Half-yearly Financial Report 2010.

Landesbank Baden-Württemberg

LBBW

2010

Key Figures of the LBBW Group.

Income statement (EUR million)	Jan. 1, 2010 – June 30, 2010	Jan. 1, 2009 – June 30, 2009[1)]
Net interest income	1 257	1 151
Allowances for losses on loans and advances	– 297	– 717
Net fee and commission income	316	417
Net trading income/loss[2)]	– 710	704
Other operating income[3)]	73	9
Administrative expenses	– 877	– 914
Net income/loss from investment securities	136	– 224
Net income/loss from investments accounted for using the equity method and from profit/loss transfer agreements	– 12	– 21
Operating result	– 114	405
Restructuring expenses	– 54	0
Fee and commission expenses to be paid for public guarantees	– 153	0
Consolidated profit before tax	– 321	405
Income tax income (+)/income tax expense (–)	31	– 103
Consolidated loss for the period (–)/consolidated profit for the period (+)	– 290	302

Balance sheet figures (EUR billion)	June 30, 2010	Dec. 31, 2009
Total assets	417.4	411.7
Risk position	137.0	153.9
Equity[4)]	20.8	21.2

Regulatory figures	June 30, 2010	Dec. 31, 2009
Core capital (EUR billion)	13.8	15.1
Own funds (EUR billion)	19.4	20.4
Core capital ratio (Tier I ratio) (in %)	10.1	9.8
Total ratio in accordance with SolvV (in %)	14.2	13.3

Employees	June 30, 2010	Dec. 31, 2009
Group	13 381	13 630

Rating (August 17, 2010)

Rating agency	Long-term rating guaranteed obligations	Long-term rating unguaranteed obligations	Financial strength	Pfandbriefe (public covered bonds)	Pfandbriefe (mortgage-backed covered bonds)
Moody's Investors Service	Aaa	Aa2	C–	Aaa	Aaa
Fitch Ratings	AAA	A+	C/D[5)]	AAA	–

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 the net income/loss from hedging transactions.
3) In addition to other operating income/expenses, this item also includes net income from investment property.
4) Equity plus subordinated debt.
5) Rating watch negative.

Foreword to Half-yearly Financial Report 2010.

Dear Customers, Dear Business Partners of the LBBW Group,

In a continuingly difficult market environment, a challenging first half of 2010 now lies behind us, marked as it was by pleasing developments in our customer business, some of which even exceeded our expectations. However, this was contrasted by a fresh crisis of confidence on the financial markets driven by concerns over the high state debt, particular in some EU countries.

This led to some irrational fluctuations in the evaluation of sovereign risks, which had reached a peak in June 2010. The negative impacts for LBBW's half-yearly result solely due to this came to EUR 650 million. In view of the structure of the sovereign risks, the market fluctuations of credit derivatives were generally reported directly in the Group's income statement. This transparency is expressly desired in the IFRS accounting standards and should be welcomed. However, it means that we must post a consolidated loss of EUR 290 million for the first half of 2010.
Since then, the situation with regard to the measurement of sovereign risks has brightened considerably. As early as the end of July, we recovered impairment losses on a large scale in a less volatile market environment for a start. And we are expecting that the development on the financial markets will be characterized by somewhat less volatility overall for the second half of the year.

Nonetheless, we cannot be satisfied with the result we have at the moment, as it clearly shows that the Bank is still too dependent on the development of the financial markets. So as to make ourselves more independent of this, it remains one of our priorities to continue dismantling the credit substitute business, which we reduced by approximately a further EUR 8 billion in the first half of the year, in a structured process, thereby reducing the high fluctuations in results.

This will then allow for a more clear-cut perception of the pleasing development in the customer business, which also benefited from a more positive economic environment in the first half of the year. We were able to enlarge our market position here. The distinct economic recovery in southwestern Germany in particular is also impacting positively on the development of our allowance for losses on loans and advances.

The restructuring of the Bank, which was approved by the EU competition commission at the end of 2009, has also made good headway in the last few months. Reducing the credit substitute business is not the only area in which we have made progress. We have also made initial disposals of some of our equity investments. The implementation of the necessary savings in material and staff costs has also been set on a good path.

The renewed turbulence on the financial markets has once more brought the capitalization of banks under the spotlight of late. As at June 30, 2010, LBBW has a consolidated core capital ratio of 10.1%. The Bank is therefore solidly capitalized under the current regulatory requirements and is in a position to withstand even greater fluctuations on the markets. This was proved by the bank stress test carried out at the EU level in July, which LBBW passed successfully even in the most adverse scenario assumed.

On this basis, we will continue to meet the challenges on the markets, as well as the particular tasks which the restructuring demands, courageously and consistently. After all, we wish to justify the confidence which our owners have placed in us during these difficult times and continue to place in us with sustainable profitability again as soon as possible. Not only that, but we wish to remain a trusted partner of yours, our customers and business partners, into the future. This is what we and our employees will continue to strive to achieve every day.

The strong and constructive commitment of our owners and the dedication and outstanding expertise of our employees in many areas, but also the support we receive from you, our customers and business partners, make us confident that we can successfully rise to the challenges which lie before us. We would like to express our deepest gratitude to all whose actions contribute to this.

Sincerely,

The Board of Managing Directors

HANS-JÖRG VETTER
Chairman

MICHAEL HORN
Deputy Chairman

DR. PETER A. KAEMMERER

JOACHIM E. SCHIELKE

HANS-JOACHIM STRÜDER

RUDOLF ZIPF

Interim Group Management Report.

Economic Development in the First Half of 2010.

Driven by the dynamic upturn in the emerging countries, the global economy expanded in the first quarter of 2010 with a rate of 5% projected for the year as a whole. Leading indicators for economic growth in the USA and Europe as well as growth of 10.3% year-on-year in the People's Republic of China suggest that the worldwide economy will continue to be robust in the second quarter of 2010. At the start of July, the International Monetary Fund (IMF) took this development as an opportunity to increase its forecast for global economic growth in 2010 from 4.2% to 4.6%. The IMF expects growth of 2.6% in the industrial nations and a plus of 6.8% in the emerging countries. This recovery compared to the 2009 recession year, in which the global economy contracted by 0.6%, was not expected a few months ago.

Among the large industrial nations, the USA recovered quickest from the 2008/09 recession with annualized growth of 3.7% in the first quarter and 2.4% in the second and, in the meantime, has almost reached the real economic output level of the second quarter of 2008 – the last quarter in which the economy grew before the slump took hold. The greatest growth was demonstrated by investments, followed by private consumption. Job cuts on the American labor market ended at the turn of the year 2009/2010. In the first half of the year, 654,000 new jobs were created, of which 630,000 were in the private sector. Accordingly, unemployment dropped to 9.5%, although this is still very high compared with the preceding cyclical peak of 6.3% in June 2003.

Germany also experienced a strong economic tailwind in the first half of 2010. In the first quarter of 2010, the real gross domestic product rose by 0.5% compared to the previous quarter. In the euro zone as a whole, economic growth was 0.2% compared with the previous quarter. According to information from the German Federal Statistical Office, Germany's real GDP increased more strongly than at any time since reunification. Exports and investments played a large part in the upturn. The rise in order intake and industrial production in the first half of 2010 continued accordingly.

In June 2010, order intake exceeded the previous year's value by around 25%, while industrial production was 15.8% higher than in June 2009. The German labor market also brought positive surprises in the first half of the year. Despite fears, unemployment in Germany has risen moderately and on a temporary basis only. At 7.6%, the (seasonally adjusted) unemployment rate dropped again in July 2010 below the level prior to the insolvency of Lehman Brothers. With 40.29 million people in work (seasonally adjusted), the level of September 2008 was attained again in June 2010. German exports, which in June 2010 were up 28.5% year-on-year, have also recovered substantially. In addition to the economic recovery of the main trading partners, the German export economy also benefited from the drop in the external value of the euro since December 2009.

The depreciation of the euro in the first half of 2010 took place against the backdrop of dwindling confidence in the solvency of some euro zone states. Greece, Portugal, Spain, Ireland and Italy in particular have seen premiums rise for bad debts insurance (CDS, Credit Default Swaps), in some cases drastically. The solvency crisis was triggered by a report from the European Commission which stated that official statistics from Greece pointed to significant shortcomings and that the budget deficits and debt level for the previous years had to be revised upward. Consequently, Greek government bonds came under considerable selling pressure; at times, yields on two-year Greek government bonds soared by 17%. In April, Greece requested financial assistance – which had previously been offered – from the EU and the IMF. In response, the Finance Minister of the Eurogroup and the IMF agreed on a rescue package for Greece at the start of May to the amount of EUR 110 billion, distributed across a period of three years. This initially calmed fears that Greece's default was imminent, although the second half of May saw this trend increase. Spreads widened considerably again in June, when Moody's rating agency downgraded Greece's rating from A3 to Ba1 – into the non-investment grade range. The price of bonds from Portugal and Spain were also negatively impacted by credit rating worries and downgrades, even though the yield increase in this case was nowhere near as pronounced. At the other end of the scale, Bunds benefited from investors' flight to safety, whereby yields fell to a low of almost 2.50% for bonds with a remaining maturity of 10 years. Efforts to stabilize the European Monetary Union as a whole and prevent the contagion from spreading to other states culminated in the establishment of the European Stabilization Mechanism with a volume of EUR 500 billion. The IMF declared its support for the European Union's stabilization measures, which effectively increased the rescue package to EUR 750 billion. This package was accompanied by the EBC's announcement that it would buy up government bonds on the secondary market. Backed by the aid packages, the situation on the markets for government bonds in the peripheral states and the market for credit default protection has relaxed slightly since the end of June, even though the fear of potential debt restructuring in Greece is still very high. This is indicated by the fact that CDS premiums on Greece are around 800 basis points.

Result of Operations, Net Assets and Financial Position.

Result of Operations.

	Jan. 1 – June 30, 2010 EUR million	Jan. 1 – June 30, 2009 EUR million[1]	Change EUR million	Change %
Net interest income	1 257	1 151	106	9.2
Allowances for losses on loans and advances	– 297	– 717	420	58.6
Net fee and commission income	316	417	– 101	– 24.2
Net trading income/loss[2]	– 710	704	– 1 414	<– 100.0
Other operating income[3]	73	9	64	> 100.0
Total operating income (after allowance for losses on loans and advances)	**639**	**1 564**	**– 925**	**– 59.1**
Administrative expenses	– 877	– 914	37	4.0
Net income/loss from investment securities	136	– 224	360	> 100.0
Net income/loss from investments accounted for using the equity method and from profit/loss transfer agreements	– 12	– 21	9	42.9
Operating result	**– 114**	**405**	**– 519**	**<– 100.0**
Restructuring expenses	– 54	0	– 54	–
Net commission expenses for public guarantees	– 153	0	– 153	–
Consolidated profit before tax	**– 321**	**405**	**– 726**	**<– 100.0**
Income tax	31	– 103	134	> 100.0
Consolidated loss for the period (–)/ consolidated profit for the period (+)	**– 290**	**302**	**– 592**	**<– 100.0**

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 from investment property.

LBBW Group Maintains its Position in Difficult Environment.

Despite diverging developments in the economy as a whole and the financial markets, the LBBW Group held its position in this difficult market environment. The restructuring process that commenced at the Group last year continued in the first half of 2010. This is demonstrated primarily through the scheduled reduction in the credit investment portfolio (CIP) and a noticeable decline in administrative expenses. Stable operating income, mainly from the corporate customer business, also shows that the LBBW Group is successfully following the path specified. However, the LBBW Group was unable to escape the negative impact on the financial markets.

For the first half of 2010, the LBBW Group posted **consolidated loss for the period** of EUR –290 million. This represents a decline of EUR –592 million year-on-year. The market jitters resulting from the increase in risk premiums, particularly in the PIIGS states, negatively impacted net trading income (EUR –710 million). In the previous year, a positive result of EUR 704 million was achieved here, not least due to the recovery on capital markets. Furthermore, the fee and commission payment for the risk shield agreed with the State of Baden-Württemberg which had to be paid for the entire year for the first time (EUR –153 million) and additional expenses for restructuring the LBBW Group (EUR –54 million) negatively impacted consolidated profit.

In terms of **net interest income,** the LBBW Group generated a contribution to earnings of EUR 1,257 million for the first half of 2010. This is an improvement of 9.2% or EUR 106 million compared with the previous year.

The decline in interest expenses in conjunction with liquidity procurement had a positive effect compared with the previous year. Stable interest income in the operating business, primarily from the corporate customer business, and increased income from the early settlement of refinancing also boosted net interest income.

At EUR –297 million or 58.6%, the **allowance for losses on loans and advances** is significantly lower than the equivalent period in the previous year.

This development resulted in particular from the economic recovery, which became evident with improving customer creditworthiness and an increase in collateral values. At the end of the first half of 2010, net additions of EUR –278 million related to the classic lending business – less than half the negative figure of the previous year.

Net fee and commission income dropped by 24.2% (or EUR –101 million) year-on-year to EUR 316 million.

The previous year was characterized by realizing fees from individual transactions in the brokerage business. These were not generated to the same extent in the current reporting period. As a result, net fee and commission income decreased year-on-year.

To improve transparency, in comparison to the end of 2009 the guarantee provision for the risk shield was reported separately as commission expenses for public guarantees for the first time.

Credit-sensitive Financial Transactions Influenced Mainly by Market Development.

At EUR – 710 million at the end of the first half of the year, **net trading income** worsened by EUR – 1,414 million year-on-year.

The valuation levels of credit-sensitive financial products were affected, in particular as a result of the sovereign problems experienced by the PIIGS states – in some cases with dramatic spread widening in all credit classes. At the reporting date, this led to significant measurement losses totaling EUR – 745 million for credit derivatives of the CIP. On the basis of the general capital market environment, income/loss from interest rate risks and from other market price risks fell, while the currency gain/loss stabilized. Income/loss from financial instruments designated at fair value were positively affected, primarily by the change in the assessment of LBBW's own credit rating.

At EUR 73 million, **other operating income** was considerably higher than the previous year's figure of EUR 9 million, which was shaped by negative one-off effects. While net income from commercial project developments of the subsidiary LBBW Immobilien GmbH achieved the level of the previous year, net income from investment property fell slightly to EUR 54 million (HY1 2009: EUR 57 million).

Restructuring takes effect.

Administrative expenses amounted to EUR – 877 million in the first half of the year, a drop of EUR 37 million or 4.0% year-on-year.

This was caused by a slight decline in staff costs compared to the previous period (– 0.8%) and a significant reduction in operating expenses in the form of lower leasing fees and consulting and actuarial costs in the LBBW Group (– 11.7%). This ongoing reduction shows that the restructuring process has taken effect and that LBBW is progressing within the defined target corridor.

The **net loss from investment securities** at the end of June 2010 was very pleasing. In comparison to the same period of the previous year, it had increased by EUR 360 million to EUR 136 million as at June 30, 2010. This development was based in part on the commencement of the rigorous implementation of the EU specifications and the resulting income from the disposal of equity investments not included in the consolidated financial statements. It was also driven by the current market situation, the effectiveness of the risk shield in terms of reversals of impairment losses and lower impairments among securities and bonds classified as AfS and LaR. The rights to reimbursement resulting from the risk shield amounted to EUR 79 million. There was no payment obligation for the State of Baden-Württemberg as of June 30, 2010.

Restructuring of LBBW Group Negatively Impacts Income.

The EU state aid proceedings concluded in the second half of 2009, which meant that the **restructuring expenses** for the LBBW Group were only to be reported as of December 31, 2009. At the current reporting date, the Group recorded further expenses of EUR –54 million in connection with this.

LBBW was also negatively impacted by **commission expenses** of EUR –153 million for the **risk shield.**

Despite good operating business, the group posted negative **consolidated profit before tax** of EUR –321 million as at June 30, 2010, in particular due to the high measurement losses in connection with the PIIGS states. Taking into account income of EUR 31 million from **income tax** based on an effective average Group taxation ratio for the period of 9.5 %, LBBW posted a **consolidated loss for the period** of EUR –290 million as at June 30, 2010.

Net Assets and Financial Position.

Assets	June 30, 2010 EUR million	Dec. 31, 2009 EUR million	Change EUR million	Change %
Cash reserve	3 093	1 878	1 215	64.7
Loans and advances to other banks	87 270	88 087	–817	–0.9
Loans and advances to customers	137 963	149 633	–11 670	–7.8
Allowance for losses on loans and advances	–3 980	–3 904	–76	–1.9
Positive fair values from derivative hedging instruments	5 100	2 799	2 301	82.2
Trading assets	89 508	66 997	22 511	33.6
Financial assets designated at fair value	7 817	7 562	255	3.4
Investment securities	83 688	91 028	–7 340	–8.1
Investments accounted for using the equity method	261	309	–48	–15.5
Portfolio hedge adjustment attributable to assets	284	196	88	44.9
Noncurrent assets/disposal groups held for sale	221	692	–471	–68.1
Intangible assets	608	628	–20	–3.2
Investment property	1 772	1 761	11	0.6
Property and equipment	761	854	–93	–10.9
Current income tax assets	353	700	–347	–49.6
Deferred income tax assets	1 360	1 109	251	22.6
Other assets	1 333	1 365	–32	–2.3
Total assets	**417 412**	**411 694**	**5 718**	**1.4**
Guarantee and surety obligations	7 164	6 677	487	7.3
Irrevocable loan commitments	23 925	21 479	2 446	11.4
Business volume[1]	**448 501**	**439 850**	**8 651**	**2.0**

1) In addition to the Group's total assets, business volume also includes off-balance sheet guarantee and surety obligations.

Equity and liabilities	June 30, 2010 EUR million	Dec. 31, 2009 EUR million[1]	Change EUR million	Change %
Deposits from other banks	90 787	127 536	-36 749	-28.8
Due to customers	98 758	105 212	-6 454	-6.1
Securitized liabilities	90 119	100 068	-9 949	-9.9
Negative fair values from derivative hedging instruments	4 846	3 807	1 039	27.3
Trading liabilities	95 380	36 694	58 686	>100.0
Financial liabilities designated at fair value	11 924	12 371	-447	-3.6
Portfolio hedge adjustment attributable to liabilities	737	522	215	41.2
Provisions	2 422	2 374	48	2.0
Liabilities from disposal groups held for sale	491	678	-187	-27.6
Current income tax liabilities	338	312	26	8.3
Deferred income tax liabilities	302	314	-12	-3.8
Other liabilities	488	624	-136	-21.8
Subordinated debt	10 845	10 657	188	1.8
Equity	**9 975**	**10 525**	**-550**	**-5.2**
Ordinary share capital	2 584	2 584	0	0.0
Share premium	6 910	6 910	0	0.0
Retained earnings	1 432	2 941	-1 509	-51.3
Cumulative net income recognized directly in equity	-673	-439	-234	-53.3
Net retained profit/loss	-288	-1 483	1 195	80.6
Non-controlling interest	10	12	-2	-16.7
Total equity and liabilities	**417 412**	**411 694**	**5 718**	**1.4**

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

Increase in Group's Total Assets Impacted by Market Environment.

Compared with December 31, 2009, the business volume rose only slightly by 2.0% (or EUR 8.7 million) to EUR 448.5 billion.

At the end of the first half of the year, the Group's total assets increased slightly to EUR 417.4 billion. This amounts to growth of 1.4% or EUR 5.7 billion. For the most part, this change can be attributed to the fall in interest rates in the first half of the year and the depreciation of the euro against other currencies, especially the US dollar. This led in particular to a significant increase in trading assets and liabilities.

Nevertheless, the LBBW Group expects to continue reducing total assets as planned: This is demonstrated in particular in the credit investment portfolio (CIP), which at June 30, 2010 was again reduced significantly by approximately EUR 8 billion to a nominal figure of around EUR 66 billion. As in the previous year, targeted assets and the utilization of maturities helped to reduce the portfolio, while the development of the US dollar had a reverse impact.

At EUR 2,170.4 billion, the nominal volume of derivative transactions was slightly lower than at December 31, 2009 (EUR 2,276.7 billion). The change in volume was attributable to a decline in interest-rate derivatives. This was partially offset by a rise in currency-related derivatives.

Lending.

Loans and advances to other banks remained at around the same level as the end of the previous year (– 0.9% or EUR – 0.8 billion). In contrast, **loans and advances to customers** dropped by a significant – 7.8% or EUR – 11.7 billion. This was due primarily to the higher volume of customer-induced money market transactions in the trading portfolio (around EUR 20 billion) since the start of the year. Adjusted for this effect, the volume of loans and advances to customers was almost the same as the previous year.

In addition to the effect of money market transactions, the drop in interest rates and the development of the exchange rates of the main currencies meant that **trading assets** changed significantly compared with the previous year's reporting date. The decline in the exchange rate between the euro and the US dollar impacted most strongly here. Overall, trading assets rose EUR 22.5 billion (or 33.6%) year-on-year to EUR 89.5 billion.

The decrease in **investment securities** should be considered in connection with the reduction in the CIP in particular. In general, the portfolio of debentures and other fixed-income securities declined. Investment securities as a whole decreased by EUR – 7.3 billion, or – 8.1%.

Funding.

Despite a significant drop of – 28.8% (or EUR – 36.7 billion) to EUR 90.8 billion, at the end of the first half of 2010 **deposits from other banks** remained one of the LBBW Group's main sources of funding. Important changes within deposits from other banks were the reduction in securities repurchase agreements and the increased volume of money market transactions in the trading assets portfolio (around EUR 40 billion) since the start of the year.

Based on volume, **amounts due to customers** are now the chief funding pillar of the group. With a volume of around EUR 98.8 billion, these showed a decline year-on-year (around EUR – 6.5 billion or – 6.1%). The reduction in this item was also characterized primarily by the inclusion of money market transactions in the trading portfolio.

At EUR 90.1 billion, the third important funding pillar, **securitized liabilities,** recorded a drop of approximately – 9.9 % (or EUR – 9.9 billion) at the end of the reporting period. This reflects lower funding requirements due to declines in investment securities. The portfolio was reduced through repayments and utilizing maturities (particularly public-sector covered bonds), bearer bonds and certificates.

The volume of **trading liabilities** expanded strongly as at the reporting date. With a portfolio of EUR 95.4 billion, the Group posted a surge of EUR 58.7 billion. As on the assets side, this is connected with the reporting of money markets transactions in the trading portfolio since the start of the year. In addition, the drop in interest rates and the strengthening of the US dollar led to a rise in negative fair values from trading derivatives (approximately EUR 20 billion).

Group Capital.

As at June 30, 2010, **the LBBW Group's capital** (equity including subordinated debt) was EUR 20.8 billion. Compared with the end of 2009, this amounted to a change of around EUR – 0.4 billion. Equity was reduced due to the decline in retained earnings (by EUR – 1.5 billion) and the revaluation reserve (by EUR – 0.2 billion). The reduction in retained earnings can be attributed to the recognition of loss carryforwards from the previous year. The revaluation reserve declined as a result of measurement losses from securities classified as AfS not included in profit and loss. On the other hand, the LBBW Group's capital rose by EUR 1.2 billion due to the decrease in the current net retained loss. In addition, subordinated debt increased by around EUR 0.2 billion to EUR 10.8 billion. This is based in part on changes in the exchange rate of the US dollar for subordinated liabilities.

Risk Report.

At the reporting date of June 30, 2010, the LBBW Group still uses the risk management methods and processes presented in the 2009 annual report. Changes will be explained below. LBBW's summarized definition of the relevant risk categories is in the table below:

	Risk Category	Describes possible...
Material risks	Credit risks	. . . losses arising from the default or credit rating deterioration of business partners. . . . disruptions to payments as result of transfer risks. . . . losses arising from low proceeds from the liquidation of collateral.
Material risks	Market price risks	. . . losses caused by changes in interest rates; credit spreads, share prices, exchange rates, commodities prices; volatilities.
Material risks	Operational risks	. . . losses arising due to the unsuitability or failure of internal processes and systems, people, or due to external events, incl. legal risks.
Material risks	Liquidity risks	. . . problems meeting payment obligations in the short term, or not being able to quickly close out larger positions at market value.
Material risks	Real estate risks	. . . losses in value of the Group's real estate holdings.
Material risks	Investment risks	. . . losses in value of Group companies and equity investments to the extent that these are not included in the above risk categories.
Material risks	Strategic risks	. . . losses in value due to strategic decisions.
Material risks	Reputation risks	. . . losses in value due to damage to the Bank's reputation.
Material risks	Business performance risks	. . . losses in value due to less favorable business performance than expected, provided these do not relate to the above risks typical to banks.
	Pension risks	. . . increases in pension provisions.
	Own credit rating risks	. . . additional expenses due to increase in funding costs.
	Model risks	. . . misrepresentations of actual risk.
	Verity risks	. . . losses in value due to missing legal payment obligations for receivables purchased.
	Fund placement risks	. . . losses in value due to non-placement of equity share for closed-end funds.

The last eight types of risks can not be quantified like the other risks. However, LBBW considers these risks and addresses them via risk buffers in the risk-bearing capacity process.

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.

Pension, own credit rating, model, verity and fund placement risks are not deemed to be material in the LBBW Group. This assessment is reviewed regularly.

Detailed statements regarding the definition and management of the overall risks are provided in the Risk Report of the 2009 Annual Report.

Credit Risks.*
Risk Situation.

The risk situation is presented based on the methods and tools described in the 2009 Annual Report for measuring, monitoring, reporting and managing risks.

Exposure is reported below without taking into account collateral. In principle, however, all types of collateral are used to reduce the credit risk. On the one hand, traditional forms of collateral are used, such as real estate liens, guarantees, sureties, pledges, assignments and transfers of title of property; on the other hand, credit derivatives and netting and collateral agreements are used in a targeted manner to reduce risk at the level of individual clients.

* 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 2009 risk management report.

The loan portfolio of the LBBW Group developed as follows compared with December 31, 2009:

Exposure.

EUR million	June 30, 2010	Dec. 31, 2009
Cash reserve	60	20
Receivables	216 010	235 374
of which loans and advances to other banks	83 176	85 910
of which loans and advances to customers	132 835	149 464
of which receivables from finance leases	4 269	4 337
Investment securities	73 052	81 095
of which interest-bearing assets	66 201	75 336
of which non-interest-bearing assets	6 851	5 759
Hedging derivatives	1 794	1 399
Trading assets	157 590	131 875
of which designated at fair value	5 730	5 650
of which held for trading	151 860	126 224
Loan commitments/other agreements	62 314	61 903
Total	**510 820**	**511 664**

While the overall portfolio displays a sideways movement on the whole with a decline in exposure of EUR –0.8 billion, there are some significant movements at the level of the individual balance sheet items:

- Decrease in receivables and increase in trading assets*
- Increased counterparty risks as a result of market data effects (interest, currency) result in a decline in exposure
- Reduction in credit substitute business reduces investment securities

The following table gives a portfolio breakdown according to industry and rating. The industry classification is based on a risk-oriented industry key, which groups together companies with high loss dependence along the output chain into industries. The rating structure shown for each industry provides information about the relevant risk structure.

* For additional information, see the notes to the receivables and trading assets.

Exposure According to Rating[1].

EUR million	AAA – BBB–	BB+ – B+	B – C	Default	Other	Total
Financial institutions	**238 146**	**13 270**	**1 832**	**2 179**	**3 024**	**258 452**
Banks	202 493	5 428	723	1 090	159	209 894
Financial services providers	35 653	7 842	1 109	1 089	2 865	48 558
Companies	**88 922**	**38 481**	**8 136**	**5 917**	**3 465**	**144 921**
Commercial real estate	12 752	7 785	1 467	1 893	154	24 050
Automotive	7 826	6 871	926	989	84	16 696
Utilities	8 838	731	153	31	58	9 810
Construction	4 701	3 171	554	579	270	9 275
Transport and logistics	4 180	2 013	919	211	179	7 501
Food trading and other non-cyclical consumer goods	5 199	1 155	17	69	39	6 479
Insurance	5 879	215	141	13	61	6 309
Telecommunications	4 799	554	64	42	132	5 591
Health care	3 129	1 101	129	141	258	4 758
Cross-sector services for companies	2 603	1 064	210	210	503	4 590
Other sectors[2]	29 018	13 821	3 557	1 740	1 725	49 861
Public sector	**84 364**	**1 833**	**20**	**8**	**9**	**86 233**
Private individuals	**5 375**	**2 634**	**304**	**413**	**12 488**	**21 214**
Total	**416 807**	**56 218**	**10 292**	**8 518**	**18 985**	**510 820**
in %	**81.6**	**11.0**	**2.0**	**1.7**	**3.7**	**100**

1) Equivalent external rating classes.
2) Sectors with a share < 3 % of the companies portfolio are summarized under »Other sectors«.

The average rating of the portfolio improved slightly compared with December 31, 2009. The proportion of very good to good credit ratings (investment grade) rises from 80.1 % to 81.6 % and the share of critical credit ratings drops from 2.9 % to 2.0 %. The share of non-performing commitments, which increased moderately from 1.6 % to 1.7 % year-on-year (Default column), also reflects the waning effects of the financial and economic crisis. The »Other« column lists transactions with customers where rating/scoring has not been carried out, e. g. for reasons of risk relevance.

In the portfolio composition, the increase in the public sector (EUR + 5.4 billion) offsets the decline in the corporate portfolio (EUR – 5.0 billion). This shift is due primarily to the change in reporting autonomous and publicly controlled enterprises (e. g. public utilities), which on December 31, 2009 were still shown in the utilities industry in the corporate portfolio. The exposure to financial institutions and private individuals has changed only slightly compared with December 31, 2009.

Additional Information in Accordance with IFRS 7.36 – 38.

Commitments for which follow-up negotiations took place amounted to EUR 488 million and have therefore declined slightly (December 31, 2009: EUR 556 million).

The share of the non-impaired and non-past due portfolio amounts to 98.4 % of the total exposure and is distributed across the balance sheet categories as follows:

Non-impaired and Non-past Due Assets.

EUR million	Exposure June 30, 2010	Non-impaired and non-past due assets June 30, 2010	Exposure Dec. 31, 2009	Non-impaired and non-past due assets Dec. 31, 2009
Cash reserve	60	60	20	20
Receivables	216 010	208 916	235 374	229 088
of which loans and advances to other banks	83 176	82 131	85 910	84 988
of which loans and advances to customers	132 835	126 785	149 464	144 100
of which receivables from finance leases	4 269	3 853	4 337	3 945
Investment securities	73 052	72 310	81 095	80 134
of which interest-bearing assets	66 201	65 458	75 336	74 375
of which non-interest-bearing assets	6 851	6 851	5 759	5 759
Hedging derivatives	1 794	1 794	1 399	1 399
Trading assets	157 590	157 590	131 875	131 875
of which designated at fair value	5 730	5 730	5 650	5 650
of which held for trading	151 860	151 860	126 224	126 224
Loan commitments/other agreements	62 314	62 036	61 903	61 606
Total	**510 820**	**502 704**	**511 664**	**504 121**

Past-due and non-impaired assets were reduced slightly from EUR 216 million to EUR 197 million and were distributed across the balance sheet categories as follows.

Past-due, Non-impaired Assets June 30, 2010.

EUR million	Total	< 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	> 12 months
Receivables	197	23	39	26	10	4	95
of which loans and advances to other banks	1	1	0	0	0	0	0
of which loans and advances to customers	196	22	39	26	10	4	95
of which receivables from finance leases	54	14	28	2	2	1	7
Investment securities	0	0	0	0	0	0	0
of which interest-bearing assets	0	0	0	0	0	0	0
of which non-interest-bearing assets	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0
Trading assets	0	0	0	0	0	0	0
of which designated at fair value	0	0	0	0	0	0	0
of which held for trading	0	0	0	0	0	0	0
Loan commitments/ other agreements	0	0	0	0	0	0	0
Total	**197**	**23**	**39**	**26**	**10**	**4**	**95**

Past-due, non-impaired assets Dec. 31, 2009.

EUR million	Total	< 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	> 12 months
Receivables	212	58	44	13	26	7	65
of which loans and advances to other banks	4	0	2	0	2	0	0
of which loans and advances to customers	209	58	42	13	24	7	65
of which receivables from finance leases	52	14	10	8	9	4	8
Investment securities	0	0	0	0	0	0	0
of which interest-bearing assets	0	0	0	0	0	0	0
of which non-interest-bearing assets	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0
Trading assets	0	0	0	0	0	0	0
of which designated at fair value	0	0	0	0	0	0	0
of which held for trading	0	0	0	0	0	0	0
Loan commitments/ other agreements	3	0	0	3	0	0	1
Total	**216**	**58**	**44**	**15**	**26**	**7**	**65**

Impaired assets increased to EUR 7.9 billion. This corresponds to 1.6 % of the total exposure. Exposure to customers for whom an SLLP (specific loan loss provisions) or a PLLP impaired (portfolio loan loss provisions) has been determined are defined as impaired assets. Impairment on investment securities also causes this transaction to be declared as impaired. The following table shows the distribution of impaired assets across the balance sheet categories:

Impaired Assets.

EUR million	June 30, 2010	Dec. 31, 2009
Receivables	6 897	6 074
of which loans and advances to other banks	1 044	919
of which loans and advances to customers	5 854	5 155
of which receivables from finance leases	362	339
Investment securities	742	960
of which interest-bearing assets	742	960
of which non-interest-bearing assets	0	0
Hedging derivatives	0	0
Trading assets	0	0
of which designated at fair value	0	0
of which held for trading	0	0
Loan commitments/other agreements	278	294
Total	**7 918**	**7 328**

The increase in impaired commitments is particularly notable in loans and advances to customers. This development is primarily caused by customers in the Commercial Real Estate industry.

Additional Information on the Portfolio of Securitized Products.

Preliminary Remark on the Risk Shield.

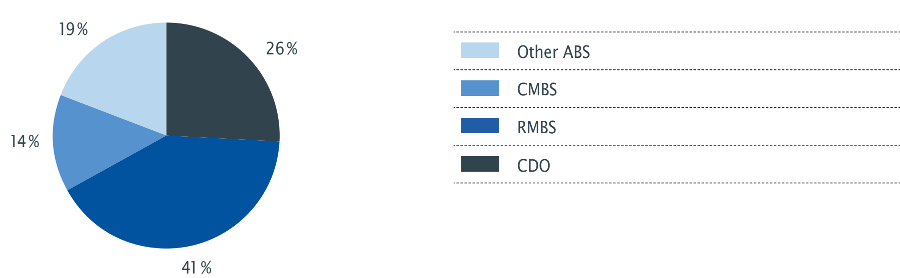
In view of the turbulences in the financial markets, the LBBW Group (referred to as »LBBW«) put in place a risk shield with the state of Baden-Württemberg in the form of a guarantee structure in effect from June 30, 2009. LBBW has been granted a guarantee amounting to a total of EUR 12.7 billion to secure losses on a specified reference portfolio that contains ABS securities and loans, granted by LBBW to the Irish special-purpose entity Sealink Funding Ltd. (Sealink). On December 15, 2009, the European Commission gave its final approval of the risk shield provided by the state of Baden-Württemberg and the capital injection of EUR 5 billion from the owners.

One part of the guarantee in the amount of EUR 6.7 billion covers an ABS portfolio (»guarantee portfolio«) with an outstanding nominal volume of EUR 15.3 billion (as of June 30, 2010). LBBW will bear the first losses from this guarantee portfolio up to an amount of EUR 1.9 billion, which was fully included on the balance sheet in the fiscal year of 2009. Any losses beyond this amount will be absorbed by the guarantee. Should further losses occur after the guarantee has been fully utilized, these shall be borne by LBBW.

The remaining EUR 6.0 billion of the guarantee covers a loan granted by LBBW to the special-purpose entity Sealink.

Portfolio of Securitized Products June 30, 2010.

ABS Portfolio – Asset Classes EUR 23.7 billion.



As of June 30, 2010, LBBW's ABS investment portfolio amounts to a volume of EUR 23.7 billion* (including the guarantee portfolio). In addition, there are customer transactions of EUR 2.0 billion. The ABS portfolio has decreased by approximately EUR 0.8 billion compared with the end of 2009. This reduction is caused by amortization, changes in FX-rates, sales, restructuring and losses.

Since 2007, significant declines in the market values of LBBW's ABS portfolio have been registered (financial market crisis). The average market values on June 30, 2010 improved slightly compared with December 31, 2009.

* Statements concerning the risk situation below are based on the management approach.

The majority of the portfolio volume (around 77%) comprises securities with investment grade ratings (rating class AAA to BBB). Approximately 39% of the overall volume of securitized products are rated with the highest rating (AAA).

Losses from non-synthetic transactions in a volume of EUR 257 million (December 31, 2009: EUR 145 million) are primarily write-downs on US RMBS Alt-A transactions. In addition, ongoing (interest) payments have not been received for the (already impaired) structured investment vehicle (SIVs) or for a small number of CDO and US RMBS Alt-A transactions. The synthetic securitization portfolio experienced a total capital loss of EUR 359 million (December 31, 2009: EUR 357 million). This amount includes write-offs in the amount of EUR 234 million as of June 30, 2010 (December 31, 2009: EUR 187 million).

The allocation to the different rating categories was carried out on the basis of information from external providers. In a conservative approach, the lowest available rating from Moody's, Standard & Poor's or Fitch Ratings (which may in some cases differ considerably) was applied in each case. For transactions with no external rating but that have an internal credit assessment, the lowest internal rating was mapped to the corresponding S&P rating. Transactions reported as NR (»not rated«) are primarily securities impaired by LBBW whose external rating was withdrawn or arose from restructuring.

In view of the guarantee structure, the ABS portfolio is reported separately for the non-guaranteed and guaranteed partial portfolios.

Assets not Secured by the Risk Shield Provided by the State.

With an outstanding nominal volume of EUR 8.4 billion, the partial portfolio not secured by the guarantee from the State of Baden-Württemberg coprises the following ABS investments.

Outstanding Nominal Volume in EUR Million as of June 30, 2010.

Asset class	AAA	AA	A	BBB	BB to B	CCC to C	D	Not rated	Total	%
CDO	**369**	**471**	**149**	**176**	**477**	**276**	**0**	**33**	**1 952**	**23.1**
of which: CDO of ABS	5	1	33	11	23	31	0	0	104	5.3
of which: CLO	247	469	117	0	3	0	0	0	835	42.8
of which: synthetic securitizations	82	0	0	145	437	245	0	33	942	48.3
RMBS	**3 547**	**186**	**158**	**0**	**0**	**2**	**0**	**0**	**3 893**	**46.1**
of which: US ALT-A	2	7	2	0	0	0	0	0	11	0.3
of which: US subprime	0	2	3	0	0	0	0	0	5	0.1
CMBS	**198**	**33**	**65**	**29**	**0**	**0**	**0**	**0**	**324**	**3.8**
Other ABS	**1 036**	**516**	**614**	**0**	**0**	**0**	**0**	**113**	**2 279**	**27.0**
Total investments	**5 150**	**1 206**	**986**	**205**	**477**	**279**	**0**	**146**	**8 449**	**100.0**
	61.0 %	14.3 %	11.7 %	2.4 %	5.7 %	3.3 %	0.0 %	1.7 %	100.0 %	

The lowest external rating has been selected in each case or the corresponding S&P rating code has been used in line with the internal rating methodology.
Figures may be subject to rounding differences.

This non-guaranteed portfolio continues to have a good rating level. The bulk of the portfolio includes AAA-rated positions. Only a small proportion (11 %) are in the non-investment grade range.

Assets Secured by the Risk Shield Provided by the State – Guarantee Portfolio.

The guaranteed portfolio includes ABS investments of an outstanding nominal volume of EUR 15.3 billion as of June 30, 2010. LBBW assumes the first losses of up to EUR 1.9 billion. The guarantee of the State of Baden-Württemberg at the amount of EUR 6.7 billion will take effect only if the first loss is completely depleted. All losses exceeding this would again be assumed by LBBW. As of December 31, 2009, the first loss has been fully consummated through the P&L.

Outstanding Nominal Volume in EUR Million as of June 30, 2010.

Asset class	AAA	AA	A	BBB	BB to B	CCC to C	D	Not rated	Total	%
CDO	**209**	**1 096**	**446**	**334**	**1 213**	**584**	**196**	**104**	**4 182**	**27.4**
of which: CDO of ABS	15	69	58	57	529	413	88	8	1 237	29.6
of which: CLO	142	846	341	116	36	0	0	36	1 517	36.3
of which: synthetic securitizations	0	0	0	0	0	0	50	60	110	2.6
RMBS	**2 306**	**1 170**	**323**	**42**	**199**	**1 676**	**68**	**0**	**5 785**	**37.9**
of which: US ALT-A	8	72	46	26	77	1 431	68	0	1 727	29.9
of which: US subprime	0	0	0	0	0	213	0	0	213	3.7
CMBS	**841**	**918**	**633**	**475**	**56**	**131**	**0**	**0**	**3 054**	**20.0**
Other ABS	**706**	**477**	**206**	**413**	**236**	**89**	**33**	**86**	**2 246**	**14.7**
Total investments	**4 062**	**3 662**	**1 609**	**1 265**	**1 703**	**2 480**	**296**	**190**	**15 267**	**100.0**
	26.6%	**24.0%**	**10.5%**	**8.3%**	**11.2%**	**16.2%**	**1.9%**	**1.2%**	**100.0%**	

The lowest external rating has been selected in each case or the corresponding S&P rating code has been used in line with the internal rating methodology.
Figures may be subject to rounding differences.

The majority of the ABS bonds in the guarantee portfolio are still of a good rating quality: EUR 10.6 billion is rated in investment grade.

Customer Transactions.

In addition to the portfolio of ABS investments mentioned above, LBBW is involved in the segment of customer transactions.

This category includes transactions with receivable purchase commitments in a volume of EUR 2.0 billion. Of the entire customer transaction portfolio, approximately EUR 0.9 billion relates to trade receivables and approximately EUR 1.1 billion to interest-bearing receivables (particularly leasing receivables).

The majority of the exposure to trade and interest-bearing receivables is related to SMEs. This customer-driven business is primarily focused on the German market and transactions are exclusively rated internally in investment grade. The receivables are acquired by the purchasing companies Weinberg Funding Ltd. and Weinberg Capital Ltd. LBBW provides liquidity lines of EUR 2.0 billion available for this purpose. Funding is provided through LBBW's Asset-Backed Commercial Paper (ABCP) program. As an investment vehicle Weinberg Capital Ltd. also issues these ABCPs. LBBW is planning to expand this customer driven business.

Loan Provided by LBBW to the Special-Purpose Entity Sealink.

When Sachsen LB was acquired by LBBW in 2008, the structured portfolios Ormond Quay and Sachsen Funding I were excluded from the acquisition. These portfolios with an aggregated nominal outstanding of originally EUR 17.3 billion were transferred to an Irish special purpose vehicle, Sealink Funding Ltd., established in 2008.

The Free State of Saxony has issued a first loss guarantee in the amount of EUR 2.75 billion to cover losses arising from the Sealink portfolio. Losses relating to former Sachsen Funding I assets were covered by LBBW up to an amount of EUR 71.3 million (the »Special First Loss Guarantee«). Since June 30, 2009, defaults exceeding the guarantee provided by the Free State of Saxony up to an amount of EUR 6 billion will be covered by the risk shield of the State of Baden-Württemberg. All other losses beyond this amount would be assumed predominantly by the other Landesbanks involved.

LBBW expects that the guarantee of the Free State of Saxony and the guarantee of the State of Baden-Württemberg will cover all risks arising from the portfolios transferred to Sealink.

Market Price Risks.

In the first half of 2010, the market price risk increased significantly in the LBBW Group due to considerable widening of the credit spreads during the European sovereign crisis. This resulted in changes in the present values of transactions and increased credit spread volatility. Credit spread risks are included in the interest rate risks item for this reason. At the start of the year, the risk calculation of individual sub-portfolios in the banking book was better mapped with regard to the specific interest rate risk. This means that the spread risks in the banking book will be calculated fully from this year.

The following table shows the market price risks of the LBBW Group after taking into account the risk shield provided by the owners.

VaR (99%/10 days)

EUR million	Average	Maximum	Minimum	June 30, 2010	Dec. 30, 2009*
LBBW Group overall	**690**	**921**	**573**	**915**	**614**
Interest rate risks	670	893	550	884	605
Equity risks	56	71	45	54	49
Currency risks	19	46	8	46	38

* Different to risk report in the Annual Report due to inclusion of values VaR 99%/10 days, previously scaled 95%/1 day.

Since value-at-risk is a risk measure driven by volatility, this led to a material increase in VaR in the first half of 2010 due to the sovereign crisis. In turn, this led to higher limit utilization, with the operating market price risk limit for the LBBW Group exceeded on one day. This was approved by the Board of Managing Directors.

As of June 30, 2010, backtesting for the preceding 250 trading days indicated three outliers for the LBBW Group due to the sovereign crisis. The trading positions and the SolvV (German Solvency Regulation) portfolio, which is relevant to the capital adequacy for equity risks and general interest rate risks using the internal risk model, did not present any outliers.

Portfolio value changes from the stress scenarios also increased in the first half of 2010. Historical scenarios, which simulate market situations from the financial market crisis, are most significant here. The stress test limit of the LBBW Group was adhered to at all times throughout the first half of 2010.

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

VaR (99 %/10 days)

EUR million	Average	Maximum	Minimum	June 30, 2010	Dec. 30, 2009
LBBW Bank trading positions	**53**	**71**	**44**	**55**	**62**
Interest rate risks	38	51	31	36	53
Equity risks	21	33	14	23	14
Currency risks	3	7	1	4	2

When observing the development of trading book risks, it must be noted that the sovereign crisis impacted risk values less due to the low credit spread exposure in the trading positions. The increased stock market risk can be attributed to the rise in stock market volatility in the first half of the year.

Liquidity Risks.

Although the situation remained difficult on the money and capital markets due to the sovereign crisis, the liquidity needs of the LBBW Group were covered to the desired extent at all times from the market in the first half of 2010, without any problems.

As at June 30, 2010, 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 34.7 billion at the Group. On this basis, the solvency of LBBW is secured for a period of at least three months, even under strict stress test assumptions.

The liquidity requirements of the German Banking Act were fulfilled at all times in the first half of 2010. The liquidity ratio in accordance with the liquidity regulation was 1.51 on June 30, 2010 (December 31, 2009: 1.52).

Operational Risks.

An OpVaR model has been deployed for internal management since the first half of 2010 and will be used within the scope of the risk-bearing capacity of the Bank. The change in method led to an increase in economic capital.

This model is based on the loss distribution approach. Separate, division-specific modeling is performed for loss frequency and distribution. Internal and external incidents of loss are included when calculating OpVaR.

Together with the local OpRisk managers, extensive segment-specific and cross-segment measures aimed at promoting a sound and safe risk culture when dealing with operational risks were derived that contributed to increased risk awareness in the divisions in the first half of 2010. Plans are underway to further develop these awareness measures in the second half of the year.

Further Risks.

The further risk categories

- Real estate risks
- Investment risks
- Strategic risks
- Business performance risks
- Reputation risks
- Pension risks
- Own credit rating risks
- Model risks

remain subject to the statements in the risk management report in the 2009 Annual Report of the LBBW Group. There were no material changes in the first half of 2010. Verity and fund placement risks were added in the first half of 2010.

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.

The risk-bearing capacity situation gradually improved during the first quarter of 2010 compared with December 31, 2009. On January 1, 2010, the maximum economic capital limit had already been reduced from EUR 15.7 billion to EUR 14 billion due to falling risks.

However, in the second quarter of 2010 the sovereign crisis led to a decline in aggregate risk cover.

The considerable drop in credit risk from EUR 8.9 billion to EUR 7.3 billion in the first half of 2010 is based in particular on the improvement in the average portfolio quality (in addition to the slight decline in exposure (see section Credit Risk)).

The risk-bearing capacity of the LBBW Group was guaranteed at all times and the maximum economic capital limit was always adhered to. As at June 30, 2010, utilization of economic capital was 53 %.

LBBW Group.

	June 30, 2010			Dec. 31, 2009		
EUR million	Limit	Absolute	Utilization	Limit	Absolute	Utilization
Aggregate risk cover	–	21 164	53 %	–	21 734	57 %
Economic capital tie-up	14 000	11 215	80 %	15 700	12 479	79 %
Diversification effects	–	1 191	–	–	1 003	–
Credit risk	–	7 335	–	–	8 929	–
Market price risk	–	3 657	–	–	3 359	–
Investment risk	–	357	–	–	391	–
Operational risk*	–	665	–	–	437	–
Real estate risk	–	392	–	–	366	–

* Mid-year value 2010 OpVaR, comparative figure for end of 2009 (standard regulatory approach).

Outlook.

The following statements should be read in conjunction with the Outlook in the Group management report for the 2009 fiscal year.

Anticipated Economic Performance.

Global economic prospects dampened slightly in the middle of the year. The leading economic indicators for the euro zone, the USA and China declined somewhat compared with the cyclical peaks achieved in the spring. In the People's Republic of China, the importance of which to the global economy has grown considerably over the last few years, administrative measures such as restricting the volume of new borrowing were taken to curb private residential construction and thus avert economic overheating. If the Chinese economy should cool much more strongly than expected (the IMF is forecasting GDP growth of 10.5 % for 2010 and 9.6 % for 2011 after 9.1 % in 2009), this would probably also have a noticeable effect on German exports. The increasing importance of China for Baden-Württemberg is demonstrated by the fact that exports to the People's Republic in 2009 grew in absolute terms, yet overall exports of Baden-Württemberg companies fell by approximately 24.3 billion in 2009. Accordingly, the proportion of all exports from Baden-Württemberg which went to China increased from 4.1 % to 5.2 % in 2009.

In the USA, economic prospects were negatively impacted by the continuingly weak residential property market and high unemployment. In the words of Federal Reserve Chairman Ben Bernanke, this means that the economic outlook is »unusually uncertain«. Due to numerous disappointing economic data from the USA such as sales of new family homes, retail sales and labor market data, the scenario of a renewed slide into recession (double dip) has been an increasingly central theme on the financial markets over the past few weeks. Historically, however, a double dip is the exception rather than the rule, and has only occurred once in the recent past: Following a recession in 1980 and a subsequent brief upturn, 1982 saw a return to recession. This was triggered by the unusually restrictive monetary policy of the US Federal Reserve, which led to a strongly inverse yield curve. At the moment, however, US monetary policy is unusually expansive, which by historical standards manifests itself in a very steep yield curve. It must also be assumed that the US Federal Reserve will retain this policy for a little while longer. Furthermore, support is also being provided by dynamically increasing US corporate profits. The latter have increased by 34 % year-on-year in the breakdown of national accounting in the first quarter of 2010. The historical pattern suggests that companies are likely to take rising profits as an opportunity to expand their capital expenditure and continue employing more people. In light of this, LBBW does not expect the US economy to return to recession. On balance, the largest national economy in the world is likely to experience GDP growth of around 3 % for the current year. Economic growth on the same scale is expected for 2011.

In the euro zone, prospects are dampened by budget consolidation and (by historical standards) high real interest rates. According to the forecasts of the EU Commission, the effects mentioned are likely to lead to contraction in real GDP for Greece and Spain in 2010 of 3.0% and 0.4% respectively, therefore preventing the countries from leaving recession. In contrast, in mid-2010 Germany is benefiting very strongly from the economic recovery of its main trading partners in the first half of the year, as shown by lively export activities. However, it is unlikely that the exporting nation of Germany will be able to elude a slowdown in the global economy. In contrast to exports, private consumption is expected to demonstrate few noteworthy growth impulses. Following the discontinuation of the scrappage bonus, which increased consumption by 1.2% in the second quarter of 2009 – in the middle of the worst recession of the post-war period – spending propensity by private households has declined, despite the pleasing stability of the labor market. On balance, therefore, LBBW expects economic growth in Germany of 3.2% in 2010, primarily driven by exports and investment, of which around 0.7 percentage points can be attributed to the so-called statistical overhang. Following the 4.7% decline in real GDP in 2009 (the worst recession since the Federal Republic of Germany was established), the return to positive growth rates is pleasing, although it is likely to be 2012 before the level reached prior to the outbreak of the economic and financial crisis can be achieved again.

Industry and Competitive Situation.

The prospects of the banking sector are currently characterized by considerable uncertainties.

Generally, the economy is developing better than expected at the start of the year, especially in Germany. However, the new crisis of confidence with regard to public debt, particularly in some euro zone states, has also made transparent the continued fragility of the financial system. Risks of market setbacks that may again negatively impact the banks to a significant extent and may stunt economic development still exist.

It is still not known to what extent the industry will be negatively impacted in future by the various regulatory initiatives arising from the financial market crisis. However, it is increasingly clear that the new regulations may negatively influence the profitability of institutions. This applies in particular to the planned increase in capital and liquidity requirements, to which some institutions are already beginning to adapt. Considerable funds may need to be procured in connection with the deposit protection reform currently being discussed at EU level. The banking levy planned in Germany would further exacerbate industry conditions overall.

Based on the stress scenarios assumed, the tests performed in July 2010 at 91 banks from 20 EU member states have given a generally positive impression of the resilience of the individual banks.

Despite these positive test results in terms of risk, it is likely that the industry's earnings prospects should be seen as restrained for the time being. This is indicated not least by the impairment requirements in the lending business to be expected this year – despite the economic recovery – as well as possible limited trading profits and uncertainties with regard to the further development of interest income. In view of considerable requirements in an intensely competitive market environment, it is particularly funding challenges which may define and negatively impact the year for many institutions. In addition to funding, further central strategic topics for the banks may be capitalization, deleveraging and restructuring measures.

The LBBW Group's Business Strategy and Opportunities and Risks.

The current overall conditions under which the LBBW Group is operating continue to pose difficulties. On the whole, a mixed and still unstable picture emerges. In particular, the significant imponderables caused by the high state debt of some European countries may above all affect the development of credit spreads and thus the performance of LBBW.

The LBBW Group expects income for the three operating segments Retail Clients, Corporates and Financial Markets – adjusted for individual transactions in the previous year – to develop in a stable fashion in 2010 compared with the 2009 fiscal year. However, the significant reversals of impairment losses for credit-sensitive financial instruments that took place in the Credit Investment Portfolio/Treasury segment in the previous year are unlikely to be repeated. Although the allowance for losses on loans and advances in 2010 as a whole is expected to be less than the previous year, a high level is still to be anticipated due to the lagging nature of this variable in the economic cycle. Administrative expenses for 2010 are expected to decrease year-on-year, the first sign that the cost reduction program implemented has been successful. Furthermore, the income of the LBBW Group will be negatively impacted by the fee and commission expenses to be paid for public guarantees for an entire fiscal year for the first time within the risk shield.

Overall, the three operating segments are expected to make a significant positive contribution to earnings for 2010 as a whole. The credit investment portfolio was strongly and negatively impacted by the current market distortions. The extent of its recovery depends on how the credit spreads develop in the coming months. Overall, consolidated profit or loss at LBBW in 2010 is expected to improve against the previous year. However, due to the unusually high level of uncertainty with regard to further development, both in the real economy and on the financial markets, it is not possible to provide a reliable forecast.

The new national and international regulatory banking requirements planned will present a challenge also for LBBW. Depending on the way and extent to which banking regulations are extended, in the coming years it is expected that income will be impacted negatively (banking levy) and greater demands will be made on the liquidity and capital of the LBBW Group. Under the present conditions, the LBBW Group has a solid capital basis, with the current core capital ratio well above the minimum required. This was confirmed by the current Europe-wide stress test. Even in the downturn scenario, and taking into account the fall in government bond prices for 2011, LBBW's ratio of 8.1% more than exceeded the 6.0% required and thus shows no new capital requirements.

The restructuring plan approved by the European Commission for the LBBW Group is currently being implemented under stringent conditions. This will result in an adjusted business model with which LBBW – despite the uncertain and radically changing environment – can consider itself well-positioned with regard to the future and profitability. The LBBW Group therefore remains an important partner for companies, savings banks and private households in the core markets. In particular, credit supply is set to be ensured for small and medium-sized enterprises, even if the economy continues to recover.

Revised Version of Landesbank Act and Ordinance.

The European Commission approved the addition of equity and granting of guarantees in 2009 by the owners under the condition that LBBW is converted to a corporation subject to private law by the end of 2013. Key aspects of the German Corporate Governance Code are to be implemented at LBBW by the end of 2010. In particular, the committee structures are to be revised in line with the Corporate Governance structure of a corporation.

To adapt the committee structures, the Landesbank Baden-Württemberg Act and the LBBW's ordinance were amended in effect from August 14, 2010. Key changes include the introduction of the Aufsichtsrat as LBBW's central supervisory body in place of the present Verwaltungsrat and the conversion of the Owners' Meeting into an Annual General Meeting. The tasks of the Aufsichtsrat and the Annual General Meeting will also be altered compared with the current executive supervisory bodies (Verwaltungsrat and Owners' Meeting). The Aufsichtsrat will comprise 21 persons. Half of the seats to which shareholders are entitled must be occupied by external expert representatives. Employees will be represented with seven seats on the future Aufsichtsrat.

Over the course of 2010, with the constituent meeting of the Aufsichtsrat, the Annual General Meeting will succeed the Owners' Meeting, while the Aufsichtsrat and the committees it forms will replace the Verwaltungsrat and its committees.

Despite the change in the structure of its supervisory bodies, LBBW remains a public law institution until its conversion into a corporation.

Consolidated Interim Financial Statements as of June 30, 2010.

Condensed Consolidated Income Statement (not audited)

for the period January 1, 2010 to June 30, 2010 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Notes	Jan. 1 – June 30, 2010 EUR million	Jan. 1 – June 30, 2009* EUR million	Change EUR million	Change %
Net interest income	7	1 257	1 151	106	9.2
Allowance for losses on loans and advances	8	– 297	– 717	420	58.6
Net interest income after allowance for losses on loans and advances		**960**	**434**	**526**	**> 100.0**
Net fee and comission income	9	316	417	– 101	– 24.2
Net income/loss from hedging transactions	10	– 24	27	– 51	< – 100.0
Net trading income/loss	11	– 809	613	– 1 422	< – 100.0
Net income/loss from financial instruments designated at fair value	12	123	64	59	92.2
Net income/loss from investment securities	13	136	– 224	360	> 100.0
Net income/loss from investments accounted for using the equity method	14	– 11	– 20	9	45.0
Net income from investment property	15	54	57	– 3	– 5.3
Administrative expenses	16	– 877	– 914	37	4.0
Other operating income	17	19	– 48	67	> 100.0
Net loss from profit and loss transfer agreements		– 1	– 1	0	0.0
Operating profit/loss		**– 114**	**405**	**– 519**	**< – 100.0**
Restructuring expenses	18	– 54	0	– 54	–
Net commission income public guarantees	19	– 153	0	– 153	–
Consolidated profit (+)/consolidated loss (–)before tax		**– 321**	**405**	**– 726**	**< – 100.0**
Income tax expense	20	31	– 103	134	> 100.0
Consolidated profit for the period (+)/ consolidated loss for the period (–)		**– 290**	**302**	**– 592**	**< – 100.0**
Profit/loss attributable to non-controlling interest		– 2	1	– 3	< – 100.0
Profit/loss attributable to shareholders		– 288	301	– 589	< – 100.0
Consolidated profit for the period (+)/ consolidated loss for the period (–)		**– 290**	**302**	**– 592**	**< – 100.0**

* See Note 3 for adjusted comparatives.

Consolidated Total Comprehensive Income (not audited)

for the period January 1, 2010 to June 30, 2010 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Jan. 1 – June 30, 2010 EUR million	Jan. 1 – June 30, 2009* EUR million	Change EUR million	Change %
Consolidated profit for the period (+)/ consolidated loss for the period (–)	**-290**	**302**	**-592**	**<-100.0**
Net income recognized directly in equity				
Retained earnings				
Actuarial losses (–)	-38	-3	-35	<-100.0
Effect of limit in IAS 19.58 (b)	1	1	0	0.0
Income tax	11	1	10	>100.0
Revaluation reserve for AfS financial instruments				
Change in fair value before tax	-420	128	-548	<-100.0
Transfer to profit or loss	-19	134	-153	<-100.0
Income tax	181	-70	251	>100.0
Changes in investments accounted for using the equity method				
Changes in the reporting period before tax	15	33	-18	-54.5
Profit and losses from cash flow hedges				
Change in fair value before tax	-2	7	-9	<-100.0
Income tax	1	-2	3	>100.0
Currency translation differences				
Changes in the reporting period before tax	6	3	3	100.0
Total income and expenses recognized directly in equity	**-264**	**232**	**-496**	**<-100.0**
Consolidated total comprehensive income	**-554**	**534**	**-1 088**	**<-100.0**
Total comprehensive income attributable to non-controlling interest	-2	1	-3	<-100.0
Total comprehensive income attributable to shareholders	-552	533	-1 085	<-100.0
Consolidated total comprehensive income	**-554**	**534**	**-1 088**	**<-100.0**

* See Note 3 for adjusted comparatives.

Consolidated Balance Sheet (not audited)

of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz as at June 30, 2010.

Assets	Notes	June 30, 2010 EUR million	Dec. 31, 2009 EUR million	Jan. 1, 2009 EUR million	Change 2010 – 2009 EUR million	Change 2010 – 2009 %
Cash reserve	21	3 093	1 878	3 480	1 215	64.7
Loans and advances to other banks	22	87 270	88 087	120 262	– 817	– 0.9
Loans and advances to customers	23	137 963	149 633	149 854	– 11 670	– 7.8
Allowance for losses on loans and advances	24	– 3 980	– 3 904	– 2 525	– 76	– 1.9
Positive fair values from derivative hedging instruments	25	5 100	2 799	3 340	2 301	82.2
Trading assets	26	89 508	66 997	63 197	22 511	33.6
Financial assets designated at fair value	26	7 817	7 562	8 516	255	3.4
Investment securities	26	83 688	91 028	93 334	– 7 340	– 8.1
Investments accounted for using the equity method	27	261	309	401	– 48	– 15.5
Portfolio hedge adjustment attributable to assets		284	196	237	88	44.9
Non-current assets held for sale and discontinued operations	28	221	692	0	– 471	– 68.1
Intangible assets	29	608	628	1 175	– 20	– 3.2
Investment property	30	1 772	1 761	1 784	11	0.6
Property and equipment	31	761	854	922	– 93	– 10.9
Current income tax assets		353	700	803	– 347	– 49.6
Deferred income tax assets		1 360	1 109	1 533	251	22.6
Other assets	32	1 333	1 365	1 425	– 32	– 2.3
Total assets		**417 412**	**411 694**	**447 738**	**5 718**	**1.4**

Consolidated Balance Sheet (not audited)

of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz as at June 30, 2010.

Liabilities	Notes	June 30, 2010 EUR million	Dec. 31, 2009* EUR million	Jan. 1, 2009* EUR million	Change 2010 - 2009 EUR million	Change 2010 - 2009 %
Deposits from other banks	33	90 787	127 536	140 013	- 36 749	- 28.8
Due to customers	34	98 758	105 212	103 232	- 6 454	- 6.1
Securitized liabilities	35	90 119	100 068	122 320	- 9 949	- 9.9
Negative fair values from derivative hedging instruments	36	4 846	3 807	4 634	1 039	27.3
Trading liabilities	37	95 380	36 694	40 028	58 686	>100.0
Financial liabilities designated at fair value	37	11 924	12 371	15 305	- 447	- 3.6
Portfolio hedge adjustment attributable to liabilities		737	522	680	215	41.2
Provisions	38	2 422	2 374	1 980	48	2.0
Liabilities included in disposal groups classified as held for sale in accordance with IFRS 5	28	491	678	0	- 187	- 27.6
Current income tax liabilities		338	312	398	26	8.3
Deferred income tax liabilities		302	314	195	- 12	- 3.8
Other liabilities	39	488	624	699	- 136	- 21.8
Subordinated debt	40	10 845	10 657	12 175	188	1.8
Equity	**41**	**9 975**	**10 525**	**6 079**	**- 550**	**- 5.2**
Ordinary share capital	41	2 584	2 584	1 420	0	0.0
Share premium	41	6 910	6 910	3 074	0	0.0
Retained earnings	41	1 432	2 941	5 091	- 1 509	- 51.3
Cumulative net income recognized directly in equity	41	- 673	- 439	- 1 438	- 234	- 53.3
Net retained profit/loss	41	- 288	- 1 483	- 2 088	1 195	80.6
Non-controlling interest	41	10	12	20	- 2	- 16.7
Total liabilities		**417 412**	**411 694**	**447 738**	**5 718**	**1.4**

* See Note 3 for adjusted comparatives.

Condensed Statement of Changes in Equity (not audited)

for the period January 1, 2010 to June 30, 2010 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

EUR million	Ordinary share capital	Share premium	Retained earnings	Revaluation reserve	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 non-controlling interest	Non-controlling interest	Total
Equity as at Dec. 31, 2008	1 420	3 074	5 072	-1 460	31	8	-17	-2 088	6 040	20	6 060
Adjustments in accordance with IAS 8	0	0	19	0	0	0	0	0	19	0	19
Adjusted equity as at Jan. 1, 2009	**1 420**	**3 074**	**5 091**	**-1 460**	**31**	**8**	**-17**	**-2 088**	**6 059**	**20**	**6 079**
Balance brought forward	0	0	-2 088	0	0	0	0	2 088	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 shareholdings	0	0	0	0	0	0	0	0	0	0	0
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	2 912	-1 269	64	13	-14	222	11 422	2	11 424
Adjustments in accordance with IAS 8	0	0	0	0	0	0	0	79	79	8	87
Adjusted equity as at June 30, 2009	**2 584**	**6 910**	**2 912**	**-1 269**	**64**	**13**	**-14**	**301**	**11 501**	**10**	**11 511**
Distribution to shareholders	0	0	-1	0	0	0	0	0	-1	2	1
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Changes in shareholdings	0	0	0	0	0	0	0	0	0	0	0
Changes in the basis of consolidation	0	0	10	-4	0	0	0	0	6	0	6
Consolidated total comprehensive income*	0	0	18	763	12	-1	-3	-1 784	-995	0	-995
Other change in equity	0	0	1	0	0	0	0	0	1	0	1
Adjusted equity as at Jan. 1, 2010	**2 584**	**6 910**	**2 941**	**-510**	**76**	**12**	**-17**	**-1 483**	**10 513**	**12**	**10 525**
Balance brought forward	0	0	-1 483	0	0	0	0	1 483	0	0	0
Distribution to shareholders	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Changes in shareholdings	0	0	0	0	0	0	0	0	0	0	0
Changes in the basis of consolidation	0	0	0	0	0	0	4	0	4	0	4
Consolidated total comprehensive income*	0	0	-26	-258	15	-1	6	-288	-552	-2	-554
Other change in equity	0	0	0	0	0	0	0	0	0	0	0
Equity as at June 30, 2010	**2 584**	**6 910**	**1 432**	**-768**	**91**	**11**	**-7**	**-288**	**9 965**	**10**	**9 975**

* The line »Consolidated total comprehensive income*« shows both the consolidated profit/loss for the period and the changes in consolidated total comprehensive income not included in profit and loss. In the first half of 2010, the consolidated loss for the period was EUR -290 million and the change in consolidated total comprehensive income not included in profit and loss was EUR -264 million.

Condensed Cash Flow Statement (not audited)

for the period January 1, 2010 to June 30, 2010 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Jan. 1 – June 30, 2010 EUR million	Jan. 1 – June 30, 2009* EUR million
Cash and cash equivalents at start of period	**1 878**	**3 480**
Net cash used in/from operating activities	1 140	– 6 520
Net cash used in investing activities	161	– 52
Net cash provided by/used in financing activities	– 86	4 531
Cash and cash equivalents at end of period	**3 093**	**1 439**

* See Note 3 for adjusted comparatives.

As at June 30, 2010, cash and cash equivalents were not affected by changes in exchange rates, scope of consolidation or measurement.

Notes to the Consolidated Financial Statements
(not audited)
of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

General Information.

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 offers a comprehensive range of products and services for private and corporate customers, institutional customers, the public sector and savings banks. The focus is on customer proximity and a clear structure with regard to the division of tasks within the Group. The task of LBBW is to manage the Group. In addition, LBBW provides the entire Group with the necessary services such as processing activities and IT solutions. It acts as a retail bank in financial market business, in key account business throughout Germany and Europe with special sector expertise, in international business and in the management of public sector customers. LBBW also functions as a central bank to the savings banks in Baden-Württemberg, Rhineland-Palatinate, and Saxony.

2. Basis of Group Accounting.

The interim financial statements of Landesbank Baden-Württemberg for the period ended June 30, 2010 were prepared in accordance with the provisions of International Financial Reporting Standards (IFRS) as applicable in the EU and comply with IAS 34, which relates to interim financial reporting. In addition, the 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) apply. 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 2010 can be found in Note 3.

Standards and interpretations adopted through the EU regulation that are to become valid only as of fiscal years following January 1, 2011 have not been taken into account. The amendment of standard IAS 32 is unique in that this comes into effect on February 1, 2010 (endorsed December 23, 2009). The standard clarifies the classification of rights issues as equity or debt when these rights issues are in a currency other than the functional currency of the issuer. In accordance with this, rights which are issued pro rata to the shareholders of a company for a fixed amount of foreign currency are to be classified as equity regardless of the currency in which the exercise price is denominated. Possible effects on LBBW's consolidated financial statements are currently being examined.

New standards and interpretations issued by the IASB but not yet adopted by EU regulations by the reporting date of June 30, 2010 have not been taken into account either.

- The annual improvements to IFRS in 2010, published in May 2010 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 revised standard IAS 24 was published in November 2009 and must be applied in fiscal years beginning on or after January 1, 2011. These changes firstly relate to the scope of information in disclosures made regarding state-controlled companies. Information which can only be ascertained with a high cost outlay or is not of material importance to the addressee is excluded from disclosure requirements. Secondly, the definition of related parties has also been simplified and inconsistencies rectified. Possible effects on LBBW's consolidated financial statements are currently being examined.

- The standard IFRS 9 »Financial Instruments«, published in November 2009, to be applied to fiscal years commencing on or after January 1, 2013, governs the classification and measurement of financial assets. The standard is the result of the first of three stages of a project to replace IAS 39. Financial assets are to be assigned either to the measurement category »at amortized cost« or the measurement category »at fair value«. There is an option to allocate financial assets that would in principle be allocated to the category »at amortized cost« to the category »at fair value« if this reduces or eliminates inconsistencies in measurement or recognition. Equity instruments must be measured at fair value. An irrevocable option exists when recognizing equity instruments for the first time which were not acquired for trading purposes. Changes in the fair value of these and earnings from their disposal can be recognized directly in equity. Dividends resulting from these are recognized in profit or loss in the income statement. Possible effects on LBBW's consolidated financial statements are currently being examined.
- The interpretation IFRIC 14 »The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction«, published in November 2009 for fiscal years commencing on or after January 1, 2011, concerns companies that are subject to minimum funding requirements in connection with pension plans and make prepaid contributions which meet these requirements. This amendment allows these companies to recognize the benefit of such a prepayment as an asset. Possible effects on LBBW's consolidated financial statements are currently being examined.
- IFRIC 19 »Extinguishing Financial Liabilities with Equity Instruments«, published in November 2009 and to be applied to fiscal years commencing on or after July 1, 2010, clarifies that equity instruments issued to creditors are to be regarded as »consideration paid« in order to derecognize the financial liability in full or in part. These equity instruments are to be measured at fair value. If this cannot be reliably determined, they are to be measured at the fair value of the repaid financial liability. Any difference that may arise between the carrying amount of the financial liability and the first-time measurement amount of the equity instruments issued is recognized in profit or loss. Possible effects on LBBW's consolidated financial statements are currently being examined.

3. Accounting Policies.

Accounting Principles.

The consolidated interim financial statements for the period ended June 30, 2010 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, 2009 (Annual Report 2009, pages 135 et seq.). The accounting policies applied are generally the same as those used for the consolidated financial statements as of December 31, 2009. The amendments to the relevant standards and interpretations to be applied for the first time as of January 1, 2010 are an exception. 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.

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 fiscal 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.

Changes in Presentation, Changes in Accordance with IAS 8.

The following new standards that came into effect as of January 1, 2010 were also applied at the LBBW Group:
The adjustments to the amended standard IAS 27 (endorsed on June 3, 2009), to be applied to fiscal years commencing on July 1, 2009 or later, relate primarily to accounting for non-controlling interests (formerly minority interests), to which the related losses must always 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. The amendment to this standard had no impact on the LBBW Group as at the reporting date.

The amended standard IFRS 3 (endorsed on June 3, 2009), to be applied to fiscal years commencing on July 1, 2009 or later, relates in particular to the introduction of a choice in measurement of non-controlling interests (formerly minority 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. There were no business combinations in the first half of 2010. The application of the amended IFRS 3 did not have any impact on the net assets, financial position, and results of operations of the Group.

The annual improvements to IFRS 2009 (endorsed on March 23, 2010) contain a section with changes to methods of accounting and a second section with editorial and terminological changes. The amendments to standards IFRS 2, IFRS 3, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36 and to IFRIC 9 did not have any material impact on accounting policies. At the reporting date of June 30, 2010, this had no effect on the net assets, financial position, and results of operations of the LBBW Group. The amendment of IAS 39 to include IAS 39.AG 30(g) makes it clear that variable early termination fees in the amount of the difference between the original effective interest rate and the effective interest rate recoverable when the repaid amount is reinvested are not to be reported separately as an embedded derivative, as they are closely linked to the debt contract. The early termination options dealt with here do not require splitting only if the exercise price of the option compensates the creditor for the loss in interest income by approximately the amount of the fair value of the lost interest for the remaining maturity of the host contract. In all other cases, the early termination option is not closely linked to the host contract and splitting is therefore required. In cases where there is no compensation for the loss of interest income, the LBBW Group already separates the early termination fees from the host contract.

The annual improvements to IFRS in 2008 (endorsed on January 23, 2009) resulted in a revision of IFRS 5, which is to be applied to fiscal years commencing on or after July 1, 2009. If the planned sale of a subsidiary leads to a loss of control, all assets and liabilities must be classified as held for sale, irrespective of whether a non-controlling interest will still be held in this company after the sale. The improvement to this standard had no impact on the LBBW Group as at the reporting date.

Consolidated Balance Sheet, Income Statement and Total Comprehensive Income.

The following change in presentation was made in the first half of 2010 (IAS 8.14):
To improve transparency, the guarantee fee for the risk shield is (in contrast to the end of 2009) reported separately as net commission expenses for public guarantees under the operating result for the first time.

The following changes were made to accounting estimates in the first half of 2010 in accordance with IAS 8.39:

- The measurement methods for credit derivatives were refined in connection with close-out adjustments and the parameters were adjusted for determining write-downs in the event of uncertainty in measurement in the context of asset-backed securities and CDOs measured at fair value. The adjustments reduced the net trading income by EUR –41.1 million.
- When calculating the allowance for receivables not impaired individually, transfer risks were addressed adequately. This meant that the additional country risk provision of EUR 49 million, which was recognized on December 31, 2009 based on expert opinions within and outside the bank, could be wound up.

The following issues were also adjusted as at January 1, 2009 in accordance with IAS 8.42, in addition to the cases already mentioned in the 2009 Annual Report:

Balance sheet as at January 1, 2009.

EUR million	Published consolidated financial statements	Adjustments	Adjusted consolidated financial statements
Other liabilites	718	–19	699
Equity, profit carryforward	402	19	421
	1 120	**0**	**1 120**

At the end of 2008, the allocation of non-controlling interests of a subsidiary was also corrected in the Group. This led to changes in other liabilities and in profit/loss carryforwards. Accordingly, other liabilities were reduced by EUR 18.7 million. There was a corresponding increase of EUR 18.7 million in the profit/loss carryforward.

The above mentioned issue also has an impact on the end of the 2009 fiscal year. As the following adjustments are based on the figures in the published 2009 annual report, the adjustments as at January 1, 2009 were also taken into consideration:

Balance sheet as at December 31, 2009.

Mio. EUR	Published consolidated financial statements	Adjustments	Adjusted consolidated financial statements
Other liabilites	643	–19	624
Equity, profit carryforward	421	19	440
	1 064	**0**	**1 064**

The following items were adjusted in the income statement in accordance with IAS 8.42 in the first half of 2009, which had already been corrected in the annual financial statements for 2009:

- LBBW had initially reclassified structured securities within investment securities from available-for-sale to loans and receivables. According to its accounting guidelines, these should be attributed at fair value. The corrected allocation to designated at fair value resulted in a reduction of EUR 14.6 million in the income from financial instruments designated at fair value.
- Some forward transactions were not recognized and reported on a netted basis under trading assets. Complete recognition and adjustment to gross presentation resulted in an adjustment of EUR 5.4 million to the net trading income and of EUR – 1.7 million to income taxes on the income statement.
- The allocation of non-controlling interests to debt resulted in changes in the other operating income in the amount of EUR – 8.4 million. At the same time, the loss on non-controlling interests in the profit or loss for the year was reduced by EUR 8.4 million.
- As a result of changing the fair value calculation method for financial assets and liabilities for which there is no underlying market price, it was necessary to adjust the net income/loss from financial instruments designated at fair value by EUR 50.3 million.

In addition, the following item had to be adjusted as at June 30, 2009:

- Interest accruals in connection with a dual currency bond were reported as being too low up to October 2009. As part of the correction of the result, this item led to an adjustment of EUR 79.5 million to net interest income and increased tax expense of EUR 24.1 million.

As a result of the corrections, the following changes occurred in income items and equity:

Income statement January 1 – June 30, 2009.

EUR million	Published consolidated financial statements	Adjustments	Adjusted consolidated financial statements
Net interest income	1 071	80	1 151
Net trading income	608	5	613
Income/loss from financial instruments designated at fair value	28	36	64
Other operating result	– 40	– 8	– 48
Income tax income/expenses	– 77	– 26	– 103
Consolidated profit for the period (+)/consolidated loss for the period (–)	215	87	302
Profit attributable to non-controlling interest after tax	– 7	8	1
Loss/profit attributable to shareholders	222	79	301

Total comprehensive income January 1 – June 30, 2009.

EUR million	Published consolidated financial statements	Adjustments	Adjusted consolidated financial statements
Consolidated profit for the period (+)/consolidated loss for the period (–)	215	87	302
Consolidated total comprehensive income	447	87	534
Total comprehensive income attributable to non-controlling interest	– 7	8	1
Total comprehensive income attributable to shareholders	454	79	533

Statement of changes in equity January 1 – June 30, 2009.

EUR million	Retained earnings	Net retained profit	Non-controlling interest
IAS 8 adjustment as at Jan. 1, 2009	0	19	0
Balance brought forward from IAS 8 as at Jan. 1, 2009	19	–19	0
Carry-forward from IAS 8 adjustment as at Jan. 1, 2009	**19**	**0**	**0**
IAS 8 adjustment as at June 30, 2009	0	79	8
Adjustment of published interim financial statements 2009	**19**	**79**	**8**

Notes.

The following adjustments were made to the Notes in accordance with IAS 8.42.

The investment securities of other related parties in accordance with IAS 24 were calculated as being too low. The correct figure is EUR 5,930 million.

LBBW classes the forward repos as derivatives which are to be modeled after the relevant accounting principles. The presentation as a sale agreement with an option to repurchase was incorrect in this respect.

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 carrying amounts and fair values of the reclassified securities can be seen in the following table:

	June 30, 2010		Dec. 31, 2009		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	**521**	**513**	**696**	**691**	**935**	**913**
of which securitization transactions	109	96	110	96	134	128
of which other securities	412	418	587	595	801	785
Available for sale reclassified as loans and receivables	**20 201**	**18 947**	**23 611**	**22 016**	**29 023**	**27 373**
of which securitization transactions	11 443	10 284	11 681	10 119	14 643	13 302
of which other securities	8 758	8 663	11 931	11 897	14 380	14 071
Total	**20 722**	**19 461**	**24 308**	**22 707**	**29 958**	**28 286**

The nominal volume of the securities reclassified from the held for trading category was EUR 534 million as at June 30, 2010 (December 31, 2009: nominal volume EUR 712 million), of which EUR 113 million related to securitization transactions (December 31, 2009: EUR 115 million) and EUR 421 million to other securities (December 31, 2009: EUR 597 million).

Securities reclassified as available for sale had a nominal volume of EUR 21,276 million as at June 30, 2010 (December 31, 2009: EUR 24,746 million), of which EUR 12,418 million related to securitization transactions (December 31, 2009: EUR 12,715 million) and EUR 8,858 million to other securities (December 31, 2009: EUR 12,031 million).

If no reclassification had taken place, unrealized fair value gains (+)/losses (–) from the reclassified trading assets totaling EUR 1 million (EUR 19 million) would have been incurred in the first half of 2010 (first half of 2009).

If the reclassification of the AfS securities had not taken place, this would have had a positive impact on the revaluation reserve in the first half of 2010 (first half of 2009) of EUR 359 million (negative impact of EUR – 4 million).

In the period from July 1, 2009 to June 30, 2010, both repayments and interest payments were made in the normal course of business.

4. Basis of Consolidation.

In addition to the ultimate parent company LBBW, 35 subsidiaries (December 31, 2009: 36 subsidiaries), two sub-groups (December 31, 2009: two sub-groups), 19 special-purpose entities (December 31, 2009: 21 special-purpose entities) and, as before, two associates and one joint venture were included in the consolidated interim financial statements.

The subsidiary LBBW Securities LLC, Wilmington, USA, was sold in the first half of 2010.

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 two special-purpose entities left the scope of consolidation in the first half of 2010:

- LAAM Fund X, Kaim Georgetown, Cayman Islands,
- Peter Pike Funding LLC/Rathlin Loan Ltd., Dublin 2, Ireland.

In addition, LBBW Pro-Fund Credit I, Stuttgart, Germany, was renamed LBBW AM-SLA, Stuttgart, Germany.

A total of 283 (December 31, 2009: 288) 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. 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.

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 Finanzdienstleistungsaufsicht (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. The term of the guarantee ends when the security protected for the longest time matures or is canceled by LBBW.

EUR 6.7 billion of the guarantee relates to an ABS portfolio of the bank and various Group companies with an original nominal amount of EUR 17.6 billion. LBBW is to bear priority losses in the amount of EUR 1.9 billion from the ABS portfolio and has addressed this expected default risk adequately by creating valuation allowances.

The guarantee also relates in the amount of EUR 6.0 billion to a junior loan of the same amount granted by LBBW to Sealink Funding Ltd. (Sealink), a special-purpose entity to which the structured portfolios Ormond Quay and Sachsen Funding I, originally in the amount of EUR 17.3 billion, were transferred in connection with the acquisition of the former Landesbank Sachsen AG. The Free State of Saxony has issued a first loss guarantee in the amount of EUR 2.75 billion to cover losses arising from these portfolios. Losses relating to former Sachsen Funding I assets are covered by LBBW up to an original amount of EUR 71.3 million (the Special First Loss Guarantee). LBBW set up provisions for potential losses to be covered under the Special First Loss Guarantee for the full amount at the beginning of the transaction. In addition, starting from June 30, 2009, the State of Baden-Württemberg provided a risk shield in an amount of EUR 6.0 billion. All losses exceeding this would be assumed predominantly by the other Landesbanks providing refinancing. LBBW expects that the guarantee of the Free State of Saxony and the guarantee of the State of Baden-Württemberg will cover all risks arising from the portfolios transferred to Sealink.

Approval of the European Commission.

The European Commission believes that the measures to increase equity and protect against risk were determined largely by the state of Baden-Württemberg and the other owners, as an investor acting from a market economy perspective would not have provided any equity or a guarantee under these circumstances (subsidy as defined by Article 87 (1) of the EC Treaty) and has requested an in-depth investigation of the measures aimed at supporting LBBW in accordance with Article 88 of the EC Treaty.

Following the presentation of a comprehensive restructuring plan for LBBW, the European Commission gave its final approval for the capital measure and the risk shield in a resolution dated December 15, 2009.

The restructuring plan includes plans to concentrate on the core areas of business, particularly transactions with corporate customers, private customers and savings banks. Moreover, efficient capital market products will be offered, including for institutional customers, and business with real estate financing will be driven.

LBBW is to reduce its 2008 assets by approximately 40% (EUR 448 billion); the majority of this reduction is expected to be completed by 2013. This will be linked to a reduction in costs in the LBBW Group of around EUR 700 million per year by means of various measures, including around 2,500 job cuts. The conditions of the European Commission also include streamlining the international network and selling equity investments.

At the same time, LBBW undertook to be converted into a public limited company, either under German law (AG) or European law (Societas Europaea, SE) by the end of 2013. By the end of 2010, LBBW will have already adopted the main structural elements of a public limited company, introduced a new form of Supervisory Board – Aufsichtsrat – in place of the Verwaltungsrat in particular, and converted the Owners' Meeting into an annual general meeting. Plans here include filling half of the Supervisory Board mandate on the owners' side with external banking and economic experts.

LBBW has promised the European Commission that it will draw up a progress report on the implementation of the restructuring plan every year by May 31 at the latest. In the report dated May 21, 2010, the European Commission was informed that, of seven sales/closures of equity investments planned by the end of 2010, three had already been concluded (Sachsen DV, quirin Bank AG and LBBW Securities LLC). Furthermore, as part of the implementation of promises with regard to corporate governance in May 2010, drafts were drawn up of an amended Landesbank Baden-Württemberg Act (Landesbank Act – LBWG) and amended statutes for LBBW were developed that were agreed upon on August 14, 2010.

Segments.

6. Segment Reporting.

Segment reporting in the LBBW Group was prepared in accordance with the provisions of IFRS 8 in the first half of 2010. 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.

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.

The following changes were made in the first half of 2010:

- Non-essential subsidiaries were reclassified based on changes in management responsibility and core business areas.
- Legal risks not under the responsibility of the operating Corporates segment were reclassified.
- During the establishment of a new division for managing the credit substitute business, a portfolio adjustment was carried out. In the process, loans and advances with customer references were reclassified to the relevant divisions (primarily the Corporates segment).

Prior-year figures were adjusted to the new reporting to improve comparability.

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

- The Corporates segment includes business with medium-sized corporate customers, with a focus on the core markets of Baden-Württemberg, Saxony and Rhineland-Palatinate, key accounts, real estate companies and the public sector. On the financing side, the solutions offered range from traditional 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 the 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 Group's credit substitute portfolio. 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, income generated from central investment of LBBW's own funds not assigned to other segments, loans to the special-purpose entity Sealink Funding and extraordinary expenses in connection with the restructuring plan approved by the EU (e.g. restructuring expenses).
- 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 Financial 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 of the LBBW Group are allocated to the individual segments in which they arise. There is therefore no significant income resulting from transactions between the segments.

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 income from investments accounted for using the equity method.

The assets on the balance sheet are reported as segment assets. 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.

A segment's return on equity is calculated based on the ratio of operating profit 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.

Due to the following further developments in the methods in the first half of 2010, the figures from the same period of the previous year were adjusted to ensure comparability:

- The portfolios of strategic investments were measured similarly to the IFRS external reporting methods.
- Differentiated settlement procedures for expenses incurred from the supply of liquidity and funding.
- Improved allocation of costs to the operating segments.

Segment reporting also takes into account corrections to the balance sheet and the income statement owing to circumstances in line with IAS 8 as a component of reconciliation/consolidation.

EUR million	Corporates Jan. 1–June 30, 2010	Corporates Jan. 1–June 30, 2009	Retail Clients Jan. 1–June 30, 2010	Retail Clients Jan. 1–June 30, 2009	Financial Markets Jan. 1–June 30, 2010	Financial Markets Jan. 1–June 30, 2009	Credit Investment Portfolio/Treasury Jan. 1–June 30, 2010	Credit Investment Portfolio/Treasury Jan. 1–June 30, 2009	Corporate items/Reconciliation/Consolidation Jan. 1–June 30, 2010	Corporate items/Reconciliation/Consolidation Jan. 1–June 30, 2009	LBBW Group Jan. 1–June 30, 2010	LBBW Group Jan. 1–June 30, 2009
Operating income/loss	**1 083**	**1 082**	**312**	**289**	**368**	**725**	**– 768**	**303**	**– 60**	**– 119**	**936**	**2 280**
Allowances for losses on loans and advances	– 367	– 548	4	– 25	6	– 5	1	– 123	60	– 15	– 297	– 717
Net income/loss from investment securities and other items[1]	– 5	– 46	0	0	0	0	84	– 153	45	– 45	124	– 244
Administrative expenses	– 332	– 334	– 244	– 247	– 174	– 169	– 29	– 40	– 97	– 124	– 877	– 914
Operating loss/profit	**380**	**154**	**72**	**17**	**200**	**551**	**– 713**	**– 14**	**– 53**	**– 304**	**– 114**	**405**
Goodwill impairment	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring expenses	0	0	0	0	0	0	0	0	– 54	0	– 54	0
Fee and commission expenses to be paid for public guarantees	0	0	0	0	0	0	– 72	0	– 81	0	– 153	0
Consolidated profit (+)/ consolidated loss (–) before tax	**380**	**154**	**72**	**17**	**200**	**551**	**– 785**	**– 14**	**– 188**	**– 304**	**– 321**	**405**
Income tax income (+)/ income tax expense (–)											31	– 103
Consolidated loss/profit for the period											**– 290**	**302**
Segment assets	106 529	116 264	37 215	36 367	167 167	162 084	74 247	81 000	32 255	15 978	417 412	411 694
Tied-up equity	**5 571**	**5 633**	**897**	**945**	**1 275**	**1 698**	**1 652**	**3 382**	**1 555**	**– 4 045**	**10 949**	**7 613**
RoE (in %)[2]	**13.6**	**5.5**	**16.1**	**3.6**	**31.4**	**65.0**	**<0**	**<0**			**<0**	**10.6**
CIR (in %)	**30.7**	**30.8**	**78.2**	**85.4**	**47.3**	**23.3**	**<0**	**13.4**			**93.7**	**40.1**

1) Includes the following income statement items: net loss from profit/loss transfer agreements, and net loss from investments accounted for using the equity method.
2) Excluding loss in value goodwill, restructuring expenses, fee and expenses for public guarantees.

EUR million	Corporates Items Jan. 1–June 30, 2010	Corporates Items Jan. 1–June 30, 2009	Reconciliation/Consolidation Jan. 1–June 30, 2010	Reconciliation/Consolidation Jan. 1–June 30, 2009	Corporate Items/Reconciliation/Consolidation Jan. 1–June 30, 2010	Corporate Items/Reconciliation/Consolidation Jan. 1–June 30, 2009
Operating income/loss	**126**	**– 143**	**– 186**	**24**	**– 60**	**– 119**
Allowances for losses on loans and advances	38	– 38	22	23	60	– 15
Net income/loss from investment securities and other items[1]	6	– 23	39	– 23	45	– 45
Administrative expenses	– 88	– 134	– 9	9	– 97	– 124
Operating loss/profit	**81**	**– 337**	**– 134**	**34**	**– 53**	**– 304**
Goodwill impairment	0	0	0	0	0	0
Restructuring expenses	– 54	0	0	0	– 54	0
Fee and commission expenses to be paid for public guarantees	– 81	0	0	0	– 81	0
Consolidated profit (+)/consolidated loss (–) before tax	**– 53**	**– 337**	**– 134**	**34**	**– 188**	**– 304**
Segment assets	34 775	35 267	– 2 521	– 19 289	32 255	15 978
Tied-up equity	**1 865**	**– 1 498**	**– 309**	**– 2 547**	**1 555**	**– 4 045**

1) Includes the following income statement items: net loss from profit/loss transfer agreements, and net loss from investments accounted for using the equity method.

Reconciliation of Segment Results to the Consolidated Income Statement.

In the first half of 2010, the total of »Reconciliation/Consolidation« on the consolidated profit before tax amounted to EUR – 134 million (previous year: EUR 34 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. These companies are recognized in the management report in accordance with economic methods.
- In internal management reporting, the net interest income is calculated on the basis of the »Marktzinsmethode«. 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 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 that are not allocated to the segments as part of intra-group cost allocation and IFRS-specific items are shown in reconciliation.

Notes to the Income Statement.

7. Net Interest Income.

EUR million	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009*
Interest income/expenses from operating activities	1 169	1 087
Current income	43	41
Early termination fees	44	23
Income from profit transfer/ expenses from loss absorption	1	0
Net interest income	**1 257**	**1 151**

* See Note 3 for adjusted comparatives.

The interest income/expense from operating activities essentially includes interest income from credit and money market transactions of EUR 3,873 million (first half of 2009: EUR 5,365 million), from fixed-income securities and book-entry securities of EUR 1,427 million (first half of 2009: EUR 2,203 million) and from financial instruments not measured at fair value through profit or loss of EUR 1,664 million (first half of 2009: EUR 2,589 million). Of the interest expenses, EUR –2,390 million relates to customer deposits (first half of 2009: EUR –3,066 million), EUR –1,562 million to securitized liabilities (first half of 2009: EUR –2,687 million) and EUR –1,412 million to financial instruments not measured at fair value through profit or loss (first half of 2009: EUR –2,418 million).

In addition, net expenses of EUR –2 million from buying back own bonds (first half of 2009: EUR –75 million) are included in the interest income/expense from operating activities. In the case of financial assets in the LaR category on which valuation allowances were charged, interest of EUR 42 million (first half of 2009: EUR 58 million) was calculated in the first half of the year from the increase in the present value of the receivables (unwinding in accordance with IAS 39.AG 93).

Of the current income, income from dividends accounts for EUR 16 million (first half of 2009: EUR 14 million).

8. Allowance for Losses on Loans and Advances.

EUR million	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009
Net additions/reversals including provisions for credit risks	–279	–687
Direct loan write-offs	–19	–30
Recoveries on loans previously written off	4	3
Other expenses from lending operations	–3	–3
Total allowance for losses on loans and advances	**–297**	**–717**

At the end of the first half of 2010, the net additions comprised additions to the allowance for losses on loans and advances of EUR –736 million (first half of 2009: EUR –857 million), reversals of EUR 460 million (first half of 2009: EUR 216 million) and net additions to provisions for credit risks of EUR –3 million (first half of 2009: EUR –45 million).

The reduction in the net additions to provisions for credit risks compared with the previous year is primarily due to the economic recovery, which led to an improvement in customer creditworthiness and collateral values.

9. Net Fee and Commission Income.

EUR million	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009
Brokerage business	65	118
Payments and international transactions	83	93
Securities and custody business	72	86
Lending and guarantee (aval) business	63	76
Trust activities	–4	–3
Leasing	–2	–1
Other	39	48
Net fee and commission income	**316**	**417**

The brokerage business was reduced primarily because of income from arrangement fees in the corresponding period of the previous year, which was not matched by comparable income in the current reporting period.

The reduction in net fee and commission income from payments and international transactions and from the securities and custody business was largely the result of lower volumes of business. The decline in fee and commission income from the guarantee (aval) business was characterized by individual transactions, which were offset by an increase in fee and commission income from the lending business.

10. Net Loss from Hedging Transactions.

The net loss from hedging transactions comprises remeasurement losses from effective hedging transactions as part of hedge accounting (fair value hedge).

EUR million	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009
Portfolio fair value hedges	15	19
of which hedged items	– 243	– 47
of which hedging instruments	258	66
Micro fair value hedges	– 39	8
of which hedged items	136	385
of which hedging instruments	– 175	– 377
Net income/loss from hedging transactions	**– 24**	**27**

11. Net Trading Income/Loss.

The net trading income/loss is divided into five components:
- Income/loss from trading in interest rate products,
- Income/loss from trading in products related to credit ratings,
- Income/loss from trading in share products,
- Income/loss from trading in currency products (including raw material price risks) and
- Income/loss from the measurement of derivative financial instruments that do not qualify for hedge accounting.

All financial instruments in the trading portfolio are measured at fair value.

EUR million	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009*
Net income from economic hedging derivatives	51	250
Net income/loss from credit risk-related transactions	– 785	201
Net income/loss from interest rate transactions	– 43	155
Net income from equity transactions	9	58
Net loss/income from foreign exchange transactions	– 41	– 51
Net trading income/loss	**– 809**	**613**

* See Note 3 for adjusted comparatives.

The net trading income/loss as at June 30, 2010 was largely shaped by the disruptions to the market caused by the increase in risk premiums, particularly in the PIIGS countries. Spread widening for credit derivatives relating to banks and sovereigns led to significant measurement losses on credit risk-related transactions. The development of the net income/loss from interest rate transactions was also negative in the first six months of the 2010 fiscal year. In particular, the development of interest rates in the euro zone had an impact here. This also had an impact on 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.

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

The changes in the value of the related derivatives are also shown in the net income/loss from designation at fair value.

EUR million	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009*
Realized gains/losses	– 24	– 30
Unrealized gains/losses	147	94
Income/loss from financial instruments designated at fair value	**123**	**64**

* See Note 3 for adjusted comparatives.

The change in fair value of financial liabilities designated here includes, in the unrealized gains/losses, income of EUR 94 million (first half of 2009: EUR 29 million) in connection with the measurement of LBBW's own credit rating.

13. Net Income/Loss from Investment Securities.

The net income/loss from investment securities includes gains/losses on the disposal and remeasurement (including impairment) of securities in the loans and receivables (LaR) and available for sale (AfS) categories, equity investments, interests in associates and interests in subsidiaries that are not consolidated.

EUR million	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009
Net gain/loss on disposal (AfS)	39	– 6
Remeasurement losses (AfS)	14	– 119
Net gain/loss from investment securities (AfS)	**53**	**– 125**
Net gain/loss on disposal (LaR)	18	16
Remeasurement losses (LaR)	25	– 115
Rights to reimbursement from the guarantee (LaR)	40	0
Net gain/loss from investment securities (LaR)	**83**	**– 99**
Total gain/net loss from investment securities	**136**	**– 224**

In particular, the net income/loss from investment securities is driven by sale transactions and positive measurement effects. The net gain/loss on disposal (AfS) is significantly affected by equity investments sold from the shareholdings as at the reporting date (EUR 31 million).

In addition, the net income/loss from investment securities shows impairments on AfS and LaR securities amounting to EUR – 97 million (first half of 2009: EUR – 188 million) and impairments on AfS and LaR equity investments amounting to EUR –11 million (first half of 2009: EUR – 79 million).

The impairments on securities involve mainly valuation allowances on securitizations. This is due primarily to changes in the exchange rates of the key currencies. These impairments are offset by reversals of impairment losses of almost the same amount totaling EUR 108 million (first half of 2009: EUR 33 million). The risk shield agreed with the State of Baden-Württemberg resulted in write-downs of EUR 40 million being offset.

14. Net Income/Loss from Investments Accounted for Using the Equity Method.

EUR million	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009
Net income from investments in associates	– 7	– 15
Net income from investments in joint ventures	– 4	– 5
Net income from investments accounted for using the equity method	**– 11**	**– 20**

15. Net Income from Investment Property.

EUR million	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009
Income from investment property	65	66
Expenses from investment property	– 17	– 15
Income from fair value changes	6	6
Net income from investment property	**54**	**57**

16. Administrative Expenses.

EUR million	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009
Total staff costs	– 538	– 542
Total other administrative expenses	– 267	– 302
Depreciation and write-downs of property and equipment	– 36	– 38
Amortization and write-downs of intangible assets	– 36	– 32
Depreciation, amortization, and write-downs	– 72	– 70
Total administrative expenses	**– 877**	**– 914**

Administrative expenses were reduced by EUR 37 million or around 4.0 % year-on-year. With regard to the slight reduction in staff costs and the fact that impairment requirements largely stagnated, the reduction in other administrative expenses played a particularly important part here.

17. Other Operating Income.

EUR million	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009*
Total other operating income	265	125
Total other operating expenses	– 246	– 173
Net other operating income	**19**	**– 48**

* See Note 3 for adjusted comparatives.

The negative other operating income in the first half of 2009 was due to one-off transactions in the previous year that were not repeated in the current reporting period.

18. Restructuring Expenses.

EUR million	Jan. 1 – June 30, 2010	Jan. 1 – June 30, 2009
Ongoing expenses for restructuring measures	0	0
Expenses from additions to provisions for restructuring expenses	– 57	0
Income from the reversal of provisions for restructuring expenses	3	0
Total restructuring expenses	**–54**	**0**

Further provisions for restructuring expenses were created in the first half of 2010 in connection with the state aid proceedings approved by the EU (see Note 5, Risk Shield).

19. Net Commission Expenses for Public Guarantees.

The costs for the guarantee granted by the state of Baden-Württemberg are listed in the net commission expenses for public guarantees. An expense of EUR – 153 million was recorded here in the first half of 2010. As the guarantee structure was agreed only with effect from June 30, 2009, no corresponding expense was incurred in the same period of the previous year.

20. Income Tax.

As at June 30, there was tax income of EUR 31 million, compared with a tax expense of EUR – 103 million (for adjusted comparative figure, see Note 3) in the first half of 2009.

The Group's effective average tax rate for the period was 9.5 %. The reduction in the tax rate compared with the previous year was essentially due to tax-free income that significantly exceeded the non-tax-deductible operating expenses.

Notes to the Balance Sheet.

21. Cash Reserve.

The following items are summarized as the cash reserve:

EUR million	June 30, 2010	Dec. 31, 2009
Balances with central banks	2 903	1 690
Cash	126	147
Public-sector debt instruments and bills	64	41
Cash reserve	**3 093**	**1 878**

22. Loans and Advances to Other Banks.

Loans and advances to other banks can be broken down as follows:

EUR million	June 30, 2010	Dec. 31, 2009
Borrower's note loans	30 991	34 321
Money market transactions	18 212	17 965
Securities repurchase agreements	10 597	8 398
Transmitted loans	15 561	14 994
Other loans	4 423	5 991
Public-sector loans	4 578	4 898
Other loans and advances	2 908	1 520
Loans and advances to other banks	**87 270**	**88 087**
Allowance for losses on loans and advances	– 545	– 584
Loans and advances to other banks after allowance for losses	**86 725**	**87 503**

Of the loans and advances to other banks, EUR 40,518 million (December 31, 2009: EUR 37,447 million) are due within 12 months. In total, EUR 18,441 million of the loans and advances to other banks (December 31, 2009: EUR 15,000 million) relates to banks outside Germany.

23. Loans and Advances to Customers.

Loans and advances to customers can be broken down as follows:

EUR million	June 30, 2010	Dec. 31, 2009
Other loans	36 866	36 082
Public-sector loans	28 722	31 708
Money market transactions	5 884	15 430
Mortgage loans	33 706	33 277
Construction financing	2 891	2 747
Giro receivables	4 035	4 945
Receivables from finance leases	8 975	9 285
Transmitted loans	5 014	4 916
Borrower's note loans	2 998	3 111
Other loans and advances	8 872	8 132
Loans and advances to customers	**137 963**	**149 633**
Allowance for losses on loans and advances	– 3 435	– 3 320
Loans and advances to customers after allowance for losses	**134 528**	**146 313**

Of the loans and advances to customers, EUR 41,766 million (December 31, 2009: EUR 47,487 million) are due within 12 months. In total, EUR 56,999 million of the loans and advances to customers (December 31, 2009: EUR 52,684 million) relates to customers outside Germany.

One significant driving force behind the reduction in this item results from the higher volumes of customer-induced money market transactions in the trading portfolio since the beginning of the year. Money market business fell compared with the previous year to EUR 9,546 million. This decline is due partly to the short-term nature of existing business (2009 and previous years) and maturities in the first half of 2010 and partly to the intention with the vast majority of new business to generate a profit in the short term (intention to trade), which caused transactions to be reported under trading assets and trading liabilities.

24. Allowance for Losses on Loans and Advances.

The allowance for losses on loans and advances is determined in accordance with rules standard throughout the Group. The specific valuation allowances and collective valuation allowances cover all credit risks detected. For losses that have been incurred but not yet recognized, portfolio-based valuation allowances were calculated based on a system derived from the Basel II procedure.

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, 2010	**567**	**2 963**	**17**	**357**
Net reversals (–)/-additions (+)	– 32	371	– 4	– 58
Utilization	– 19	– 213	0	0
Exchange-rate-related and other changes	16	13	0	2
Balance at June 30, 2010	**532**	**3 134**	**13**	**301**

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**	**1 966**	**14**	**294**
Net reversals (–)/-additions (+)	203	1 124	4	73
Utilization	– 1	– 104	0	0
Exchange-rate-related and other changes	114	– 23	– 1	– 10
Balance at Dec. 31, 2009	**567**	**2 963**	**17**	**357**

Additions and reversals recognized through profit or loss result in an allowance for losses on loans and advances of EUR 297 million (first half of 2009: EUR 717 million) taking into account direct write-offs, reversals of impairment losses and recoveries on loans previously written off (see Note 8).

25. Positive Fair Values from Derivative Hedging Instruments.

This item shows the positive fair values from derivatives which are used to secure hedged items against the interest rate risk.

EUR million	June 30, 2010	Dec. 31, 2009
Positive fair values from portfolio fair value hedges	3 329	1 384
Positive fair values from micro fair value hedges	1 744	1 387
Positive fair values from cash flow hedges	27	28
Positive fair values from derivative hedging instruments	**5 100**	**2 799**

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

The trading activities of the Group comprise trading in
- bonds and other interest rate-related securities,
- shares and other equity-related securities and units in investment funds,
- borrower's note loans and other receivables,
- currency and precious metals and
- derivative financial instruments.

All trading assets are recognized at fair value. The positive fair values also include derivative financial instruments which cannot be used as hedging instruments for hedge accounting.

The investment securities comprise financial instruments which are not assigned to any other balance sheet item. They consist of the bonds that are not held for trading purposes and other interest rate-related securities, shares and other equity-related securities, units in investment funds, equity investments, interests in associates and in unconsolidated subsidiaries.

	Trading assets	Financial assets designated at fair value	Investment securities
June 30, 2010	EUR million	EUR million	EUR million
Bonds and other fixed-income securities	13 513	4 622	80 569
Money market instruments	1 257	0	800
Bonds and debentures	12 256	4 622	79 769
Equities and other non-fixed-income securities	495	610	43
Equities	251	315	0
Investment units	244	284	36
Other securities	0	11	7
Other	23 483	1 314	0
Borrower's note loans	1 751	718	0
Precious metals	98	0	0
Other loans and receivables	0	101	0
Miscellaneous	21 634	495	0
Positive fair values from derivative financial instruments	52 017	1 271	0
Equity investments	0	0	2 278
Investments in affiliates	0	0	798
	89 508	**7 817**	**83 688**

Dec. 31, 2009	Trading assets EUR million	Financial assets designated at fair value EUR million	Investment securities EUR million
Bonds and other fixed-income securities	27 433	4 723	87 800
Money market instruments	10 880	0	1 082
Bonds and debentures	16 553	4 723	86 718
Equities and other non-fixed-income securities	543	533	53
Equities	274	382	0
Investment units	267	139	35
Other securities	2	12	18
Other	3 862	1 354	0
Borrower's note loans	2 068	783	0
Precious metals	67	0	0
Other loans and receivables	0	83	0
Miscellaneous	1 727	488	0
Positive fair values from derivative financial instruments	35 159	952	0
Equity investments	0	0	2 359
Investments in affiliates	0	0	816
	66 997	**7 562**	**91 028**

The EUR 22,511 million increase in trading assets largely resulted from the interest- and currency-related increase in positive fair values from derivative financial instruments and from the money market asset transactions in the trading portfolio (see Note 23).

The portfolios of bonds and debentures had a contrary effect. The reduction in bonds and debentures within investment securities of EUR – 6,949 million can primarily be attributed to maturities and in small part also to sales, particularly affected by the reduction in the CIP.

A refund claim of EUR 79 million (31 December 2009: EUR 39 million) was made in investment securities against the guarantee company (GPBW GmbH & Co. KG).

27. Investments Accounted for Using the Equity Method.

EUR million	June 30, 2010	Dec. 31, 2009
Carrying amount of associates	228	223
Carrying amount of joint ventures	1	50
Goodwill from investments accounted for using the equity method	32	36
Shares in investments accounted for using the equity method	**261**	**309**

28. Non-current Assets and Disposal Groups Held for Sale.

The sale of various equity investments is planned as part of the restructuring of the LBBW Group. A resolution was passed regarding this when the restructuring plan was approved by the committees responsible and the European Commission was informed on December 3, 2009. The disposal groups of LBBW Immobilien GmbH held for sale at the end of 2009 were sold in the first half of 2010, apart from one subsidiary. A contract of sale for this remaining company was signed on July 29, 2010.

As at 30 June 2010, the criteria for classification according to IFRS 5 are fulfilled for the following non-current assets or disposal groups.

LBBW is still in disposal negotiations for the investment company already classified according to IFRS 5 at the end of 2009. The fully consolidated subsidiary belongs to the Financial Markets segment.

In August 2010, a contract of sale for the private customer business of LBBW Luxemburg S. A. managed in the Retail Clients segment was signed. This is set to be disposed of on January 1, 2011. LBBW also initiated sale processes for four equity investments in the first half of 2010. The aim for three equity investments from the Corporates Items segment is to conclude the disposal processes by the end of the fourth quarter. The fourth equity investment is allocated to the Corporates segment.

The fair values less the expected disposal costs exceed the carrying amounts of the disposal groups/non-current assets. As such, impairment is not necessary in connection with reclassification.

Assets

EUR million	June 30, 2010	Dec. 31, 2009
Cash reserve	0	2
Loans and advances to other banks	0	602
Loans and advances to customers	37	1
Trading assets/financial assets designated at fair value	0	35
Investment securities	126	0
Shares in investments accounted for using the equity method	49	5
Intangible assets	7	3
Property and equipment	1	0
Income tax assets	0	6
Other assets	1	38
	221	**692**

Liabilities

Deposits from other banks	0	672
Deposits from customers	486	0
Trading liabilities/financial liabilities designated at fair value	1	0
Provisions	1	2
Income tax liabilities	1	0
Other liabilities	2	4
	491	**678**

29. Intangible Assets.

EUR million	June 30, 2010	Dec. 31, 2009
Goodwill	450	451
Purchased software	140	142
Internally developed software	0	0
Other intangible assets	18	35
Total intangible assets	**608**	**628**

Goodwill and Customer Relationships.

As a result of the disposal of LBBW Securities LLC, Wilmington, USA, recognized goodwill fell by EUR 1 million.

	Corporates		Financial Markets		Total	
EUR million	2010	2009	2010	2009	2010	2009
Balance at January 1	**434**	**929**	**17**	**17**	**451**	**946**
Adjustments resulting from subsequent change of goodwill at date of acquisition	0	0	0	0	0	0
Additions	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals not classified as held for sale	0	0	-1	0	-1	0
Impairment losses [1]	0	-519	0	0	0	-519
Currency translation and other differences	0	24	0	0	0	24
Balance at June 30/December 31	**434**	**434**	**16**	**17**	**450**	**451**
Gross amount Goodwill	953	953	16	17	969	970
Accumulated impairment losses	-519	-519	0	0	-519	-519

1) Goodwill impairment losses are disclosed as amortization and write-downs of intangibles within the profit and loss statement.

Impairment Test for Goodwill and Customer Relationships.

As at 30 June 2010, the Corporates segment and the Financial Markets segment reported goodwill.

Goodwill is tested for impairment in the fourth quarter of each fiscal year by comparing the recoverable amount of each cash-generating unit reporting goodwill with its carrying amount.

Qualitative checks were undertaken in the semi-annual financial statements as of 30 June 2010 as to whether or not there are indications of impairment for the goodwill or the customer relationships. As there were no such indications, there will be no further quantitative checks.

30. Investment Property.

The carrying amount of the investment properties measured at fair value was EUR 1,772 million as at June 30, 2010 (December 31, 2009: EUR 1,761 million).

31. Property and Equipment.

EUR million	June 30, 2010	Dec. 31, 2009
Carrying amounts		
Land and buildings	479	486
Technical equipment and machines	33	35
Operating and office equipment	183	198
Advance payments and assets under construction	6	73
Leased assets under finance leases	6	6
Leased assets under operating leases	54	56
Total	**761**	**854**

32. Other Assets.

Other assets consist mainly of the following items:

EUR million	June 30, 2010	Dec. 31, 2009
Inventories	1 149	1 140
Receivables from tax authorities	21	76
Prepaid expenses	61	17
Investment income received in the same period	3	12
Other	99	120
Total other assets	**1 333**	**1 365**

33. Deposits from Other Banks.

EUR million	June 30, 2010	Dec. 31, 2009
Securities repurchase agreements	28 903	37 203
Money market transactions	8 296	39 485
Öffentliche Namenspfandbriefe (public-sector registered covered bonds) issued	5 286	7 428
Borrower's note loans	16 383	17 390
Hypotheken-Namenspfandbriefe (mortgage-backed registered covered bonds) issued	1 201	885
Giro liabilities	1 797	1 039
Leasing business	434	354
Other deposits from other banks	28 487	23 752
Deposits from other banks	**90 787**	**127 536**

Of the deposits from other banks, EUR 45,394 million (December 31, 2009: EUR 80,974 million) is due within 12 months. In total, EUR 23,078 million of the deposits from other banks (December 31, 2009: EUR 35,050 million) relate to banks outside Germany.

Due in particular to the reduction in financial assets (CIP), the lower funding requirement is reflected in a EUR 8,300 million reduction of the portfolio of securities repurchase agreements.

Money market transactions fell by EUR 31,189 million against the previous year. This decline is driven partly by the short-term nature of the transactions and partly by new transactions in the money market sector (see Note 23).

The review of the breakdown of borrower's note loans showed a change in presentation of the previous year's figures. EUR 13,086 million was moved from other liabilities to borrower's note loans.

34. Amounts due to Customers.

EUR million	June 30, 2010	Dec. 31, 2009
Giro liabilities	23 446	22 734
Money market transactions	20 691	29 174
Öffentliche Namenspfandbriefe (public-sector registered covered bonds) issued	15 218	17 241
Borrower's note loans	13 677	12 446
Savings deposits	6 553	6 303
Hypotheken-Namenspfandbriefe (mortgage-backed registered covered bonds) issued	1 651	1 520
Securities repurchase agreements	8 922	5 777
Other amounts due to customers	8 600	10 017
Amounts due to customers	**98 758**	**105 212**

Of the amounts due to customers, EUR 54,349 million (December 31, 2009: EUR 61,311 million) is due within 12 months. In total, EUR 18,028 million of the amounts due to customers (December 31, 2009: EUR 17,451 million) relate to customers outside Germany.

As a result of the inclusion of money market transactions in the trading portfolio since the beginning of 2010, these fell by EUR 8,483 against the previous year (see Note 23).

The increase in securities repurchase agreements can be attributed to the expansion of the transaction volume with a counterparty.

35. Securitized Liabilities.

Securitized liabilities consist of bonds, including mortgage-backed covered bonds and public covered bonds, money market instruments, index certificates, promissory notes and acceptance bills.

EUR million	June 30, 2010	Dec. 31, 2009
Other bonds	43 049	50 777
Pfandbriefe (covered bonds)	42 258	42 168
Money market instruments	2 210	4 077
Other securitized liabilities	2 602	3 046
Securitized liabilities	**90 119**	**100 068**

Of the securitized liabilities, EUR 25,880 million (December 31, 2009: EUR 27,749 million) is due within 12 months.

In accordance with IAS 39, the own bonds held by the LBBW Group amounting to a nominal EUR 12,589 million (December 31, 2009: EUR 15,609 million) were deducted from the bonds issued.

In the first half of 2010, new issues (including money market instruments) amounted to EUR 29,081 million (December 31, 2009: EUR 91,760 million). Between January 1 and June 30, 2010, bonds and money market instruments with an issuing volume of EUR 41,907 million (December 31, 2009: EUR 98,905 million) were repaid at the LBBW Group.

36. Negative Fair Values from Derivative Hedging Instruments.

This item shows the negative fair values from derivatives which are used to secure hedged items against the interest rate risk.

EUR million	June 30, 2010	Dec. 31, 2009
Negative fair values from portfolio fair value hedges	2 174	1 294
Negative fair values from micro fair value hedges	2 672	2 513
Negative fair values from cash fl ow hedges	0	0
Negative fair values from derivative hedging instruments	**4 846**	**3 807**

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

Trading liabilities show the negative fair values from derivative financial instruments which are not used as hedging instruments as part of hedge accounting and loan commitments with negative fair values. Delivery obligations from short sales of securities are also included in trading liabilities.

	Trading liabilities		Financial liabilities designated at fair value	
EUR million	June 30, 2010	Dec. 31, 2009	June 30, 2010	Dec. 31, 2009
Negative fair values from trading derivatives and economic hedging derivates	55 734	35 205	583	583
Delivery obligations from short sales of securities	757	355	0	0
Securitized liabilities	0	0	5 656	6 245
Borrower's note loans	0	0	3 627	3 606
Other financial liabilities	38 889	1 134	2 058	1 937
	95 380	**36 694**	**11 924**	**12 371**

The increase in trading liabilities resulted – similarly to the development of trading assets – from the interest- and currency-related increase in negative fair values from derivative financial instruments and the increased volumes of money market liabilities transactions in the trading portfolio since the beginning of the year (see Note 23).

38. Provisions.

EUR million	June 30, 2010	Dec. 31, 2009
Provisions for pensions	1 566	1 505
Provisions for credit risks	160	200
Other personnel-related provisions	142	142
Other provisions	554	527
Provisions	**2 422**	**2 374**

Other provisions include provisions for restructuring measures of EUR 434 million (31 December 2009: EUR 393 million).

The discount rate for pension obligations was changed on June 30, 2010 from 5.25 % to 4.75 %. The provisions for pensions thus increased by EUR 38 million. The offsetting entry was recognized directly in retained earnings.

39. Other Liabilities.

EUR million	June 30, 2010	Dec. 31, 2009*	Jan. 01, 2009*
Liabilities from employment contracts	79	125	98
Liabilities from other taxes	46	165	140
Trade payables	64	59	86
Prepaid expenses	55	45	72
Other	244	230	303
Total other liabilities	**488**	**624**	**699**

* See Note 3 for adjusted comparatives.

40. Subordinated Debt.

EUR million	June 30, 2010	Dec. 31, 2009
Subordinated liabilities	5 053	4 844
Typical silent partner's contributions	4 550	4 441
Capital generated from profit-participation rights	1 242	1 372
Subordinated debt	**10 845**	**10 657**

The silent partners' contributions reported here are recognized as liable capital for regulatory purposes.

41. Breakdown of Equity.

EUR million	June 30, 2010	Dec. 31, 2009*	Jan. 01, 2009*
Ordinary share capital	2 584	2 584	1 420
Share premium	6 910	6 910	3 074
Retained earnings	1 432	2 941	5 091
Net income recognized directly in equity	– 673	– 439	– 1 438
Net retained profit/loss	– 288	– 1 483	– 2 088
Minority interest	10	12	20
Total equity	**9 975**	**10 525**	**6 079**

* See Note 3 for adjusted comparatives.

Regulatory own funds were as follows as of the reporting date:

EUR million	June 30, 2010	Dec. 31, 2009
Core capital (Tier 1)	13 846	15 117
Supplementary capital (Tier 2)	4 778	4 725
Tier 3 capital	799	551
Own funds (Tier 1+2+3)	**19 423**	**20 393**
Capital requirements for counterparty risk	116 562	132 025
Market risk positions	15 013	16 913
Operational risk	5 463	4 975
Positions for which capital charges are required	**137 038**	**153 913**
Total ratio in accordance with SolvV (in %)	**14.2**	**13.3**
Core capital ratio (Tier 1 ratio) (in %)	**10.1**	**9.8**

Other Information.

42. Information on Derivative Transactions.

Derivative transactions (banking and trading book) showed the following nominal amounts and fair values:

	Nominal values					Fair Value	
	Remaining maturity						
June 30, 2010	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	Positive EUR million	Negative EUR million
Currency spot and forward transactions	151 391	48 375	10 115	896	210 777	5 336	6 293
Currency options	3 633	5 841	2 194	154	11 822	235	217
Cross-currency interest rate swaps	1 678	7 634	20 204	9 557	39 073	2 803	2 965
Exchange-traded currency products	0	0	0	0	0	0	0
Currency-related derivatives	**156 702**	**61 850**	**32 513**	**10 607**	**261 672**	**8 374**	**9 475**
Forward rate agreements	1 502	115 864	11 870	0	129 236	32	54
Interest rate swaps	191 257	300 224	582 934	447 917	1 522 332	45 594	44 341
Interest rate options	7 617	10 688	28 503	41 774	88 582	1 520	2 766
Caps/floors/collars	3 634	4 185	31 665	14 860	54 344	673	393
Other interest rate contracts	2 447	2 271	1 130	160	6 008	75	126
Exchange-traded interest rate products	1 282	2 317	476	0	4 075	3	2
Interest-related derivatives	**207 739**	**435 549**	**656 578**	**504 711**	**1 804 577**	**47 897**	**47 682**
Credit derivatives	**1 801**	**5 323**	**64 862**	**15 016**	**87 002**	**1 045**	**2 704**
Exchange-traded products	941	3 559	2 435	206	7 141	486	685
Equity forward contracts	37	6	0	0	43	1	1
Stock options	158	726	5 174	2 600	8 658	509	524
Miscellaneous other transactions	595	563	164	0	1 322	75	92
Other derivatives	**1 731**	**4 854**	**7 773**	**2 806**	**17 164**	**1 071**	**1 302**
Total derivatives	**367 973**	**507 576**	**761 726**	**533 140**	**2 170 415**	**58 387**	**61 163**

Dec. 31, 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	111 613	38 739	6 141	970	157 463	2 298	2 276
Currency options	3 800	5 731	1 566	143	11 240	139	115
Cross-currency interest rate swaps	2 535	4 145	17 178	8 189	32 047	1 737	2 010
Exchange-traded currency products	0	0	0	0	0	0	0
Currency-related derivatives	**117 948**	**48 615**	**24 885**	**9 302**	**200 750**	**4 174**	**4 401**
Forward rate agreements	8 500	128 806	11 450	0	148 756	76	63
Interest rate swaps	205 366	264 564	487 665	391 200	1 348 795	30 403	29 105
Interest rate options	8 971	10 258	26 947	37 959	84 135	1 117	1 992
Caps/floors/collars	1 119	6 556	29 187	13 442	50 304	551	307
Other interest rate contracts	3 401	821	163	2 064	6 449	47	85
Exchange-traded interest rate products	23 725	219 810	86 142	0	329 677	35	27
Interest-related derivatives	**251 082**	**630 815**	**641 554**	**444 665**	**1 968 116**	**32 229**	**31 579**
Credit derivatives	**2 121**	**6 983**	**61 429**	**20 202**	**90 735**	**1 088**	**1 987**
Exchange-traded products	2 487	3 673	2 188	50	8 398	538	671
Equity forward contracts	19	0	0	0	19	0	1
Stock options	180	675	4 509	2 652	8 016	870	946
Miscellaneous other transactions	253	417	33	0	703	57	48
Other derivatives	**2 939**	**4 765**	**6 730**	**2 702**	**17 136**	**1 465**	**1 666**
Total derivatives	**374 090**	**691 178**	**734 598**	**476 871**	**2 276 737**	**38 956**	**39 633**

43. Fair Value of Financial Instruments.

Determining the Fair Value.

In particular, the fair value determination of financial instruments which are not to be recognized at fair value in the balance sheet but for which an additional fair value is to be given in line with IFRS 7 is covered below. The methods of determination in the accounting policies are decisive for the financial instruments shown at fair value in the balance sheet.

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 fair value considerations, 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.

Carrying Amount/Fair Value Comparison.

The following table shows a comparison of the fair values of the balance sheet items and their carrying amounts:

		June 30, 2010		Dec. 31, 2009	
	Categories of IAS 39	Carrying amount EUR million	Fair Value EUR million	Carrying amount EUR million	Fair Value EUR million
Assets					
Cash reserve		3 093	3 093	1 878	1 878
Assets carried at amortized cost					
Loans and advances to other banks after allowance for losses	LaR	86 725	87 711	87 503	88 343
Loans and advances to customers after allowance for losses	LaR	134 528	137 161	146 313	149 623
Investment securities					
Interest-bearing assets	LaR	42 429	40 838	46 219	43 779
Non-interest-bearing assets	LaR	4	33	5	38
Assets carried at fair value					
Investment securities					
Interest-bearing assets	AfS	38 319	38 319	41 817	41 817
Non-interest-bearing assets	AfS	2 936	2 936	2 987	2 987
Positive fair values from derivative hedging instruments		5 100	5 100	2 799	2 799
Trading assets	HfT	89 508	89 508	66 997	66 997
Financial assets designated at fair value	FVO	7 817	7 817	7 562	7 562
Portfolio hedge adjustment attributable to assets		284	284	196	196
Liabilities					
Liabilities carried at amortized cost					
Deposits from other banks	OL	90 787	92 935	127 536	128 947
Due to customers	OL	98 758	102 378	105 212	107 810
Securitized liabilities	OL	90 119	92 322	100 068	102 189
Subordinated debt	OL	10 845	9 349	10 657	9 185
Liabilities carried at fair value					
Negative fair values from derivative hedging instruments		4 846	4 846	3 807	3 807
Trading liabilities	HfT	95 380	95 380	36 694	36 694
Financial liabilities designated at fair value	FVO	11 924	11 924	12 371	12 371
Portfolio hedge adjustment attributable to liabilities		737	737	522	522

Hierarchy of the Fair Values.

The financial instruments designated at fair value in the balance sheet are shown grouped by category in the following tables. These differentiate between whether there are underlying market prices for the measurement (Level I) or the measurement models used are based on observable market data (Level II) or parameters not based on observable market data (Level III).

Fair Value June 30, 2010

	Quoted market price EUR million	%	Measurement method–indicative prices/externally observable parameters EUR million	%	Measurement method – no externally observable parameters EUR million	%
Positive fair values from derivative hedging instruments	0	0	5 100	6	0	0
Trading assets	13 759	26	75 677	89	72	1
Financial assets designated at fair value	1 838	4	2 627	3	3 352	54
Investment securities (AfS)	37 159	70	1 318	2	2 778	45
Total assets	**52 756**	**100**	**84 722**	**100**	**6 202**	**100**
Negative fair values from derivative hedging instruments	3	0	4 843	4	0	0
Trading liabilities	2 792	100	92 302	86	286	18
Financial liabilities designated at fair value	0	0	10 606	10	1 318	82
Total liabilities	**2 795**	**100**	**107 751**	**100**	**1 604**	**100**

Fair Value Dec. 31, 2009.

	Quoted market price EUR million	%	Measurement method–indicative prices/externally observable parameters EUR million	%	Measurement method – no externally observable parameters EUR million	%
Positive fair values from derivative hedging instruments	0	0	2 799	5	0	0
Trading assets	16 327	29	50 561	85	109	2
Financial assets designated at fair value	1 978	4	2 080	3	3 504	51
Investment securities (AfS)	37 230	67	4 366	7	3 208	47
Total assets	**55 535**	**100**	**59 806**	**100**	**6 821**	**100**
Negative fair values from derivative hedging instruments	1	0	3 806	8	0	0
Trading liabilities	2 106	100	34 254	70	334	21
Financial liabilities designated at fair value	0	0	11 113	22	1 258	79
Total liabilities	**2 107**	**100**	**49 173**	**100**	**1 592**	**100**

All financial instruments with prices quoted on active markets are assigned to the first group. OTC derivative contracts measured using models, tradable credits, structured Group debt instruments classified at fair value, units in investment funds and certain corporate/financial and government bonds with automatic provision from market information systems (observable parameters) are assigned to the second group. The third group comprises financial instruments (complex OTC derivatives, certain private equity investments, illiquid credits and certain bonds with a high-grade structure including illiquid asset-backed securities and structured securitizations), for which one or more parameters are not based on observable market data and these have a more than immaterial effect on the fair value of an instrument.

Explanations of the changes to Level II – Financial Instruments can be found in Notes 26 and 37.

44. Contingent Liabilities and Other Obligations.

EUR million	June 30, 2010	Dec. 31, 2009	Jan. 1, 2009
Contingent liabilities	7 506	7 014	8 656
of which from sureties and guarantee agreements	7 164	6 677	8 329
Other obligations	24 507	22 128	27 208
of which irrevocable loan commitments	23 925	21 479	26 583
	32 013	**29 142**	**35 864**

* See Note 3 for adjusted comparatives.

The EUR 2,871 million increase in total items is largely the result of growth in irrevocable loan commitments of private customers and the public sector.

45. Related Party Disclosures.

EUR million		Shareholders	Members of the Board of Managing Directors and Supervisor Board	Affiliates	Associates	Joint Ventures	Other related parties/ companies*
Loans and advances to other banks							
	June 30, 2010	907	0	60	329	0	1 483
	Dec. 31, 2009	957	0	50	320	0	5 867
Loans and advances to customers							
	June 30, 2010	2 910	4	1 179	357	7	34
	Dec. 31, 2009	4 439	3	2 778	372	27	32
Trading assets, Financial assets designated at fair value							
	June 30, 2010	1 495	0	2 316	107	0	493
	Dec. 31, 2009	904	0	9	36	0	332
Investment securities							
	June 30, 2010	12 884	0	265	8	0	5 834
	Dec. 31, 2009	12 700	0	241	10	0	5 930
Other assets							
	June 30, 2010	0	0	0	0	0	0
	Dec. 31, 2009	0	0	0	1	0	0
Total assets							
	June 30, 2010	**18 196**	**4**	**3 820**	**801**	**7**	**7 844**
	Dec. 31, 2090	**19 000**	**3**	**3 078**	**739**	**27**	**12 161**

* See Note 3 for adjusted comparatives.

EUR million		Shareholders	Members of the Board of Managing Directors and Supervisor Board	Affiliates	Associates	Joint Ventures	Other related parties/ companies
Deposits from other banks							
	June 30, 2010	5 185	0	99	247	0	3 278
	Dec. 31, 2009	5 064	0	67	232	0	8 828
Due to customers							
	June 30, 2010	13 395	4	730	63	4	0
	Dec. 31, 2009	13 986	5	751	74	9	0
Trading liabilities, financial liabilities designated at fair value							
	June 30, 2010	580	0	7	90	0	251
	Dec. 31, 2009	353	0	0	41	0	221
Provisions							
	June 30, 2010	0	0	0	0	0	0
	Dec. 31, 2009	0	0	0	0	0	0
Other liabilities							
	June 30, 2010	0	0	0	0	0	1
	Dec. 31, 2009	0	0	0	0	0	0
Subordinated debt							
	June 30, 2010	3 174	0	100	10	0	0
	Dec. 31, 2009	3 116	0	100	10	0	0
Total liabilities							
	June 30, 2010	**22 334**	**4**	**936**	**410**	**4**	**3 530**
	Dec. 31, 2090	**22 519**	**5**	**918**	**357**	**9**	**9 049**
Contingent liabilities							
	June 30, 2010	0	0	88	374	0	19
	Dec. 31, 2009	0	0	109	345	0	16

Loans and advances to customers arising from transactions with shareholders have fallen compared with December 31, 2009, owing to a lower scope of business. 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.

The increase in the trading assets of affiliates is the result of the change in funding partner from a consolidated to non-consolidated affiliate.

As at June 30, 2010, there was an allowance for losses on loans and advances of EUR 10 million (December 31, 2009: EUR 10 million) with regard to outstanding balances due to affiliates.

46. Executive and Supervisory Bodies.

LBBW Board of Managing Directors.

Chairman

HANS-JÖRG VETTER
Chairman of the Board of Managing Directors

Deputy Chairman

MICHAEL HORN
Deputy Chairman of the Board
of Managing Directors

Members

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,
till April 30, 2010

RUDOLF ZIPF
Member of the Board of Managing Directors

The following changes were made to the Supervisory Board in the first half of 2010:

Newly appointed:		Stepped down:	
Members	**HANS BAUER** since January 22, 2010	**Members**	**THOMAS BERRETH** till January 22, 2010
	ARMIN FREUNDL since January 22, 2010		**KARLHEINZ HEINZELMANN** till January 22, 2010
	PETER HAUCK MdL* since March 23, 2010		**UDO HUMMEL** till January 22, 2010
	BETTINA KIES-HARTMANN since January 22, 2010		**STEFAN MAPPUS MdL*** till February 11, 2010
	HELMUT WALTER RÜECK MdL* since March 30, 2010		**DR. STEFAN SCHEFFOLD** till February 24, 2010
	MICHAEL WARFOLOMEW since January 22, 2010		**WERNER UNFRIED** till January 22, 2010
	VOLKER WIRTH since January 1, 2010		
Deputy members	**THOMAS BERRETH** since January 22, 2010	**Deputy members**	**JOSEF AHMED** till January 22, 2010
	YVONNE EISELE since January 22, 2010		**HANS BAUER** till January 22, 2010
	HEINZ FENRICH since January 25, 2010		**ARMIN FREUNDL** till January 22, 2010
	BARBARA GRENZDÖRFFER since January 22, 2010		**EBERHARD HÄGE** till January 22, 2010
	GERNOT GRIEBLING since January 22, 2010		**DIETER RÖSLER** till January 22, 2010
	MANFRED GROH MdL* since June 9, 2010		**HELMUT WALTER RÜECK MdL*** till March 30, 2010
	UDO HUMMEL since January 22, 2010		**GERD SIEBERTZ** till January 22, 2010
	BERNHARD RÖPKE since January 22, 2010		**RENATE STEINER** till January 22, 2010
	KLAUS ZIESKE since January 22, 2010		

* Member of State Parliament of Baden-Württemberg.

47. Events after the Balance Sheet Date.

No significant developments or events that could have an impact on the net assets, financial position and results of operations took place after the balance sheet date of June 30, 2010.

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 20, 2010

The Board of Managing Directors

HANS-JÖRG VETTER
Chairman

MICHAEL HORN
Deputy Chairman

DR. PETER A. KAEMMERER

JOACHIM E. SCHIELKE

HANS-JOACHIM STRÜDER

RUDOLF ZIPF

Review Report.

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

We have reviewed the condensed interim consolidated financial statements of the Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim and Mainz – comprising of Condensed Consolidated Income Statement, Consolidated Total Comprehensive Income, Consolidated Balance Sheet, Condensed Statement of Changes in Equity, Condensed Cash Flow Statement and selected explanatory notes – together with the interim group management report of the Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim and Mainz, for the period from January 1 to June 30, 2010 that are part of the semiannual financial report according to § 37 w WpHG [»Wertpapierhandelsgesetz«: »German Securities Trading Act«]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, 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 material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments 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 issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Stuttgart, August 20, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

KOCHOLL	**BEIER**
Wirtschaftsprüfer	Wirtschaftsprüfer

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.

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