Half-yearly Financial Report 2009.

Banking – Made in Germany.

LBBW

2009

Key Figures of the LBBW Group.

Income statement (EUR million)[1]	Jan. 1, 2009 – June 30, 2009	Jan. 1, 2008 – June 30, 2008[2]
Net interest income	1 071	1 128
Allowance for losses on loans and advances	– 717	23
Net fee and commission income	417	259
Net trading income/loss[3]	663	– 489
Other operating income[4]	17	130
Administrative expenses	– 914	– 904
Net income/loss from investment securities	– 224	– 168
Net income/loss from investments accounted for using the equity method and from profit/loss transfer agreements	– 21	– 3
Operating profit	292	– 24
Restructuring expenses	0	– 76
Consolidated profit before tax	292	– 100
Income tax income (+)/income tax expense (–)	– 77	– 81
Consolidated loss for the period (–)/consolidated profit for the period (+)	215	– 181

Ratios in %	June 30, 2009	June 30, 2008
Return on equity before tax	7.7	< 0
Cost/income ratio	42.2	87.9

Balance sheet figures (EUR billion)	June 30, 2009	Dec. 31, 2008
Total assets	447.7	447.9
Risk position	161.8	177.5
The LBBW Group's capital[5]	23.1	18.3

Regulatory figures	June 30, 2009	Dec. 31, 2008
Core capital (EUR billion)	15.2	12.2
Own funds (EUR billion)	20.7	18.0
Core capital ratio (in %)	9.4	6.9
Total ratio (in %)	12.8	10.1

Employees	June 30, 2009	Dec. 31, 2008
Group	13 648	13 369

Rating (August 20, 2009)

Rating agency	Long-term rating	Long-term rating	Financial strength	Public-sector Pfandbriefe (covered bonds)	Hypotheken-pfandbriefe (mortgage-backed registered covered bonds)
	Guaranteed obligations	Unguaranteed obligations			
Standard & Poor's	AA+	A–	–	AAA	–
Moody's Investors Service	Aaa	Aa2	C–	Aaa	Aaa
Fitch Ratings	AAA	A+	C/D	AAA	–

1) Figures my be subject to rounding differences
2) After taking into account adjustments in accordance with IAS 8
3) In addition to net trading income/loss, this item also includes net income/loss from financial instruments designated at fair value and net income/loss from hedging transactions
4) In addition to other operating income/expenses, this item also includes net income/loss from investment property
5) Equity plus subordinated debt

Foreword

Dear Customers,
Dear Business Partners of the LBBW Group,

The first half of 2009 created further major challenges for banks around the world. Market conditions remain difficult and will continue to be so in the coming months.

LBBW concluded the first half of 2009 with a consolidated profit of EUR 215 million. General easing and recoveries in prices on the capital markets certainly accounted for a significant proportion of this. In our core business in the operating segments, income in the Financial Markets segment was well above the previous year's figure. An important driving force here was the customer-oriented capital market business. Here, we benefited from our good position on the market for bond issues, corporate Schuldscheine (German promissory notes) and interest rate derivatives, for example.

In the Corporates segment, income also grew despite the difficult environment. Among other factors, this was the result of an improvement in margins and the positive development of capital market financing. However, LBBW also felt the effects of the economic downturn in this segment, in the form of a significant increase in the allowance for losses on loans and advances. In view of economic developments, the allowance for losses on loans and advances will pose a particular challenge for us.

The situation on the market remains difficult in business with private customers. In addition to falling income in the investment business, low interest rates are also having an impact here. On the other hand, there has been a significant increase in customer deposits, clear proof of the confidence of our customers and investors.

In addition to the operating business, we have so far in 2009 set the course for a solid future for the LBBW Group. One important step was the capital increase of EUR 5 billion provided by our owners. The risk shield of EUR 12.7 billion also contributed to stabilization. As a result of these measures, the core capital ratio rose to 9.4 % in mid-2009. LBBW is aware of the major responsibility this entails.

The measures are linked to conditions imposed by the European Union. These conditions represent significant challenges for the LBBW Group. Strict cost management, together with extensive cost cuts, are at the center of our efforts. Strategic adjustments are also essential. A reduction in risk assets is high on the agenda, with a particular focus on the credit substitute business. As things currently stand, the conditions are expected to remain manageable in business with SMEs, retail banking business and group business in our traditional regional markets. Here, our core competency continues to give us a strong position on the market. There will be no restrictions in services to our customers. Customers will be at the forefront of our efforts.

Further developments in the current phase of the economic cycle are difficult to predict. Considerable caution is therefore required in looking at the second half of 2009. The current uncertainty about global economic prospects and developments on the international financial markets may place a lasting strain on the income situation at banks. The conditions imposed by the European Union in connection with the capital increase and the risk shield may lead to significant burdens for LBBW.

Dear customers and business partners, we on the Board of Managing Directors are aware that difficult times are ahead. However, we have commenced comprehensive measures to equip LBBW for these difficult times. This will ensure not only that LBBW remains a reliable partner in future but also that it makes the necessary preparations to be a highly attractive bank for its owners, customers and employees.

Sincerely,

HANS-JÖRG VETTER
Chairman of the Board of Managing Directors

Interim Group Management Report.

Key events in the first half of 2009.

Capital increase, risk shield and changes to owners.

At the end of the first half of 2009, the course was set for a solid future for the LBBW Group, thanks to a capital increase of EUR 5.0 billion from the owners of LBBW and risk immunization of EUR 12.7 billion provided by the state of Baden-Württemberg.

In connection with the capital increase, Sparkassenverband Baden-Württemberg (the Savings Bank Association of Baden-Württemberg) acquired the 4.9% stake of Sparkassenverband Rheinland-Pfalz (the Savings Bank Association of Rhineland-Palatinate) in the share capital and now holds 40.53 % of the shares. The state of Baden-Württemberg and L-Bank, both owners of LBBW, carried out the capital increase for LBBW through Landesbeteiligungen Baden-Württemberg GmbH. After this, the state of Baden-Württemberg holds 19.57%, Landesbeteiligungen Baden-Württemberg GmbH holds 18.26% and L-Bank holds 2.71 % of the shares. The state capital, Stuttgart, still holds 18.93 % of shares in LBBW.

As part of risk immunization, the state of Baden-Württemberg has granted LBBW a guarantee amounting to a total of EUR 12.7 billion to secure defaults on specified reference assets.

The guarantee relates in the amount of EUR 6.7 billion to a selected portfolio of securitized products of LBBW with a nominal value of EUR 17.6 billion. LBBW will bear a first loss in the amount of EUR 1.9 billion.

The guarantee provided by the state of Baden-Württemberg also relates in the amount of EUR 6 billion to a loan (junior loan) in the same amount that LBBW has granted to Sealink Funding Ltd. (Sealink), a special-purpose entity to which certain risk-carrying structured ABSs were transferred in connection with the acquisition of the former Sachsen LB. LBBW has also provided Sealink with refinancing in the amount of EUR 2.75 billion, which will be secured by the Free State of Saxony within a first loss guarantee of the same amount.

The European Commission has provisionally approved the measures relating to the capital increase and risk shield for six months. The decision on approval includes the obligation to present a comprehensive restructuring plan.

Overall Economic Development.

Both in the real economy and on the financial markets, the situation was extremely turbulent at times during the first half of 2009. The German economy, which relies heavily on exports, was particularly badly affected by the state of shock seen around the world. With the economic downturn in their main sales markets, export-oriented German companies experienced significant drops in business. Profits in sectors such as the automobile, mechanical engineering and chemical industries, which are usually accustomed to success, fell rapidly in places. Many companies fell into the red as a result. In line with this, Germany's gross domestic product fell by 6.7% year-on-year in the first quarter of 2009, the strongest ever drop in German post-war history. The United States' decline in GDP in the first three months was smaller, at 3.3% year-on-year; in a historical context, however, this was still a historic low. Eastern Europe was hit particularly hard and has developed into the number one crisis region. There, the dangerous combination of overheated economies, a private sector with high levels of debt abroad and currency inflows that have failed to materialize has driven an increasing number of countries into the rescuing arms of the EU, the IMF and the World Bank. The precarious situation in Eastern Europe also raised fears on the financial markets of a similar situation in the euro zone. In the Monetary Union, this affected primarily all those states that either have close ties with the Eastern European region or that have similarly high debt levels in the private sector. Fears of a broad wave of solvency problems finally culminated on the financial markets in a general rise in risk premiums on states for so-called credit default swaps. The default probabilities reflected in the prices of these products increased to unprecedented levels, even for countries with good credit ratings. However, the increase in aid for states in difficulty at the G20 conference in April alleviated the general situation. In terms of the real economy, the governments of the most important industrialized and emerging countries also attempted to support their domestic economies with extensive stimulus packages. The most high-profile example of this was the US government, which provided a support program worth USD 787 billion. Germany's coalition government launched two economic stimulus programs worth EUR 86 billion.

Central banks around the world expanded their monetary policy measures to overcome the crisis. After cutting its key rate to 0.25% last year, the Federal Reserve decided in March to buy government bonds and securities worth over USD 1 trillion. This »quantitative easing« was intended to counteract deflationary tendencies at an early stage. The European Central Bank (ECB) continued its monetary expansion policy and cut its key rate to a historic low of 1%. The unconventional measures that have so far been approved by the ECB include the purchase of collateralized bank bonds worth EUR 60 billion.

While the retreat to safety on the bond markets in late 2008 and early 2009 led to lows in yields on 10-year government bonds both in the United States and in Germany, fears of a medium-term increase in inflation grew in view of the easing of monetary policy and the prospect of a drastic increase in national debt. At the same time, there was a marked increase in the yields of »safe havens« such as German federal government bonds and US treasuries. If the yield on 10-year German federal government bonds was around 2.9% in February, it peaked at around 3.7% in mid-June.

One striking feature in the euro zone was the variation in the development of individual states. Credit rating and liquidity issues led in places to very high yield markups in relation to German federal government bonds. At the peak, the yield on a 10-year Greek government bond was almost 300 basis points above the German equivalent, for example. The G20 conference eventually also had a beneficial effect here: yields within the Monetary Union converged again at a low level in the spring.

On the foreign currency markets, the US dollar initially maintained its status as a currency of international refuge. In March, the US currency developed renewed strength in relation to the euro and was priced at levels of USD 1.25/EUR. The reaction of the US currency was paradoxical. Poor US economic data increased fears of a further escalation in the global economic downturn, driving investors into the US dollar, which actually caused the currency to rise in value. Budding hopes of an economic revival in connection with the economic stimulus packages ultimately caused risk aversion to subside, which brought the US dollar back to levels of over USD 1.40 against the euro at the end of the first half of 2009.

If we simply compare the beginning of the year with prices on June 30, 2009, the half-yearly balance on the stock markets appears unspectacular. The difference between year-end prices and prices at the end of the first half of 2009 is only a few per cent. In the intervening period, however, investors experienced a true roller coaster ride. At first, lower growth forecasts led to a sell-out in the period up to March, which at times resembled a crash. Bargain-hunters then seized the opportunity presented by this oversold market, which ensured a rapid countermovement. The upturn then took off when market operators forecast a better future following slightly better economic indicators than expected, particularly in the United States.

Result of operations, net assets and financial position.

Result of operations.

	Jan. 1 – June 30, 2009 EUR million	Jan. 1 – June 30, 2008 EUR million[1]	Change EUR million	Change %
Net interest income	1 071	1 128	– 57	– 5.1
Allowance for losses on loans and advances	– 717	23	– 740	–
Net fee and commission income	417	259	158	61.0
Net trading income/loss[2]	663	– 489	1 152	–
Other operating income[3]	17	130	– 113	– 86.9
Total operating income (after allowances for losses on loans and advances)	**1 451**	**1 051**	**400**	**38.1**
Administrative expenses	– 914	– 904	– 10	1.1
Net loss from investment securities	– 224	– 168	– 56	33.3
Net loss from investments accounted for using the equity method and from profit/loss transfer agreements	– 21	– 3	– 18	> 100.0
Operating profit/loss	**292**	**– 24**	**316**	–
Restructuring expenses	0	– 76	76	– 100.0
Consolidated profit (+)/consolidated loss (–) before tax	**292**	**– 100**	**392**	–
Income tax expense	– 77	– 81	4	– 4.9
Consolidated loss for the period (–)/ consolidated profit for the period (+)	**215**	**– 181**	**396**	–

1) After taking into account adjustments in accordance with IAS 8
2) In addition to net trading income/loss, this item also includes net income/loss from financial instruments designated at fair value and net income/loss from hedging transactions
3) In addition to other operating income/expenses, this item also includes net income/loss from investment property

Consequences of the Financial Market Crisis Affect the Real Economy.

With the spread of the disruptions on the financial markets to the real economy, which has intensified since the end of 2008, both industrialized and emerging countries have been experiencing a severe recession. To counteract the ongoing financial market crisis and its consequences, economic support packages have been put in place around the world and the European Central Bank (ECB) has stepped up its monetary policy of »quantitative easing«. The German government provided additional support for stabilization by establishing the »Financial Market Stabilization Fund« and passing the so-called »Bad Bank Act«.

First Glimmers of Hope Visible on the Financial Markets.

As a result, there were isolated signs that the downward trend was slowing on the worldwide financial markets in the first half of 2009. Investors gradually gained confidence again and banks slowly regained trust in each other, which was reflected in spreads narrowing – particularly for credit default swaps (CDSs) –, lower risk premiums for corporate bonds with good credit ratings and reduced utilization of the ECB deposit facility compared with the height of the crisis. While the third and fourth quarters of 2008 were characterized to a large extent by burdens that had to be recognized through profit or loss at banks, owing to hectic market developments, the downward trend on the markets was much less severe during the reporting period and the supply of liquidity tended to improve.

The LBBW Group was unable to escape the downward spiral on the financial markets in the 2008 fiscal year. In contrast, developments were positive in the first half of 2009, particularly as a result of the market developments described above. Overall, this meant that a consolidated profit of EUR 215 million was reported. The reason for this solid development was above all an increase in operating income, which was shaped mainly by a significant rise in the net trading income and net fee and commission income. However, the considerable increase in the allowance for losses on loans and advances, which was closely linked to the spread of the financial market crisis to the real economy, placed a burden on profits.

Challenges Foreseeable for 2009 as a Whole.

Despite the slackening of the downward trend described above, the tendency towards recovery is still not a conclusive indicator that the market has bottomed out on a sustainable basis. We must therefore not lose sight of the inherent risks awaiting the banking sector during the rest of this year and in the first half of 2010. Although the stabilization of the financial markets appears to be continuing at the start of the third quarter of 2009, the development of the real economy is different to that of the financial markets. It is therefore to be expected that, as the recession continues, banks will increasingly be confronted with defaults in their lending business, owing to a rise in the number of companies becoming insolvent. Further challenges for the Group lie in the ongoing pressure on the German banking market with regard to consolidation, the pro-cyclical nature of the requirements of Basel II and the fact that the functionality of the securitization market is still restricted. It also remains to be seen what consequences will arise from the EU conditions still under negotiation in connection with the provision of additional equity and risk immunization described above. It is possible that the EU proceedings may result in substantial burdens for LBBW.

In view of the major uncertainty – both on the financial markets and in the real economy – it is not possible to make a reliable profit forecast for the LBBW Group for 2009 as a whole. It will be vital to come to a prompt agreement with the EU that is acceptable for the Bank on the conditions associated with the stabilization measures implemented by the owners. With strengthened capital resources and the risk immunization of part of its portfolio of securitized products, which demonstrates the support of the owners, the Group will comply fully with the relevant banking regulatory guidelines. It will also be in a position to maintain its competitiveness and to continue to act as a reliable partner to customers, particularly SMEs in the core market of Baden-Württemberg.

Influence of the Financial Market Crisis Visibly Wanes.

In the first quarter of 2009, the disruptions to the market as a result of the financial market crisis – mainly in the form of securitized products (CDOs, ABSs, CMBSs and RMBSs), CDSs and bonds – burdened the income statement of the LBBW Group only slightly. These burdens were more than offset in the second quarter, so that the consolidated profit for the first half of 2009 did not include any further additional burdens from dealing with the financial market crisis.

In particular, the reversal of impairment losses on financial instruments to be reported at fair value through profit or loss is thought to be an important determinant for the improvement of profits at the LBBW Group. The developments on the financial markets described at the beginning, which led to positive valuation effects – particularly in the net trading income – provided a crucial stimulus here. The modified IAS 39 accounting policies, which had led to the reclassification of certain non-derivative financial instruments of the LBBW Group with a total carrying amount of EUR 28.4 billion from the AfS and HfT categories to the LaR category in 2008, had only an insignificant impact on profits. This reclassification then led to measurement at amortized cost instead of at fair value.

Mainly as a result of maturities, the portfolio of securitized products of the LBBW Group also dropped by 4.8% to a nominal value of EUR 27.6 billion in the first half of 2009. The volume of securitized products reported also includes all securitized issues held by the 21 special-purpose entities that were consolidated as at June 30, 2009. This inclusion in consolidation ensures that all material risks arising from these types of units are reflected in the 2009 Half-Yearly Financial Report of the LBBW Group. The guarantee structure chosen within the risk shield immediately reduced the risks relating to future losses from the secured portion of the securitized assets, so no further write-downs (impairments) were recognized through profit or loss for the protected portfolio.

Customer-oriented Business Model proves itself.

Although overall conditions remained difficult in the financial markets sector and despite the negative developments in the global economy outlined above, the LBBW Group proved the strength of its customer-oriented business model once again and recorded operating income (after allowances for losses on loans and advances) of EUR 1,451 million in the first half of 2009. The increase in income of EUR 400 million was essentially due to growth in the fair value of credit-sensitive financial instruments (not for proprietary trading) and to growth in income in the Financial Markets segment. However, a significant increase in the allowance for losses on loans and advances offset the positive development of income in the Corporates segment in the second quarter of 2009.

In the first six months of the 2009 fiscal year, the LBBW Group achieved a net interest income of EUR 1,071 million. This represents a slight drop of 5.1% or EUR –57 million compared with the previous year. In particular, significant liquidity and funding costs, CDS hedging costs for selected loan portfolios and a considerable drop in dividend income in connection with the financial market crisis had a negative impact during the reporting period. These developments were not completely offset by growth in earnings in the corporate customer business and by an increase in non-recurring income from the early repayment of funding facilities.

The allowance for losses on loans and advances amounting to EUR –717 million showed a significant increase of EUR –740 million in net allowances for losses from loans and advances compared with the previous year. This development is the result of the economic slowdown, which had a negative impact on the risk structure of LBBW's loan portfolio and therefore also the extent of write-downs. Net additions of EUR –569 million related to the classic lending business.

Although investors remain noticeably cautious compared with the end of 2008, the net fee and commission income increased significantly. At EUR 417 million, the overall result for the reporting period was up 158 million year-on-year. The positive development was distributed almost equally between recurring business and individual transactions, with growth in the brokerage and securities business and in payments and international transactions making a particularly important contribution to the improvement of profits. The development of the brokerage business was strongly marked by an increase in arrangement fees.

Net trading income improved to EUR 663 million in the first half of 2009 and was shaped by the easing of the burden on credit-sensitive financial instruments (not for proprietary trading) in the amount of EUR 268 million. In particular, reversals of impairment losses on credit risk-related transactions, essentially due to spread narrowing for credit derivatives relating to banks and sovereigns, led to significantly positive valuation effects. Developments in interest rate trading also boosted income, with interest rate cuts in the euro zone and a reduction in spreads between secured and unsecured money market transactions contributing to an increase in the net income from interest rate transactions. A positive effect also resulted from the measurement of derivatives that, from an economic point of view, were concluded as a hedging transaction. However, the development of the currency gain/loss was negative.

At EUR 17 million, other operating income was down significantly by EUR –113 million compared with the previous year. In particular, the drop in income compared with the previous year was due to income from the transfer or realization of a partial profit on commercial project developments in the previous year, which was not matched by comparable income in the current reporting period. Burdens from non-recurring effects also had a negative impact in the current reporting period. Profits were also reduced by the moderate drop in net income from investment property.

Cost Reduction Program to Play Important Role in Future.

There was only a marginal year-on-year increase in administrative expenses in the first six months of 2009 of 1.1% or EUR –10 million to EUR –914 million. This change in expenses was almost equally divided between the change in other administrative expenses and the change in write-downs. In particular, changes in the basis of consolidation and delayed effects from contracts concluded in 2008 led to a slight rise in the number of staff (+279 employees). Despite this rise and an increase in pay, it was possible to keep total staff costs at the previous year's level. In connection with the provision of additional equity by the owners, a cost reduction plan of around EUR 200 million was agreed for the Group, which is to be implemented during the period up to 2011. Specific potential savings relate to material and staff costs at a ratio of two thirds to one third.

The net loss from investment securities showed an increase in net expenses of 33.3% or EUR –56 million as at June 30, 2009, putting it at EUR –224 million. At the end of the reporting period, this income item mainly included changes in impairment on bonds and structured securities in the AfS and LaR categories totaling EUR –151 million and on equity investments in the amount of EUR –79 million. This was offset by liquidation proceeds of EUR 4 million from securitized products and bonds. The risk shield provided by the state of Baden-Württemberg had a positive impact on this item. Without this risk immunization, the net loss from investment securities as at June 30, 2009 would have included write-downs on the ABS guarantee portfolio amounting to EUR –188 million.

Consolidated profit before tax amounted to EUR 292 million as at June 30, 2009. In net terms, income tax changed by 4.9% or EUR 4 million to EUR –77 million compared with the previous year – with an effective average Group taxation ratio for the period of 26.3%. This resulted in a consolidated profit of EUR 215 million for the LBBW Group as at June 30, 2009.

Net Assets and Financial Position.

Assets	June 30. 2009 EUR million	Dec. 31. 2008 EUR million[1]	Change EUR million	Change %
Cash reserve	1 439	3 480	-2 041	-58.6
Loans and advances to other banks	117 069	120 404	-3 335	-2.8
Loans and advances to customers	150 479	149 888	591	0.4
Allowance for losses on loans and advances	-3 137	-2 525	-612	24.2
Positive fair values from derivative hedging instruments	3 046	3 340	-294	-8.8
Trading assets	64 652	63 146	1 506	2.4
Financial assets designated at fair value	7 818	8 426	-608	-7.2
Investment securities	98 023	93 452	4 571	4.9
Investments accounted for using the equity method	406	401	5	1.2
Portfolio hedge adjustment attributable to assets	186	237	-51	-21.5
Intangible assets	1 190	1 175	15	1.3
Investment property	1 784	1 784	0	0.0
Property and equipment	885	922	-37	-4.0
Current income tax assets	675	803	-128	-15.9
Deferred income tax assets	1 543	1 549	-6	-0.4
Other assets	1 688	1 425	263	18.5
Total assets	**447 746**	**447 907**	**-161**	**0**
Guarantee and surety obligations	10 125	8 309	1 816	21.9
Irrevocable loan commitments	25 216	26 583	-1 367	-5.1
Business volume[2]	**483 087**	**482 799**	**288**	**0.1**

1) After taking into account adjustments in accordance with IAS 8
2) In addition to the Group's total assets. business volume also includes off-balance sheet guarantee and surety obligations and irrevocable loan commitments

Equity and Liabilities	June 30, 2009 EUR million	Dec. 31, 2008 EUR million[1)]	Change EUR million	Change %
Deposits from other banks	141 875	140 206	1 669	1.2
Due to customers	109 322	103 232	6 090	5.9
Securitized liabilities	114 474	122 320	– 7 846	– 6.4
Negative fair values from derivative hedging instruments	3 599	4 634	– 1 035	– 22.3
Trading liabilities	38 047	39 989	– 1 942	– 4.9
Financial liabilities designated at fair value	13 572	15 357	– 1 785	– 11.6
Portfolio hedge adjustment attributable to liabilities	573	680	– 107	– 15.7
Provisions	2 004	1 980	24	1.2
Current income tax liabilities	329	398	– 69	– 17.3
Deferred income tax liabilities	293	191	102	53.4
Other liabilities	561	656	– 95	– 14.5
Subordinated debt	11 662	12 175	– 513	– 4.2
Equity	**11 435**	**6 089**	**5 346**	**87.8**
Ordinary share capital	2 584	1 420	1 164	82.0
Share premium	6 910	3 074	3 836	>100.0
Retained earnings	2 911	5 064	– 2 153	– 42.5
Cumulative net income recognized directly in equity	– 1 213	– 1 445	232	– 16.1
Net retained profit	222	– 2 063	2 285	–
Minority interest	21	39	– 18	– 46.2
Total equity and liabilities	**447 746**	**447 907**	**– 161**	**0.0**

1) After taking into account adjustments in accordance with IAS 8

Group’s Total Assets at Previous Year's Level.

Compared with December 31, 2008, the business volume in the LBBW Group remained at the previous year’s level with a marginal increase of 0.1 % or EUR 0.3 billion and totaled EUR 483.1 billion as at the reporting date.

The Group’s total assets amounted to EUR 447.7 billion as at the reporting date, almost reaching the level of the previous year’s reporting date. The reduction in the volume of the cash reserve as at June 30, 2009 (by – 58.6 % or EUR – 2.0 billion) and in loans and advances to other banks (by – 2.8 % or EUR –3.3 billion) was offset by an increase in the volume of trading assets (by 2.4 % or EUR 1.5 billion) and investment securities (by 4.9 % or EUR 4.6 billion). A similar trend was seen in off-balance sheet figures, which remained virtually constant at EUR 35.3 billion at the reporting date (December 31, 2008: EUR 34.9 billion).

Despite difficult overall conditions for the financial services sector, the gross loan volume (loans and advances to other banks and customers, guarantee and surety obligations and irrevocable loan commitments) of the LBBW Group were almost at the previous year's level on June 30, 2009. In total, this item amounted to EUR 302.9 billion as at the reporting date, which corresponded to a change of – 0.8 % or EUR – 2.3 billion compared with the end of 2008.

At EUR 1,885.9 billion as of the reporting date, the nominal volume of derivative transactions was higher than in the previous year (December 31, 2008: EUR 1,744.9 billion) after a moderate increase of 8.1 %, or EUR 141.0 billion. This development was product-related and almost entirely attributable to the increase in the volume of interest-rate derivatives. It must be noted in connection with this, however, that largely closed-out positions from offsetting derivatives are not included in a compensatory way. Open positions from trading portfolios fell within the stipulated risk limits. Transactions are assigned to the category of proprietary trading transactions in accordance with the rules laid down by the Board of Managing Directors.

Lending.

Compared with December 31, 2008, the most significant changes in volume on the assets side of the consolidated balance sheet were seen in loans and advances to other banks and investment securities.

The entire receivable item showed a slight drop in volume of – 1.0 % or EUR – 2.7 billion compared with December 31, 2008, to EUR 267.5 billion. As loans and advances to customers remained stable at the previous year's level despite difficult overall conditions, the change is almost entirely due to the reduction of – 2.8 % or EUR – 3.3 billion in loans and advances to other banks, to EUR 117.1 billion. While almost all components of this item fell, the volume of money market transactions increased significantly by 19.2 % or EUR 4.7 billion. The drop in the volume of this balance sheet item showed that interbank trading is still weak as a result of the financial market crisis.

However, there was an increase in the volume of investment securities at the LBBW Group. These were up 4.9 % or EUR 4.6 billion year-on-year, totaling EUR 98.0 billion as at the reporting date. This reflects two contrasting developments. Firstly, the AfS investment securities in particular experienced a drop owing to maturity, while the volume of LaR investment securities also increased in 2009 as a result of the 5-year bond (EUR 12.7 billion) in connection with the guarantee provided by the state of Baden-Württemberg. On the reporting date, 50.8 % of the investment securities (December 31, 2008: 41.2 %) were in the LaR category.

Funding.

On the liabilities side of the consolidated balance sheet, total amounts due to customers, securitized liabilities and equity showed significant changes in volume compared with December 31, 2008.

The LBBW Group strives to achieve a balanced funding structure with minimal liquidity risks. For this reason, funding was obtained primarily from three different sources that were used in varying degrees depending on the performance of the money and capital markets.

In the reporting period, these included deposits from other banks, which maintained their status as the most important source of funding with a slight increase of 1.2 % or EUR 1.7 billion to a total of EUR 141.9 billion. In contrast to the assets side, it was possible to revive interbank trading here, which was reflected in particular in a significant increase in the volume of Hypotheken-Namenspfandbriefe (mortgage-backed registered covered bonds) issued (by EUR 5.2 billion) and the expansion of securities repurchase agreements (by 8.1 % or EUR 3.5 billion). The drop in money market transactions (by – 4.6 % or EUR – 2.0 billion) had a reverse effect on this item.

As the second major source of funding, securitized liabilities totaled EUR 114.5 billion at the end of the reporting period and recorded a considerable decline of – 6.4 % or EUR – 7.8 billion compared with the previous period, owing to the overall environment.

In terms of volumes, amounts due to customers represent the third funding pillar of the LBBW Group. These reached a total volume of EUR 109.3 billion, with a noticeable increase of 5.9 % or EUR 6.1 billion. This includes the funds deposited as cash collateral for the risk shield provided, which led to a significant increase in giro liabilities (by 97.3 % or EUR 16.2 billion). In particular, the drop in money market transactions with customers (by – 28.8 % or EUR – 8.4 billion) had a reverse effect on this item.

The LBBW Group's Capital.

The LBBW Group's capital (equity including subordinated debt) amounted to EUR 23.1 billion as at June 30, 2009, which represents an increase of EUR 4.8 billion compared with the end of 2008. The increase is largely due to the strengthening of own funds by EUR 5.0 billion, of which EUR 1.2 billion related to share capital and EUR 3.8 billion to the share premium. Equity was also increased by the net retained profit for the first half of the year (EUR 0.2 billion) and the development of the revaluation reserve, which had a closing balance of EUR –1.2 billion on June 30, 2009 and improved by 15.8 % or EUR 0.2 billion against the previous reporting date. In particular, there was an improvement in AfS securities. In contrast, the slight reduction in subordinated debt had a negative impact on the LBBW Group's capital. This item showed a closing balance of EUR 11.7 billion as at the reporting date, which represented a drop of –4.2 % or EUR –0.5 billion compared with December 31, 2008.

Risk Report.

At the reporting date of June 30, 2009, the LBBW Group still uses the risk management methods and processes presented in the 2008 annual report. LBBW's summarized definition of the relevant risk categories is in the table below:

Risk category	Describes possible
Credit risks (including counterparty, issuer, settlement and country risks)	… losses arising from the default or credit rating deterioration of business partners. … losses arising from transfer problems with a business partner's country of domicile.
Market price risks	… losses caused by changes in interest rates, credit spreads, share prices, exchange rates, commodities prices, volatilities.
Operational risks	… losses due to the failure of internal processes, people, and systems, or to external influences, including legal risks.
Liquidity risks	… problems meeting payment obligations in the short term, or not being able to quickly close out larger positions.
Real estate risks	… losses in value of real estate holdings.
Investment risks	… losses in value of Group companies and equity investments to the extent that these are not included in the above risk categories.
Strategic risks	… losses in value due to strategic decisions.
Business risks	… losses in value due to less favorable business performance than expected.
Reputation risks	… losses in value due to damage to reputation.

The last three types of risks can not be quantified like the other risks. However, LBBW considers these risks to be material and addresses them via risk buffers in the process of monitoring LBBW's risk-bearing capacity. Liquidity risks are limited and managed through appropriate volume guidelines for refinancing requirements in various time horizons, through procedural guidelines, stress tests and – based on this – the maintenance of an adequate liquidity reserve.

Credit Risks.*)
Risk Situation.

The loan portfolio of the LBBW Group developed as follows compared with December 31, 2008:

EUR million	June 30, 2009	Dec. 31, 2008
Cash reserve	65	144
Loans and receivables	247 620	261 912
of which loans and advances to other banks	94 685	109 261
of which loans and advances to customers	152 935	152 651
of which receivables from finance leases	4 485	5 478
Investment securities	85 247	81 911
of which interest-bearing assets	77 672	74 520
of which non-interest-bearing assets	7 575	7 391
Hedging derivatives	1 451	1 872
Trading assets	131 267	135 054
of which designated at fair value	6 419	6 793
of which held for trading	124 848	128 261
Irrevocable loan commitments/other agreements	72 227	68 357
Total	**537 877**	**549 249**

On balance, the portfolio volume was reduced by EUR 11.4 billion. The most significant drop was in loans and advances to other banks (EUR – 14.6 billion).

The following portfolio structure includes the effects of risk immunization (guarantee from the state of Baden-Württemberg): positions in the credit substitute business are assigned to the investment grade portfolio, taking into account the guarantee. The effects of risk immunization on the conduit transactions are presented in the additional notes on the portfolio of securitized products.

*) Statements concerning the risk situation are based on the management approach. Differences compared with amounts stated in relation to accounting are due to the reasons presented in the 2008 risk management report.

The portfolio structure and portfolio quality can be seen from the following breakdown according to sector and rating class.

Exposure According to Rating* and RoBs Sectors**.

June 30, 2009 EUR million	Investment grade (AAA – BBB–)	Upper non-investment (BB+ – B+)	Non-investment (B – C)	Default	Other	Total
Financial institutions	**246 914**	**13 088**	**1 627**	**2 187**	**2 085**	**265 900**
Credit institutions	194 297	6 955	443	1 140	343	203 178
Financial services providers	52 617	6 133	1 183	1 047	1 741	62 722
Companies	**104 732**	**43 684**	**6 984**	**4 567**	**8 633**	**168 600**
Automobiles	10 479	7 811	882	551	115	19 838
Construction	5 568	3 881	791	606	336	11 182
Cross-sector services for companies	2 666	1 206	238	221	1 879	6 210
Commercial real estate	14 515	7 772	951	1 208	310	24 755
Food trading and non-cyclical consumer goods	5 153	930	12	39	40	6 173
Telecommunications	5 405	757	176	38	42	6 419
Transport and logistics	5 763	1 989	973	112	314	9 151
Insurance	6 786	163	239	12	97	7 297
Utilities	12 856	1 206	46	85	174	14 368
Other sectors	35 540	17 970	2 676	1 695	5 326	63 207
Public sector	**81 021**	**1 333**	**12**	**18**	**109**	**82 492**
Private individuals	**4 643**	**2 790**	**270**	**442**	**12 740**	**20 885**
Total	**437 311**	**60 894**	**8 893**	**7 214**	**23 566**	**537 877**

* Equivalent rating classes according to S&P
** Industry classification according to internal risk-oriented industry key. Sectors < 1 % share of the companies portfolio are summarized under »Other sectors«

In particular, the transition from a financial to an economic crisis is shown in the development of exposure. While the default exposure has changed little for financial institutions compared with December 31, 2008, it has risen by 18.2 % to EUR 4.6 billion for companies. In total, the proportion of the portfolio that is affected by default has risen to 1.3 % (+ 0.1 percentage point).

The portfolio quality nevertheless remains at a high level at the reporting date of June 30, 2009: the share of the portfolio valued as investment grade is still high, at 81.3 % (December 31, 2008: 80.7 %).

Additional Information in Accordance with IFRS 7.36 – 38.

Commitments for which follow-up negotiations took place amounted to EUR 1,063 million.

The non-impaired and non-past due portfolio is distributed across the balance sheet categories as follows:

EUR million	Exposure June 30, 2009	Non-impaired and non-past due assets June 30, 2009	Exposure Dec. 31, 2008	Non-impaired and non-past due assets Dec. 31, 2008
Cash reserve	65	65	144	141
Loans and receivables	247 620	241 482	261 912	255 816
of which loans and advances to other banks	94 685	93 915	109 261	108 624
of which loans and advances to customers	152 935	147 567	152 651	147 192
of which receivables from finance leases	4 485	4 317	5 478	5 281
Investment securities	85 247	84 219	81 911	80 420
of which interest-bearing assets	77 672	76 656	74 520	73 356
of which non-interest-bearing assets	7 575	7 564	7 391	7 169
Total*	**332 932**	**325 766**	**343 967**	**336 377**

* In the hedging derivatives and trading assets categories, no transactions are impaired or past due

The share of the portfolio accounted for by non-impaired and non-past due commitments amounts to 98.7% of the total exposure.

The past-due assets were distributed across the balance sheet categories as follows:

Past-due Assets June 30, 2009.

EUR million	Total	< 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	> 12 months
Loans and receivables	133	26	54	11	10	9	23
of which loans and advances to other banks	1	1	0	0	0	0	0
of which loans and advances to customers	131	25	54	11	10	9	23
of which receivables from finance leases	0	0	0	0	0	0	0
Investment securities	0	0	0	0	0	0	0
of which interest-bearing assets	0	0	0	0	0	0	0
Total	**133**	**26**	**54**	**11**	**10**	**9**	**23**

Past-due Assets Dec. 31, 2008.

EUR million	Total	< 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	> 12 months
Loans and receivables	588	315	178	37	9	14	35
of which loans and advances to other banks	13	13	1	0	0	0	0
of which loans and advances to customers	575	302	178	37	9	14	35
of which receivables from finance leases	64	12	15	16	3	11	7
Investment securities	0	0	0	0	0	0	0
of which interest-bearing assets	0	0	0	0	0	0	0
Total	**588**	**315**	**178**	**37**	**9**	**14**	**35**

Past-due commitments were reduced from EUR 588 million to EUR 133 million and thus to 0.02% of the total exposure.

The impaired assets were distributed across the balance sheet categories as follows:

Impaired Assets.

EUR million	June 30, 2009	Dec. 31, 2008
Loans and receivables	4 943	4 772
of which loans and advances to other banks	769	623
of which loans and advances to customers	4 174	4 149
of which receivables from finance leases	168	133
Investment securities	1 028	1 384
of which interest-bearing assets	1 016	1 164
of which non-interest-bearing assets	12	220
Total	**5 971**	**6 156**

Impaired commitments were reduced from EUR 6.2 billion to EUR 6.0 billion and thus to 1.1 % of the total exposure.

Additional Information on the Portfolio of Securitized Products.

Preliminary remark on the guarantee.

Considering the turbulence in the financial markets, LBBW arranged risk protection with the state of Baden-Württemberg in the form of a guarantee structure in effect from June 30, 2009. A guarantee of EUR 12.7 billion is to be granted to LBBW to hedge for losses on a specified reference portfolio that contains securities at risk. This reference portfolio with a nominal amount of EUR 17.6 billion (as of April 30, 2009) is secured with a guarantee of EUR 6.7 billion. The remaining EUR 6.0 billion of the guarantee relates to a loan granted by LBBW to the special-purpose entity Sealink Funding.

In accordance with the current contract, LBBW will bear a first loss up to an amount of EUR 1.9 billion for assets already at risk of default at the time of the guarantee. Losses of up to EUR 6.7 billion from assets not hitherto at risk of default are secured through the guarantee accordingly. Losses exceeding this amount will be sustained by LBBW.

The risk shield from the state of Baden-Württemberg and the capital injection from the owners were provisionally approved by the European Commission for six months on the above reporting date. However, the decision on approval is linked to conditions involving the presentation of a comprehensive restructuring plan by LBBW to the European Commission by the end of September.

The European Commission is currently examining the structure of the guarantee with regard to the first loss position for LBBW's reference portfolio and the compliance with the guarantee conditions.

LBBW Group overall ABS portfolio.

Overall, LBBW Group is invested in securitized products in the amount of EUR 27.6 billion and only holds small exposure in the US Subprime market. Compared to year end closing 2008, LBBW's ABS Investment portfolio has been reduced by EUR 2.1 billion. This development is triggered by repayments, currency effects and restructuring.

For LBBW, the financial market crisis led to considerable decline in market value of the ABS-investment portfolio, which still remains at a high rating level. Despite rating-downgrades, 82% of the securities are valued as investment grade and 60% are AAA-rated.

volume in EUR million as at June 30, 2009	AAA	AA	A	BBB	BB to B	CCC to C	D	Other	Total
CDOs	**3804**	**787**	**348**	**586**	**1675**	**870**	**128**	**20**	**8218**
of which: CLOs	2287	377	85	68	71	0	0	6	2894
of which: CDOs of ABSs	38	174	135	136	428	398	38	7	1356
of which: synthet. securitizations	1064	125	16	175	636	470	90	8	2583
RMBs	**7442**	**1268**	**139**	**118**	**346**	**1513**	**4**	**0**	**10830**
of which: US ALT-A	10	99	44	68	247	1304	4	0	1776
of which: US subprime	3	2	0	0	3	187	0	0	194
CMBs	**2717**	**574**	**204**	**242**	**88**	**0**	**0**	**0**	**3825**
Other ABSs	**2508**	**1030**	**420**	**309**	**194**	**136**	**0**	**86**	**4682**
Total investments	**16471**	**3659**	**1111**	**1256**	**2302**	**2518**	**132**	**106**	**27555**
Proportion of total	**59.8%**	**13.3%**	**4.0%**	**4.6%**	**8.4%**	**9.1%**	**0.5%**	**0.4%**	**100%**

In general, the lowest external rating was used
Differences can arise as a result of rounding up or down

Defaults have so far occurred in the above portfolio only at a relatively low level; these include losses on cash products in the amount of approximately EUR 91 million. This includes write-downs on US RMBS Alt-A transactions for the first time. In addition, ongoing (interest) payments have not been made for the SIVs that are already fully impaired. Within the field of synthetic transactions, a total capital loss of EUR 347.5 million had occurred as of June 30, 2009. At reporting date EUR 155 million had already been derecognized due to total losses.

Portfolio of securitized products remaining in the risk of the LBBW Group.

The following table shows the portfolio of securitized investment portfolio not guaranteed by the risk shield of Land Baden-Württemberg. This also includes the assets attributed to the first loss of the risk shield. As the first loss relates to assets at risk of default, write-downs have already been carried out on a large proportion of this portfolio.

volume in EUR million as at June 30, 2009	AAA	AA	A	BBB	BB to B	CCC to C	D	Other	Total
CDOs	2240	198	20	268	714	843	128	15	4425
of which: CLOs	1054	41	0	14	30	0	0	0	1139
of which: CDOs of ABS	18	29	4	59	34	374	38	7	563
of which: synthet. securitizations	1064	125	16	175	636	470	90	8	2583
RMBs	4536	13	6	0	10	820	4	0	5389
of which: US ALT-A	2	6	2	0	0	661	4	0	675
of which: US subprime	3	2	0	0	0	148	0	0	152
CMBs	361	6	0	0	0	0	0	0	366
Other ABSs	896	678	314	0	0	131	0	86	2105
Total investments	8032	895	340	268	725	1795	132	100	12285
Proportion of total	65.4%	7.3%	2.8%	2.2%	5.9%	14.6%	1.1%	0.8%	100%

In general, the lowest external rating was used
Differences can arise as a result of rounding up or down

In addition to the ABS investment portfolio, LBBW is involved in the customer transactions segment. German loans held for trading and interest-bearing receivables (e. g. leasing receivables) are purchased. LBBW supports these purchases by providing liquidity lines. The customer transactions amounting to EUR 2.1 billion continue to be distinguished by good creditworthiness and rating classifications.

In the first half of 2008, the former Sachsen LB was integrated into the LBBW Group. Even before the acquisition, off-balance sheet structured financing investments with a par value of EUR 17.3 billion were transferred to the Irish special-purpose entity Sealink (not consolidated). LBBW extended loans to this SPE amounting to EUR 8.9 billion. Most of these are subordinated loans. A guarantee issued by the Free State of Saxony totaling EUR 2.75 billion bears the first loss in this case, while a further EUR 6.0 billion is guaranteed by the risk shield.

Further details of LBBW's ABS portfolio are covered in a separately published report on the requirements of the Financial Stability Forum.

Market Price Risks.

In the first half of 2009, risk modeling of sub-portfolios with securitized products has been improved. This led to an increase in the market price risk at LBBW Bank and the LBBW Group. Credit spread risks are included in the interest rate risks item.

VaR (99 %/10 days)

EUR million	Average	Max.	Min.	June 30, 2009	Dec. 30, 2008
LBBW Group	998	1 167	810	1 167	941

The figures show the market price risks of the LBBW Group without taking into account the risk shield provided by the owners. The inclusion of the risk shield results in a VaR (99 %/10 days) of EUR 872 million for the LBBW Group as at June 30, 2009.

The following table shows the market price risks for LBBW Bank in detail.

VaR (99 %/10 days)

EUR million	Average	Max.	Min.	June 30, 2009	Dec. 30, 2008
LBBW Bank overall	**837**	**1 094**	**658**	**1 094**	**760**
Interest rate risks	825	1 087	653	1 087	745
Equity risks	32	41	26	32	34
Currency risks	67	98	30	47	65

The market price risks for the trading portfolio of LBBW Bank are as follows.

VaR (99 %/10 days)

EUR million	Average	Max.	Min.	June 30, 2009	Dec. 30, 2008
LBBW Bank trading positions	**73**	**98**	**50**	**66**	**74**
Interest rate risks	64	90	40	56	64
Equity risks	18	27	13	19	19
Currency risks	7	42	3	6	8

Liquidity Risks.

Although the situation remained difficult on the money and capital markets, the liquidity needs of the LBBW Group were covered to the desired extent at all times from the market in the first half of 2009, without any problems. Moreover, it was even possible to reduce the Group's liquidity risks significantly compared with the end of 2008. In addition to a considerable excess of long-term funding over long-term new lending, the addition of EUR 5 billion in equity by the owners in June 2009 played an important part in this.

As at June 30, 2009, potential funding available on the same day via central banks (ECB and the Fed), defined at LBBW as the liquidity reserve in the narrower sense, amounted to EUR 42.5 billion at the Group. On this basis, the solvency of LBBW is guaranteed for a period of over three months, regardless of the market.

The liquidity requirements of the German Banking Act were fulfilled at all times in the first half of 2009. The liquidity ratio in accordance with the liquidity regulation was 1.71 on June 30, 2009 (December 31, 2008: 1.54).

Operational Risks.

The ORC software used at LBBW for managing operational risks was also expanded at the end of 2008. The new functions – such as a module for managing measures – were introduced gradually in the first half of the year, to optimize risk management and raise awareness of risks in these areas. The integration of LBBW CZ into the OpRisk Controlling process was completed in the first half of 2009. The survey methods of LBBW were extended to the new subsidiary.

Further Risks.

Risks arising from the Development segment came to the fore at LBBW Immobilien GmbH in the first half of 2009. In the Development segment, residential and commercial real estate projects are developed in Germany and abroad. In principle, risks in this segment lie in exceeding the budgeted costs and deadlines during the construction and project phase and the worsening of the marketing situation. The financial and real estate crisis and the associated change in financing conditions, the increased capital requirements of banks and the restraint of private and institutional investors with the corresponding worsening of the marketing situation has had an impact on the project development business. The future course of action in the Development segment is currently being reviewed. Significant risks in connection with the strategic orientation are being taken into account.

Risk-bearing Capacity.

Internal monitoring of risk-bearing capacity as defined by the Internal Capital Adequacy Assessment Process (ICAAP), in conjunction with regular comparison of the economic capital with risks, ensures adequate economic capital resources at LBBW Group.

In the first two months of 2009, compared to of December 31, 2008 there was increased pressure on the risk-bearing capacity due to the worsening of the financial market crisis. Nevertheless, despite further downgrades of corporate customers and securitized products in the second quarter of 2009, there was a decline in reported credit risks. This was due to the significant easing in credit spreads in the second quarter. The risk-reducing impact of the risk shield provided by the owners also helped to ease the risk-bearing capacity situation considerably.

At the same time, LBBW group economic capital rose to EUR 23.3 billion, mainly due to the additional EUR 5 billion in equity and the positive effects of the easing of credit spread markets. As at June 30, 2009, utilization of economic capital was 55 %. The LBBW Group's risk-bearing capacity was guaranteed at all times.

Risk-bearing capacity.

	June 30, 2009		Dec. 31, 2008	
EUR million	Absolute	Utilization	Absolute	Utilization
Available economic capital	23 297	55 %	18 227	84 %
Max. economic capital limit	15 700	82 %	15 700	97 %
Economic capital tie-up	12 800	–	15 265	

Outlook.

The following statements should be read in conjunction with the Outlook in the Group management report for the 2008 fiscal year.

Anticipated Economic Performance.

There are increasing signs that the economy has bottomed out. Important leading indicators around the globe have left their lowest points behind. In Germany, the ifo business climate index has risen four times in a row. Economic sentiment for the euro zone and the ISM index for the United States also suggest that better times are in store for the economy. However, the risk of a further economic setback has not yet been averted. The dangerous combination of a severe recession and a weak financial sector harbors a number of risks. In the second half of 2009, a tendency towards stagnation is therefore expected in the leading industrialized nations, compared with the previous quarter. The downturn in the first half of 2009 as a result of the financial crisis was also so powerful that overall economic output for 2009 as a whole is set to fall noticeably year-on-year. LBBW is anticipating a drop in GDP of 5.5 % and 3.5 % for Germany and the euro zone respectively. The US economy is expected to decline by 2.6 %.

Further economic development will depend not least on whether the current mix of an economic slump, rapidly growing state debt and an expansive monetary policy will result in deflation. Answers to this vary considerably. Deutsche Bundesbank and the ECB do not see any risks of deflation. The fact that the core inflation rate compared with the same month of the previous year in the euro zone has recently been well above zero makes true deflation (i.e. a drop in prices across the board, not just for energy prices, for example) less likely. In addition, the basis effect of the drop in oil prices could prove to be short-lived. The increase in oil prices to around 70 USD/barrel (Brent) at the end of the first half of the year suggests that consumer prices will tend to rise again. Deflation risks are currently discernible mainly with regard to the drastic reductions in prices for industrially produced goods: the producer price index for materials and supplies is continuing to fall significantly during the year.

LBBW expects this to result in a scenario in which price acceleration remains weak, as long as the economy is sluggish and capacity is not fully utilized. As soon as the economy picks up again, however, price risks are likely to increase significantly. A strong risk arises, not least from state debt, against the background of a possible increase in administered prices, which could then be passed on from companies to consumers. In anticipation of these risks, LBBW believes that the yields of 10-year German federal government bonds are likely to increase again in the coming months.

Industry and Competitive Situation.

As the economic downturn is bottoming out and the financial markets currently appear to be stabilizing, the situation and prospects of the banking sector have on the one hand brightened up again slightly. On the other hand, there is no sign of a sustained and far-reaching recovery either in the real economy or on the capital markets, which means that the situation in the banking sector is still characterized by some uncertainty.

Against this background, we must assume that the recovery in the banking sector will drag on for some time. Provided that there are no setbacks on the financial markets, it is becoming apparent that attention will now be focused more on risk provisions in the classic financing business, particularly with corporate customers. Experience shows that additional burdens from risk provisions can be expected towards the end of the economic downturn.

Capitalization and refinancing capacity will remain decisive competitive factors in this environment. Good capital resources represent an ongoing key market requirement in terms of business opportunities and risk-bearing capacity on the one hand and for gaining investors on the other.

Government influence on the sector has increased considerably as a result of the crisis. While direct state involvement is likely to be reduced over time after this has been dealt with, tighter regulation is expected to have a lasting influence on competitive environment in the sector.

Moreover, in view of the conditions imposed in connection with state aid and pressure on costs, the restructuring and redimensioning of activities is expected to remain an important issue at many institutions. There are also indications in connection with this that competition could once again become more national in character in the future.

The LBBW Group's Business Strategy and Opportunities.

Further developments on the capital markets and in the real economy will be crucial to the results of the LBBW Group in 2009 as a whole. Overall, a recovery was seen on the capital markets in the first half of 2009, which was reflected in the consolidated income statement. All things considered, however, we must assume that the financial market crisis has not yet been overcome and that turbulence can be expected in the near future.

LBBW's operating business was satisfactory on the whole in the first half of 2009. Income significantly surpassed expectations and resulted above all from business in the Financial Markets segment and investments in the Corporates segment. However, this development can not be continued on a linear basis for the second half of 2009. Owing to tough competition, the Retail Clients segment failed to meet expectations. Overall conditions are expected to remain difficult here.

The allowance for losses on loans and advances had already risen significantly to EUR – 717 million by mid-2009 and will continue to burden the results of the LBBW Group for 2009 as a whole. A considerable increase is expected in loan defaults in the Corporates segment in particular, owing to deteriorating overall economic conditions.

To reduce costs, a project was set up at LBBW on April 1, 2009, which has identified potential savings of around EUR 200 million by 2011, well above initial expectations. The proposed savings have already been resolved by the Supervisory Board and will improve the cost situation of the LBBW Group.

Although the Sparkassenverband Rheinland-Pfalz will no longer be one of the owners of LBBW, the trusting collaboration with the savings banks as the central bank for Rhineland-Palatinate will continue fully and will be expanded further, as with the savings banks in Baden-Württemberg and Saxony.

LBBW will submit a restructuring plan shortly for the forthcoming final decision of the European Commission on the capital injection and risk immunization.

The payment for the guarantee for risk immunization will place a burden on the overall result of the LBBW Group. LBBW is equipped for the challenges of the future thanks to the capital increase and the risk shield. While competitiveness has been maintained and expanded, the regulatory equity ratios of the LBBW Group have improved considerably. This fulfilled the requirements for offering customers of LBBW close support during the current economic crisis.

Consolidated interim financial statements as of June 30, 2009

Condensed Consolidated Income Statement
(not audited)
for the Period January 1, 2009 to June 30, 2009 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Notes	Jan. 1 – June 30, 2009 EUR million	Jan. 1 – June 30, 2008* EUR million	Change EUR million	Change %
Net interest income	8	1071	1128	-57	-5.1
Allowance for losses on loans and advances	9	-717	23	-740	–
Net interest income after allowance for losses on loans and advances		**354**	**1151**	**-797**	**-69.2**
Net fee and comission income	10	417	259	158	61.0
Net income/loss from hedging transactions		27	-55	82	–
Net trading income/loss	11	608	-339	947	–
Net income/loss from financial instruments designated at fair value	12	28	-95	123	–
Net loss from investment securities	13	-224	-168	-56	33.3
Net loss from investments accounted for using the equity method		-20	-2	-18	> 100.0
Net income from investment property		57	67	-10	-14.9
Administrative expenses	14	-914	-904	-10	1.1
Other operating income	15	-40	63	-103	–
Net loss from proft and loss transfer agreements		-1	-1	0	0.0
Operating profit/loss		**292**	**-24**	**316**	**–**
Restructuring expenses		0	-76	76	-100.0
Consolidated profit (+)/consolidated loss (–) before tax		**292**	**-100**	**392**	**–**
Income tax expense	16	-77	-81	4	-4.9
Consolidated profit for the period (+)/ consolidated loss for the period (–)		**215**	**-181**	**396**	**–**
Profit/Loss attributable to minority interest		-7	1	-8	–
Profit/Loss attributable to shareholders		222	-182	404	–
Consolidated profit for the period (+)/ consolidated loss for the period (–)		**215**	**-181**	**396**	**–**

* See Note 3 for adjusted comparatives.

Consolidated total Comprehensive Income (not audited)

for the Period January 1, 2009 to June 30, 2009 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Notes	Jan. 1 – June 30, 2009 EUR million	Jan. 1 – June 30, 2008* EUR million	Change EUR million	Change %
Consolidated profit for the period (+)/ consolidated loss for the period (–)		**215**	**– 181**	**396**	**–**
Net income recognized directly in equity					
Retained earnings					
Actuarial losses (–)		– 3	– 13	10	– 76.9
Effect of limit in IAS 19.58 (b)		1	1	0	0.0
Income tax		1	4	– 3	– 75
Revaluation reserve for AfS financial instruments					
Change in Fair Value before tax		128	– 1 431	1 559	–
Transfer to profit or loss	13	134	114	20	17.5
Income tax		– 70	28	– 98	–
Changes in investments accounted for using the equity method					
Changes in the reporting period before tax		33	– 3	36	–
Profit and losses from cash flow hedges					
Change in Fair Value before tax		7	– 6	13	–
Income tax		– 2	2	– 4	–
Currency translation differences					
Changes in the reporting period before tax		3	– 11	14	–
Transfer to profit or loss		0	– 1	1	– 100.0
Total income and expenses recognized directly in equity		**232**	**– 1 316**	**1 548**	**–**
Consolidated total comprehensive income		**447**	**– 1 497**	**1 944**	**–**
Total comprehensive income attributable to minority interest		– 7	– 3	– 4	> 100.0
Total comprehensive income attributable to shareholders		454	– 1 494	1 948	–
Consolidated total comprehensive income		**447**	**– 1 497**	**1 944**	**–**

* See Note 3 for adjusted comparatives

Consolidated Balance Sheet (not audited)

as of June 30, 2009 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

Assets	Notes	June 30, 2009 EUR million	Dec. 31, 2008* EUR million	Change EUR million	Change %
Cash Reserve		1 439	3 480	- 2 041	- 58.6
Loans and advances to other banks	17	117 069	120 404	- 3 335	- 2.8
Loans and advances to customers	18	150 479	149 888	591	0.4
Allowance for losses on loans and advances	19	- 3 137	- 2 525	- 612	24.2
Positive fair values from derivative hedging instruments		3 046	3 340	- 294	- 8.8
Trading assets	20	64 652	63 146	1 506	2.4
Financial assets designated at fair value	20	7 818	8 426	- 608	- 7.2
Investment securities	20	98 023	93 452	4 571	4.9
Investments accounted for using the equity method		406	401	5	1.2
Portfolio hedge adjustment attributable to assets		186	237	- 51	- 21.5
Intangible assets	21	1 190	1 175	15	1.3
Investment property		1 784	1 784	0	0.0
Property and equipment		885	922	- 37	- 4.0
Current income tax assets		675	803	- 128	- 15.9
Deferred income tax assets		1 543	1 549	- 6	- 0.4
Other assets		1 688	1 425	263	18.5
Total assets		**447 746**	**447 907**	**- 161**	**0.0**

* See Note 3 for adjusted comparatives

Consolidated Balance Sheet (not audited)

as of June 30, 2009 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

Equity and liabilities	Notes	June 30, 2009 EUR million	Dec. 31, 2008* EUR million	Change EUR million	Change %
Deposits from other banks	22	141 875	140 206	1 669	1.2
Due to customers	23	109 322	103 232	6 090	5.9
Securitized liabilities	24	114 474	122 320	–7 846	–6.4
Negative fair values from derivative hedging instruments		3 599	4 634	–1 035	–22.3
Trading liabilities	25	38 047	39 989	–1 942	–4.9
Financial liabilities designated at fair value	25	13 572	15 357	–1 785	–11.6
Portfolio hedge adjustment attributable to liabilities		573	680	–107	–15.7
Provisions	26	2 004	1 980	24	1.2
Current income tax liabilities		329	398	–69	–17.3
Deferred income tax liabilities		293	191	102	53.4
Other liabilities		561	656	–95	–14.5
Subordinated debt	27	11 662	12 175	–513	–4.2
Equity	**6, 28**	**11 435**	**6 089**	**5 346**	**87.8**
Ordinary share capital	6, 28	2 584	1 420	1 164	82.0
Share premium	6, 28	6 910	3 074	3 836	>100.0
Retained earnings	6, 28	2 911	5 064	–2 153	–42.5
Cumulative net income recognized directly in equity	6, 28	–1 213	–1 445	232	–16.1
Net retained profit/loss	6, 28	222	–2 063	2 285	–
Minority Interest	6, 28	21	39	–18	–46.2
Total equity and liabilities		**447 746**	**447 907**	**–161**	**0.0**

* See Note 3 for adjusted comparatives.

Statement of Changes in Equity (not audited)

for the Period January 1, 2009 to June 30, 2009 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

EUR million	Ordinary share capital	Share premium	Retained earnings	Revaluation reserve for AfS financial instruments	Revaluation reserve for investments accounted for using the equity method	Measurement gain/loss from cash flow hedges	Currency translation reserve	Net retained profit/loss	Total before minority interest	Minority interest	Total
Equity as at Dec. 31, 2007	1 420	3 074	4 847	594	69	-7	-6	292	10 283	123	10 406
Adjustments in accordance with IAS 8	0	0	9	-6	0	0	0	26	29	-2	27
Adjusted equity as at Jan. 1, 2008	**1 420**	**3 074**	**4 856**	**588**	**69**	**-7**	**-6**	**318**	**10 312**	**121**	**10 433**
Balance brought forward	0	0	318	0	0	0	0	-318	0	0	0
Distribution to shareholders	0	0	-91	0	0	0	0	0	-91	-2	-93
Changes in the basis of consolidation	0	0	0	-91	0	0	0	0	-91	-87	-178
Consolidated total comprehensive income	0	0	-8	-1 298	-3	-4	-12	-154	-1 479	-3	-1 482
Equity as at June 30, 2008	1 420	3 074	5 075	-801	66	-11	-18	-154	8 651	29	8 680
Adjustments in accordance with IAS 8	0	0	0	13	0	0	0	-28	-15	0	-15
Adjusted equity as at June 30, 2008	**1 420**	**3 074**	**5 075**	**-788**	**66**	**-11**	**-18**	**-182**	**8 636**	**29**	**8 665**
Changes in the basis of consolidation	0	0	54	-144	-3	0	-1	0	-94	35	-59
Consolidated total comprehensive income	0	0	-61	-539	-32	19	2	-1 849	-2 460	-25	-2 485
Other change in equity	0	0	-4	0	0	0	0	0	-4	0	-4
Equity as at Dec. 31, 2008	1 420	3 074	5 064	-1 471	31	8	-17	-2 031	6 078	39	6 117
Adjustments in accordance with IAS 8	0	0	0	4	0	0	0	-32	-28	0	-28
Adjusted equity as at Jan. 1, 2009	**1 420**	**3 074**	**5 064**	**-1 467**	**31**	**8**	**-17**	**-2 063**	**6 050**	**39**	**6 089**
Balance brought forward	0	0	-2 063	0	0	0	0	2 063	0	0	0
Distribution to shareholders	0	0	-88	0	0	0	0	0	-88	-3	-91
Capital increase	1 164	3 836	0	0	0	0	0	0	5 000	0	5 000
Changes in the basis of consolidation	0	0	-5	-1	0	0	0	0	-6	-8	-14
Consolidated total comprehensive income	0	0	-1	192	33	5	3	222	454	-7	447
Other change in equity	0	0	4	0	0	0	0	0	4	0	4
Equity as at June 30, 2009	**2 584**	**6 910**	**2 911**	**-1 276**	**64**	**13**	**-14**	**222**	**11 414**	**21**	**11 435**

Condensed Cash Flow Statement (not audited)

for the period January 1, 2009 to June 30, 2009 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Jan. 1 – June 30, 2009 EUR million	Jan. 1 – June 30, 2008* EUR million
Cash and cash equivalents at start of period	**3 480**	**1 477**
Net cash used in/from operating activities	– 6 536	1 575
Net cash used in investing activities	– 52	– 386
Net cash provided by/used in financing activities	4 547	– 1 188
Cash and cash equivalents at end of period	**1 439**	**1 478**

* See Note 3 for adjusted comparatives

The adjusted comparatives as of June 30, 2008 (see Note 3) were used as the basis for the cash flow statement for the period from January 1 to June 30, 2009.

Notes to the Consolidated Financial Statements (not audited)

of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

1. Business and Organization.

Landesbank Baden-Württemberg (LBBW) is a public law institution (rechtsfähige Anstalt des öffentlichen Rechts) with registered offices in Stuttgart (Am Hauptbahnhof 2, 70173 Stuttgart, Germany), Karlsruhe (Ludwig-Erhard-Allee 4, 76131 Karlsruhe, Germany), Mannheim (Augustaanlage 33, 68165 Mannheim, Germany), and Mainz (Grosse Bleiche 54-56, 55098 Mainz, Germany).

The LBBW Group is responsible for the Group's capital market activities, from balance sheet and portfolio advising to developing financial market products to conducting trading and sales activities on the international capital markets, and provides services within the scope of its international operations. As the parent company of the Group, LBBW serves the Group's corporate customers in its own region, across Germany and around the world, along with institutional clients, public-sector institutions, and retail customers by offering the comprehensive range of services expected of a modern financial services provider. LBBW also functions as a central bank to the savings banks in Baden-Württemberg, Rhineland-Palatinate, and Saxony.

2. Basis of Accounting.

The interim financial statements of Landesbank Baden-Württemberg for the period ended June 30, 2009 were prepared in accordance with IAS 34 »Interim Financial Reporting«, as applicable in the European Union, and the supplementary provisions of German commercial law pursuant to § 315a Paragraph 1 HGB (Handelsgesetzbuch – German Commercial Code) in conjunction with § 37y No. 2 WpHG (Wertpapierhandelsgesetz – German Securities Trading Act). In accordance with §37w WpHG, the half-yearly financial report comprises condensed financial statements, an interim management report, and the responsibility statement.

Explanations of the standards applied for the first time in the first half of 2009 can be found in Note 3.

Standards and interpretations adopted through the EU regulation that are to be applied only as of July 1, 2009 or later (changes to IAS 27 »Consolidated and Separate Financial Statements« and changes to IFRS 3 »Business Combinations«, Annual Improvements to IFRS) have not been taken into account.

- The adjustments to the amended standard IAS 27 (endorsed on June 3, 2009) relate primarily to accounting for minority (non-controlling) interests, to which the losses of the Group can be allocated fully in the future, and to transactions that lead to the loss of control over a subsidiary, the effects of which must be recognized in profit or loss. In contrast, the effects of disposals that do not lead to a loss of control must be recognized directly in equity. The transitional provisions, which as a rule require the retrospective application of the changes made, stipulate that these changes should be applied prospectively in the aforementioned situations. In the case of assets and liabilities that result from such transactions before the date of first-time application of the new standard, no changes must be made.
- The amended standard IFRS 3 (endorsed on June 3, 2009) relates in particular to the introduction of a choice in measurement of minority (non-controlling) interests between recognition at the proportionate share of net assets or the full goodwill method according to which the goodwill of the acquiree must be recognized in full, including the share attributable to minority (non-controlling) interests. Additional key points are the remeasurement of existing interests at the time initial control is obtained (gradual acquisition) and recognition of any adjustments in profit or loss, the mandatory recognition of payments contingent on future events at the date of acquisition (contingent liabilities), and the expensing of transaction costs. The transitional provisions stipulate that the new rules must be applied prospectively. In the case of assets and liabilities arising from business combinations before the first-time application of the new standard, no changes must be made.

New standards and interpretations issued by the IASB but not yet adopted by EU regulations are not taken into account either.

- The changes to the standard IFRS 7 »Financial Instruments: Disclosures«, issued in March 2009 and coming into force on January 1, 2009, provide for additional disclosures on financial instruments measured at fair value and liquidity risks. In particular, the importance of the parameters used in these valuation methods is to be illustrated through a three-level fair value hierarchy. The application of these changes will result in additional information in the Notes regarding the presentation of the three-level fair value hierarchy and extended information in the risk management report regarding liquidity risks in the consolidated financial statements.
- The annual improvements to IFRS in 2009, published in April 2009 and coming into force as of July 1, 2010 or later, contain a section with changes to methods of accounting and a second section with editorial and terminological changes. Possible effects on LBBW's consolidated financial statements are currently being examined.
- The change to standard IFRS 2 »Share-based Payment« was published in June 2009 and will come into effect on January 1, 2010. This clarifies the application of IFRS 2 for companies that receive goods and services from their suppliers and settle the liabilities arising from this through cash or other assets whose value is based on equity instruments. Possible effects on LBBW's consolidated financial statements are currently being examined.

3. Accounting Policies.

The consolidated interim financial statements for the period ended June 30, 2009 do not contain all the information required for the consolidated annual financial statements and should therefore be read in conjunction with the annual financial statements for the period ended December 31, 2008 (Annual Report 2008, pages 157 et seq.). The accounting policies applied are generally the same as those used for the consolidated financial statements as of December 31, 2008. The consolidated interim financial statements are based on the going concern principle.

The consolidated interim financial statements are prepared on a historical cost and fair value basis. Fair value is used in the case of investment property, investment securities classified as available-for-sale financial assets, derivative financial instruments, and financial assets and liabilities at fair value through profit or loss.

Income and expenses are accrued. The income taxes in the consolidated interim financial statements are calculated using the taxation rates arising from the tax expense on the expected result for the full financial year.

Estimates, judgments, and assumptions are a necessary part of recognition and measurement under IFRSs. The best possible estimates are made in conformity with the respective Standards. Estimates, judgments, and assumptions mainly relate to the fair value of financial instruments and investment property, the value of assets, and the calculation of the allowance for losses on loans and advances, as well as the recognition and measurement of deferred taxes and provisions.

The estimates, judgments, and assumptions are each based on the level of knowledge available currently about expected future business developments and trends in the global and sector-specific environment. Where actual values differ from the estimates made, the underlying assumptions and – if necessary – the carrying amounts of the relevant assets and liabilities are adjusted accordingly.

Reclassification.

In the LBBW Group, certain trading assets and securities categorized as available-for-sale were reclassified retroactively in 2008 with effect from July 1, 2008 to the Loans and Receivables (LaR) category with the fair value calculated on this reporting date.

The following table shows details of the reclassification:

	June 30, 2009		Dec. 31, 2008		July 1, 2008	
EUR million	Carrying amount	Fair Value	Carrying amount	Fair Value	Nominal value	Carrying amount
Held for Trading reclassified as Loans and Receivables	**831**	**777**	**835**	**764**	**935**	**913**
of which securitazation transactions	116	88	123	104	134	128
of which other securities	715	689	712	660	801	785
Available for Sale reclassified as Loans and Receivables	**26 784**	**23 466**	**27 717**	**24 492**	**29 162**	**27 492**
of which securitization transactions	12 784	9 978	13 474	11 022	14 768	13 421
of which other securities	14 000	13 488	14 243	13 470	14 394	14 071
Total	**27 615**	**24 243**	**28 552**	**25 256**	**30 097**	**28 405**

If no reclassification had taken place, unrealized fair value gains (+)/losses (–) from the reclassified trading assets totaling EUR 19 million (EUR – 66 million) would have been incurred in the first half of 2009 (second half of 2008).

If the reclassification of the AfS securities had not taken place, this would have placed a burden of EUR – 4 million (EUR – 3,134 million) on the revaluation reserve in the first half of 2009 (second half of 2008).

In the period from July 1, 2008 to June 30, 2009, both repayments and interest payments were made in the normal course of business.

Changes in Accordance with IAS 8.

The following new standards that came into effect as of January 1, 2009 were also applied at the LBBW Group:

The changes to IAS 1 (endorsed on December 17, 2007) affected primarily the presentation and contents of the income statement, the total comprehensive income and the statement of changes in equity. IAS 1 (revised in 2007), which has been applied by the LBBW Group since January 1, 2009, provides the option of presenting income and expense items and the components of the overall result either in one statement with subtotals or in two separate statements. The amendments also include changes to the terms for some items in the financial statements, in order to emphasize their respective functions more clearly. However, it is not mandatory to use the new terms in the financial statements. At the LBBW Group, the terms for the items in the financial statements have been kept unchanged in comparison with the 2008 consolidated financial statements. Moreover, a total comprehensive income that includes the consolidated profit and the income and expenses recognized directly in equity is presented as a separate statement in addition to the income statement. The changes in presentation were also taken into account for comparative periods. The statement of changes in equity, previously presented in the explanations on equity, includes transactions with providers of equity, the total comprehensive income and, if applicable, the effects of retroactive applications or adjustments.

The revised standard IAS 32 (endorsed on January 21, 2009) has been applied at the LBBW Group since January 1, 2009. It contains new rules on the classification of equity and debt, particularly the circumstances under which puttable financial instruments and obligations arising only from the liquidation of the issuer must be treated as equity instruments. The application of these changes did not have any impact on the net assets, financial position, and results of operations of the Group.

The revised standard IAS 27 (endorsed on January 23, 2009) has been applied at the LBBW Group since January 1, 2009. The changes relate primarily to the reporting of dividends from a subsidiary, a jointly controlled entity or an associate in the single-entity financial statements of the shareholder and the recognition of shares in the single-entity financial statements of a new parent company that was founded during reorganization. These changes do not have any impact on LBBW's consolidated interim financial statements.

Unlike segment reporting in IAS 14, segment reporting in accordance with IFRS 8 (endorsed on November 21, 2007), which has been applied at the LBBW Group since January 1, 2009, takes the so-called management approach. This provides that the segment information used internally and published externally must be consistent. According to IFRS 8, internal reports used by management respectively the chief operating decision-maker to make decisions about segments and assess their performance will serve as the basis for defining the operating segments. The operating segments defined in this way correspond at LBBW to the segments previously identified in accordance with IAS 14. Additional information on the respective segments, together with adjusted comparative information and a reconciliation, is given in segment reporting.

The annual improvements to IFRS 2008 (endorsed on January 23, 2009) contain a section with changes to methods of accounting and a second section with editorial and terminological changes. The changes to the standards IFRS 5, IAS 1, IAS 8, IAS 10, IAS 16, IAS 20, IAS 27, IAS 29, IAS 34, IAS 38, IAS 39, IAS 40 and IAS 41 had no impact on the accounting policies or the net assets, financial position, and results of operations of the LBBW Group.

Adjustments were made to accounting policies as a result of the following changes:

- The accounting policy for employee benefits (IAS 19) was supplemented by the distinction between curtailments and negative past service cost and a clarification as to which administrative costs of the plan are to be taken into account as deductible costs.
- The definition of borrowing costs in IAS 23 was adjusted with regard to the interest expense. According to this, interest expense is a part of borrowing costs that is calculated on the basis of the effective interest rate method in accordance with IAS 39.
- The information and accounting policies for associates and joint ventures were revised in accordance with the changes to IAS 28, IAS 31, IAS 39 and IFRS 7. Accordingly, shares in associates and joint ventures that are held by investment funds, unit trusts and similar companies are excluded from the scope of IAS 28 and IAS 31 and are reported in accordance with IAS 39. The disclosure requirements are limited to the information required in IFRS 7.
- Following the adjustment of IAS 36, the same disclosure requirements apply with regard to the recoverable amount for the fair value minus costs to sell and the value in use, provided that the fair value minus costs to sell is calculated on the basis of a discounted cash flow model.

The following issues were adjusted in the first half of 2009 in accordance with IAS 8.42:

- The fact that impaired loans and advances had not been recognized as non-performing at LBBW meant that corrections were necessary in the balance sheet and the income statement. The loans and advances reported were adjusted by EUR – 54 million at the end of 2008, while the allowance for losses on loans and advances was adjusted by EUR 7 million and the deferred income tax assets by EUR 14 million. The net interest income was adjusted for the effect of EUR – 14 million relating to the first half of 2008 and the income tax expense in the amount of EUR – 1 million.
- Reclassifications of EUR 12.9 million from allowances for losses on loans and advances on the balance sheet to the investment securities relate to portfolio write-downs on securities in the LaR category in the investment securities.
- Remeasurements of EUR 7.5 million for specific shares reported under investment securities were necessary as at the reporting date of December 31, 2008. The deferred income tax liabilities were adjusted by EUR 3.3 million accordingly. This had total impact of EUR 4.2 million on the revaluation reserve for AfS financial instruments.
- In the consolidated financial statements for the 2008 financial year, LBBW attributed structured securities totaling EUR 412 million as at June 30, 2008 as available-for-sale. According to its accounting guidelines, these should be attributed at fair value. This led to higher expenses of EUR 22 million in the net income/loss from financial instruments designated at fair value and a reverse effect in the revaluation reserve for AfS financial instruments up to June 30, 2008. Of this sum, EUR 9 million related to the profit attributable to minority interest after tax.

Balance Sheet December 31, 2008.

EUR million	Published consolidated financial statements	Adjustments	Adjusted consolidated financial statements
Loans and advances to customers	149 942	– 54	149 888
Allowances for losses on loans and advances	– 2 545	20	– 2 525
Investments Securities	93 457	– 5	93 452
Deferred income tax assets	1 535	14	1 549
	242 389	**– 25**	**242 364**
Deferred income tax liability	188	3	191
Equity, cumulative net income recognized directly in equity	– 1 449	4	– 1 445
Equity, net retained loss	– 2 031	– 32	– 2 063
	– 3 292	**– 25**	**– 3 317**

Income Statement Jan. 1 – June 30, 2008.

EUR million	Published consolidated financial statements	Adjustments	Adjusted consolidated financial statements
Net interest income	1 142	– 14	1 128
Net loss from financial instruments designated at fair value through profit or loss	– 73	– 22	– 95
Income tax expense	– 80	– 1	– 81
Consolidated loss for the period	**– 144**	**– 37**	**– 181**
Profit attributable to minority interests	10	– 9	1
Loss attributable to shareholders	– 154	– 28	– 182

In the Notes »Fair Value of Financial Instruments«, the fair value of loans and advances to customers as at December 31, 2008 was adjusted by EUR – 200 million in the carrying amount/fair value comparison table, owing to a change in the calculation method.

4. Basis of Consolidation.

In addition to the ultimate parent company LBBW, 29 subsidiaries (December 31, 2008: 28 subsidiaries), two sub-groups (December 31, 2008: two sub-groups), 21 special-purpose entities (December 31, 2008: 23 special-purpose entities) and, as before, two associates and one joint venture were included in the consolidated interim financial statements.

In the first half of 2009, LBBW Finance Japan Inc. was consolidated for the first time as a subsidiary and S-Fix 1 GmbH was consolidated for the first time as a special-purpose entity in accordance with IAS 27 in conjunction with SIC 12.

Consolidation of the special-purpose entities accounts for all material risks arising from these kinds of units in the consolidated interim financial statements of LBBW.

The following three special-purpose entities left the scope of consolidation in the first half of 2009, as the securities were transferred to LBBW and they were wound up:

- Bodensee II Funding LTD
- FIT REPO Ltd.
- LI-FI (Leveraged Investment in Financial Institutions)

A total of 303 (December 31, 2008: 313) subsidiaries were not included in the consolidated interim financial statements because their aggregate influence on the net assets, financial position, and results of operations of the LBBW Group is not significant. These mainly include property management companies and shelf companies.

5. Cylical Influences.

In contrast to the 2008 financial year, which was strongly influenced by the escalating financial market crisis in the second half of 2008, the first half of the 2009 financial year was shaped by the downward trend observed in the real economy.

In particular, this can be seen from the significant increase in the allowance for losses on loans and advances in comparison with June 30, 2008. The ongoing financial market crisis was reflected in the drop in the net loss from investment securities. This was offset by a significant recovery in the net trading income/loss, driven in particular by positive results in interest rate trading, largely due to interest rate cuts in the euro zone and spread narrowing for credit derivatives relating to banks and sovereigns. The development of the net fee and commission income was also pleasing.

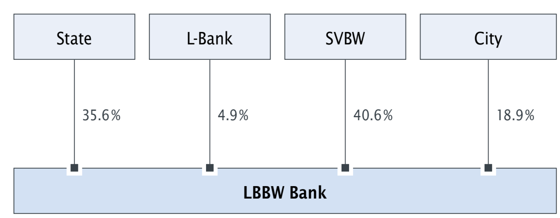
6. Equity Increase and Risk Shield.

Equity Increase.

In a contract dated June 19, 2009, the owners of LBBW decided on an increase in the share capital of EUR 1.2 billion and in the share premium of EUR 3.8 billion and the addition of Landesbeteiligungen Baden-Württemberg GmbH (Landesbeteiligungen BW) as another owner of LBBW.

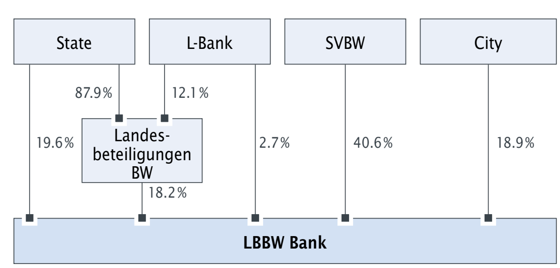
At the time the contract was concluded, the state of Baden-Württemberg (state), Sparkassenverband Baden-Württemberg (SVBW) [Savings Bank Association of Baden-Württemberg], the state capital Stuttgart (city) and Landeskreditbank Baden-Württemberg – Förderbank (L-Bank) were the owners of LBBW. In the run-up to the capital measure, Sparkassenverband Rheinland-Pfalz [Savings Bank Association of Rhineland-Palatinate] sold its 4.9 % stake in LBBW to SVBW.

Shareholdings at the time the contract was concluded:



The owners of LBBW contributed jointly to the capital increase in line with their stakes, either directly (SVBW and city) or indirectly via Landesbeteiligungen BW (state and L-Bank). The state owns 87.9 % of the shares and L-Bank 12.1 % of the shares in Landesbeteiligungen BW.

Shareholdings following the capital increase:



The increase in share capital and the share premium was carried out by means of a capital increase through cash contributions.

The total amount of the capital increase was made available with legal effect by June 30, 2009 and, in agreement with Bundesanstalt für Finanzdienstleistungaaufsicht [the German Federal Financial Supervisory Authority], will be eligible as Tier 1 capital from the time it is paid in.

Risk Shield.

In a contract dated June 26, 2009, LBBW arranged risk protection with the state of Baden-Württemberg in the form of a guarantee structure with effect from June 30, 2009. GPBW GmbH & Co. KG, a company owned by the state of Baden-Württemberg (guarantee company), has granted LBBW a guarantee totaling EUR 12.7 billion to protect against losses on specified reference assets. A loss is defined as the total of all payments owed from a reference asset, including interest owed, liquidation costs and other payments owed, which are not met at maturity. The term of the guarantee ends when the security protected for the longest time matures.

The guarantee relates in the amount of EUR 6.7 billion to an ABS portfolio of the Bank and various Group companies with a nominal value of EUR 17.6 billion and in the amount of EUR 6.0 billion to a loan (junior loan) in the same amount that LBBW has granted to Sealink Funding Ltd. (Sealink), a special-purpose entity to which certain risk-carrying structured ABSs were transferred in connection with the acquisition of the former Landesbank Sachsen AG.

To secure the guarantee, the guarantee company has deposited an interest-bearing cash deposit of EUR 12.7 billion and pledged it to LBBW. The guarantee company is to refinance itself through the issue of a bond in the amount of EUR 12.7 billion with a term of five years, which will be protected by the state of Baden-Württemberg in the amount of the nominal value against actual defaults. The bond was taken up completely by LBBW.

In accordance with the current contract, the Bank will bear any losses on the ABS portfolio up to an amount of EUR 1.9 billion on specifically identified assets in the ABS portfolio (deductible commitments, objective first loss).

An allowance for losses on these assets had already been recognized in the amount of approximately EUR 1.3 billion in the annual financial statements for 2007 and 2008. With regard to the secured loan to Sealink, the exchange rate risk remains with LBBW.

The guarantee structure chosen immediately reduced the risks relating to future losses from the protected portfolio, with the exception of the deductible commitments. This means that no further write-downs are to be carried out for the protected portfolio and that the burden will be eased on the income statement and equity with regard to this.

The structured portfolios Ormond Quay and Sachsen Funding I were excluded from the acquisition of Sachsen LB by LBBW in 2008. These portfolios, with a business volume of EUR 17.3 billion, were transferred to the special-purpose entity Sealink Funding Ltd., which was founded in 2008. To secure defaults within these portfolios, the Free State of Saxony has provided a guarantee amounting to EUR 2.75 billion. Defaults exceeding the guarantee provided by the Free State of Saxony will in principle be charged to LBBW, up to a total of EUR 6 billion; this risk has been covered since June 30, 2009 by the risk shield provided by the state of Baden-Württemberg. Losses exceeding this amount will mainly be borne by the other Landesbanken involved. In the first half of 2009, the state of Saxony took on around EUR 1.7 million for initial defaults as the guarantor.

LBBW still holds the opinion that the guarantee from the Free State of Saxony and the guarantee from the state of Baden-Württemberg as part of the risk shield are fully sufficient to cover the risks from the portfolios transferred to Sealink.

Approval of the European Commission.

The European Commission is of the opinion that an investor acting from a market economy perspective would not have provided any equity or a guarantee under these circumstances. The Commission believes that the transaction described was determined largely by the state of Baden-Württemberg and the other owners and is therefore of the opinion that these measures constitute a subsidy as defined by Article 87 Paragraph 1 of the EC Treaty.

In a letter dated June 30, 2009, the European Commission has initially approved equity relief through the risk shield provided by the state of Baden-Württemberg and the capital injection from the owners for six months. The decision on approval includes the obligation to present a comprehensive restructuring plan by the end of September. The European Commission will also check compliance with the requirements of the Commission announcement on the treatment of impaired assets in accordance with Article 88 Paragraph 2 of the EC Treaty in connection with measurement and the distribution of burdens within the risk shield.

Segment Reporting.

7. Segment Reporting in accordance with IFRS 8.

Segment reporting in the LBBW Group was prepared in accordance with the provisions of IFRS 8 for the first time in the first half of 2009. Following the »management approach«, segment reporting is therefore based on internal management reporting to the Group's Board of Managing Directors, which, in its function as the chief operating decision-maker, regularly takes decisions about the allocation of resources and the assessment of the performance of the segments on this basis.

The first-time application of IFRS 8 did not lead to any changes in the classification of the reportable segments compared with IAS 14. The previous year's figures were adapted to the changes in valuation methods resulting from the switch to IFRS 8.

Classification of Segments.

The business segments presented below are defined as product and customer groups based on the Group's internal organizational structures, in accordance with the internal management report. Subsidiaries and equity investments are assigned to the individual segments according to their business orientation.

Segment reporting at the LBBW Group is divided into the following segments:

- The Corporates segment includes business with medium-sized corporate customers in Germany and abroad, with a focus on Baden-Württemberg, Saxony and Rhineland-Palatinate, business customers, key accounts, real estate companies and the public sector. On the financing side, the solutions offered range from classic through structured to off-balance sheet financing. Services are also offered in the areas of international business, cash management, interest rate, currency and commodities management, asset and pension management. Products relating to investment banking (e. g. mergers and acquisitions, primary capital markets business for our corporate customers), commercial property financing and other specialized product areas – particularly the equity investment, leasing and factoring business – are also included here.
- The Retail Clients segment comprises all activities involving retail, investment, private banking and wealth management customers. The products on offer range from classic checking accounts to real estate financing and investment advice to specialized services – particularly for wealth management customers – such as financial planning, asset management, securities account management and foundation management. Business activities connected with the Bank's function as the central bank for savings banks are also included in this segment.
- Apart from traditional trading operations, the Financial Markets segment also includes all sales activities with credit institutions, sovereigns, insurance companies, and pension funds. The product portfolio contains financial instruments for the management of interest rates, currency, credit risks and liquidity. Financing solutions are also offered on the primary market in the field of equity and debt, along with asset management services. The Corporates segment includes all results from financial market transactions with corporate customers. Funding is also mainly included in this segment.
- In addition to the contribution to earnings from strategic investments, the Credit Investment Portfolio/Treasury segment mainly comprises the credit substitute portfolio and the Group's capital market-oriented lending business. In particular, this includes the Bank's own investments in plain vanilla bonds, structured securitizations and credit derivatives.
- The Corporate Items segment includes all business activities not included in the operating segments mentioned above. This notably consists of equity investments not included in the consolidated financial statements, and the income generated from central investment of LBBW's own funds, to the extent that this is not assigned to other segments.
- The Reconciliation/Consolidation column covers pure consolidation issues. In addition, this segment presents a reconciliation of internal financial control data to external reporting data.

Valuation Methods.

Segment information is based on the internal financial control data documented by Controlling, which combines external reporting methods and economic valuation methods. The resulting differences in valuation and reporting compared with the IFRS Group figures are presented in the reconciliation.

As a rule, income and expenses are allocated to the segments in which they arise.

Operating income includes net interest income, net fee and commission income, net trading income/loss, net income/loss from hedging transactions, net income/loss from financial instruments designated at fair value, other operating income and net income from investment property. Net interest income is determined in accordance with the «Marktzinsmethode» (a market-oriented funds transfer pricing system used by German banks). This also includes the capital benefit, i. e., investment income from equity.

Besides direct personnel and material expenses, the administrative expenses of a segment also include expenses assigned on the basis of intra-group cost allocation. Overheads are allocated on a pro rata basis.

The allowance for losses on loans and advances corresponds to the carrying amounts in the income statement and is allocated to the segments in which it arises.

The net loss from investment securities is reported in a single item along with the net loss from profit and loss transfer agreements and the net loss from investments accounted for using the equity method.

The assets on the balance sheet are reported as segment assets. The allocation to the segments is based on internal management reporting.

The calculation of average equity tied up is based on the risk positions calculated in accordance with the Solvabilitätsverordnung (SolvV – German Solvency Regulation) and imputed Tier 1 capital charges in the segments. The imputed Tier 1 capital charges were increased in the first half of 2009. Prior-year figures for tied-up equity were restated to improve comparability.

A segment's return on equity is calculated based on the ratio of consolidated profit before tax (excluding restructuring expenses) to equity deemed to be tied up in accordance with supervisory requirements. The cost/income ratio (CIR) is the ratio of administrative expenses to operating income.

Segment reporting takes into account corrections to the balance sheet and the income statement owing to circumstances in line with IAS 8.

EUR million	Corporates		Retail Clients		Financial Markets		Credit Investment Portfolio/Treasury		Corporate Items		Reconciliation/ Consolidation		LBBW Group	
	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008
Operating income/loss	**1 003**	**796**	**289**	**322**	**728**	**452**	**478**	**– 575**	**– 229**	**– 47**	**– 101**	**82**	**2 168**	**1 029**
Allowances for losses on loans and advances	– 548	31	– 25	18	– 5	2	– 123	– 2	– 38	– 31	23	5	– 717	23
Net income/ loss from investment securities and other items[1]	– 36	– 23	0	0	0	– 1	– 151	– 142	– 35	– 9	– 23	4	– 244	– 171
Administrative expenses	– 321	– 310	– 246	– 252	– 155	– 168	– 42	– 60	– 142	– 131	– 8	17	– 914	– 904
Operating loss/profit	**97**	**493**	**18**	**87**	**569**	**286**	**162**	**– 780**	**– 444**	**– 219**	**– 109**	**108**	**292**	**– 24**
Restructuring expenses	0	0	0	0	0	0	0	0	0	– 76	0	0	0	– 76
Consolidated profit (+)/ consolidated loss (–) before tax	**97**	**493**	**18**	**87**	**569**	**286**	**162**	**– 780**	**– 444**	**– 295**	**– 109**	**108**	**292**	**– 100**
Segment assets	113 956	112 983	35 719	35 815	145 559	158 198	98 542	104 509	41 303	28 324	12 668	8 077	447 746	447 907
Tied-up equity	**5 335**	**4 818**	**945**	**1 012**	**1 671**	**1 668**	**3 686**	**3 039**	**– 1 479**	**– 590**	**– 2 547**	**– 329**	**7 613**	**9 619**
RoE (in %)[2]	**3.7**	**20.5**	**3.7**	**17.3**	**68.1**	**34.3**	**8.8**	**–**	**–**	**–**	**–**	**–**	**7.7**	**<0.0**
CIR (in %)	**32.0**	**38.9**	**85.1**	**78.4**	**21.3**	**37.1**	**8.8**	**–**	**–**	**–**	**–**	**–**	**42.2**	**87.9**

1) Includes the following income statement items: net loss from investment securities, net loss from profit/loss transfer agreements, and net loss from investments accounted for using the equity method
2) Excluding restructuring expenses

Reconciliation of Segment Results to the Consolidated Income Statement.

In the first half of 2009, the total of »Reconciliation/Consolidation« on the consolidated profit before tax amounted to EUR – 109 million (first half of 2008: EUR 108 million) and is essentially due to the following issues:

- More subsidiaries and equity investments are included in internal management than in the basis of consolidation according to IFRS.
- In internal management reporting, the net interest income is calculated on the basis of the »Marktzinsmethode«. This also applies to the subsidiaries and equity investments included in internal management. Differences compared with the income statement are therefore the result of net interest income for prior periods and not IFRS-specific measurements included in internal management reporting (particularly unwinding).
- The entire portfolios of the trading books and strategic investments are reported in the internal mark-to-market management report, while they are not measured completely at their fair value in the IFRS consolidated financial statements.
- The costs of the service divisions (particularly integration-related costs) that are not allocated to the segments as part of intra-group cost allocation are reported under Reconciliation.

Notes to the Income Statement.

8. Net Interest Income.

EUR million	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008
Interest income/expenses from operating activities	1 007	1 007
Current income	41	109
Early termination fees	23	14
Income from profit transfer/ expenses from loss absorption	0	– 2
Net interest income	**1 071**	**1 128**

The interest income/expense from operating activities for the fiscal year essentially comprises interest income from credit transactions of EUR 5,365 million (first half of 2008: EUR 7,353 million), interest income from fixed-income securities and book-entry securities of EUR 2,203 million (first half of 2008: EUR 3,510 million), interest expense for customer deposits of EUR – 3,066 million (first half of 2008: EUR – 4,265 million) and interest expense for securitized liabilities of EUR –2,687 million (first half of 2008: EUR – 3,632 million). The interest income/expense from operating activities also includes the net income/loss from finance leases (lessors) of EUR 111 million (first half of 2008: EUR 127 million) and other net interest expenses (including the net interest income from derivatives) of EUR – 844 million (first half of 2008: EUR – 2,145 million).

In addition, net expenses of EUR – 75 million from buying back own bonds (first half of 2008: net income of EUR 59 million) are included in the interest income/expense from operating activities.

Of the current income, income from dividends accounts for EUR 14 million (first half of 2008: EUR 54 million).

9. Allowance for Losses on Loans and Advances.

EUR million	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008
Net additions/reversals including provisions for credit risks	– 687	31
Direct loan write-offs	– 30	– 29
Recoveries on loans previously written off	3	7
Other expenses from lending operations	– 3	14
Total allowance for losses on loans and advances	**– 717**	**23**

The net additions comprise additions to the allowance for losses on loans and advances of EUR –857 million, reversals of EUR 216 million and the net additions to provisions for credit risks of EUR – 45 million.

The increase in net additions was primarily due to the spread of the financial market crisis to the real economy, which began in the second half of 2008 and continued in the first half of 2009. In the first half of 2009, further additions were made in connection with the problems in the Icelandic banking system in the amount of around EUR 65 million and for the Lehman investment in the amount of around EUR 23 million, after taking into account the latest information.

10. Net Fee and Commission Income.

EUR million	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008
Brokerages business	118	46
Payments and international transactions	93	65
Securities and custody business	86	57
Lending and guarantee (aval) business	76	53
Trust activities	– 3	4
Leasing	– 1	– 1
Other	48	35
Net fee and commission income	**417**	**259**

Income from arrangement fees amounting to EUR 85 million led in the first half of 2009 to an increase in the net fee and commission income from the brokerage business.

The improvement in the net fee and commission income from payments and international transactions and the securities and custody business is essentially the result of new business, higher income from the syndicate business and higher custody fees.

11. Net Trading Income/Loss.

EUR million	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008
Net income from economic hedging derivatives	250	56
Net income/loss from credit risk-related transactions	201	–327
Net income/loss from interest rate transactions	150	–195
Net income from equity transactions	58	89
Net loss/income from foreign exchange transactions	–51	38
Net trading income/loss	**608**	**–339**

The net trading income/loss as at June 30, 2009 is characterized by positive effects from hedging derivatives, which, from an economic point of view, hedge the interest rate risk in particular, but which may not be recognized as hedges in accordance with IAS 39, and by the easing of the burden on credit-sensitive financial instruments. In particular, reversals of impairment losses on credit risk-related transactions, essentially due to spread narrowing for credit derivatives relating to banks and sovereigns, led to significantly positive valuation effects. In addition, the development of income from interest rate trading was positive in the first six months of the 2009 financial year. Here, it was possible to benefit above all from interest rate cuts in the euro zone and continued high spreads for market liquidity.

Net trading income/loss includes remeasurement gains (including commercial papers) of EUR 13 million calculated on the basis of valuation models whose parameters are not based on observable market data.

12. Net Income/Loss from Financial Instruments Designated at Fair value.

EUR million	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008
Realized gains/losses	–30	–18
Unrealized gains/losses	58	–77
Net loss from financial instruments designated at fair value	**28**	**–95**

The change in fair value of financial liabilities designated here includes, in the unrealized gains/losses, income of EUR 29 million in connection with the measurement of LBBW's own credit rating.

The net income/loss from financial instruments designated at fair value includes remeasurement gains of EUR 81 million calculated using valuation models that did not reflect observable market data.

13. Net Loss from Investment Securities.

EUR million	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008
Net gain/loss on disposal (AfS)	– 6	59
Remeasurement losses (AfS)	– 119	– 171
Net loss from investment securities (AfS)	– 125	– 112
Net gain/loss on disposal (LaR)	16	27
Remeasurement losses (LaR)	– 115	– 83
Net gain/loss from investment securities (LaR)	– 99	– 56
Total net loss from investment securities	**– 224**	**– 168**

The net loss from investment securities (AfS) includes EUR 134 million that was reclassified from equity to the income statement. Of this figure, EUR 129 million related to remeasurement losses and EUR 5 million to gains/losses on disposals.

In total, the net loss from investment securities includes impairments on AfS and LaR securities amounting to EUR – 188 million and impairments on AfS and LaR equity investments amounting to EUR – 79 million. The impairments on securities involve mainly specific valuation allowances on ABS securities on the basis of updated model prices. These impairments are offset by reversals of impairment losses amounting to EUR 33 million.

On the basis of the valuation method described in Note 20, »Trading Assets, Financial Assets Designated at Fair Value, and Investment Securities«, the net loss from investment securities does not include any effects from the risk shield provided by the state of Baden-Württemberg.

14. Administrative Expenses.

EUR million	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008
Total staff costs	– 542	– 541
Total other administrative expenses	– 302	– 298
Depreciation and write-downs of property and equipment	– 38	– 35
Amortization and write-downs of intangible assets	– 32	– 30
Depreciation, amortization, and write-downs	– 70	– 65
Total administrative expenses	**– 914**	**– 904**

15. Other Operating Income.

EUR million	Jan. 1 – June 30, 2009	Jan. 1 – June 30, 2008
Total other operating income	125	215
Total other operating expenses	– 165	– 152
Net other operating income	**– 40**	**63**

In particular, the drop in other operating income is due to expenses of EUR – 61 million from a legal dispute that has now been resolved. Moreover, there was no income from the transfer or realization of a partial profit on commercial project developments in the first half of the current year comparable to that of the previous year (EUR 20 million) and other income of around EUR 19 million was lost compared with the previous year, partly owing to changes in the basis of consolidation.

16. Income Taxes.

The total tax expense dropped from EUR – 81 million (first half of 2008) by 4.9 % or EUR 4 million to EUR – 77 million as at June 30, 2009. The Group's effective average tax rate for the period was 26.3 %. Positive effects from taking into account tax-free items (e.g. tax-free dividends) and contrary effects from taking into account non-deductible items (e.g. non-deductible partial write-downs) offset each other almost completely.

Notes to the Balance Sheet.

17. Loans and Advances to Other banks.

EUR million	June 30, 2009	Dec. 31, 2008
Borrower's note loans	39 298	44 280
Money market transactions	29 341	24 614
Securities repurchase agreements	17 024	18 572
Transmitted loans	14 473	14 551
Other loans	9 945	12 098
Public-sector loans	4 837	5 156
Other loans and advances	2 151	1 133
Loans and advances to other banks	**117 069**	**120 404**
Allowance for losses on loans and advances	– 400	– 265
Loans and advances to other banks after allowance for losses	**116 669**	**120 139**

Of the loans and advances to other banks, EUR 62,480 million are due within 12 months. In total, EUR 19,846 million of the loans and advances to other banks relate to banks outside Germany.

The increase in money market transactions by EUR 4,727 million (growth in short-term interbank trading) was more than offset by the decline in borrower’s note loans by EUR – 4,982 million and in other loans by EUR – 2,153 million, which meant that the overall balance of loans and advances to other banks was lower than on December 31, 2008.

18. Loans and Advances to Customers.

EUR million	June 30, 2009	Dec. 31, 2008
Other loans	47 470	54 794
Public-sector loans	26 681	30 595
Money market transactions	19 873	16 731
Mortgage loans	15 219	12 624
Construction financing	14 601	14 331
Giro receivables	6 209	5 472
Receivables from finance leases	6 068	4 466
Transmitted loans	4 609	4 490
Borrower's note loans	3 082	2 445
Other loans and advances	6 668	3 940
Loans and advances to customers	**150 479**	**149 888**
Allowance for losses on loans and advances	– 2 737	– 2 260
Loans and advances to customers after allowance for losses	**147 742**	**147 628**

Of the loans and advances to customers, EUR 47,797 million are due within 12 months. In total, EUR 52,829 million of the loans and advances to customers relate to customers outside Germany.

Other loans include the loan granted by LBBW to Sealink Funding Ltd. amounting to EUR 6.0 billion, which was secured through a guarantee structure with the state of Baden-Württemberg. The guarantee of the guarantee company is a financial guarantee in accordance with the provisions of IAS 39 and is thus a contingent asset, which, in accordance with IAS 37.31, must not be capitalized until the balance sheet date unless it is utilized.

The loan to Sealink is attributed to the LaR category. If indicators of permanent impairment are identified for the secured loan, the asset cash flows in accordance with IAS 39.AG84 are replaced by cash flows from the guarantee in order to calculate the amount of the write-down. This means that permanent impairment on the loan is not recorded in the income statement in the amount of the respective guarantee. No impairment was recorded as of June 30, 2009.

19. Allowance for Losses on Loans and Advances.

EUR million	Specific/ collective valuation allowance		Portfolio valuation allowance	
	Loans and advances to other banks	Loans and advances to customers	Loans and advances to other banks	Loans and advances to customers
Balance at Jan. 1, 2009	**251**	**1 973**	**15**	**306**
Adjustment in accordance with IAS 8	**0**	**– 7**	**– 1**	**– 12**
Adjusted balance at Jan. 1, 2009	**251**	**1 966**	**14**	**294**
Net reversals (–)/-additions (+)	82	489	– 1	71
Utilization	0	– 44	0	0
Exchange-rate-related and other changes	54	– 30	0	– 9
Balance at June 30, 2009	**387**	**2 381**	**13**	**356**

EUR million	Specific/ collective valuation allowance		Portfolio valuation allowance	
	Loans and advances to other bank	Loans and advances to customers	Loans and advances to other bank	Loans and advances to customers
Balance at Jan. 1, 2008	**0**	**1 633**	**15**	**318**
Net reversals (–)/-additions (+)	250	585	4	– 18
Utilization	0	– 199	0	0
Exchange-rate-related and other changes	1	– 46	– 4	6
Balance at Dec. 31, 2008	**251**	**1 973**	**15**	**306**

20. Trading Assets, Financial Assets Designated at Fair Value and Investment Securities.

June 30, 2009	Trading assets EUR million	Financial assets designated at fair value EUR million	Investment securities EUR million
Bonds and other fixed-income securities	26 549	5 023	94 730
Money market instruments	11 124	0	1 327
Bonds and debentures	15 425	5 023	93 403
Equities and other non-fixed-income securities	471	413	56
Equities	158	351	5
Investment units	312	59	32
Other securities	1	3	19
Other	1 558	1 378	0
Borrower’s note loans	1 481	783	0
Precious metals	77	0	0
Other loans and receivables	0	96	0
Miscellaneous	0	499	0
Positive fair values from derivative financial instruments	36 074	1 004	0
Equity investments	0	0	2 340
Investments in affiliates	0	0	897
	64 652	**7 818**	**98 023**

Dec. 31, 2008	Trading assets EUR million	Financial assets designated at fair value EUR million	Investment securities EUR million
Bonds and other fixed-income securities	23 668	5 278	89 872
Money market instruments	13 008	0	1 581
Bonds and debentures	10 660	5 278	88 291
Equities and other non-fixed-income securities	529	639	96
Equities	279	550	11
Investment units	250	85	80
Other securities	0	4	5
Other	1 617	1 408	0
Borrower’s note loans	1 555	753	0
Precious metals	62	0	0
Other loans and receivables	0	125	0
Miscellaneous	0	530	0
Positive fair values from derivative financial instruments	37 332	1 101	0
Equity investments	0	0	2 546
Investments in affiliates	0	0	938
	63 146	**8 426**	**93 452**

The increase in trading assets, caused largely by increased portfolios of bonds and debentures, was dampened by the reverse development in the positive fair values of OTC interest rate and credit derivatives.

The increase in bonds and debentures within the investment securities is due to the 5-year bond (EUR 12.7 billion) taken up from GPBW GmbH & Co. KG in connection with the guarantee provided by the state of Baden-Württemberg.

Under the item »Bonds and Debentures«, the investment securities include the ABS portfolio amounting to EUR 17.6 billion, which was secured up to a maximum amount of EUR 6.7 billion through a guarantee structure with the state of Baden-Württemberg. The guarantee of the guarantee company is a financial guarantee in accordance with the provisions of IAS 39 and is thus a contingent asset, which, in accordance with IAS 37.31, must not be capitalized until the balance sheet date unless it is utilized.

These ABSs are attributed to the categories LaR and AfS. The maximum guarantee for the guarantee portfolio is not an integral component of the respective financial assets. If indicators of permanent credit-risk related impairment are identified for the reference assets in the LaR or AfS categories, permanent impairment is replaced by a right to reimbursement from the guarantee (up to a maximum amount of EUR 6.7 billion for the ABS portfolio). Write-downs of EUR –188 million would have ensued by June 30, 2009.

21. Intangible Assets.

EUR million	June 30, 2009	Dec. 31, 2008
Goodwill	948	946
Purchased software	148	126
Internally developed software	4	5
Other intangible assets	90	98
Total intangible assets	**1 190**	**1 175**

Goodwill.

For BAWAG Bank CZ a.s. (BAWAG CZ), which was acquired in 2008, customer relationships of EUR 13 million and goodwill of EUR 10 million identified in the course of the acquisition were recognized at the final unchanged values as at the end of 2008.

	Corporates		Financial Markets		Total	
EUR million	2009	2008	2009	2008	2009	2008
Balance at January 1	**929**	**0**	**17**	**17**	**946**	**17**
Additions	2	929	0	0	2	929
Balance at June 30/December 31	**931**	**929**	**17**	**17**	**948**	**946**
Gross amount Goodwill	931	929	17	17	948	946

The addition to goodwill of EUR 2 million related to a business combination at a subsidiary in 2008. The goodwill was attributed to the Corporates segment in full.

Goodwill Impairment Test.
As at June 30, 2009, the Corporates segment and the Financial Markets segment reported goodwill. In comparison with the ascertainment of value for the goodwill test in the audit of the consolidated financial statements for 2008, possible impairment could not be ruled out in view of the financial market crisis and the associated effects on the real and financial economy, so goodwill was tested for impairment.

Goodwill was tested (impairment test) at the level of the primary cash-generating units, by comparing the recoverable amount of each unit reporting goodwill with its carrying amount. The procedure for calculating the recoverable amount corresponded to the procedure applied in testing for the consolidated financial statements for 2008 and presented in the Notes. The parameters taken as a basis have changed only slightly compared with the parameters last used. The capitalization rate applied to the cash-generating units as at the end of the first half of 2009 has risen by 25 basis points to 9.75 % compared with the test in the fourth quarter of 2008.

The test showed for both the Corporates segment and the Financial Markets segment that the recoverable amount based on the fair value of the units minus sales costs was above the carrying amount in each case. We therefore concluded that there was no impairment on goodwill.

22. Deposits from Other Banks.

EUR million	June 30, 2009	Dec. 31, 2008
Securities repurchase agreements	45 983	42 523
Money market transactions	41 085	43 087
Öffentliche Namenspfandbriefe (public-sector registered covered bonds) issued	7 471	7 476
Borrower’s note loans	6 819	8 489
Hypotheken-Namenspfandbriefe (mortgage-backed registered covered bonds) issued	6 082	891
Giro liabilities	1 668	1 575
Other deposits from other banks	32 767	36 165
Deposits from other banks	**141 875**	**140 206**

Of the deposits from other banks, EUR 88,562 million are due within 12 months. In total, EUR 48,338 million of the deposits from other banks relate to banks outside Germany.

23. Amounts Due to Customers.

EUR million	June 30, 2009	Dec. 31, 2008
Giro liabilities	32 814	16 631
Money market transactions	20 730	29 134
Öffentliche Namenspfandbriefe (public-sector registered covered bonds) issued	17 312	17 298
Borrower's note loans	13 692	15 740
Savings deposits	5 487	4 937
Hypotheken-Namenspfandbriefe (mortgage-backed registered covered bonds) issued	2 130	1 527
Other amounts due to customers	17 157	17 965
Amounts due to customers	**109 322**	**103 232**

Of the amounts due to customers, EUR 75,690 million are due within 12 months. In total, EUR 19,524 million of the amounts due to customers relate to customers outside Germany.

The increase in giro liabilities is due in particular to deposits from the guarantee company in connection with the risk shield (see Note 6).

24. Securitized Liabilities.

EUR million	June 30, 2009	Dec. 31, 2008
Other bonds	51 560	53 834
Pfandbriefe (covered bonds)	48 450	51 346
Money market instruments	4 302	5 412
Other securitized liabilities	10 162	11 728
Securitized liabilities	**114 474**	**122 320**

Of the securitized liabilities, EUR 33,309 million are due within 12 months.

In accordance with IAS 39, the own bonds held by the LBBW Group amounting to a nominal EUR 17,704 million were deducted from the bonds issued.

In the first half of 2009, new issues (including money market instruments) amounted to EUR 41,980 million. Between January 1 and June 30, 2009, bonds and money market instruments with an issuing volume of EUR 68,671 million were repaid at the LBBW Group.

25. Trading Liabilities and Financial Liabilities Designated at Fair Value.

EUR million	Trading liabilities		Financial liabilities designated at fair value	
	June 30, 2009	Dec. 31, 2008	June 30, 2009	Dec. 31, 2008
Negative fair values from trading derivatives and economic hedging derivates	35 942	38 077	787	1 049
Delivery obligations from short sales of securities	1 108	1 004	0	0
Securitized liabilities	–	–	6 748	7 603
Borrower's note loans	–	–	4 150	4 506
Other financial liabilities	997	908	1 887	2 199
	38 047	**39 989**	**13 572**	**15 357**

The reduction in the portfolio of trading liabilities is essentially due to the development of the fair values of OTC-interest-rate and -credit-derivatives and the decline in the fair values of derivative currency transactions.

The drop in financial liabilities designated at fair value is partly due to reductions in the portfolios of LBBW's own structured issues and Schuldscheine (German promissory notes). Expired issues with guarantor's liability (Gewährträgerhaftung) and early repayments are offset by less new business, as a result of the current economic situation.

26. Provisions.

EUR million	June 30, 2009	Dec. 31, 2008
Provisions for pensions	1 503	1 487
Provisions for credit risks	216	187
Other personnel-related provisions	161	167
Other provisions	124	139
Provisions	**2 004**	**1 980**

On June 30, 2009, Other provisions still included provisions for restructuring expenses in connection with the integration of the former Sachsen LB and the former Landesbank Rheinland-Pfalz amounting to EUR 40 million (December 31, 2008: EUR 46 million).

27. Subordinated Debt.

EUR million	June 30, 2009	Dec. 31, 2008
Subordinated liabilities	5 102	5 223
Typical silent partner's contributions	4 564	4 843
Capital generated by profit-participation certificates	1 996	2 109
Subordinated debt	**11 662**	**12 175**

The silent partners' contributions recognized as liable capital for regulatory purposes and in the Kreditwesengesetz (German Banking Act) are not recognized as capital in accordance with the provisions of IAS 32.

28. Equity.

EUR million	June 30, 2009	Dec. 31, 2008
Ordinary share capital	2 584	1 420
Share premium	6 910	3 074
Retained earnings	2 911	5 064
Net income recognized directly in equity	– 1 213	– 1 445
Net retained profit/loss	222	– 2 063
Minority interest	21	39
Total equity	**11 435**	**6 089**

By June 30, 2009, the ordinary share capital of LBBW was increased by EUR 1.2 billion and the share premium by EUR 3.8 billion. The capital increase was carried out through cash contributions.

Own funds were as follows as of the reporting date:

EUR million	June 30, 2009	Dec. 31, 2008
Core capital (Tier 1)	15 207	12 225
Supplementary capital (Tier 2)	4 796	5 105
Tier 3 capital	687	640
Own funds (Tier 1+2+3)	**20 690**	**17 970**
Capital requirements for counterparty risk	135 950	150 937
Own funds requirements for market risk positions	20 825	19 925
Capital requirements for operational risk	4 975	6 588
Total qualifying items	**161 750**	**177 450**
Total SolvV ratio in %	**12.8**	**10.1**
Core capital ratio in %	**9.4**	**6.9**

29. Information on Derivative Transactions.

June 30, 2009	Nominal values – Remaining maturity: Up to 3 months EUR million	Between 3 months and 1 year EUR million	Between 1 and 5 years EUR million	More than 5 years EUR million	Total EUR million	Fair Value: Positive EUR million	Negative EUR million
Currency spot and forward transactions	109 819	41 317	6 860	897	158 893	3 550	2 561
Currency options	2 913	6 411	3 639	192	13 155	197	172
Cross-currency interest rate swaps	1 119	4 709	15 096	8 582	29 506	1 742	1 960
Exchange-traded currency products	94	353	314	0	761	0	2
Currency-related derivatives	**113 945**	**52 790**	**25 909**	**9 671**	**202 315**	**5 489**	**4 695**
Forward rate agreements	22 785	72 167	1 318	0	96 270	34	35
Interest rate swaps	175 223	203 448	430 494	364 829	1 173 994	29 465	28 354
Interest rate options	10 578	12 855	25 384	32 627	81 444	1 147	1 769
Caps/Floors/Collars	1 926	4 020	24 927	12 653	43 526	468	310
Other interest rate contracts	1 805	793	126	313	3 037	19	20
Exchange-traded interest rate products	20 254	65 286	77 956	0	163 496	33	29
Interest-related derivatives	**232 571**	**358 569**	**560 205**	**410 422**	**1 561 767**	**31 166**	**30 517**
Credit derivatives	**1 610**	**7 125**	**76 045**	**21 230**	**106 010**	**2 110**	**3 304**
Exchange-traded products	767	2 269	1 749	89	4 874	295	622
Equity forwards contracts	19	3	0	0	22	1	2
Stock Options	1 488	1 042	1 742	5 845	10 117	1 023	1 141
Miscellaneous other transactions	225	427	126	0	778	74	73
Other derivatives	**2 499**	**3 741**	**3 617**	**5 934**	**15 791**	**1 393**	**1 838**
Total derivatives	**350 625**	**422 225**	**665 776**	**447 257**	**1 885 883**	**40 158**	**40 354**

Dec. 31, 2008	Nominal values – Remaining maturity: Up to 3 months EUR million	Between 3 months and 1 year EUR million	Between 1 and 5 years EUR million	More than 5 years EUR million	Total EUR million	Fair Value: Positive EUR million	Negative EUR million
Currency spot and forward transactions	89 709	44 649	5 946	404	140 708	5 905	4 541
Currency options	2 729	2 927	5 590	191	11 437	388	343
Cross-currency interest rate swaps	1 419	6 174	14 529	7 787	29 909	2 138	2 832
Exchange-traded currency products	– 104	– 148	0	0	– 252	0	5
Currency-related derivatives	**93 753**	**53 602**	**26 065**	**8 382**	**181 802**	**8 431**	**7 721**
Forward rate agreements	23 218	26 550	300	0	50 068	68	77
Interest rate swaps	182 348	221 923	402 663	340 517	1 147 451	26 024	25 747
Interest rate options	7 849	14 216	27 214	30 363	79 642	1 592	2 310
Caps/Floors/Collars	2 653	4 880	24 852	13 854	46 239	465	301
Other interest rate contracts	211	6	258	376	851	10	16
Exchange-traded interest rate products	32 613	79 198	7 018	0	118 829	63	132
Interest-related derivatives	**248 892**	**346 773**	**462 305**	**385 110**	**1 443 080**	**28 222**	**28 583**
Credit derivatives	**2 679**	**5 134**	**70 748**	**23 849**	**102 410**	**3 822**	**4 958**
Exchange-traded products	1 865	2 737	1 046	64	5 712	342	1 027
Equity forwards contracts	126	0	0	0	126	1	43
Stock Options	1 298	1 946	1 522	6 204	10 970	869	1 415
Miscellaneous other transactions	340	325	132	0	797	148	145
Other derivatives	**3 629**	**5 008**	**2 700**	**6 268**	**17 605**	**1 360**	**2 630**
Total derivatives	**348 953**	**410 517**	**561 818**	**423 609**	**1 744 897**	**41 835**	**43 892**

For the purposes of providing data on derivatives, futures are listed at their fair values. In contrast, the balance of the market values of the futures and the offsetting margin payments in the relevant balance sheet items is zero.

30. Fair Value of Financial Instruments
Carrying Amount/Fair Value Comparison.

		June 30, 2009		Dec. 31, 2008	
	Categories of IAS 39	Carrying amount EUR million	Fair Value EUR million	Carrying amount EUR million	Fair Value EUR million
Assets					
Cash reserve		1 439	1 439	3 480	3 480
Assets carried at amortized cost					
Loans and advances to other banks after allowance for losses	LaR	116 669	115 996	120 139	118 041
Loans and advances to customers after allowance for losses	LaR	147 742	153 499	147 628	152 588
Investment securities					
Interest-bearing assets	LaR	49 808	44 524	38 512	33 571
Non-interest-bearing assets	LaR	15	17	25	27
Assets carried at fair value					
Investment securities					
Interest-bearing assets	AfS	45 161	45 161	51 595	51 595
Non-interest-bearing assets	AfS	3 039	3 039	3 320	3 320
Positive fair values from derivative hedging instruments		3 046	3 046	3 340	3 340
Trading assets	HfT	64 652	64 652	63 146	63 146
Financial assets designated at fair value	FVO	7 818	7 818	8 426	8 426
Portfolio hedge adjustment attributable to assets		186	186	237	237
Liabilities					
Liabilities carried at amortized cost					
Deposits from other banks	OL	141 875	143 808	140 206	142 615
Due to customers	OL	109 322	112 092	103 232	106 270
Securitized liabilities	OL	114 474	117 310	122 320	124 121
Subordinated debt	OL	11 662	12 267	12 175	12 719
Liabilities carried at fair value					
Negative fair values from derivative hedging instruments		3 599	3 599	4 634	4 634
Trading liabilities	HfT	38 047	38 047	39 989	39 989
Financial liabilities designated at fair value	FVO	13 572	13 572	15 357	15 357
Portfolio hedge adjustment attributable to liabilities		573	573	680	680

The increase in the carrying amount of investment securities from interest-bearing assets (LaR) in comparison with December 31, 2008 is due to the 5-year bond (EUR 12.7 billion) taken up from GPBW GmbH & Co. KG in connection with the guarantee provided by the state of Baden-Württemberg.

The balance of investment securities measured at fair value developed in contrast to this, largely due to maturity.

If market values from active markets are available, these are used for the measurement at fair value. Otherwise, valuation models (particularly the net present value method and option pricing models) are used that reflect current market and contract prices of the underlying financial instruments, as well as yield curves and volatility factors. In the event of inactive markets, i.e., where current market data is lacking, indicative prices or valuation models based on internal market data are used for measurement.

If no observable market values are available for the input parameters of the model, estimated values are used instead.

In the case of items payable on demand as well as other current assets and other current liabilities (with maturities within 12 months), it is assumed that the carrying amount approximates the fair value.

Measurement basis.

The valuation methods for measuring the fair value of financial instruments are broken down into three categories. All financial instruments, including available-for-sale investments, with a currently quotable (securities) market price are assigned to the first group. OTC derivatives measured using models, borrower's note loans and commercial papers measured using models, units in investment funds and certain corporate and government bonds with automatic provision from market information systems are assigned to the second group. The third group includes financial derivatives that reference individual CDS baskets, securitizations and other securities, as well as available-for-sale investments for which no current market prices are available.

Fair Value June 30, 2009.

	Quoted market price EUR million	%	Measurement method – indicative prices or externally observable parameters EUR million	%	Measurement method – no externally observable parameters EUR million	%
Positive fair values from derivative hedging instruments	13	0	3 033	6	0	0
Trading assets	17 641	29	45 415	87	1 596	16
Financial assets designated at fair value	3 450	6	3 263	6	1 105	11
Investment securities (AfS)	40 107	65	784	1	7 309	73
Total assets	**61 211**	**100**	**52 495**	**100**	**10 010**	**100**
Negative fair values from derivative hedging instruments	2	0	3 597	7	0	0
Trading liabilities	2 707	100	34 649	67	691	99
Financial liabilities designated at fair value	0	0	13 568	26	4	1
Total liabilities	**2 709**	**100**	**51 814**	**100**	**695**	**100**

Fair Value Dec. 31, 2008.

	Quoted market price EUR million	%	Measurement method – indicative prices or externally observable parameters EUR million	%	Measurement method – no externally observable parameters EUR million	%
Positive fair values from derivative hedging instruments	0	0	2 887	5	453	5
Trading assets	13 092	21	48 641	83	1 413	16
Financial assets designated at fair value	3 824	6	3 104	5	1 498	17
Investment securities (AfS)	45 361	73	3 983	7	5 571	62
Total assets	**62 277**	**100**	**58 615**	**100**	**8 935**	**100**
Negative fair values from derivative hedging instruments	2	0	4 632	8	0	0
Trading liabilities	2 902	100	36 245	65	841	93
Financial liabilities designated at fair value	0	0	15 298	27	59	7
Total liabilities	**2 904**	**100**	**56 175**	**100**	**900**	**100**

The »Measurement method – indicative prices or externally observable parameters« column includes certain securitized products measured at fair value based on indicative prices (EUR 143 million; December 31, 2008: EUR 175 million) and certain commercial papers measured using models (EUR 9,755 million; December 31, 2008: EUR 12,740 million). The first-mentioned securitized products are also shown in the column »Measurement method – no externally observable parameters«.

31. Contingent Liabilities and Other Obligations.

EUR million	June 30, 2009	Dec. 31, 2008
Contingent liabilities	10 948	8 349
of which from sureties and guarantee agreements	10 125	8 309
Other obligations	27 593	28 044
of which irrevocable loan commitments	25 216	26 583
	38 541	**36 393**

The change in contingent liabilities of EUR 2,599 million includes mainly letters of credit shown under this item amounting to EUR 2,233 million.

32. Related Party Disclosures.

	Shareholders EUR million	Members of the Board of Managing Directors and Supervisory Board EUR million	Affiliates EUR million	Associates EUR million	Joint ventures EUR million	Other related parties/ companies EUR million
Loans and advances to other banks						
June 30, 2009	2 082	0	60	351	0	6 248
Dec. 31, 2008	2 057	0	51	316	0	7 921
Loans and advances to customers						
June 30, 2009	2 435	4	1 357	353	34	1 474
Dec. 31, 2008	3 941	4	1 441	347	19	1 548
Trading assets, financial assets designated at fair value						
June 30, 2009	360	0	192	35	0	211
Dec. 31, 2008	153	0	138	35	0	275
Investment securities						
June 30, 2009	0	0	388	8	19	183
Dec. 31, 2008	0	0	222	8	29	365
Other assets						
June 30, 2009	0	0	0	267	0	0
Dec. 31, 2008	0	0	0	186	0	0
Total assets						
June 30, 2009	**4 877**	**4**	**1 997**	**1 014**	**53**	**8 116**
Dec. 31, 2008	**6 151**	**4**	**1 852**	**892**	**48**	**10 109**

		Shareholders EUR million	Members of the Board of Managing Directors and Supervisory Board EUR million	Affiliates EUR million	Associates EUR million	Joint ventures EUR million	Other related parties/ companies EUR million
Deposits from other banks							
	June 30, 2009	4925	0	73	359	0	7666
	Dec. 31, 2008	4268	0	4	272	0	9363
Due to customers							
	June 30, 2009	440	3	836	59	11	10
	Dec. 31, 2008	4036	4	833	41	14	30
Trading liabilities, financial liabilities designated at fair value							
	June 30, 2009	250	0	12	50	0	185
	Dec. 31, 2008	241	0	12	51	0	365
Other liabilities							
	June 30, 2009	0	0	0	0	0	0
	Dec. 31, 2008	0	0	1	0	0	1
Subordinated debt							
	June 30, 2009	0	0	100	10	0	0
	Dec. 31, 2008	0	0	100	5	0	0
Total liabilities							
	June 30, 2009	**5615**	**3**	**1021**	**478**	**11**	**7861**
	Dec. 31, 2008	**8545**	**4**	**950**	**369**	**14**	**9759**

Loans and advances to customers and amounts due to customers arising from transactions with shareholders have fallen compared with 2008, owing to a lower business volume. For the same reason, loans and advances to other banks and deposits from other banks arising from relationships with other related parties have also fallen.

33. Executive and Supervisory Bodies.

Board of Managing Directors of LBBW.

HANS-JÖRG VETTER
Chairman of the Board of Managing Directors since June 11, 2009

DR. SIEGFRIED JASCHINSKI
Chairman of the Board of Managing Directors until June 10, 2009

MICHAEL HORN
Deputy Chairman of the Board of Managing Directors

DR. PETER A. KAEMMERER
Member of the Board of Managing Directors

JOACHIM E. SCHIELKE
Member of the Board of Managing Directors

HANS-JOACHIM STRÜDER
Member of the Board of Managing Directors

DR. BERNHARD WALTER
Member of the Board of Managing Directors

RUDOLF ZIPF
Member of the Board of Managing Directors

The following changes were made to the Supervisory Board in the first half of 2009:

Members	**PROF. DR. ULRICH GOLL, MdL*** since January 1, 2009
	DR. STEFAN SCHEFFOLD, MdL* since January 1, 2009
Deputy Members	**JOSEF AHMED** since July 17, 2009
	DIPL.-WIRTSCH.-ING. (FH) BERND BECHTOLD since May 5, 2009
	GÜNTHER BENZ since May 5, 2009
	DR. HANS-DIETER FREY since May 5, 2009
	DIPL.-VERW.-WIRT (FH) KLAUS HERRMANN, MdL* since May 5, 2009
	HANS GEORG JUNGINGER, MdL* since May 5, 2009
	SIEGMAR MÜLLER since January 1, 2009 till June 12, 2009
	HELMUT WALTER RÜECK, MdL* since May 5, 2009
	DIPL.-ING. (FH) INGO RUST, MdL* since May 5, 2009
	DR. H.C. KLAUS SCHMIDT since January 1, 2009
Stepped down	**HANS OTTO STREUBER** as of June 12, 2009
	TIMO KLEIN as of June 30, 2009

*Member of State Parliament of Baden-Württemberg

34. Events after the Balance Sheet Date.

On June 30, 2009, the European Commission provisionally approved the capital increase of EUR 5 billion and risk immunization of EUR 12.7 billion for six months initially, under certain conditions. The second approval depends essentially on the submission of a restructuring plan by LBBW in the near future.

Strategic adjustments will become necessary as part of this restructuring in that there is to be a stronger focus on core areas of business and risk assets, particularly the credit substitute business, are to be cut back gradually.

Strict cost management together with extensive cost cuts will also be necessary to overcome the burdens from the capital increase and risk immunization.

Additional material events after June 30, 2009 that could affect the LBBW Group's net assets, financial position, and results of operations exist in the form of the as yet unresolved financial market crisis and the overall economic downturn, along with the resulting potential pressure on the consolidated financial statements of LBBW as of December 31, 2009.

Responsibility Statement.

To the best of our knowledge, and in accordance with the applicable framework for interim financial reporting, the consolidated interim financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and the Interim Group Management Report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks relating to the expected development of the Group for the remaining months of the fiscal year.

Stuttgart, Karlsruhe, Mannheim, and Mainz, August 26, 2009

The Board of Managing Directors

HANS-JÖRG VETTER

MICHAEL HORN

DR. PETER A. KAEMMERER

JOACHIM E. SCHIELKE

HANS-JOACHIM STRÜDER

DR. BERNHARD WALTER

RUDOLF ZIPF

Review Report.

To Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

»We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, condensed statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz for the period from January 1 to June 30, 2009, which are part of the half-year financial report pursuant to § (Article) 37w WpHG (»Wertpapierhandelsgesetz«: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.«

Stuttgart, August 26, 2009

PricewaterhouseCoopers
Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft

WALTER SCHULDT
German Public Auditor

DR. ANDREAS RUSS
German Public Auditor

Note Regarding Forward-Looking Statements.

Insofar as this Half-Yearly Financial Report contains forward-looking statements, expectations and assumptions, these statements may be subject to known and unknown risks and uncertainties. Forward-looking statements, identified by the use of words such as »estimate«, »forecast«, »planning«, »expect«, »probably«, »assume« and similar expressions, are not historical facts. Consequently, the actual results and developments may differ materially from the expressed expectations and assumptions. Such developments may result from changes in general economic conditions, the competitive situation, the performance of the financial markets, the development of currency exchange rates, as well as from changes in the general legal and/or tax law framework. In addition, deviations may result from credit defaults and other reasons not listed here. The LBBW Group assumes no obligation to update any forward-looking statements in the light of new information or against the backdrop of future events occurring after the publication of this Half-Yearly Financial Report.

Landesbank Baden-Württemberg
Headquarters

Stuttgart
D-70144 Stuttgart
Am Hauptbahnhof 2
D-70173 Stuttgart
Phone +49 (0) 711 127-0
Fax +49 (0) 711 127-43544
www.LBBW.de
kontakt@LBBW.de

Karlsruhe
D-76245 Karlsruhe
Ludwig-Erhard-Allee 4
D-76131 Karlsruhe
Phone +49 (0) 721 142-0
Fax +49 (0) 721 142-23012
www.LBBW.de
kontakt@LBBW.de

Mannheim
Postfach 10 03 52
D-68003 Mannheim
Augustaanlage 33
D-68165 Mannheim
Phone +49 (0) 621 428-0
Fax +49 (0) 621 428-72591
www.LBBW.de
kontakt@LBBW.de

Mainz
D-55098 Mainz
Große Bleiche 54–56
D-55116 Mainz
Phone +49 (0) 6131 64-37800
Fax +49 (0) 6131 64-35701
www.LBBW.de
kontakt@LBBW.de