EUR	100.00	0.00
HÜCO Circuit Technology GmbH [1) 15]	Espelkamp	90.00		EUR	100.49	75.49
Hüco electronic GmbH [1) 4a) 15]	Espelkamp	90.00		EUR	3 333.39	0.00
Hueco electronic (India) Private Ltd. [1) 19]	Pune, India	100.00		INR	761.58	88.79
Ina Grundstücksverwaltungsgesellschaft mbH i. L. [1) 15]	Mannheim	100.00		EUR	4.19	– 1.10
Iris Grundstücksverwaltungsgesellschaft mbH i. L. [1) 15]	Mannheim	100.00		EUR	3.98	– 1.10
Janina Grundstücksverwaltungsgesellschaft mbH i. L. [1) 4a) 15]	Mannheim	100.00		EUR	24.12	0.00
John Deere Leasing GmbH [1]	Mannheim	100.00		EUR	– 705.60	2 102.50
Karin Mobilien-Leasing GmbH [1]	Mannheim	100.00		EUR	881.30	101.30
Kiesel Finance GmbH & Co. KG [1) 15]	Baienfurt	0.00	75.00	EUR	273.54	590.27
Kögel financial service GmbH & Co. KG [1]	Mannheim	100.00		EUR	– 16.90	– 11.80
Kröpeliner-Tor-Center Rostock Vermietungsgesellschaft mbH i. L. [1) 12]	Berlin	83.40		EUR	5.49	– 0.71
Kröpeliner-Tor-Center Rostock Verwaltungsgesellschaft mbH [1) 11]	Berlin	100.00		EUR	14.39	0.00
KURIMA Grundstücksgesellschaft mbH & Co. KG [1) 15]	Grünwald	1.00	84.00	EUR	1.50	– 6.55
LA electronic Holding GmbH [1) 15]	Espelkamp	100.00		EUR	– 10 505.68	– 4 419.20
Laurus Grundstücksverwaltungsgesellschaft mbH [1) 15]	Mannheim	100.00		EUR	1 639.09	– 16.28
LBBW Equity Partners GmbH & Co. KG [15]	Munich	100.00		EUR	1 656.03	– 15.90
LBBW Equity Partners Verwaltungs GmbH [15]	Munich	100.00		EUR	15.08	– 4.39
LBBW Gastro Event GmbH [4) 15]	Stuttgart	100.00		EUR	130.00	0.00
LBBW Grundstücksverwaltungsgesellschaft mbH [4) 15]	Stuttgart	100.00		EUR	25.99	0.00
LBBW Grundstücksverwaltungsgesellschaft mbH & Co. KG Objekt Am Hauptbahnhof Stuttgart [15]	Stuttgart	100.00		EUR	– 41 917.79	3 391.42
LBBW Grundstücksverwaltungsgesellschaft mbH & Co. KG Objekt Stiftsstraße Stuttgart [15]	Stuttgart	100.00		EUR	6 213.08	111.29
LBBW GVZ Entwicklungsgesellschaft Leipzig mbH [15]	Leipzig	100.00		EUR	2 307.29	12.84
LBBW México [2) 15]	México, Mexico	100.00		MXN	2 123.86	215.78
LBBW Pensionsmanagement GmbH [4) 15]	Stuttgart	100.00		EUR	25.00	0.00
LBBW Repräsentanz São Paulo Ltda. [2) 15]	Itaim-Bibi / Sao Paulo, Brazil	100.00		EUR	144.48	9.54
LBBW (Schweiz) AG [15]	Zurich, Switzerland	100.00		CHF	11 876.41	674.09
LBBW Service GmbH [4) 15]	Stuttgart	100.00		EUR	25.00	0.00
LBBW Trust GmbH i. L. [15]	Stuttgart	100.00		EUR	2 798.46	5.70
LBBW Verwaltungsgesellschaft Leipzig mbH [1) 15]	Leipzig	100.00		EUR	22.50	– 1.27
LBBW Verwaltungsgesellschaft Leipzig mbH & Co. Parking KG [15]	Leipzig	100.00		EUR	80.81	– 11.91
LBBW Verwaltungsgesellschaft Leipzig mbH & Co. REKIM KG [15]	Leipzig	100.00		EUR	10 264.46	– 10.16
LEG Baden-Württemberg Beteiligungs-GmbH [1) 15]	Stuttgart	100.00		EUR	23.82	– 0.69
LEG Osiris 4 GmbH [1) 15]	Stuttgart	100.00		EUR	36.03	– 2.65
LEG Osiris 5 GmbH [1) 15]	Stuttgart	100.00		EUR	20.82	– 0.88
LEG Verwaltungsgesellschaft 4 mbH [1) 15]	Stuttgart	100.00		EUR	27.00	0.11
LG Grundstücksanlagen-Gesellschaft mbH [15]	Stuttgart	100.00		EUR	31.01	0.36
LG Grundstücksanlagengesellschaft mbH & Co. KG – Immobilienverwaltung – [15]	Stuttgart	100.00		EUR	– 188.12	– 1 575.17
LGZ-Anlagen-Gesellschaft mbH [4) 15]	Mainz	100.00		EUR	110.00	0.00
lighting+design GmbH [1) 15]	Hennef	93.02		EUR	9 715.70	12.10
L-Immobilien GmbH [4) 15]	Mannheim	100.00		EUR	180.95	0.00
Lissi Grundstücksverwaltungsgesellschaft mbH i. L. [1) 4a) 15]	Mannheim	100.00		EUR	0.02	0.00
LLC German Centre for Industry and Trade [15]	Moscow, Russia	100.00		RUB	2 456.51	– 302.18
LRI Support Personenvereinigung [2]	Luxembourg, Luxembourg	100.00			Not specified	Not specified

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
LSK Leasinggesellschaft für Sparkassenkunden mbH i. L. [1) 15)]	Mannheim	100.00		EUR	23.13	–2.63
Mannheim O4 Verwaltungsgesellschaft mbH [1) 15)]	Stuttgart	100.00		EUR	26.70	0.23
MANUKA Grundstücksgesellschaft mbH & Co. KG [1) 15)]	Stuttgart	6.00	88.00	EUR	–5.38	–6.31
MDL Mitteldeutsche Leasing GmbH [1) 15)]	Leipzig	100.00		EUR	–20644.06	–230.56
Meridian Vermögensverwaltungsgesellschaft mbH i. L. [15)]	Mainz	100.00		EUR	86.82	–6.09
MKL GmbH & Co. KG i. L. [1)]	Mannheim	100.00		EUR	–32.40	20.90
MLG GmbH & Co. KG [1) 15)]	Mannheim	100.00		EUR	–1.08	182.80
MLP Leasing GmbH & Co. KG [1)]	Mannheim	100.00		EUR	–19.00	–2.50
MLP Verwaltungs GmbH [1)]	Mannheim	100.00		EUR	117.40	–1.60
MLS GmbH & Co. KG [1) 3a)]	Mannheim	100.00		EUR	–272.10	861.90
MMV Mittelrheinische Leasing GmbH [1) 4a) 11)]	Koblenz	100.00		EUR	26.44	0.00
Mogon Vermögensverwaltungs GmbH i. L. [4) 15)]	Mainz	100.00		EUR	138.00	0.00
OLIGO Lichttechnik GmbH [1) 4a) 15)]	Hennef	100.00		EUR	6235.45	0.00
Pollux Vierte Beteiligungsgesellschaft mbH [1) 15)]	Mainz	100.00		EUR	22.85	–0.24
Radon Verwaltungs-GmbH [15)]	Stuttgart	100.00		EUR	19949.18	494.38
Remseck Grundstücksverwaltungsgesellschaft mbH in Stuttgart [1) 4a) 15)]	Stuttgart	100.00		EUR	35093.56	0.00
Rhenus Mobilien GmbH & Co. KG [1) 15)]	Holzwickede	0.00	51.00	EUR	250.00	2073.69
Rhenus Mobilien II GmbH & Co. KG [1) 15)]	Holzwickede	0.00	51.00	EUR	340.79	322.76
Rhin-Neckar S. A. [15)]	Munsbach, Luxembourg	100.00		EUR	160.29	233.32
RS Technologies GmbH i. L. [1)]	Leipzig	55.30			Not specified	Not specified
Sachsen V.C. GmbH & Co. KG [2) 15)]	Leipzig	75.19		EUR	4754.65	–1081.67
Sachsen V.C. Verwaltungsgesellschaft mbH [1) 15)]	Leipzig	100.00		EUR	27.31	Not specified
SachsenFonds International Equity Holding I GmbH [1) 15)]	Aschheim-Dornach	100.00		EUR	5477.69	409.57
SachsenFonds International Equity I GmbH & Co. KG [1) 15)]	Leipzig	96.15		EUR	16927.91	1552.69
SBF Sächsische Beteiligungsfonds GmbH [1) 15)]	Leipzig	100.00		EUR	–71.93	–135.90
Schiffsfinanzierungsgesellschaft Danubia 1 GmbH i. L. [1) 15)]	Basel, Switzerland	100.00		CHF	225.31	-32.56
Schiffshaltergesellschaft Albia 1 GmbH i. L. [1) 15)]	Basel, Switzerland	100.00		CHF	415.91	29.00
Schiffshaltergesellschaft Moenum 1 GmbH i. L. [1) 15)]	Basel, Switzerland	100.00		CHF	415.81	28.96
Schmidt W & K Leasing GmbH & Co. KG [1)]	Mannheim	100.00		EUR	–42.00	93.40
SDD Holding GmbH [1) 15)]	Stuttgart	100.00		EUR	–3179.23	–200.50
SDT Stanz- und Dämmtechnik GmbH [1) 4a) 15)]	Berga	100.00		EUR	138.40	0.00
SKH Beteiligungs Holding GmbH [15)]	Stuttgart	100.00		EUR	2570.24	–59.55
SL Aviation Lease GmbH i. L. [1) 21)]	Mannheim	0.00	100.00	EUR	6.14	2.12
SL Bremen Verwaltungs-GmbH [1)]	Mannheim	100.00		EUR	1758.60	225.70
SL BW Verwaltungs GmbH [1)]	Mannheim	100.00		EUR	1056.90	54.80
SL Düsseldorf Verwaltungs GmbH [1)]	Mannheim	100.00		EUR	561.20	39.20
SL ENERCON Verwaltungs GmbH i. L. [1) 15)]	Mannheim	100.00		EUR	14.48	–3.30
SL FINANCIAL MEXICO, S. A. DE C.V., SOFOM, E. N. R. [1) 15)]	Col. Lomas de Santa Fe, Mexico	100.00		MXN	260.13	40.03
SL Financial Services Corporation [1)]	Westport/ Connecticut, USA	100.00		USD	–4764.90	–1526.01
SL Formica GmbH & Co. KG i. L. [1) 23)]	Mannheim	100.00		EUR	4.87	0.00
SL Mobilien-Leasing GmbH & Co. ENERCON KG [1)]	Mannheim	0.00	80.00	EUR	29133.30	2880.70
SL Mobilien-Leasing GmbH & Co. Hafis KG [1) 15)]	Mannheim	0.00	90.00	EUR	2015.20	–8.53
SL Nordlease GmbH & Co. KG [1)]	Mannheim	0.00	60.00	EUR	–3008.70	834.80
SL Operating Services GmbH [1) 15)]	Mannheim	100.00		EUR	79.27	43.01
SL Rail Services GmbH i. L. [1) 15)]	Mannheim	100.00		EUR	15.29	–3.13
SL Schleswig-Holstein Verwaltungs GmbH [1)]	Mannheim	100.00		EUR	126.60	3.80
SL Stolle Mobilien-Leasing GmbH & Co. KG i. L. [1) 15)]	Mannheim	100.00		EUR	–35.62	–4.73
SL Ventus GmbH & Co. KG [1) 15)]	Mannheim	100.00		EUR	–1893.56	442.50
SLKS GmbH & Co. KG [1)]	Stuttgart	100.00		EUR	4958.80	3416.00
SLN Maschinen Leasing GmbH & Co. OHG [1) 15)]	Berlin	0.00	75.00	EUR	41.70	583.28
SLP Mobilien-Leasing GmbH & Co. OHG [1)]	Mannheim	0.00	75.00	EUR	989.50	233.20
SPI SüdProject International GmbH i. L. [15)]	Stuttgart	100.00		EUR	5100.62	–0.95
Städtische Pfandleihanstalt Stuttgart Aktiengesellschaft, Gemeinnützige Kreditanstalt [15)]	Stuttgart	100.00		EUR	5555.11	544.74
Steelcase Leasing GmbH & Co. KG [1)]	Mannheim	100.00		EUR	252.20	–13.20
Stuttgarter Aufbau Bau- und Verwaltungs-Gesellschaft mbH [4) 15)]	Stuttgart	100.00		EUR	153.39	0.00
Süd Mobilien-Leasing GmbH [1) 4a)]	Stuttgart	100.00		EUR	28.30	0.00

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
Süd Private Equity Capital Partners I Verwaltungs GmbH [1) 15)]	Stuttgart	100.00		EUR	9.68	–2.28
Süd Private Equity Fonds I GmbH & Co. KG [1) 15)]	Stuttgart	100.00		EUR	12.66	–6.86
Süd Private Equity Management GmbH [1) 15)]	Stuttgart	100.00		EUR	191.22	–17.67
Süddeutsche Allgemeine Finanz- und Wirtschaftsgesellschaft mbH [1) 4a) 15)]	Mannheim	100.00		EUR	511.29	0.00
SüdImmobilien GmbH [4) 15)]	Mannheim	100.00		EUR	2 574.87	0.00
SüdLeasing Beteiligungsgesellschaft K mbH & Co. KG i. L. [1)]	Mannheim	0.00	90.00	EUR	–101.70	–13.40
SüdLeasing Beteiligungsgesellschaft P GmbH & Co. KG [1)]	Mannheim	100.00		EUR	–58.30	–10.40
SüdLeasing d.o.o. Zagreb i. L. [1)]	Zagreb, Croatia	100.00		HRK	1 502.45	–61.09
SüdLeasing España E.F.C.S.A. [1) 15)]	Barcelona, Spain	100.00		EUR	17 674.00	–5 867.00
SüdLeasing Kft. [1) 15)]	Szekszard, Hungary	100.00		HUF	750.63	27.65
SüdLeasing Polska SP.z.o.o. i. L. [1) 15)]	Warsaw, Poland	100.00		PLN	1.93	–3.94
SüdLeasing s.r.o. (Prag) [1)]	Prague 5, Czech Republic	100.00		CZK	638.73	877.16
SüdLeasing Structured Finance GmbH i. L. [1) 15)]	Mannheim	0.00	100.00	EUR	22.04	–1.41
SüdLeasing Suisse AG [1)]	Bachenbülach, Switzerland	100.00		CHF	17 704.84	225.51
SüdRenting S.L. [1) 15)]	Barcelona, Spain	100.00		EUR	3 052.91	142.94
SuedLeasing Romania IFN S.A. i. L. [1) 15)]	Bucharest Romania	100.00		RON	895.98	–40.27
Tacita Mobilien-Leasing GmbH i. L. [1)]	Mannheim	100.00		EUR	12.20	–3.00
Tamaris Mobilien-Leasing GmbH i. L. [1)]	Mannheim	100.00		EUR	14.80	–2.80
Technologiegründerfonds Sachsen Holding GmbH & Co. KG [1) 15)]	Leipzig	0.00	100.00	EUR	0.00	0.00
Technologiegründerfonds Sachsen Seed GmbH & Co. KG [2) 15)]	Leipzig	93.34		EUR	3 340.48	310.50
Technologiegründerfonds Sachsen Start up GmbH & Co. KG [2) 15)]	Leipzig	78.33		EUR	7 658.08	2.630.49
Technologiegründerfonds Sachsen Verwaltung GmbH [1) 15)]	Leipzig	100.00		EUR	23.47	–0.28
Thömen Leasing GmbH & Co. KG i. L. [1)]	Mannheim	0.00	75.00	EUR	1 086.00	65.50
Truck Trailer Leasing GmbH & Co. KG i. L. [1) 3a) 15)]	Mannheim	0.00	60.00	EUR	0.84	0.00
uwe Leasing GmbH & Co. KG i. L. [1)]	Mannheim	100.00		EUR	–41.10	–2.80
Valerie Grundstücksverwaltungsgesellschaft mbH i. L. [1) 4a) 15)]	Mannheim	100.00		EUR	24.39	0.00
Wachstumsfonds Mittelstand Sachsen Verwaltung GmbH [1) 15)]	Leipzig	100.00		EUR	32.78	–0.62
WM Mobilien-Leasing GmbH & Co. KG [1) 15)]	Mannheim	0.00	75.00	EUR	3 203.70	1 223.54
Yankee Properties II LLC	City of Wilmington, USA	0.00	100.00		Not specified	Not specified
Yankee Properties LLC [15)]	Wilmington/ Delaware, USA	100.00		USD	16 497.09	0.00
YOZMA III GmbH & Co. KG [1) 15)]	Munich	77.14		USD	2 997.45	1 988.86
Zweite Karl-Scharnagl-Ring Immobilien Verwaltung GmbH [1) 15)]	Munich	100.00		EUR	30.43	1.31
1.2. Subsidiaries not included, no consolidation (SIC 12)						
AROSA FUNDING LIMITED, Serie 2006-10 [15)]	St. Helier JE4 9WG, UK	0.00		EUR	0.00	0.00
AROSA FUNDING LIMITED, Serie 2007-4 [15)]	St. Helier JE4 9WG, UK	0.00		EUR	0.00	0.00
ASPEN Lucian Ltd. [15)]	George Town, G.C. KY1 – 1104, Cayman Islands	0.00		EUR	0.00	0.00
Cairn Company Jersey No. 6 Limited [15)]	St. Helier JE4 8ZB, UK	0.00		EUR	0.00	0.00
Cloverie Public Limited Company [15)]	Dublin 1, Ireland	0.00		EUR	0.00	0.00
Hirschgarten GÜ GmbH & Co. KG [1) 11)]	Oberhaching	45.00	50.00	EUR	174.08	100.08
LBBW Asset Management (Ireland) Fixed Income Fund Plc [14)]	Dublin 2, Ireland	0.00		EUR	862.01	–1 554.92
LBBW Asset Management (Ireland) Long/Short Credit Fund Plc [14)]	Dublin 2, Ireland	0.00		EUR	467.80	–1 204.77
LBBW Nachhaltigkeit Aktien (ehemals: LBBW NachhaltigkeitsStrategie BWI) [15)]	Stuttgart	72.39	0.00	EUR	27 591.17	3 748.63
LBBW Nachhaltigkeit Renten [15)]	Stuttgart	99.46	0.00	EUR	34 707.52	35.71
Mainau Funding Ltd. [15)]	Dublin 2, Ireland	0.00		EUR	10.75	1.50
M-Korb Funding No.1 Ltd. [15)]	Dublin 2, Ireland	0.00		EUR	–18 975.47	–402.63
Omega Capital Investments Plc (Serie 67, Van Gogh Notes) [15)]	Dublin 2, Ireland	0.00		EUR	0.00	0.00
Peter Pike Funding LLC/Rathlin Loan Ltd. [15)]	Dublin 2, Ireland	0.00		EUR	0.00	0.00
Platino S. A. [15)]	Luxembourg, Luxembourg	0.00		EUR	24.73	–35.27
Synapse High Grade ABS Fund Nr. 1 Plc	Dublin 1, Ireland	100.00	0.00		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.
Weinberg Capital LLC	Wilmington, Delaware, USA	0.00			Not specified	Not specified
Weinberg Capital Ltd. [15]	Dublin 2, Ireland	0.00		EUR	38.21	36.46
Weinberg Funding Ltd. [11]	St.Helier, Jersey, UK	0.00		EUR	5.05	0.00
Xelo Plc (früher Xelo V Plc) [15]	Dublin 2, Ireland	0.00		EUR	0.00	0.00
2. Joint ventures, no proportional consolidation						
Aaron Grundstücksverwaltungsgesellschaft mbH [1) 15)]	Oberursel	50.00		EUR	– 701.12	– 14.83
Bietigheimer Wohnungsprivatisierungsgesellschaft mbH [15]	Bietigheim-Bissingen	50.00		EUR	14 219.57	2 081.26
German Centre for Industry and Trade India Holding-GmbH [1) 15)]	Munich	50.00		EUR	57.80	– 3 553.00
LBBW Immobilien Verwaltung GmbH [1) 15)]	Stuttgart	50.00		EUR	39.97	6.19
LHI Südwest Immobilien GmbH [15]	Pullach i. Isartal	6.00	50.00	EUR	6 864.22	369.77
MIG Immobiliengesellschaft mbH i. L. [10]	Mainz	36.36		EUR	– 6 694.42	– 36.10
Residenzpost Planen + Bauen GmbH & Co. KG [1) 15)]	Munich	50.00		EUR	1.64	– 2.83
Residenzpost Planen + Bauen Verwaltung GmbH [1) 15)]	Munich	50.00		EUR	12.17	– 4.15
RN Beteiligungs-GmbH i. L. [15]	Stuttgart	50.00		EUR	14 263.62	928.76
SachsenFonds Immobilien GmbH [1) 11)]	Aschheim-Dornach	49.00		EUR	60.96	– 7.07
SHS Gesellschaft für Beteiligungen mbH & Co. Mittelstand KG [1) 15)]	Tübingen	75.02		EUR	4 493.00	– 111.00
SHS Venture Capital GmbH & Co. KG [1) 11)]	Tübingen	95.45		EUR	4 193.00	395.00
SüdLeasing GUS Financial Holding GmbH [1]	Stuttgart	50.00		EUR	21 769.90	– 112.40
3. Associated companies not accounted for at equity						
Abrosa Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Sachsen I KG [15]	Wiesbaden, Mz-Kastel	100.00	50.00	EUR	– 3 466.88	305.70
Alida Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG [1) 15)]	Pullach (Munich district)	99.89	50.00	EUR	2 483.08	2 462.16
ALUHEAT GmbH [1) 15)]	Freiberg	29.97		EUR	486.66	11.66
Bankhaus Ellwanger & Geiger KG [15]	Stuttgart	47.70		EUR	12 300.00	530.16
B+S Card Service GmbH [22]	Frankfurt a. M.	25.10		EUR	21 421.76	7 993.58
Bubbles and Beyond GmbH [1) 15)]	Leipzig	30.25		EUR	472.00	– 555.00
Cäcilienpark am Neckar GbR [1) 11)]	Heilbronn	33.33		EUR	4 410.64	735.51
CAPPcore GmbH [1) 16)]	Chemnitz	33.30		EUR	25.00	Not specified
CheckMobile GmbH – The Process Solution Company [1) 11)]	Stuttgart	44.80		EUR	704.00	– 1 743.00
Corporateworld Managementgesellschaft für Buchungs- und Abrechnungssysteme mbH [1) 15)]	Hamburg	22.47		EUR	181.00	– 2 898.00
Cortex Biophysik GmbH [1) 15)]	Leipzig	47.70		EUR	– 912.40	173.78
dimensio informatics GmbH [1) 15)]	Chemnitz	26.42		EUR	293.00	– 35.72
Doughty Hanson & Co. Funds III Partnership No.15 [1]	London, UK	21.74		USD	9 123.79	– 18.68
Druck & Werte GmbH [1) 15)]	Leipzig	42.66		EUR	590.08	– 163.21
Egerland Lease GmbH & Co. KG [1) 15)]	Mannheim	0.00	50.00	EUR	1 353.63	541.40
FEAG GmbH [1) 15)]	Forchheim	20.00		EUR	7 320.31	1 223.27
GAG Bioscience GmbH i. L. [1]	Bremen	40.00			Not specified	Not specified
GLB-Verwaltungs-GmbH [15]	Frankfurt a. M.	30.00		EUR	36.82	3.90
Global Teleport GmbH i. L. [1) 15)]	Leipzig	21.42		EUR	– 2 268.27	0.42
GUMES Verwaltung GmbH & Co. Objekt Rostock KG [15]	Pullach i. Isartal	49.50	25.00	EUR	25.17	– 0.26
HiperScan GmbH [1) 15)]	Dresden	34.00		EUR	– 344.78	– 479.51
HM Grundstücks GmbH & Co. KG i. L. [1) 15)]	Leipzig	49.00		EUR	– 60.48	– 1.88
Keßler Real Estate Solutions GmbH [1) 11)]	Leipzig	27.97		EUR	5.00	419.77
Kopal Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Löhr's Carré OHG [15]	Mainz	94.00	24.00	EUR	– 13 057.60	536.73
Kreditgarantiegemeinschaft in Baden-Württemberg Verwaltungs-GmbH [15]	Stuttgart	20.00		EUR	1 022.58	0.00
Ladon GmbH [1) 15)]	Oelsnitz/ Vogtland	34.12		EUR	390.64	– 281.86
Lecturio GmbH [1) 15)]	Leipzig	33.88		EUR	177.91	– 164.20
LightDesign Solutions GmbH [1) 15)]	Dresden	39.65		EUR	837.52	– 77.48
Lithoglas Holding GmbH [1]	Leipzig	46.08			Not specified	Not specified
LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Landesfunkhaus Erfurt KG [15]	Erfurt	99.77	24.00	EUR	12 143.64	341.16
M Cap Finance Deutsche Mezzanine Fonds Zweite GmbH & Co. KG [1) 15)]	Leipzig	49.75		EUR	37 961.49	2 229.75
MediaInterface Dresden GmbH, Sprach- und Dialogsysteme [1) 14)]	Dresden	20.00		EUR	124.98	99.26

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
meetwise GmbH [1) 15)]	Chemnitz	45.65		EUR	24.12	– 25.11
Mittelständische Beteiligungsgesellschaft Sachsen mbH [15)]	Dresden	25.27		EUR	30 053.72	3 265.87
MOLWANKUM Vermietungsgesellschaft mbH & Co. Objekt Landkreis Hildburghausen KG [15)]	Düsseldorf	94.00	49.00	EUR	– 1 194.57	323.33
MSC Investoren GmbH [1) 15)]	Stutensee	37.50		EUR	120 207.26	75.04
MyMobai GmbH [1)]	Leipzig	41.18			Not specified	Not specified
Palmsche Park GbR Esslingen [1) 11)]	Stuttgart	92.78	33.33	EUR	– 608.05	– 808.05
pe Diagnostik GmbH i. L. [1) 6)]	Leipzig	30.06		EUR	– 440.00	– 45.00
Pharetis GmbH [1) 15)]	Leipzig	38.65		EUR	112.94	– 61.34
Prime 2006-1 Funding L.P. [14)]	St. Helier, Jersey, JE4 8PX, Jersey	47.50		EUR	1 740.85	– 5 797.25
PublicSolution GmbH i. L. [1)]	Dresden	27.60			Not specified	Not specified
Qoniac GmbH [1) 15)]	Dresden	37.26		EUR	267.37	– 476.74
RESprotect GmbH [1) 11)]	Dresden	32.80		EUR	134.89	– 732.45
Rhein-Neckar Wohnwerte Beteiligungs-Unternehmergesellschaft (haftungsbeschränkt) [1) 15)]	Heidelberg	33.33		EUR	0.40	0.33
Rhein-Neckar Wohnwerte Projekt-Unternehmergesellschaft (haftungsbeschränkt) & Co. KG [1) 11)]	Heidelberg	33.33		EUR	– 139.54	– 148.54
RiboxX GmbH [1) 15)]	Radebeul	44.88		EUR	608.63	– 572.18
Ritterwand Metall-Systembau Beteiligungs GmbH [1) 15)]	Nufringen	49.97		EUR	6 081.03	217.07
Sentex Chemnitz GmbH [1) 15)]	Chemnitz	38.00		EUR	174.61	– 99.45
Siedlungswerk gemeinnützige Gesellschaft für Wohnungs- und Städtebau mbH [15)]	Stuttgart	25.00		EUR	197 782.07	6 118.83
Sireo und LBBW Projekt »Schiller« GmbH & Co. OHG i. L. [15)]	Stuttgart	30.00		EUR	7.32	0.00
SLB Leasing-Fonds GmbH & Co. Portos KG i. L. [1) 15)]	Pöcking	35.12	35.10	EUR	8 321.15	– 1 411.54
Stollmann Entwicklungs- und Vertriebs GmbH [1) 15)]	Hamburg-Bahrenfeld	29.00		EUR	1 505.03	324.40
svt Holding GmbH [1) 15)]	Seevetal	25.00	27.78	EUR	6 733.56	– 1 068.80
TC Objekt Bonn Beteiligungs-GmbH [1) 7)]	Soest	25.00		EUR	23.00	– 2.00
TC Objekt Darmstadt Beteiligungs-GmbH [1) 7)]	Soest	25.00		EUR	23.00	0.00
TC Objekt Münster Nord Beteiligungs-GmbH [1) 7)]	Soest	25.00		EUR	23.00	0.00
TC Objekt Münster Süd Beteiligungs-GmbH [1) 7)]	Soest	25.00		EUR	23.00	0.00
Technologiegründerfonds Sachsen Initiatoren GmbH & Co. KG [1) 15)]	Leipzig	25.00		EUR	2.71	– 0.25
Technologiegründerfonds Sachsen Management GmbH & Co. KG [1) 15)]	Leipzig	25.00		EUR	4.00	1 071.87
Universal-Investment-Gesellschaft mbH [22)]	Frankfurt a. M.	26.67		EUR	44 728.09	8 282.75
Viola Grundstücksverwaltungs-GmbH & Co. Verpachtungs KG [15)]	Pullach	99.41	50.00	EUR	2.020.95	621.95
VivoSens Medical GmbH [1) 18)]	Leipzig	26.69		EUR	25.00	Not specified
Wachstumsfonds Mittelstand Sachsen GmbH & Co. KG [15)]	Leipzig	27.55		EUR	23 848.36	– 1 143.90
Wachstumsfonds Mittelstand Sachsen Initiatoren GmbH & Co. KG [1) 15)]	Leipzig	33.33		EUR	0.82	– 0.26
Wachstumsfonds Mittelstand Sachsen Management GmbH & Co. KG [1) 15)]	Leipzig	33.33		EUR	3.00	558.92
Wachstumsfonds Mittelstand Sachsen Plus GmbH & Co. KG	Leipzig	0.00			Not specified	Not specified
Wolff & Müller Wohnbau GmbH & Co. Objekt Fürth KG [15)]	Pullach i. Isartal	5.00	25.00	EUR	– 1 644.03	51.27
4. Investments with a capital share of 20% and more						
Bürgschaftsbank Sachsen GmbH [15)]	Dresden	27.96	18.44	EUR	28 619.91	1 496.90
Candover 2001 GmbH & Co. KG [1)]	Frankfurt a. M.	25.64		EUR	10 524.00	– 438.00
Dr. Gubelt Immobilien Vermietungs-Gesellschaft mbH & Co. Objekt Feuerwache Dresden KG [15)]	Düsseldorf	90.00	15.00	EUR	– 4 311.13	107.80
GLB GmbH & Co. OHG	Frankfurt a. M.	30.05		EUR	812.90	92 038.09
Helmut Fischer GmbH i. L. [1)]	Talheim	48.35	0.00		Not specified	Not specified
INULA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG [15)]	Grünwald	80.00	18.25	EUR	– 39 775.69	2 249.18
Korin Grundstücksgesellschaft mbH & Co. Projekt 19 KG [1) 15)]	Grünwald	80.00	19.00	EUR	162.00	66.30
LBBW Immobilien Landsiedlung GmbH [1) 15)]	Stuttgart	85.97	85.67	EUR	63 323.07	– 97.90
LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Polizei Nordhausen KG [15)]	Erfurt	100.00	15.00	EUR	– 6 521.11	256.50
LUTEA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Flöha KG [15)]	Berlin	100.00	15.00	EUR	– 5 174.08	526.70
MBG Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH [15)]	Mainz	21.74		EUR	7 906.47	1 042.99

Name	Place of business	Share of capital in %	Non-prop. voting rights in %	Currency	Equity EUR th.	Result EUR th.
OXID eSales AG 1) 15)	Freiburg	21.13		EUR	0.00	– 778.00
Paramount Group Real Estate Fund I, L. P. 1) 15)	Wilmington, Delaware, USA	29.13	28.29	USD	153 353.46	62 436.00
Paramount Group Real Estate Fund II, L. P. 1) 15)	Wilmington, Delaware, USA	29.13	28.29	EUR	101 433.47	28 699.21
Paramount Group Real Estate Fund V (Core) 1) 11)	Wilmington, Delaware, USA	24.51	4.99	USD	– 39 033.84	– 148 315.88
5. Investments in major corporations with a share of voting rights of at least 5 % pursuant to § 340a HGB						
Bertrandt AG 1)	Ehningen	5.29			Not specified	Not specified
Clean Car AG 1) 14)	Meerbusch	15.00		EUR	20 956.40	2 099.96
Deutscher Sparkassen Verlag GmbH 15)	Stuttgart	8.11		EUR	129 063.11	25 539.68
HSBC Trinkaus & Burkhardt AG 15)	Düsseldorf	18.66		EUR	1 100 745.16	134 269.23
Imagelinx Plc 1) 15)	Kirkby-in-Ashfield, Nottinghamshire NG17 5HN, UK	7.46		GBP	9 620.03	87.23
Rohwedder AG 1)	Bermatingen	10.01			Not specified	Not specified
Schweizerische National-Versicherungs-Gesellschaft 1) 15)	Basel, Switzerland	11.35	5.00	CHF	255 830.46	31 271.17
SOTRADA AG i. L. 15)	Stuttgart	19.35		EUR	39 634.84	– 4 572.21
Südwestdeutsche Salzwerke AG 15)	Heilbronn	6.40		EUR	83 645.00	13 699.00
VITA 34 AG 1) 15)	Leipzig	15.83		EUR	8 594.00	109.00
Württembergische Lebensversicherung AG 15)	Stuttgart	8.48		EUR	188 870.00	36 973.00
Wüstenrot & Württembergische AG 15)	Stuttgart	8.78		EUR	1 780 549.00	103 112.00

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 31 December 2011, a letter of comfort no longer exists on the part of LBBW to SüdFactoring GmbH.
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.
5) Data available only as of 31 May 2002.
6) Data available only as of 31 December 2005.
7) Data available only as of 31 December 2007.
8) Data available only as of 30 April 2008.
9) Data available only as of 31 December 2008.
10) Data available only as of 16 December 2009.
11) Data available only as of 31 December 2009.
12) Data available only as of 4 July 2010.
13) Data available only as of 31 July 2010.
14) Data available only as of 30 September 2010.
15) Data available only as of 31 December 2010.
16) Data available only as of 12 January 2011.
17) Data available only as of 31 January 2011.
18) Data available only as of 28 March 2011.
19) Data available only as of 31 March 2011.
20) Data available only as of 20 September 2011.
21) Data available only as of 21 September 2011.
22) Data available only as of 30 September 2011.
23) Data available only as of 28 December 2011.
24) Capital and share of voting rights pursuant to HGB/IFRS 45 % for regulatory purposes 40 % (UBBG).

38. Positions held.

Offices held by legal representatives of LBBW and members of the AidA Board of Managing Directors on statutory supervisory boards and similar supervisory bodies of large corporations and banks, as well as offices held by employees of LBBW on statutory supervisory boards of large corporations and banks are listed below:

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 until 5 September 2011
	Member of the Supervisory Board	Hans-Jörg Vetter since 5 September 2011
B+S Card Service GmbH, Frankfurt am Main	Member of the Supervisory Board	Rudolf Zipf
Bankhaus Ellwanger & Geiger KG, Stuttgart	Member of the Board of Directors	Michael Horn
börse-Stuttgart AG, Stuttgart	Member of the Supervisory Board	Hans-Joachim Strüder
börse-Stuttgart Holding GmbH, Stuttgart	Member of the Supervisory Board	Hans-Joachim Strüder
Bürgerliches Brauhaus Ravensburg-Lindau AG, Ravensburg	Deputy Chairman of the Supervisory of Board	Harald R. Pfab
Bürgschaftsbank Baden-Württemberg GmbH, Stuttgart	Member of the Supervisory Board	Claudia Diem
	Member of the Supervisory Board	Jürgen Kugler
Bürgschaftsbank Sachsen GmbH, Dresden	Member of the Board of Directors	Harald R. Pfab
DekaBank Deutsche Girozentrale, Berlin und Frankfurt am Main	1st Deputy Chairman of the Board of Directors	Hans-Jörg Vetter until 8 June 2011
	Member of the Board of Directors	Michael Horn until 8 June 2011
Deutscher Sparkassenverlag GmbH, Stuttgart	Member of the Supervisory Board	Hans-Jörg Vetter
Dürr AG, Stuttgart	Member of the Supervisory Board	Joachim E. Schielke as member of the Board of Managing Directors of LBBW until 30 September 2011
European Commodity Clearing AG, Dresden	Deputy Chairman 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
Herrenknecht AG, Schwanau	Member of the Supervisory Board	Hans-Jörg Vetter since 11 January 2011
HSBC Trinkaus & Burkhardt AG, Düsseldorf	Member of the Supervisory Board	Hans-Jörg Vetter
Hymer AG, Bad Waldsee	Member of the Supervisory Board	Michael Horn until 24 February 2011
LBBW Asset Management Investmentgesellschaft mbH, Stuttgart	Chairman of the Supervisory Board	Hans-Joachim Strüder
	Deputy Chairman of the Supervisory Board	Dr. Peter M. Haid
	Member of the Supervisory Board	Helmut Dohmen since 1 January 2011
	Member of the Supervisory Board	Dr. Peter Merk
LBBW Bank CZ a.s., Prague	Chairman of the Supervisory Board	Michael Horn
	Deputy Chairman of the Supervisory Board	Dr. Peter Kaemmerer until 31 March 2011
	Deputy Chairman of the Supervisory Board	Ingo Mandt since 1 April 2011
	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 until 31 March 2011
	Member of the Supervisory Board	Ingo Mandt since 1 April 2011
	Member of the Supervisory Board	Rudolf Zipf
LBBW Luxemburg S.A., Luxembourg	Chairman of the Supervisory Board	Ingo Mandt since 1 March 2011
	Deputy Chairman of the Supervisory Board	Hans-Joachim Strüder
	Member of the Supervisory Board	Michael Horn until 28 February 2011
	Member of the Supervisory Board	Dr. Peter Kaemmerer until 28 February 2011
	Member of the Supervisory Board	Berthold Veil

Company	Position	Incumbent
LBBW (Schweiz) AG, Zurich	Chairman of the Board of Directors	Dr. Peter M. Haid
LBS Baden-Württemberg, Stuttgart und Karlsruhe	Member of the Board of Directors	Michael Horn until 28 February 2011
	Deputy Member of the Board of Directors	Rudolf Zipf until 28 February 2011
LHI Leasing GmbH, Pullach	Chairman of the Supervisory Board	Joachim E. Schielke until 30 September 2011
	Chairman of the Supervisory Board	Hans-Jörg Vetter since 1 October 2011
	Member of the Supervisory Board	Rudolf Zipf
	Member of the Supervisory Board	Dr. Peter Kaemmerer until 31 March 2011
	Member of the Supervisory Board	Ingo Mandt since 1 April 2011
MKB Mittelrheinische Bank GmbH, Koblenz	Chairman of the Supervisory Board	Joachim E. Schielke as member of the Board of Managing Directors of LBBW until 30 September 2011
	Deputy Chairman of the Supervisory Board	Michael Horn
	Member of the Supervisory Board	Rudolf Zipf until 31 March 2011
	Member of the Supervisory Board	Ingo Mandt since 1 April 2011
MMV-Leasing GmbH, Koblenz	Chairman of the Advisory Board	Joachim E. Schielke as member of the Board of Managing Directors of LBBW until 30 September 2011
	Deputy Chairman of the Advisory Board	Michael Horn
	Member of the Advisory Board	Rudolf Zipf until 31 March 2011
	Member of the Advisory Board	Ingo Mandt since 1 April 2011
Paul Hartmann AG, Heidenheim a. d. Brenz	Member of the Supervisory Board	Joachim E. Schielke as member of the Board of Managing Directors of LBBW until 30 September 2011
Schlossgartenbau AG, Stuttgart	Chairman of the Supervisory Board	Achim Kern
	Member of the Supervisory Board	Dieter Hildebrand
Schweizerische National-Versicherungs-Gesellschaft, Basel	Member of the Board of Directors	Dr. Peter Kaemmerer until 16 May 2011
	Member of the Board of Directors	Hans-Jörg Vetter since 16 May 2011
Siedlungswerk Gemeinnützige Gesellschaft für Wohnungs- und Städtebau mbH, Stuttgart	Deputy Chairman of the Supervisory Board	Michael Horn
SOTRADA AG i. L., Stuttgart	Chairman of the Supervisory Board	Ralf Menzel until 31 May 2011
	Chairman of the Supervisory Board	Dr. Armin Brendle since 16 June 2011
SüdFactoring GmbH, Stuttgart	Member of the Supervisory Board	Karl-Manfred Lochner since 1 January 2012
	Member of the Supervisory Board	Ingo Mandt since 1 January 2012
SüdFactoring GmbH, Stuttgart	Member of the Supervisory Board	Karl-Manfred Lochner since 1 January 2012
	Member of the Supervisory Board	Ingo Mandt since 1 January 2012
Universal-Investment-Gesellschaft mbH, Frankfurt am Main	Member of the Supervisory Board	Hans-Joachim Strüder
Vorarlberger Landes- und Hypothekenbank, Bregenz	Member of the Supervisory Board	Michael Horn
Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg	Member of the Supervisory Board	Hans-Joachim Strüder
Wüstenrot & Württembergische AG, Stuttgart	Member of the Supervisory Board	Joachim E. Schielke as member of the Board of Managing Directors of LBBW until 30 September 2011

39. Employees (annual averages).

	Male	Female	Total
German headquarters/branches	4 774	5 068	9 842
Company officers	259	19	277
Other staff	4 516	5 049	9 565
Foreign branches	125	84	208
Company officers	6	0	6
Other staff	119	84	202
Representative offices	17	14	31
Company officers	0	0	0
Other staff	17	14	31
LBBW total	**4 916**	**5 165**	**10 080**
For information purposes:			
Trainees	263	248	511

40. Total remuneration of the executive bodies.

Total remuneration paid to Board of Managing Directors in 2011 was EUR 4.0 million (2010: EUR 4.2 million). The remuneration paid to former members of the Board of Managing Directors and their surviving dependents amounted to EUR 10.4 million (2010: EUR 9.5 million). The Supervisory Board received fixed remuneration (including attendance fee) of EUR 1.1 million (2010: EUR 0.4 million) for 2011. This figure includes remuneration for the period from 8 November 2010 to 31 December 2010, since the resolution by the General Meeting on the remuneration was not passed until 2011 and disbursement subsequently approved. Given that the Supervisory Board replaced the Board of Managing Directors at the constitutive meeting held on 8 November 2010, the current figure from the previous year will be disclosed again under Board of Managing Directors.

Provisions for pensions for former members of the Board of Managing Directors and their surviving dependents amounted to EUR 120.4 million (2010: EUR 107.6 million).

41. Advances and loans to and contingent liabilities assumed in favor of the executive bodies of LBBW and their predecessors.

Loans disbursed to members of the Board of Managing Directors and of the Supervisory Board amounted to EUR 3.8 million as at 31 December 2011 (2010: EUR 3.2 million), of which EUR 3.7 million is accounted for by the Supervisory Board. In addition, a guarantee for a member of the Supervisory Board of EUR 0.8 million is also in place. No advances were granted as at the balance sheet date.

LBBW Board of Managing Directors and Supervisory Board.

Board of Managing Directors.

Chairman.

HANS-JÖRG VETTER

Deputy Chairman.

MICHAEL HORN

Members.

KARL-MANFRED LOCHNER
since 1 January 2012

DR. PETER A. KAEMMERER
until 30 April 2011

INGO MANDT

JOACHIM E. SCHIELKE
until 30 September 2011

HANS-JOACHIM STRÜDER

RUDOLF ZIPF

Supervisory Board.

Chairman.

HANS WAGENER
Auditor, tax consultant

Deputy Chairman.

WILLI STÄCHELE MdL
until 30 June 2011
Retired minister, Member of the State Parliament of Baden-Württemberg

DR. NILS SCHMID MdL
Member since 1 July 2011,
Deputy Chairman since 22 July 2011
Deputy State Premier and Minister of Finance and Economic Affairs of the State of 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
until 30 June 2011
Retired minister, Member of the State Parliament of Baden-Württemberg

PETER HAUK MdL
until 22 July 2011
Chairman of the CDU Parliamentary Group in the State Parliament of Baden-Württemberg

HELMUT HIMMELSBACH
Deputy Chairman of the Supervisory Board of Südwestdeutschen 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

KLAUS-PETER MURAWSKI
since 1 July 2011
Secretary of State at the Baden-Württemberg State Ministry and Head of the Chancellery Office

GÜNTHER NOLLERT
Employee Representative for Landesbank Baden-Württemberg

DR. FRITZ OESTERLE
Lawyer, Oesterle law firm

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

NORBERT H. QUACK
Lawyer, notary at the Quack Gutterer und Partner law firm

CLAUS SCHMIEDEL MdL
since 22 July 2011
Chairman of the SPD Parliamentary Group in the State Parliament of Baden-Württemberg

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

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, 30 March 2012

The Board of Managing Directors

HANS-JÖRG VETTER
Chairman

MICHAEL HORN
Deputy Chairman

KARL-MANFRED LOCHNER

INGO MANDT

HANS-JOACHIM STRÜDER

RUDOLF ZIPF

Auditor's report.

»We have audited the annual financial statements – comprising the balance sheet, income statement and the notes to the financial statements – including the bookkeeping system, and the management report of the Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz (LBBW) for the financial year from 1 January to 31 December 2011. The maintenance of the books 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 of the German Commercial Code (Handelsgesetzbuch – HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – 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 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 within the framework of the audit. When planning the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping system, the annual financial statements and the management report, are examined primarily on a test basis. The audit includes a judgement of the accounting principles used and significant estimates made by the Board of Managing Directors of LBBW, 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 the German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole, provides a suitable view of LBBW's position and adequately conveys the opportunities and risks of future development.«

Stuttgart, 30 March 2012

KPMG AG, Wirtschaftsprüfungsgesellschaft

KOCHOLL
Auditor

EISELE
Auditor