

Half-yearly financial report 2012.

Key figures of the LBBW Group.

Income statement (EUR million)	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011 ¹⁾
Net interest income	1 248	1 205
Net fee and commission income	247	272
Net gains/losses from financial instruments at fair value through profit or loss	- 176	424
Other operating income/expenses ²⁾	38	103
Total operating income/expenses	1 357	2 004
Provision for credit losses	- 91	- 84
Net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements	- 21	- 324
Administrative expenses	- 893	- 861
Operating result	352	735
Guarantee commission for Baden-Württemberg	- 151	- 152
Impairment of goodwill	0	- 15
Restructuring expenses	- 7	- 1
Consolidated profit/loss before tax	194	567
Income tax	- 29	- 217
Consolidated profit/loss for the period	165	350
Balance sheet figures (EUR billion)	30 June 2012	31 Dec. 2011
Total assets	372.8	373.1
Risk position	103.7	107.7
Equity ³⁾	20.0	20.9
Regulatory figures	30 June 2012	31 Dec. 2011
Core capital (EUR billion)	14.7	13.8
Own funds (EUR billion)	19.1	18.6
Core capital ratio (Tier I ratio) (in %)	14.2	12.9
Total ratio in accordance with SolvV (in %)	18.4	17.2
Employees	30 June 2012	31 Dec. 2011
Group	11 637	12 231

Rating (21 August 2012)

Rating agency	Long-term rating	Long-term rating	Financial strength	Pfandbriefe (public sector covered bonds)	Pfandbriefe (mortgage-backed covered bonds)
	guaranteed obligations	unguaranteed obligations			
Moody's Investors Service	Aaa ⁴⁾	A3	D+	Aaa	Aaa
Fitch Ratings	AAA	A+	bbb-	AAA	-

1) Corrections previous year's values (see Note 2).

2) The net income/expenses from investment property is shown as part of other operating income/expenses.

3) Equity plus subordinated debt in accordance with IFRS.

4) Rating Watch negative.

Figures may be subject to rounding differences.

2012

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Foreword by the Board of Managing Directors.

Dear customers,
dear business partners of the LBBW Group,

The underlying conditions for the banking sector remain challenging. The first half of 2012 was also characterized by a volatile and uncertain market setting, which continues to be encumbered to a significant extent by the ongoing debt and confidence crisis in the euro area.

In spite of the difficult setting, above all in the second quarter, the Group again succeeded in generating earnings of EUR 194 million before tax and EUR 165 million after tax. We regard this as proof of the fact that our Bank's business model is also viable in stormy times.

Given the deterioration on the markets and the low interest rates with the accompanying difficult conditions for the banking industry, we are satisfied with the overall result achieved in our three operative business segments Corporates, Retail/Savings Banks and Financial Markets in the first half of 2012. Apart from the sound business performance in customer business, the first half of 2012 saw exceptional effects, which we deal with in depth in this report.

The resolute realignment of our Bank since 2009 continues to make good progress. In addition to measures to reduce our cost basis, we have above all been able to continue to reduce our credit substitute business from the initial EUR 95 billion at the beginning of restructuring (end of 2008) to less than EUR 30 billion as at half-year 2012 and to reduce our risk assets in non-strategic business. This also includes the significant reduction of our exposure to states that have been especially hit by the euro crisis. In the wake of this, our core capital ratio in the Group increased once again, to 14.2%, as at 30 June 2012.

The regulatory conditions for banks will tighten. This is especially the case for equity capital requirements. With this in mind, the discussions we've started with our owners on converting silent partners' contributions are at an advanced stage. This also ensures that our Bank will be able to draw on adequate capital resources for future requirements.

We are also sticking with our target of largely completing the restructuring process in the course of this year. With this in mind, we will also resolutely continue in our efforts to reduce our costs and risk assets as part of resizing the Bank in the second half of the year, too. Furthermore, in spite of the partially massive market upheavals in the first half and the continued challenges in the second half, we continue to anticipate a consolidated profit in excess of last year's figure for 2012 as a whole unless there are further dramatic market upheavals or an unexpectedly drastic economic slump in the second half.

The value of long-term partnerships and business relationships becomes clear in exactly such volatile and uncertain times as these. We would like to take this opportunity to express our heartfelt thanks to you, our customers and business partners, for the confidence shown in us. We would also like to thank our staff, who have achieved so much in a challenging setting in the first half of 2012, as well as our owners for their trust and constant constructive support.

Sincerely,

The Board of Managing Directors



HANS-JÖRG VETTER
Chairman



MICHAEL HORN
Deputy Chairman



KARL-MANFRED LOCHNER



INGO MANDT



HANS-JOACHIM STRÜDER

Interim Group management report.

Economic development in the first half of 2012.

The first half of 2012 brought further substantial challenges. According to estimates released by the International Monetary Fund (IMF) in July 2012, global growth provided a pleasant surprise in the first quarter of 2012 with a 3.6% rise in global GDP before weakening in the second quarter. The IMF attributes this decline mainly to the euro area, particularly to the increasing political and financial uncertainty in Greece and the difficulties faced by the Spanish banking sector.

Gross domestic product (GDP) within the euro area as a whole was flat in the first quarter of 2012. If we exclude the 0.5% growth in Germany, economic output in the euro area would have in fact declined. While France reported zero growth, GDP in Italy (-0.8%) and Spain (-0.3%) contracted markedly. At the beginning of the year, the growth in Germany derived from foreign trade. A sharp gain in exports (+1.7%) along with quarter-on-quarter unchanged imports contributed 0.9 of a percentage point to GDP growth. By contrast, domestic demand in Germany was down 0.3 of a percentage point in the first quarter. At the same time, capital spending declined; construction spending was particularly hit, falling by 1.3%, probably on account of a lack of public-sector orders.

The rate of inflation stayed above the 2% mark for long periods in the first half, albeit with a declining trend. The annualized rate in the euro area stood at 2.7% in January; inflation in June came to 2.4%. The situation was similar in Germany. The country's inflation rate stood at 2.5% in February, but by June it had dropped back to 1.7%. One reason for the inflation trend was the price of oil. North Sea Brent increased to more than USD 125/barrel in March before falling back down to USD 90/barrel by the end of June. In EUR terms, prices during the said period contracted from more than EUR 90/barrel to just over EUR 70/barrel.

On the financial markets the debt crisis in the European Monetary Union (EMU) dominated proceedings during the reporting period. A significant event was the haircut on Greek debt in early March, which was the condition for the second bailout package. Private creditors participated in the restructuring of Greece's debt by swapping their outstanding sovereign bonds issued by the Hellenic Republic for a whole raft of more than 20 bonds with a lower nominal value, long maturities and low interest rates, losing slightly more than half of the bonds' nominal value. Shortly before the swap, the corresponding sovereign bonds held by the European Central Bank (ECB) were converted, at equal value, into bonds with new identification numbers that were not affected by the debt restructuring. However, the debt haircut by no means resolved the EMU debt crisis. On the contrary, the market's concerns then turned to the two large member states of Italy and Spain. The rating agencies further downgraded both Spain and Italy. At present, rating agency Moody's considers Italian bonds to be only two notches and those of Spain only one notch above a »speculative« rating. Spain now has to offer substantially higher interest rates than previously in order to place its paper on the market. Yields on 10-year Spanish bonds rose from approx. 4.20% at the start of 2012 to more

than 7% by the middle of the year. Yielding to pressure from the markets, on 10 June 2012 Spain decided to request assistance from the European Financial Stability Facility (EFSF) in order to recapitalize its banks. The EMU finance ministers agreed to a package worth up to EUR 100 billion. Independent auditors estimate the capital requirement of Spain's banks at up to EUR 62 billion.

In contrast to Spanish sovereign bonds, the yields on German Bunds, which are considered to be very safe, fell to new historic lows. At their lowest point in late May, 10-year Bund yields stood at 1.15%, while yields on 2-year paper were negative for the first time in the history of the Federal Republic. At two summits in late March and late June the EMU states decided to create a permanent bailout scheme (European Stability Mechanism, ESM) possessing an initial volume of EUR 500 billion together with a fiscal package featuring integrated debt brakes. All these decisions did little to attenuate this spread widening in the euro area. Whether or not the ESM will come into force, will depend on the German Federal Constitutional Court, which will rule on 12 September 2012 on applications for a temporary injunction against the law approving the ESM.

On the money market the massive injection of liquidity by the ECB in the course of the first half of 2012 had a significant effect. The two 3-year ECB tenders dated 22 December 2011 and 1 March 2012, comprising a total of EUR 1 018 billion, led to a downright liquidity glut and ensured that the 3-month Euribor, for example, has been below the ECB's main refinancing rate since the end of February. At the end of June the main refinancing rate stood at 1% and the 3-month Euribor at 0.65%. At the start of the second half of the year the ECB eased its monetary policy further in view of the difficult economic setting by lowering its main refinancing rate to 0.75% on 5 July 2012, marking a new low; consequently, the 3-month Euribor fell to its current level of 0.46%.

On the currency markets the euro was still subject to weakness. Its value relative to the US dollar fell from USD 1.29 to USD 1.22 per EUR; compared to the Japanese yen it declined from just over JPY 100 to JPY 96. It was only thanks to massive intervention by the Swiss Central Bank on the currency market that the euro's exchange rate to the Swiss franc was prevented from falling below CHF 1.20 per EUR.

Business performance of the LBBW Group.

Report on net assets, financial position and results of operations.

LBBW Group with solid operating performance, result weighed down by difficult market setting.

Greece in 2011 and the swap in spring 2012 did not mark the end of the euro debt crisis. Increasing political and financial uncertainty in Greece and difficulties in the Spanish banking sector had an impact on economic growth and the financial markets, particularly in the euro area. The credit spreads of the countries affected by the euro debt crisis remained very volatile in the first half of 2012. While Spanish credit spreads increased substantially as a result of the banking crisis, the spreads on Portuguese sovereign issues tightened. Following a volatile performance in the first half of the year, Italy's credit spreads were at the level seen at the end of 2011. Money and capital market rates fell to historic lows.

The LBBW Group continued to have high liquidity at its disposal in the first half of 2012 and was therefore not dependent on the liquidity made available by the European Central Bank as part of a tender procedure.

As at the qualifying date of 30 June 2012 the Tier I capital ratio for the LBBW Group stood at 14.2%. In order to strengthen this ratio, also against the backdrop of future regulatory requirements (Basel III), LBBW is aiming to convert the silent partners' contributions of its owners into Common Equity Tier I capital.

Results of operations.

Despite difficult macroeconomic conditions, the Group closed out the first six months of the 2012 financial year with earnings before tax of EUR 194 million.

In condensed form, the figures of the income statement are as follows:

	1 Jan. –	1 Jan. –	Change	
	30 June 2012	30 June 2011 ¹⁾	EUR million	in %
Net interest income	1 248	1 205	43	3.6
Net fee and commission income	247	272	-25	-9.2
Net gains/losses from financial instruments at fair value through profit or loss	-176	424	-600	-
Other operating income/expenses ²⁾	38	103	-65	-63.1
Total operating income/expenses	1 357	2 004	-647	-32.3
Provision for credit losses	-91	-84	-7	8.3
Net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements	-21	-324	303	-93.5
Administrative expenses	-893	-861	-32	3.7
Operating result	352	735	-383	-52.1
Guarantee commission for Baden-Württemberg	-151	-152	1	-0.7
Impairment of goodwill	0	-15	15	-100.0
Restructuring expenses	-7	-1	-6	>100
Consolidated profit/loss before tax	194	567	-373	-65.8
Income tax	-29	-217	188	-86.6
Consolidated profit/loss for the period	165	350	-185	-52.9

1) Corrections previous year's values (see Note 2).

2) The net income/expenses from investment property is shown as part of other operating income/expenses.

Net interest income in the first six months of 2012 improved by EUR 43 million or 3.6% to EUR 1 248 million. At approx. EUR 339 million it was influenced mainly by changes in the present values of expected interest payments on silent partners' contributions and profit participation rights. LBBW's cash flow takes into account the intended conversion of silent partners' contributions by the owners into share capital. Excluding the effect resulting from the valuation of silent partners' contributions and profit participation rights, net interest income would have declined by EUR -297 million year on year. The main reason for this drop was the historically lower interest rate level compared with the previous year. Furthermore, the reduction in interest-bearing volume, particularly in financial investments, contributed to the decline in interest income. Moreover, the net interest income in the pre-year period was due to exceptional effects.

Net fee and commission income came to EUR 247 million at the end of the second quarter and was down EUR –25 million or –9.2% year on year. This drop was essentially attributable to the decline in net fee and commission income from securities and brokerage business (EUR –26 million). Restraint by customers in the wake of the uncertain capital markets also contributed to this reduction.

The **gains/losses from financial instruments at fair value through profit or loss** came to EUR –176 million and was EUR –600 million below the previous year's net income figure of EUR 424 million. The spread tightening for credit derivatives in the credit investment portfolio had an overall positive impact on the result in the income statement (EUR 97 million), although at EUR 394 million this earnings contribution was substantially lower than in the previous year. The favorable trend of spreads in the first quarter of 2012 was used once again to build up matching positions for the hedging of income statement earnings contributions. By contrast, valuation adjustments (e.g. for market parameters, counterparty risks and legal risks as well as own credit rating) totaling around EUR –305 million weighed on the result.

At EUR –91 million, expenditure on **provision for credit losses** was almost at the previous year's level (EUR –84 million). This reflects once again the overall stable economic trend in Germany.

The **gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements** at 30 June 2012 was reduced by EUR 303 million to EUR –21 million. Charges totaling around EUR –460 million were absorbed from the exposure to Greece in the previous year. This year charges resulted from the rundown of positions in the credit investment portfolio.

In the first half the sale of equity investments generated an income of EUR 52 million. This figure was below that of the pre-year period (EUR 251 million).

Administrative expenses came to EUR –893 million in the first half of the year and were thus EUR –32 million or 3.7% above the previous year. While staff costs remained unchanged and inventory write-downs declined only marginally (EUR 6 million), other administrative expenses increased significantly by EUR –38 million or –13.4%. This rise was essentially caused by an increased bank levy (EUR –17 million).

The **operating result** decreased by EUR –383 million to EUR 352 million in comparison with the previous year.

Including the expenses arising from the **guarantee commission** for the State of Baden-Württemberg of EUR –151 million and the **restructuring expenses** totaling EUR –7 million, consolidated profit for the period before tax came to EUR 194 million, compared with EUR 567 million in the previous year.

Income tax came to EUR - 29 million and were down EUR - 217 million on the previous year's figure. Among other factors, this improvement is attributable to the reversal of tax accruals for foreign income tax dating from previous years. The reversal of the accruals was due to the successful completion of EUR 47 million tax proceedings. Moreover, write-downs on deferred taxes for loss carryforwards totaling EUR - 41 million were performed. The write-down in the pre-year period came to EUR - 117 million.

Consolidated profit/loss after tax thus amounted to EUR 165 million in the first half of the year, down from EUR 350 million in the pre-year period.

Net assets and financial position.

Assets	30 June 2012	31 Dec. 2011	Change	
	EUR million	EUR million	EUR million	in %
Cash reserve	3 106	5 848	- 2 742	- 46.9
Loans and advances to banks	59 714	59 611	103	0.2
Loans and advances to customers	123 975	123 794	181	0.1
Loan loss provisions	- 2 624	- 2 945	321	- 10.9
Financial assets at fair value through profit or loss	125 873	116 270	9 603	8.3
Financial investments and investments accounted for using the equity method	57 254	63 740	- 6 486	- 10.2
Portfolio hedge adjustment attributable to assets	583	455	128	28.1
Non-current assets held for sale and disposal groups	279	1 698	- 1 419	- 83.6
Intangible assets	513	567	- 54	- 9.5
Investment property	472	469	3	0.6
Property and equipment	737	758	- 21	- 2.8
Current income tax assets	240	265	- 25	- 9.4
Deferred income tax assets	1 229	1 349	- 120	- 8.9
Other assets	1 445	1 180	265	22.5
Total assets	372 796	373 059	- 263	- 0.1

Equity and liabilities	30 June 2012	31 Dec. 2011	Change	
	EUR million	EUR million	EUR million	in %
Deposits from banks	89 807	77 836	11 971	15.4
Deposits from customers	76 998	80 179	-3 181	-4.0
Securitized liabilities	66 325	71 654	-5 329	-7.4
Financial liabilities at fair value through profit or loss	114 529	117 188	-2 659	-2.3
Portfolio hedge adjustment attributable to liabilities	1 180	1 019	161	15.8
Provisions	2 764	2 569	195	7.6
Liabilities from disposal groups	0	526	-526	-100.0
Current income tax liabilities	182	276	-94	-34.1
Deferred income tax liabilities	183	195	-12	-6.2
Other liabilities	872	700	172	24.6
Subordinated debt	10 120	11 396	-1 276	-11.2
Equity	9 836	9 521	315	3.3
Share capital	2 584	2 584	0	0.0
Capital reserves	6 910	6 910	0	0.0
Retained earnings	1 007	1 067	-60	-5.6
Cumulative net income recognized directly in equity	-850	-1 147	297	-25.9
Net retained profit/net accumulated losses	166	88	78	88.6
Equity attributable to non-controlling interest	19	19	0	0.0
Total equity and liabilities	372 796	373 059	-263	-0.1
Guarantee and surety obligations	6 200	6 519	-319	-4.9
Irrevocable loan commitments	22 336	22 137	199	0.9
Business volume	401 332	401 715	-383	-0.1

Consolidated total assets at the pre-year level.

LBBW Group's **total assets** came to EUR 372.8 billion as of 30 June 2012 and were thus at the level seen at the end of 2011. The lower interest rate level resulted in an increase in total assets from interest rate derivatives, in particular. Moreover, the Group reported higher receivables from dealings in the money market and deposits from other banks resulting from securities repurchase transactions. This was offset by the netting of derivatives with central clearing houses in the first half of the year.

Business volume, which alongside total assets also comprises the holdings of irrevocable loan commitments and contingent liabilities from surety bonds and guarantees, also remained virtually unchanged.

Lending.

The **cash reserve** for the period came to EUR 3.1 billion and was EUR -2.7 billion or -46.9% below the figure at the end of 2011.

Loans and advances to banks and **loans and advances to customers** increased marginally compared with 31 December 2011.

The increase in **financial assets at fair value through profit or loss** of EUR 9.6 billion or 8.3% to EUR 125.9 billion was essentially attributable to the rise in interest rate derivatives due to interest rates. The netting of derivatives totaling EUR - 8.6 billion with central clearing houses in the first half of this year offset this increase. The rise in the balance sheet item was also due to higher holdings of securities and money market transactions (EUR 7.3 billion or 13.3%).

The fall in **financial investments and investments accounted for using the equity method** of EUR -6.5 billion or - 10.2% to EUR 57.3 billion was attributable, in particular, to the reduction of the credit investment portfolio.

Non-current assets held for sale decreased by EUR - 1.4 billion following the sale of the residential real estate holdings of LBBW Immobilien GmbH.

Funding.

Compared with 31 December 2011 **deposits from banks** rose by EUR 12.0 billion or 15.4% to EUR 89.8 billion. This was essentially the result of the EUR 9.3 billion increase in the holdings of securities repurchase transactions since the start of the year.

By contrast, **deposits from customers** declined by around EUR - 3.2 billion or - 4.0% to EUR 77.0 billion in the first half of 2012. At EUR - 2.4 billion this drop was accounted for by bonds issued. The EUR - 2.2 billion decline in holdings from money market transactions contrasted with a EUR 1.8 billion increase in demand deposits.

At the end of the reporting period **securitized liabilities** came to EUR 66.3 billion. Due in particular to repayments and maturities of Pfandbriefe (public sector covered bonds), bearer bonds and certificates, they decreased by - 7.4% or EUR - 5.3 billion.

The decline in the balance sheet item **financial liabilities at fair value through profit or loss** of EUR - 2.7 billion or - 2.3% to a total of EUR 114.5 billion at 30 June 2012 was essentially due to the netting of derivatives with central clearing houses (EUR 8.6 billion). It was boosted by the increased fair values of derivatives as a result of lower interest rates.

In the first half of 2012 the holdings of **subordinated debt** were reduced by a total of EUR - 1.3 billion or - 11.2% to EUR 10.1 billion, essentially as a result of maturities.

Equity.

Consolidated equity rose by a total of EUR 0.3 billion or 3.3% to EUR 9.8 billion as of 30 June 2012. The main influencing factor was the positive trend of the AfS reserve with an increase of EUR 0.3 billion.

Risk report.

The risk management methods and processes presented in the annual report for 2011 generally continue to be applied by the LBBW Group as of 30 June 2012. Changes are described below. LBBW's summarized definition of the relevant risk types is shown in the table below:

Risk types.

	Risk type	Describes possible ...
Material risks	Credit risks	... losses arising from the default or deterioration in the credit rating of business partners. ... defaults by sovereign borrowers or restrictions on payments. ... losses arising from shortfall in proceeds from the liquidation of collateral.
	Market price risks	... losses caused by changes in interest rates, credit spreads, share prices, exchange rates, commodities prices, volatility.
	Liquidity risks	... problems meeting payment obligations in the short term, or not being able to quickly close out larger positions at market value.
	Operational risks	... losses arising from the unsuitability or failure of internal processes and systems, people, or due to external events, including legal risks.
	Investment risks	... losses in the value of Group companies and equity investments not included in the above risk types.
	Reputation risks	... losses caused by damage to the Bank's reputation.
	Business risks	... losses due to less favorable business performance than expected unless they do not relate to other characteristic banking risks.
	Pension risks	... increase in pension provisions.
	Strategic risks	... losses due to strategic decisions.
	Real estate risks	... losses in the value of the Group's real estate holdings.
	Development risks	... losses resulting especially from potential plan variances in the project development business of LBBW Immobilien Management GmbH.
	Funding risks	... additional expense as a result of higher funding costs.
	Model risks	... misrepresentations of actual risk.
	Dilution risks	... losses due to a lack of legal payment obligations for purchased receivables.
Fund placement risks	... losses due to non-placement of equity components in the case of closed-end funds.	

Detailed information on the definition and management of all risks can be found in the risk report of the annual report for 2011.

Further developments.

LBBW's overall bank management (OBM) is currently undergoing further development. The focus is on harmonizing the accounting systems between the OBM areas »Rechnungs- and Meldewesen and Risiko- and Finanzcontrolling« and on creating the basis (processes, methods, IT) to ensure that overall bank management is able to meet the heightened requirements. The structural challenges are being addressed in a medium-term program.

As part of efforts to enhance overall bank management, risk reporting was additionally reinforced in the first half of 2012. On the one hand, a report focusing on LBBW's business areas was implemented. On the other hand, the link between the economic and regulatory view in overall bank management was additionally strengthened in the existing reporting procedures.

The German regulator has announced further amendments to the minimum requirements for risk management (MaRisk) in 2012 as well. After the preliminary phase of consultations on the MaRisk draft in the first half of 2012, in which LBBW also participated, discussions were held with the regulator within the specialist committee in July 2012. This will be followed by a continuation of the consultation phase in the summer. The final paper is expected towards the end of August 2012, meaning that one of the key tasks facing LBBW will be to implement the extended requirements stipulated in the 4th Amendment to MaRisk as of the autumn.

Risk situation and risk-bearing capacity.

Internal monitoring of risk-bearing capacity within the internal capital adequacy assessment process (ICAAP) together with the regular reconciliation of aggregate risk cover with risks ensures that the LBBW Group has adequate economic capital resources.

Starting from the end of 2011 a substantial decline in risks in the Group had been expected on account of the planned portfolio rundown in the first half of the year. However, this failed to eventuate to the extent anticipated on account of market trends in the first half of 2012. Thus, the continuing escalation of the euro debt crisis had an adverse effect on risk-relevant market data such as credit spreads, volatility and interest rates. At the same time, aggregate risk cover came under pressure from fair value losses, reduced income, the expiry of subordinated debt and exceptional effects.

To summarize, the LBBW Group's risk-bearing capacity was safe-guarded at all times throughout the first half of 2012, with precautions taken for any further potential strain arising from severe stress scenarios. However, stress resistance has weakened since the end of 2011.

The economic capital limit was maintained at all times at the Group level. Utilization of aggregate risk cover stood at 74% as at 30 June 2012.

LBBW Group

EUR million	30 June 2012			31 Dec. 2011		
	Limit ¹⁾	Absolute	Utilization	Limit ¹⁾	Absolute	Utilization
Aggregate risk cover		16 658	74%		18 060	70%
Economic capital committed	15 000	12 316	82%	15 000	12 626	84%
Diversification effects		758			660	
Credit risk		6 214			6 565	
Market price risk		3 546			3 662	
Investment risk		434			432	
Operational risk		1 177			803	
Development risk		213			262	
Real estate risk		301			376	
Other risks		1 189			1 186	

1) The individual risk types are capped by means of economic capital limits.

In financial year 2011, LBBW had implemented the new German regulatory requirements with respect to risk-bearing capacity. A further strain on risk-bearing capacity is expected in the second half of 2012 due to additional regulatory requirements concerning the calculation of risk-bearing capacity.

Credit risks.

Risk situation.¹⁾

Preliminary note.

The quantitative disclosures on the risk situation are based on the credit risk management methods and instruments described in the annual report for 2011.

The details given below on the portfolio structure, portfolio quality, regions, sectors, rating migration, and size classes provide a detailed insight into the LBBW Group's risk situation. Gross exposure is calculated on the basis of fair value or utilization. In addition, there are open credit commitments. When aggregated, these components constitute the maximum default risk. By contrast, net exposure includes risk-mitigating effects such as netting and collateral agreements, the hedging effect of credit derivatives or the inclusion of conventional loan collateral such as real estate liens, financial collateral, guarantees or bonds.

Development of exposure and collateral.

As at 30 June 2012, gross exposure stood at around EUR 462 billion, an increase of EUR 7 billion or 1 % over 31 December 2011. This was particularly due to the increased fair value of interest-rate derivatives.

This increase is substantially less pronounced in net exposure due to heightened netting effects resulting from negative fair values of interest-rate derivatives, which are not netted in gross exposure. In addition, there was a reduction in financial investments, which showed up equally in gross and net exposure. On balance, net exposure contracted by EUR 8 billion or 3 % to roughly EUR 298 billion in the same period. Adjusted for increases in fair values, the portfolio reductions would have been even more pronounced.

EUR million	30 June 2012	31 Dec. 2011
Gross exposure	461 788	455 092
Netting/collateral	86 831	73 192
Credit derivatives	31 617	29 757
Classic credit collateral	45 511	45 920
Net exposure	297 830	306 223

¹⁾ Statements made on the risk situation are based on the management approach (with the exception of disclosures concerning exposure to the PIGS countries). Differences over the values shown in the financial statements are due to the reasons described in the 2011 risk report.

Structure of the credit portfolio by balance sheet class.

The following table shows LBBW's credit portfolio by balance sheet class and reconciles gross exposure with net exposure:

30 June 2012						
EUR million	Gross exposure	Netting/ collateral	Credit derivatives	Credit collateral	Net exposure	
Receivables	183 141	8 996	0	40 744	133 401	
of which loans and advances to banks	60 508	3 427	0	1 581	55 500	
of which loans and advances to customers	122 633	5 569	0	39 164	77 901	
of which receivables from finance leases	3 341	0	0	0	3 341	
Financial investments	50 734	0	3 509	137	47 088	
of which interest-bearing assets	47 629	0	3 509	137	43 983	
of which non-interest-bearing assets	3 105	0	0	0	3 105	
Non-current assets held for sale and disposal groups	255	0	0	0	255	
Positive fair values from derivative hedging instruments ¹⁾	2 003	1 946	0	1	57	
Trading assets ¹⁾	171 638	75 889	28 108	1 670	65 971	
of which FVO	2 837	1 205	98	28	1 506	
of which HFT	168 801	74 684	28 010	1 642	64 465	
Loan commitments/other agreements	54 017	0	0	2 959	51 057	
Total	461 788	86 831	31 617	45 511	297 830	

1) The two classes »Positive fair values from derivative hedging instruments« and »Trading assets« together form the balance sheet item »Financial assets at fair value«.

30 Dec. 2011						
EUR million	Gross exposure	Netting/ collateral	Credit derivatives	Credit collateral	Net exposure	
Receivables	181 160	5 158	0	41 103	134 900	
of which loans and advances to banks	59 310	1 358	0	1 887	56 065	
of which loans and advances to customers	121 850	3 800	0	39 215	78 834	
of which receivables from finance leases	3 728	0	0	0	3 728	
Financial investments	57 456	0	2 872	145	54 439	
of which interest-bearing assets	54 395	0	2 872	145	51 378	
of which non-interest-bearing assets	3 061	0	0	0	3 061	
Non-current assets held for sale and disposal groups	242	0	0	0	242	
Positive fair values from derivative hedging instruments ¹⁾	10 472	9 819	0	14	639	
Trading assets ¹⁾	147 809	58 215	26 885	1 733	60 976	
of which FVO	3 509	1 165	143	43	2 158	
of which HFT	144 300	57 050	26 742	1 690	58 818	
Loan commitments/other agreements	57 953	0	0	2 925	55 027	
Total	455 092	73 192	29 757	45 920	306 223	

1) The two classes »Positive fair values from derivative hedging instruments« and »Trading assets« together form the balance sheet item »Financial assets at fair value«.

Structure of the portfolio of non-impaired and non-past due assets.

99% of LBBW's credit portfolio was non-impaired and non-past due. The breakdown of the portfolio by balance sheet class is shown in the following table:

EUR million	Gross exposure	Neither impaired nor past-due assets	Gross exposure	Neither impaired nor past-due assets
	30 June 2012	30 June 2012	31 Dec. 2011	31 Dec. 2011
Receivables	183 141	178 314	181 160	175 766
of which loans and advances to banks	60 508	60 422	59 310	59 051
of which loans and advances to customers	122 633	117 891	121 850	116 715
of which receivables from finance leases	3 341	3 135	3 728	3 473
Financial investments	50 734	50 122	57 456	55 914
of which interest-bearing assets	47 629	47 018	54 395	52 855
of which non-interest-bearing assets	3 105	3 104	3 061	3 059
Non-current assets held for sale and disposal groups	255	255	242	242
Positive fair values from derivative hedging instruments ¹⁾	2 003	2 003	10 472	10 472
Trading assets ¹⁾	171 638	171 638	147 809	147 808
of which FVO	2 837	2 837	3 509	3 509
of which HFT	168 801	168 801	144 300	144 299
Loan commitments/other agreements	54 017	53 698	57 953	57 631
Total	461 788	456 030	455 092	447 833

¹⁾ The two classes »Positive fair values from derivative hedging instruments« and »Trading assets« together form the balance sheet item »Financial assets at fair value«.

The substantial increase of EUR 24 billion in gross exposure to trading assets was especially caused by the aforementioned rise in the fair value of interest-rate derivatives as well as an increase in money market transactions. This was offset by declines in financial investments, reflecting the planned portfolio run-down.

Structure of the portfolio of assets that are past due and not impaired.

Exposure to clients that are more than five days in arrears for which no provisions have been created are defined as past due and not impaired. Clients who are more than 90 days in arrears are not defined as impaired provided that they are covered in full by collateral or other cash flows.

As the following table shows, the portfolio of assets that are past due and not impaired accounted for 0.03% of gross exposure; the total volume was virtually unchanged compared with 31 December 2011.

30 June 2012								
EUR million	Total gross exposure	<= 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	> 12 months	
Receivables	148	82	12	8	3	1	42	
of which loans and advances to banks	0	0	0	0	0	0	0	0
of which loans and advances to customers	148	82	12	8	3	1	42	
of which receivables from finance leases	11	4	6	0	1	0	0	0
Financial investments	0	0	0	0	0	0	0	0
of which interest-bearing assets	0	0	0	0	0	0	0	0
of which non-interest-bearing assets	0	0	0	0	0	0	0	0
Non-current assets held for sale and disposal groups	0	0	0	0	0	0	0	0
Positive fair values from derivative hedging instruments ¹⁾	0	0	0	0	0	0	0	0
Trading assets ¹⁾	0	0	0	0	0	0	0	0
of which FVO	0	0	0	0	0	0	0	0
of which HfT	0	0	0	0	0	0	0	0
Loan commitments/other agreements	0	0	0	0	0	0	0	0
Total	148	82	12	8	3	1	42	

1) The two classes »Positive fair values from derivative hedging instruments« and »Trading assets« together form the balance sheet item »Financial assets at fair value«.

31 Dec. 2011								
EUR million	Total gross exposure	<= 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	> 12 months	
Receivables	127	40	23	3	2	7	51	
of which loans and advances to banks	11	11	0	0	0	0	0	
of which loans and advances to customers	116	29	23	3	2	7	51	
of which receivables from finance leases	14	6	7	0	1	0	0	
Financial investments	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	
Non-current assets held for sale and disposal groups	0	0	0	0	0	0	0	
Positive fair values from derivative hedging instruments ¹⁾	0	0	0	0	0	0	0	
Trading assets ¹⁾	0	0	0	0	0	0	0	
of which FVO	0	0	0	0	0	0	0	
of which HFT	0	0	0	0	0	0	0	
Loan commitments/other agreements	0	0	0	0	0	0	0	
Total	127	40	23	3	2	7	51	

1) The two classes »Positive fair values from derivative hedging instruments« and »Trading assets« together form the balance sheet item »Financial assets at fair value«.

Structure of the portfolio of impaired assets.

Exposure to clients for which allowances have been created is defined as impaired assets.

In addition, an impairment on financial investments results in the transaction being classified as impaired.

EUR million	Gross exposure 30 June 2012	Gross exposure 31 Dec. 2011
Receivables	4 679	5 267
of which loans and advances to banks	86	248
of which loans and advances to customers	4 593	5 019
of which receivables from finance leases	195	242
Financial investments	612	1 542
of which interest-bearing assets	611	1 540
of which non-interest-bearing assets	1	2
Non-current assets held for sale and disposal groups	0	0
Positive fair values from derivative hedging instruments ¹⁾	0	0
Trading assets ¹⁾	0	2
of which FVO	0	0
of which HFT	0	2
Loan commitments/other agreements	319	321
Total	5 610	7 131

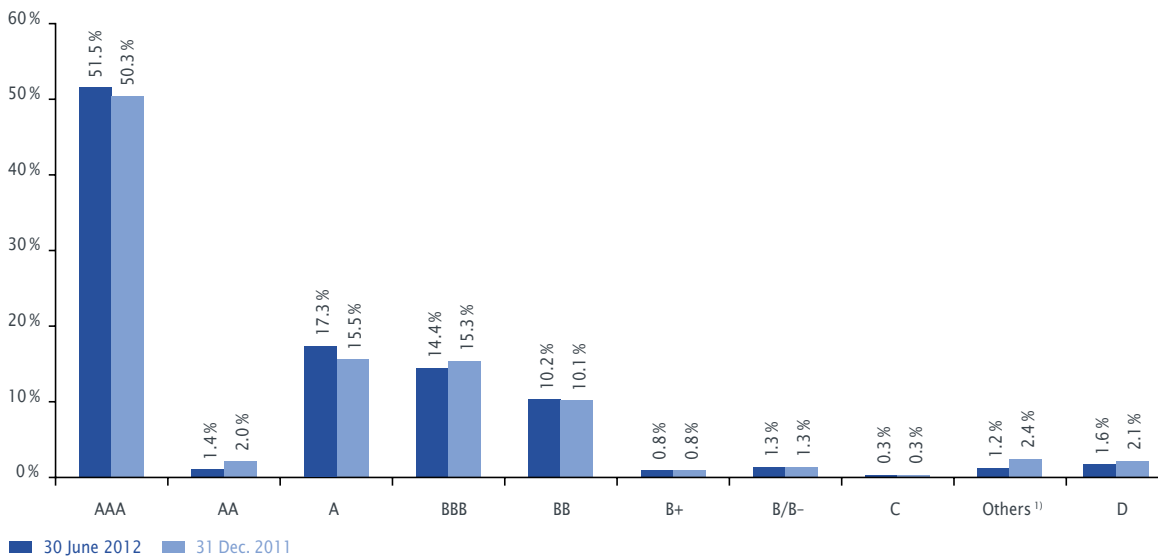
1) The two classes »Positive fair values from derivative hedging instruments« and »Trading assets« together form the balance sheet item »Financial assets at fair value«.

The impaired assets shown in the table above dropped substantially by EUR 1.5 billion compared with 31 December 2011. The greatest decline arose with impaired financial investments, resulting from the swap and sale of Greek commitments. On the other hand, the drop in loans and advances to customers reflects the general decline in impairment requirements.

Structure of the credit portfolio by rating classes.

The distribution of ratings shown in the following chart indicates that 85% of net exposure (31 December 2011: 83%) comprises business with customers with a very good to good rating (AAA to BBB- or investmentgrade ratings). There was an absolute decline in the proportion of weaker ratings (BB to C) in the portfolio, although it remained stable in relative terms. The extended application of the rating process for private customers led to a substantial reduction in the share accounted for by the »Other« category in the portfolio. The decline in the default rating class (D) was chiefly due to the aforementioned swap and sale of Greek commitments.

Net exposure in %



¹⁾ The »Other« category pools commitments for which no risk class has been assigned, e.g. for reasons of relevance, and for which there is no default.

Structure of the credit portfolio by regions.

The share of domestic business in net exposure widened by 2.1 percentage points compared with 31 December 2011. This reflected the focus on the defined core markets in private, small and medium enterprises and large customer business, our role as the central institution of the savings banks and the reduction in the volume of business particularly with international public-sector bodies as well as international corporates and organizations.

The foreign commitments were chiefly distributed across Western Europe and North America. Commitments in Asia/Pacific, Eastern Europe, Latin America, Africa and to supranational institutions accounted for 3% of the overall portfolio.

Net exposure by region

Region	Share 30 June 2012	Share 31 Dec. 2011
Germany	73.7%	71.6%
Western Europe (excluding Germany)	18.6%	19.3%
North America	4.8%	6.4%
Asia/Pacific	1.4%	1.4%
Eastern Europe	1.0%	0.9%
Latin America	0.6%	0.5%
Africa	0.0%	0.0%
Supranationals	0.0%	0.0%
Total	100.0 %	100.0 %

The euro debt crisis continued to adversely impact the LBBW Group's risk situation. Risk-mitigation measures were implemented as part of country risk management. A particular focus here is on the eurozone. Countries which are particularly susceptible to crisis contagion such as Bulgaria, Romania, and Cyprus, for example, are also under specific observation.

A material impact on the LBBW Group's risk situation only arose from the countries notably affected by the euro debt crisis – Portugal, Ireland, Italy, and Spain – against the backdrop of the existing commitments in these countries. The commitments held by LBBW Group towards financial institutions, corporates and public-sector bodies in these countries declined to a total of EUR 11.4 billion as of the reporting date.

On the other hand, commitments to the Greek government and Greek corporates were actively reduced from EUR 114 million to EUR 1 million and from EUR 130 million to EUR 73 million, respectively. The remaining commitments to Greek borrowers thus have no material influence on the LBBW Group's risk situation.

The following disclosures are based on the IFRS carrying amounts and indicate the commitment per country and balance sheet item in separate tables by borrower category.

Exposure to financial institutions

30 June 2012				
EUR million	Ireland	Italy	Portugal	Spain
Receivables	61.6	243.5	106.7	89.8
Loan loss provision ¹⁾	0.0	0.0	0.0	0.0
Financial instruments at fair value through profit or loss (net)	20.6	84.7	0.8	622.2
Derivatives	-88.4	-8.4	-6.4	-114.2
Financial investments AFS	316.4	193.8	0.0	402.3
AFS reserve	-24.0	-15.4	0.0	-29.4
Cumulative depreciation	0.0	0.0	0.0	0.0
Financial investments LaR	0.0	117.0	54.1	90.3
Cumulative depreciation	0.0	0.0	0.0	0.0
Total	398.6	639.2	161.7	1 204.6
Additional CDS information on the above position »derivatives«				
CDS asset items	-0.2	-29.1	-4.1	-20.1
CDS liability items	0.0	27.8	3.9	17.3
Nominals of CDS assets	8.0	452.0	35.0	496.0
Nominals of CDS liabilities	0.0	338.0	25.0	319.1

1) The loan loss provision only includes specific valuation allowances on exposures.

Exposure to corporates

30 June 2012				
EUR million	Ireland	Italy	Portugal	Spain
Receivables	375.3	162.9	23.8	779.7
Loan loss provision ¹⁾	-1.3	0.0	0.0	-75.9
Financial instruments at fair value through profit or loss (net)	25.3	10.4	0.6	88.4
Derivatives	4.8	10.4	0.6	48.8
Financial investments AFS	57.8	10.7	0.0	15.0
AFS reserve	-0.3	-0.5	0.0	0.0
Cumulative depreciation	-5.0	0.0	0.0	0.0
Financial investments LaR	260.3	76.1	21.4	509.0
Cumulative depreciation	0.0	0.0	0.0	0.0
Total	717.4	260.2	45.7	1 316.2
Additional CDS information on the above position »derivatives«				
CDS asset items	0.8	-15.6	-2.3	-10.0
CDS liability items	-0.4	12.5	2.9	9.0
Nominals of CDS assets	5.0	379.9	25.0	148.5
Nominals of CDS liabilities	6.0	289.4	25.0	133.0

1) The loan loss provision only includes specific valuation allowances on exposures.

Exposure towards public sector

30 June 2012

EUR million	Ireland	Italy	Portugal	Spain
Receivables	0.0	0.0	40.0	31.8
Loan loss provision ¹⁾	0.0	0.0	0.0	0.0
Financial instruments at fair value through profit or loss (net)	-12.8	-83.5	-36.5	-113.5
Derivatives	-12.9	-83.5	-36.5	-155.8
Financial investments AFS	93.7	3 148.9	809.5	2 801.7
AFS reserve	10.3	-811.6	-136.8	-345.4
Cumulative depreciation	0.0	0.0	0.0	0.0
Financial investments LaR	0.0	0.0	0.0	0.0
Cumulative depreciation	0.0	0.0	0.0	0.0
Total	80.8	3 065.4	813.0	2 719.9

Additional CDS information on the above position »derivatives«

CDS asset items	-39.9	-229.9	-150.3	-353.7
CDS liability items	27.1	146.4	113.8	197.9
Nominals of CDS assets	218.7	1 785.8	668.0	2 123.8
Nominals of CDS liabilities	188.7	1 538.0	562.8	1 805.0

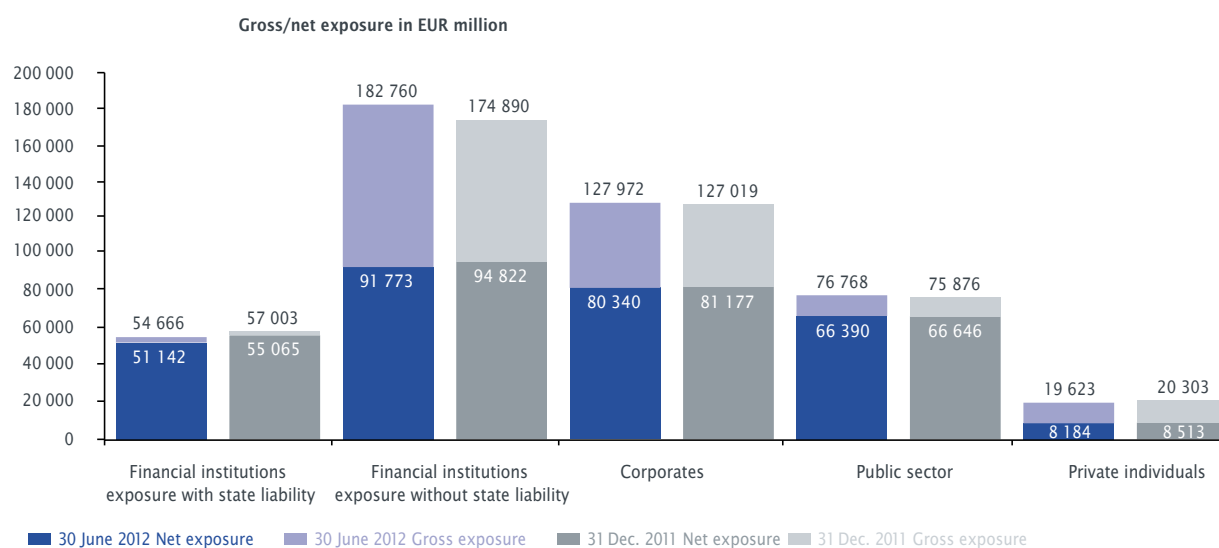
1) The loan loss provision only includes specific valuation allowances on exposures.

The commitments to financial institutions, corporates and public-sector bodies in Ireland, Italy, Portugal, and Spain shown in the top three tables do not include any credit risks arising from positions held via ABS/CDO structures. The nominal value of these structures stood at EUR 3.0 billion as at 30 June 2012.

Structure of the credit portfolio by sectors.

As in the previous year, financial institutions constituted the largest of the four main sectors (financial institutions, corporates, public-sector bodies, private individuals) in terms of both gross exposure (EUR 237 billion) and net exposure (EUR 143 billion).

In the chart below, the exposure to financial institutions is additionally broken down separately by exposure with state liability and exposure without state liability. Exposure with state liability includes, in particular, transactions which come under guarantor's liability or are covered by the guarantee provided by the Federal State of Baden-Württemberg under risk immunization. The increase in gross exposure accompanied by the decline in net exposure shown here is chiefly due to the aforementioned fair-value and netting effects in connection with interest-rate derivatives. The expiry of transactions with guarantor's liability resulted in a small drop in exposure towards financial institutions.



Gross exposure to corporates increased by EUR 1 billion over 31 December 2011 to EUR 128 billion. In the same period, net exposure contracted by EUR 1 billion to EUR 80 billion. All told, there was evidence of muted credit demand on the part of corporates.

Gross exposure to public-sector bodies rose by EUR 1 billion to EUR 77 billion, chiefly underpinned by business in short-dated instruments, particularly money-market instruments. On the other hand, net exposure dropped slightly in the same period. The portfolio benefited from the large proportion of domestic public-sector bodies (71% of gross exposure and 81% of net exposure) with continued very good to good ratings.

Exposure to private individuals was largely unchanged over the end of the previous year. This customer group particularly contributed to portfolio diversification thanks to its high granularity.

Structure of the credit portfolio by sectors and rating classes.

A further breakdown of net exposure by rating and sector provides information of the scope of the LBBW Group's business activities and the risk situation in the respective sector. In the following analysis, sector classification is based on LBBW's internal risk-oriented sector categorization system, which incorporates the requirements of the Bundesbank in connection with the formation of risk units based on economic dependency.

EUR million	AAA- BBB-	BB+ - B+	B - C	Others ¹⁾	Default ²⁾	Total 30 June 2012	Total 31 Dec. 2011
Financial institutions							
Gross exposure	222 798	12 475	769	688	696	237 426	231 894
Net exposure	130 306	11 042	477	484	606	142 915	149 887
Credit institutions	109 632	1 814	137	92	114	111 790	116 675
Financial services	20 674	9 227	340	392	492	31 125	33 213
Corporates							
Gross exposure	82 191	31 152	4 875	3 836	5 918	127 972	127 019
Net exposure	52 295	19 505	2 824	1 625	4 091	80 340	81 177
Automotive	6 967	3 067	82	31	473	10 620	10 363
Construction	3 078	2 008	307	98	478	5 969	6 270
Cross-industry industrial goods	2 778	643	63	46	83	3 614	3 713
Commercial real estate (CRE)	4 176	3 477	733	156	1 311	9 854	10 492
Renewable energies	2 255	491	116	9	205	3 076	2 756
Health care	1 645	548	58	99	59	2 410	2 425
Food retail and other non-cyclical consumer goods	2 767	358	175	11	89	3 401	3 579
Cross-industry mechanical and tool engineering	1 871	851	95	15	116	2 948	2 858
Transport and logistics	2 387	663	487	30	183	3 750	4 144
Insurance	2 459	58	4	14	25	2 560	2 595
Utilities	5 820	643	63	435	22	6 984	6 834
Housing	1 590	1 779	51	115	155	3 690	3 491
Other sectors ³⁾	14 501	4 919	590	566	891	21 466	21 655
Public sector							
Gross exposure	72 750	2 226	1 770	19	3	76 768	75 876
Net exposure	64 836	418	1 115	18	3	66 390	66 646
Private individuals							
Gross exposure	12 789	3 826	540	2 109	359	19 623	20 303
Net exposure	4 646	1 745	186	1 399	208	8 184	8 513
Total							
Gross exposure	390 528	49 679	7 954	6 651	6 976	461 788	455 092
Net exposure	252 084	32 710	4 602	3 525	4 908	297 830	306 223

1) »Other« comprises exposure which has not been classified according to risk e.g. for risk relevant reasons, and which is performing as planned.

2) »Default« refers to exposure for which a default event as defined in Section 125 SolvV has occurred, e.g. 90-day default, improbability of repayment or the recognition of loan-loss provisions.
The exposure is presented before risk-provisioning/impairments.

3) »Other sectors« include sectors accounting for less than 3% of the corporate portfolio.

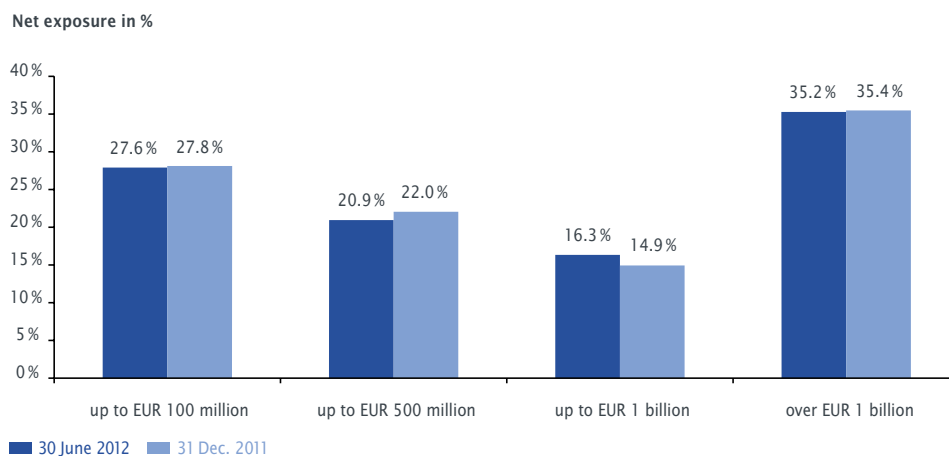
Just under 78% of net exposure to financial institutions was accounted for by credit institutions and the rest by other financial services. The proportion of exposure contributed by transactions with very good to good ratings (investment grade) came to 91% and thus remained high in comparison with 31 December 2011.

The portfolio of corporate customers is characterized by high sector diversification. The table above expressly sets out the twelve largest sectors. The remaining 18 sectors, each of which account for less than 3% of the portfolio of corporate customers, are pooled in a single category entitled »Other sectors«. As was previously the case as at 31 December 2011, automotive, commercial real estate (CRE) and utilities were the three most important sectors in the portfolio. A new sector »housing« has been added for the first time and includes companies specializing in the rental, sale and finance of housing. The proportion of net exposure accounted for by corporate customers with very good to good ratings widened by EUR 0.8 billion to EUR 52 billion. Commitments in default were cut by EUR 0.5 billion to a net exposure of EUR 4.1 billion.

The substantial decline of more than EUR 0.6 billion in default exposure recorded with public-sector bodies is due to the swap and sale of Greek commitments.

Structure of the credit portfolio by size classes.

The proportion of commitments in the portfolio with net exposure of greater than EUR 1 billion was reduced by EUR 3 billion in comparison to 31 December 2011 at a rate proportionate to the rate with which the entire portfolio was reduced. Accordingly, the relative share of this size class in the portfolio contracted by only 0.2 percentage points. 39% of this size class comprises public-sector bodies (particularly domestic territorial bodies) and 37% Landesbanks and savings banks (of which two thirds are subject to guarantor's liability). The remaining 24% was spread across banks and corporates which almost exclusively have very good to good credit ratings. The strategic goal remains targeted at reducing large-scale commitments. With shares of over 90% in both cases, very good to good credit ratings also dominated the two middle-size classes (net exposure of up to EUR 1 billion and up to EUR 500 million, respectively). The size class of net exposure up to EUR 100 million includes retail and also corporate customers.



Market price risks.

In the first half of 2012, the LBBW Group's market price risks remained largely unchanged.

The following table shows the changes in the LBBW Group's market price risks but does not include items under the owners' risk shield:

VaR 99 %/10 days

EUR million	Average	Maximum	Minimum	29 June 2012	30 Dec. 2011
LBBW Group	515	551	434	494	515
Interest rate risks	483	523	394	467	488
Equity risks	26	31	21	22	26
Currency risks	42	56	32	41	41

The sharp market movements, particularly in bond and CDS spreads, resulted in an increased incidence of exceptions in backtesting of the internal risk model for the previous 250 trading days for the LBBW Group, the strategic bank positions and the trading positions. These were particularly due to the specific risks which cannot be measured using a regulator-approved model. In accordance with regulatory requirements, additional backtesting has been performed on the basis of »dirty P&L«¹⁾ since January 2012. This did not produce any exceptions as of the reporting date.

The internal risk model for identifying LBBW's market price risks has been approved by the regulator for equity risks and general interest risks to the trading portfolio excluding investment funds. The risks identified are weighted and count towards equity backing. As of the reporting date, backtesting produced one exception in this portfolio due to a technical problem in the delivery of market data.

The changes in portfolio values arising from the stress scenarios dropped slightly in the first half of 2012. This was caused by reductions in positions and the conversion of CDS into bonds in the credit investment portfolio. Scenarios which simulate an increase in spreads and yields on government and financial bonds as well as CDS have the greatest significance in the stress test.

The market price risk for LBBW-Bank's trading portfolio is as follows:

VaR 99 %/10 days

EUR million	Average	Maximum	Minimum	29 June 2012	30 Dec. 2011
LBBW Group trading positions	60	110	48	67	51
Interest rate risks	55	105	43	61	47
Equity risks	8	14	5	7	9
Currency risks	3	6	2	4	4

1) »Dirty P&L« is the actual change in value net of interest income/expense, commission and fees. It is calculated on the basis of economic P&L. At this stage of implementation, it still includes net interest income.

The trends in the trading book risks indicate that the risk impact of the current uncertain markets is fairly small due to the low credit spread exposure. The temporary increase in the interest rate risk (maximum EUR 105 million) resulted from a portfolio chiefly comprising complex interest rate derivatives and was related to the extremely low interest rates.

Liquidity risks.

In the first half of 2012, the LBBW Group was again able to effortlessly cover its liquidity requirements in the market. Recent developments in the euro debt crisis and the rating downgrade by Moody's did not have any significant impact on funding potential.

Funding requirements over a 90-day period stood at EUR 12.1 billion as at 30 June 2012, compared with available funding potential from central banks of EUR 24.1 billion.

The stress tests on funding requirements and funding potential in the scenarios »rating downgrade«, »financial market crisis« and »market crisis with downgrade« indicated a substantial excess of funding potential over potential requirements in a three-month view as of the reporting date. Even under severe stress test conditions, funding is thus safeguarded for more than three months via available central-bank funding potential without recourse to the market.

EUR billion	Funding requirements	Funding potential
Rating downgrade	31.4 (35.3)	37.0 (39.2)
Financial market crisis	30.8 (35.0)	38.9 (43.3)
Market crisis with downgrade	30.8 (34.6)	37.6 (39.7)

(Results for the end of 2011 in brackets)

Funding requirements have continued to decline since the end of the previous year, while funding potential is down slightly.

The liquidity requirements stipulated by the German Banking Act were satisfied at all times in the first half of 2012. The liquidity ratio in accordance with the Liquidity Regulation came to 1.50 as at 30 June 2012 (31 December 2011: 1.59).

Operational risks.

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

Following recent court decisions, various banks have been exposed to sizeable legal risks in connection with customer transactions involving complex derivatives. LBBW is not shielded from these matters either. The bulk of these legal risks at LBBW relate to portfolios held by the former Sachsen LB. On the basis of current knowledge, sufficient precautions have been taken to cover these risks, although this will depend on future trends in court decisions and the outcome of legal disputes.

One focus of methodology work in the first half of the year concerned enhancements to the scenario analysis and integration within the risk model for operational risks (OpVaR). Preparations are being taken to extend the risk indicators as an early-warning instrument for the Bank's individual segments. In addition, further progress was made on implementing the measures for averting operational risks in conjunction with the local OpRisk managers across the Group.

Real estate risks.

The requirements imposed by the EU Commission in connection with the restructuring of the LBBW Group necessitated the sale of the residential real estate held by the LBBW Immobilien Group. Approved in February 2012, the sale of the residential real estate portfolio comprising 21 000 apartments held by LBBW Immobilien GmbH to a syndicate led by Patrizia Immobilien AG was executed with legal effect on 28 March 2012.

This resulted in a substantial reduction in the portfolio. However, the resulting decline in risk was less pronounced in relative terms due to the lower risk intensity of the residential real estate holdings sold compared with the commercial real estate assets still held.

Further risks.

With regard to the further risk types

- Investment risks
- Reputation risks
- Business risks
- Pension risks
- Strategic risks
- Development risks
- Funding risks
- Model risks
- Dilution risks
- Fund placement risks

the statements made in the report on the risk situation in the LBBW Group's annual report for 2011 continue to apply. There were no material changes in the first half of 2012.

Outlook.

Anticipated economic performance.

The global economy in 2012 is marked by numerous risks and burdening factors. The entire eurozone is caught in a recession. The consequences of the debt crisis are being felt above all in the large Mediterranean countries, i. e. Spain, Italy, and France. Spain has adopted a number of measures to stimulate economic growth and consolidate its national budget. The country is nevertheless deep in recession and suffering from a rise in non-performing loans in the banks' balance sheets to nearly 9%, liquidity problems in various regions and the distrust of the markets that is reflected in the increase in 10-year interest rates to over 7%.

The necessary consolidation of the national budget, deleveraging in the banking sector and falling wages and prices are initially aggravating the downswing. Neither the ECB's two 3-year tenders nor the permanent ESM bail-out fund with a maximum lending capacity of EUR 500 billion have been able to restore the massively deteriorated trust in the solvency of periphery states and their banks. Therefore, the recession in Spain and Italy in 2012 is expected to prove more pronounced than predicted at the beginning of 2012. LBBW anticipates real economic output in Spain and Italy will decline by about 2% in the current financial year. As of mid-2012, signals of a positive turnaround are yet to be seen. The downturn in the eurozone as a whole is not expected to be as bad; LBBW expects real GDP in the euro area will decrease by 0.6%. This assumption mirrors the extremely heterogeneous performance within the eurozone.

Germany stands out with its positive performance and is expected to continue its growth path irrespective of the problems in the periphery states. Notwithstanding the recession of the major trading partners from the euro area, net exports (the difference between exports and imports) contributed 0.9 percentage points to growth in the first quarter. This as well as the rise in private consumption by 0.4% in the first quarter more than offset declining investment and destocking effects. Supported by the good situation on the domestic labor market, low interest rates, a declining inflation rate and slightly higher remuneration rates, private consumption is expected to be one of the main pillars of the German economy in 2012. Exports to the emerging countries should prove to be the second important pillar. All in all, Germany should be able to achieve real GDP growth of 0.8%, although this falls far short of the good years, 2010 and 2011, with 3.7% and 3.0% GDP growth, respectively. Following a good start into the year in the first quarter, Germany's gross domestic product, adjusted for price and seasonal variations, grew by 0.5%, whereby the growth dynamic is expected to slow down considerably in the second and third quarter. The early indicators, which are all pointing downwards, sound a note of caution. If the eurozone was to break up and the D-mark was to appreciate massively on the foreign exchange market after reintroduction, Germany would be facing not only deteriorating growth dynamic, but also a deep recession, probably even worse than in 2009. In addition to the economic effects, this scenario would also entail considerable losses on the receivables of banks and institutional investors in the core states. Given the uncertainty regarding the further course of the euro crisis and the risks for the core states associated therewith, the rating agency Moody's has, although confirming Germany's Aaa credit rating, lowered the outlook to »negative«. In turn, Standard & Poor's and Fitch confirmed the AAA rating with a stable outlook for Germany. The financial markets were unperturbed by Moody's warning shot, the reaction reminding of the Standard & Poor's downgrade of the USA from AAA to AA+ in August 2011.

Compared with the eurozone, the USA features rising economic output which, however, is disappointingly weak measured against the dynamic seen in previous upswings. The revival of the US economy seen in the second half of 2011 did not last through the first and second quarters of 2012. Consumer sentiment remains gloomy, despite the higher purchasing power on the back of falling energy prices; this is attributable, in particular, to the weakness of the labor market. Following an average increase in employees per month of nearly 200 000 in the six months between October 2011 and March 2012, this increase dropped to a mere 73 000 in the second quarter of 2012. Moreover, if the US Congress and the US President fail to find a compromise on the path to fiscal consolidation, the USA will be facing automatic cuts in their national budget and a correspondingly more restrictive fiscal policy (estimates assume an effect amounting to 4% of GDP). On balance, LBBW anticipates real economic growth of just under 2% in 2012.

The economic growth momentum in China deteriorated noticeably in the first half of 2012. This was caused, in particular, by declining exports to the eurozone. Since, however, the central bank relaxed its monetary policy by lowering the reserve ratio and the reference rate for 1-year loans and the Chinese government announced extensive incentives for capital expenditure on machinery and equipment, LBBW expects economic growth of 7.9% in 2012. This is somewhat below the growth seen in 2011, but the Chinese economy is expected to pick up again in 2013.

Overall, global economic growth seems to come out to about 3.6% in 2012; as in previous years, this is primarily attributable to the performance in the emerging countries. Provided that the eurozone is able to show credible stabilization in the months to come and the reforms already adopted in the periphery states take hold, the recession in the eurozone could be overcome in 2013 with tailwind from the more dynamic growth in the emerging countries.

Industry and competitive situation.

The situation and outlook in the banking sector are still substantially characterized by the uncertain environment.

Until an effective and sustainable solution to the debt and confidence crisis in the euro area cannot be found, this should continue to weigh on sector performance. Crisis-related disruptions and trends on the financial markets, such as the observed caution on the interbank market, are expected to continue and thus keep the risk of market distortions in place. As such, the threat to financial institutions' business activities and results of operations associated therewith will fundamentally remain, even though the European Central Bank is expected to push on with its measures to stabilize the funding and liquidity situation of the banking system as long as this is required. The more so, should a persistence of the crisis increasingly affect the real economy in Germany as well. However, the comparably solid financial and economic situation of the public and private sector in the Federal Republic should continue to provide the sector in Germany with a positive basic momentum.

Another burdening factor for the sector is the uncertainty and, at times even unpredictability, regarding the future regulatory environment of financial institutions; here, there are still numerous uncertainties and problem issues with regard to both the details and the cumulative effects. In addition to the implementation of Basel III in the European Union, which has not been finally adopted as yet, it is not least also the »bank union« which is being discussed at European level that leads to the assumption that the sector environment will be characterized by limited planning reliability for the time being. This applies to all the future additional requirements that are to be met as well as the burdens associated therewith. This is also true of the introduction of a financial transaction tax in some of the EU member states which recently has become more likely after a joint EU or global approach seems to be unable to achieve for now.

Given stricter regulatory capital requirements and costs as well as the existing uncertainties in the bank sector environment, capital and risk management will continue to be of great strategic importance for the sector, although constant progress with capitalization has strengthened the German banks. If the banks further reduce their willingness to assume risks on the back of this trend, financing would become even harder and more expensive to come by, in particular for borrowers with low credit ratings or large-scale financing transactions.

The deleveraging process in the sector is expected to carry on for some time, not only because many institutions are still working on meeting respective requirements by the EU Commission but also because of strategic allocation decisions of banks. In addition to the resulting effects on the risk and earnings potential at the level of the respective bank, noticeable changes to the competitive structure in individual areas, caused by decisions to dispose of, give up or liquidate certain business areas can thereby not be excluded. This might offer new opportunities for individual financial institutions.

While the earnings performance of banks continues to heavily depend on the further course of the debt and confidence crisis and the general economic situation, in regard to costs the financial institutions are likely to persevere with or even enhance their efforts to increase efficiency.

The LBBW Group's business strategy, opportunities and risks.

The LBBW Group cannot avoid the overall economic uncertainties especially the continuing sovereign debt and confidence crisis. Triggered by the current sector challenges, the rating agency Moody's scrutinized the ratings of more than 100 European banks, including LBBW, in a large-scale review action in spring 2012. Together with a number of downgrades, at the beginning of June Moody's finally also lowered the short-term and long-term ratings of LBBW by one notch each to A3 and P-2, respectively, as announced. The outlook was again rated as stable. At present, the rating downgrade is not expected to result in any material effects on the liquidity and funding situation of the LBBW Group. LBBW's financial strength rating was not adjusted and remains D+.

The measures adopted in the scope of the EU restructuring process are still being stringently implemented and are largely on schedule. In the light of considerably risen market values of derivative financial instruments due to the current interest rate level, that will notably over-compensate the further disposal of non-core activities, the planned total assets are, however, likely to be exceeded.

Although operating business showed solid performance in the first six months, consolidated income in the first half of the year was dominated by exceptionals that will also affect consolidated income in the full year 2012. While the core business is expected to perform basically as planned, especially the valuation adjustments made in the derivatives business in the first half of the year and the historically low interest rate level are likely to weigh on total operating income. Against the backdrop of a deteriorating general economic outlook which is becoming more and more apparent, the LBBW Group assumes that provision for credit losses will exceed the previous year's low level caused by the economic situation at the time. Net income from financial investments, in turn, should not be affected by any noteworthy burdens. Administrative expenses will probably come out higher than budgeted as a consequence of a higher than forecasted bank levy.

Total operating income/expenses from core activities in the three operating segments of Corporates, Retail/Savings Banks and Financial Markets should perform approximately as planned in the full year 2012. Here, we assume that the persisting trend of restrained customer activity of both private and corporate customers and the continued strained margin situation, particularly in the deposits business in the field of retail, could have an impact. This trend is also aggravated by the valuation adjustments in the derivatives business that were already made in the first half-year and pertain, above all, to the Corporates and Financial Markets segments.

In the Credit Investment segment, the decrease of the portfolio in the course of the applied risk management will probably proceed faster than planned, thus contributing to a reduction in risk weighted assets. Income should improve over the previous year despite the unplanned expenses for risk reduction.

Notwithstanding the partly massive market distortions in the first half of the year and the sustained challenges in the second half, it is still anticipated that consolidated profit for the full year 2012 can be above the previous year's level as long as there are neither any further dramatic market distortions nor an unexpected strong economic slump. Moreover, provided the financial year proceeds as expected, the core capital ratio should, in accordance with the supervisory law in force, climb to a level exceeding the half year value of 14.2% by the end of 2012. In addition to the further consequent reduction of its risk assets, LBBW is currently in advanced negotiations with its owners concerning the conversion of the silent partners' contributions to strengthen its capital resources both quantitatively and qualitatively in view of the rising regulatory requirements.

Given these general conditions and considering current interests on hybrid capital, the LBBW Group expects that, for fiscal year 2012, it will be able to make up for part of the interest payments on silent partners' contributions and profit participation rights that had been cancelled in previous years in line with the respective contract terms.

The main risks for the future performance, however, lie in the banking sector's lasting highly volatile general environment. The European sovereign debt crisis also continues to pose a high risk for the business performance of the LBBW Group. Furthermore, not all effects of the announced increased regulatory requirements and the financial market transaction tax are foreseeable as yet. The creation of a European »bank union« and a joint European deposit insurance fund are also uncertain.

The economic slowdown abroad could negatively impact the customers and consequentially the business performance of the LBBW Group. Based on the risk reduction and stronger focus on domestic customers provided for by the LBBW Group's strategy, the slightly positive development of the German economy might keep the negative effects under control in 2012. An interest rate increase and calmer markets with less fluctuation as well as regained confidence from market participants due to the solution of the euro sovereign debt crisis could additionally offer opportunities for the business development of the LBBW Group.

Consolidated interim financial statements as of 30 June 2012.

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Condensed income statement

of the Landesbank Baden-Württemberg Group,
Stuttgart, Karlsruhe, Mannheim, and Mainz for the
period 1 January to 30 June 2012.

	Notes	1 Jan. - 30 June 2012 EUR million	1 Jan. - 30 June 2011 ¹⁾ EUR million
Net interest income	4	1 248	1 205
Net fee and commission income	5	247	272
Net gains/losses from financial instruments at fair value through profit or loss	6	- 176	424
Other operating income/expenses	7	5	36
Net income/expenses from investment property	8	33	67
Provision for credit losses	9	- 91	- 84
Net gains/losses from financial investments	10	- 30	- 321
Net income/expenses from investments accounted for using the equity method	11	9	- 3
Administrative expenses	12	- 893	- 861
Guarantee commission for the State of Baden-Württemberg		- 151	- 152
Impairment of goodwill		0	- 15
Restructuring expenses		- 7	- 1
Consolidated profit/loss before tax		194	567
Income tax	13	- 29	- 217
Consolidated profit		165	350
of which attributable to non-controlling interest after tax		- 1	1
of which attributable to shareholders after tax		166	349

1) Correction previous year's values (see Note 2).

Total comprehensive income

of the Landesbank Baden-Württemberg Group,
Stuttgart, Karlsruhe, Mannheim, and Mainz for the
period 1 January to 30 June 2012.

	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011 ¹⁾
	EUR million	EUR million
Consolidated profit/loss	165	350
Other comprehensive income		
Retained earnings		
Actuarial gains and losses before tax	-209	0
Income tax	63	0
AfS reserve		
Gains/losses on financial assets AfS before tax	394	-76
Transfer to profit and loss account	-13	248
Income tax	-86	-55
Changes in investments accounted for using the equity method		
Changes in the reporting period before tax	-1	-22
Gains/losses from the measurement of cash flow hedges		
Changes in fair value before tax	-1	-4
Income tax	0	1
Currency translation differences		
Changes in the reporting period before tax	2	3
Total other comprehensive income	149	95
of which non-current assets held for sale and disposal groups	-2	-129
Consolidated total comprehensive income	314	445
of which attributable to non-controlling interests after tax	-1	1
of which attributable to shareholders after tax	315	444

1) Correction previous year's values (see Note 2).

Consolidated balance sheet

of the Landesbank Baden-Württemberg Group,
Stuttgart, Karlsruhe, Mannheim, and Mainz
as of 30 June 2012.

Assets	Notes	30 June 2012	31 Dec. 2011
		EUR million	EUR million
Cash reserve	14	3 106	5 848
Loans and advances to banks	15	59 714	59 611
Loans and advances to customers	16	123 975	123 794
Loan loss provision	17	- 2 624	- 2 945
Financial assets at fair value through profit or loss	18	125 873	116 270
Financial investments	19	56 959	63 447
Shares in investments accounted for using the equity method	20	295	293
Portfolio hedge adjustment attributable to assets		583	455
Non-current assets held for sale and disposal groups	21	279	1 698
Intangible assets	22	513	567
Investment property	23	472	469
Property and equipment	24	737	758
Current income tax assets		240	265
Deferred income tax assets		1 229	1 349
Other assets	25	1 445	1 180
of which inventories		1 053	1 026
Total assets		372 796	373 059

Equity and liabilities	Notes	30 June 2012	31 Dec. 2011
		EUR million	EUR million
Deposits from banks	26	89 807	77 836
Deposits from customers	27	76 998	80 179
Securitized liabilities	28	66 325	71 654
Financial liabilities at fair value through profit or loss	29	114 529	117 188
Portfolio hedge adjustment attributable to liabilities		1 180	1 019
Provisions	30	2 764	2 569
Liabilities from disposal groups	21	0	526
Current income tax liabilities		182	276
Deferred income tax liabilities		183	195
Other liabilities	31	872	700
Subordinated debt	32	10 120	11 396
Equity			
Share capital		2 584	2 584
Capital reserve		6 910	6 910
Retained earnings		1 007	1 067
Net other income		- 850	- 1 147
Net retained profit/net accumulated losses		166	88
Equity attributable to shareholders		9 817	9 502
Equity attributable to non-controlling interests		19	19
Equity		9 836	9 521
Total equity and liabilities		372 796	373 059

Condensed statement of changes in equity

of the Landesbank Baden-Württemberg Group,
Stuttgart, Karlsruhe, Mannheim, and Mainz for the
period 1 January to 30 June 2012.

EUR million	Share capital	Capital reserve	Retained earnings	Net other income	Net retained profit/net accumulated losses	Equity attributable to shareholders	Equity attributable to non-controlling interests	Total
Equity on 1 January 2011	2 584	6 910	1 440	-591	-363	9 980	11	9 991
Allocation to retained earnings	0	0	-363	0	363	0	0	0
Changes in AFS financial instruments	0	0	0	117	0	117	0	117
Changes in investments accounted for using the equity method	0	0	0	-22	0	-22	0	-22
Gains/losses from the measurement of cash flow hedges	0	0	0	-3	0	-3	0	-3
Currency translation differences	0	0	0	3	0	3	0	3
Consolidated profit ¹⁾	0	0	0	0	349	349	1	350
Other changes in equity	0	0	9	0	0	9	9	18
Equity on 30 June 2011	2 584	6 910	1 086	-496	349	10 433	21	10 454
Distribution to shareholders	0	0	0	0	0	0	-1	-1
Changes in basis of consolidation	0	0	10	-3	0	7	0	7
Actuarial gains/losses	0	0	-25	0	0	-25	0	-25
Changes in AFS financial instruments	0	0	0	-646	0	-646	0	-646
Changes in investments accounted for using the equity method	0	0	0	5	0	5	0	5
Gains/losses from the measurement of cash flow hedges	0	0	0	-3	0	-3	0	-3
Currency translation differences	0	0	0	-4	0	-4	0	-4
Consolidated profit	0	0	0	0	-287	-287	-2	-289
Other changes in equity	0	0	-4	0	0	-4	1	-3
Correction previous year's values	0	0	0	0	26	26	0	26
Equity on 1 January 2012	2 584	6 910	1 067	-1 147	88	9 502	19	9 521
Allocation to retained earnings	0	0	88	0	-88	0	0	0
Actuarial gains/losses	0	0	-146	0	0	-146	0	-146
Changes in AFS financial instruments	0	0	0	295	0	295	0	295
Changes in investments accounted for using the equity method	0	0	-2	1	0	-1	0	-1
Gains/losses from the measurement of cash flow hedges	0	0	0	-1	0	-1	0	-1
Currency translation differences	0	0	0	2	0	2	0	2
Consolidated profit	0	0	0	0	166	166	-1	165
Other changes in equity	0	0	0	0	0	0	1	1
Equity on 30 June 2012	2 584	6 910	1 007	-850	166	9 817	19	9 836

1) Correction previous year's values (see Note 2).

Condensed cash flow statement

of the Landesbank Baden-Württemberg Group,
Stuttgart, Karlsruhe, Mannheim, and Mainz for the
period 1 January to 30 June 2012.

	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011 ¹⁾
	EUR million	EUR million
Cash and cash equivalents at the start of the period	5 848	400
Cash flow arising from operating activities	-1 683	4 007
Cash flow arising from investing activities	35	252
Cash flow arising from financing activities	- 1 094	- 9
Cash and cash equivalents at the end of the period	3 106	4 650

1) Correction previous year's values (see Note 2).

Selected notes to the consolidated interim financial statements.

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Selected notes to the consolidated interim financial statements of the Landesbank Baden-Württemberg Group Stuttgart, Karlsruhe, Mannheim, and Mainz.

General information.

Basis of group accounting.

Landesbank Baden-Württemberg (LBBW) is a public law institution (rechtsfähige Anstalt des öffentlichen Rechts) with registered offices in Stuttgart, Karlsruhe, Mannheim, and Mainz.

The consolidated interim financial statements of LBBW as of 30 June 2012 were prepared in accordance with § 37w of the Securities Trading Act in connection with § 37y No. 2 of the Securities Trading Act pursuant to the International Financial Reporting Standards (IFRS) and their interpretations (SIC, IFRIC) as they are applied in the European Union, and the applicable provisions of the Handelsgesetzbuch (HGB, German Commercial Code) in accordance with § 315a (1) HGB. The standards and interpretations published at the time of preparation of the financial statements, adopted by the European Union and relevant and binding for the Group, are authoritative. In particular, the requirements set out in IAS 34 Interim Financial Reporting were taken into account.

Accounting policies.

1. Accounting principles.

In accordance with IAS 34.8, the consolidated interim financial statements as of 30 June 2012 do not contain all information and disclosures which are required for the consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as of 31 December 2011.

As a matter of principle, the same Group-wide accounting and valuation methods are applied as those used in the consolidated financial statements as of 31 December 2011. Further main accounting and measurement principles as well as the key areas in which discretion has been exercised by management and applied in the preparation of these consolidated interim financial statements, are explained in general in notes 1 to 2. Notes on the basis of consolidation, segment reporting and the individual items of the income statement and the balance sheet can be found in notes 3 to 32 and disclosures on financial instruments and other disclosures are illustrated in notes 33 to 43.

The accounting and valuation methods described were applied uniformly and consistently to the reporting periods shown, unless stated otherwise. All fully consolidated companies and companies accounted for using the equity method prepared separate interim financial statements as of the reporting date of 30 June 2012.

The reporting currency is the Euro (EUR). The amounts reported in the balance sheet and the income statement are generally rounded up or down to full millions of Euro (EUR million). This may result in minor aggregation differences; however, these do not have any adverse effect on the reporting quality.

2. Changes in estimate.

Changes in reporting.

As of 31 December 2011, LBBW pooled financial instruments of the same type in the consolidated balance sheet and the consolidated income statement to improve both clarity and comprehensibility. The information and its degree of detail was merely shifted from the balance sheet and the income statement into the notes (see Note 6). There is no change to the depth of information.

The adjustments to the balance sheet are described in the Annual Report for 2011.

The following adjustments have been made to the income statement:

- The income statement items »Net gains/losses from hedging transactions«, »Net trading gains/losses«, and »Net gains/losses from financial instruments designated at fair value« are now shown together in the consolidated income statement under »Net gains/losses from financial instruments at fair value through profit or loss«.

The following table illustrates the aforementioned adjustments:

Presentation in the interim report on the first half of 2012	Presentation in the interim report on the first half of 2011
Net gains/losses from financial instruments at fair value through profit or loss	Net gains/losses from hedging transactions
	Net trading gains/losses
	Net gains/losses from financial instruments designated at fair value

- The intermediate income and loss figures »Net interest income after provision for credit losses« and »Operating result« are no longer shown.

IFRS applied for the first time.

In the first half of 2012 no new or revised IFRS were required to be applied for the first time. The extended disclosure requirements stipulated by IFRS »Disclosures – Transfer of Financial Assets (Amendments to IFRS 7)« in connection with the transfer of financial assets will be included in the financial statements as of 31 December 2012 for the first time. They are not expected to have any material impact on the consolidated financial statements.

IFRS to be applied in future.

The following standards and interpretations are significant for the Group and must be applied for the first time in periods commencing on or after 1 January 2013:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- IAS 19 Employee Benefits
- Annual Improvements to IFRSs (2009–2011 Cycle)
- Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)
- IAS 28 Investments in Associates and Joint Ventures
- IFRS 9 Financial Instruments (October 2010)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- IFRS 13 Fair Value Measurement

With the exception of the first two items, these standards have not yet been endorsed by the EU. The effects of the amendments are currently being examined.

Changes in accordance with IAS 8.

Estimates and assumptions have been made in accordance with the accounting standards concerned for determining the assets, liabilities, income and expenses recognized in the consolidated interim financial statements. These are based on historical experience and other factors such as plans and – as far as can be currently judged – probable expectations and forecasts of future events. Such significant estimates may change over time and materially affect the net assets and financial position as well as the results of operations.

The estimates and assumptions are each based on the level of knowledge currently available 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.

As of 30 June 2012, the following changes were made in accordance with IAS 8.39:

- The change in estimates for the servicing and replenishment of interest payments on silent partners' contributions and profit participation rights as a result of changed interest and repayment cash flows resulted in a reduction of the corresponding carrying amounts with a total impact on net interest income of EUR 339 million. The targeted migration of the silent partners' contributions is included in the estimated interest and repayment cash flows stated above.

In addition, the matters presented in the consolidated financial statements for 2011 were adjusted as follows for the period from 1 January to 30 June 2011 in accordance with IAS 8.42:

Income statement 1 Jan. – 30 June 2011	Published consolidated interim financial statements	Adjustment	Adjusted consolidated interim financial statements
EUR million			
Net interest and current income	8 943	13 554	22 497
Interest expense	- 7 740	- 13 552	- 21 292
Net interest income	1 203	2	1 205
Net trading gains/losses	428	- 6	422
Net gains/losses from financial instruments designated at fair value	49	- 30	19
Income tax	- 225	8	- 217
Consolidated profit	376	- 26	350
of which attributable to non-controlling interest after tax	1	0	1
of which attributable to shareholders after tax	375	- 26	349

3. Basis of consolidation.

In addition to the ultimate parent company, LBBW, 104 subsidiaries (31 December 2011: 114 subsidiaries), 21 special-purpose entities (31 December 2011: 22 special-purpose entities) and an unchanged number of six joint ventures and seven associates were included in the consolidated interim financial statements.

The following subsidiary was removed from the basis of consolidation in the period under review due to its liquidation:

- LBBW Asset Management (Ireland) plc.

In addition, the following subsidiaries were deconsolidated:

- SL Bayern Verwaltungs GmbH,
- SL RheinMainSaar Verwaltungs GmbH,
- Zenon Mobilien-Leasing GmbH.

The LBBW Immobilien GmbH subgroup was divided into two segments – Residential and Commercial. The Commercial segment was retained within the LBBW Group and integrated in the LBBW Immobilien Management GmbH subgroup. The LBBW Immobilien GmbH subgroup including its subsidiaries were sold effective 31 March 2012. This sale produced a deconsolidation effect of EUR – 33.9 million. In addition, it resulted in the disposal of goodwill of EUR 35.7 million. This concerns the Corporates segment.

With the consolidation of the special-purpose entities, all the material risks arising from these entities are included in LBBW's consolidated interim financial statements.

A total of 201 (31 December 2011: 210) subsidiaries and special-purpose entities were not included in the consolidated interim financial statements because their individual and 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.

Segment reporting.

The segment reporting of the LBBW Group for the first half of 2012 is drawn up in accordance with the provisions of IFRS 8. 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 decisionmaker, regularly makes 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.

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

- The **Corporates** segment is an aggregate reporting segment in accordance with IFRS 8.12 and includes the business segments Corporates I, Corporates II, and International Business. Material subsidiaries include LBBW Immobilien Management GmbH, Süd-Kapitalbeteiligungs-Gesellschaft mbH, SüdLeasing GmbH, MKB Mittelrheinische Bank GmbH, and SüdFactoring GmbH. The Corporates segment comprises business with medium-sized corporate customers, with a focus on the core markets of Baden-Württemberg, Saxony, and Rhineland-Palatinate, key accounts, and business with the public sector. On the financing side, the solutions offered range from classic through structured to off-balance sheet financing. Services are also offered in the areas of international business, cash management, interest rate, currency and commodities management, asset and pension management. Products relating to the primary capital markets business for our corporate customers and commercial real estate financing are also included here.
- 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. As a major subsidiary, LBBW Asset Management Investmentgesellschaft mbH is allocated to the Financial Markets segment.
- The **Retail/Savings Bank** segment includes all activities in the private customer business 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.

- The **Credit Investment** segment essentially pools the Group's credit investment portfolio. In particular, this includes the Bank's own investments in plain vanilla bonds, structured securitizations, and credit derivatives. It also includes the financing of the special-purpose entity Sealink Funding.
- The **Corporate Items** segment includes all business activities not included in the operating segments mentioned above. In addition to treasury activities (especially lending/deposit-taking operations and the management of strategic investments and cover funds), this notably consists of equity investments not included in the consolidated interim financial statements, income generated from central investment of LBBW's own funds not assigned to other segments, the costs of strategic projects for the bank as a whole, and extraordinary expenses and income in connection with the restructuring plan approved by the EU (e. g., restructuring income or expenses).

The Reconciliation/Consolidation column includes matters related solely to consolidation. In addition, this segment reconciles internal financial control data with external financial reporting.

Valuation methods.

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

As a rule, the 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.

Total operating income/expenses includes net interest and commission income, net gains/losses from financial instruments at fair value through profit or loss, other operating income/expenses and net gains/losses from investment property. Net interest income is calculated using the market interest method. This also includes the capital benefit, i. e., investment income from equity.

Besides direct personnel and material expenses, the administrative expenses of a segment include expenses assigned on the basis of intra-group cost allocation. Bank levies are allocated to the segments in which they arise. Overheads are allocated on a pro rata basis.

The provision for credit losses corresponds to the carrying amounts in external financial reporting and is allocated to the segments in which it arises.

Net gains/losses from financial investments is reported in a single item along with the net income/expense from investments accounted for using the equity method and the net income/loss from profit and loss transfer agreements, and allocated to the segments in which it arises.

The assets on the balance sheet are reported as segment assets. They are allocated to the segments on the basis of internal management reporting.

The calculation of average equity tied up is based on the risk positions calculated in accordance with the Solvabilitätsverordnung (SolV - German Solvency Regulation) and imputed Tier I capital charges in the segments.

A segment's return on equity (RoE) is calculated based on the ratio of annualized consolidated profit/loss before tax to equity deemed to be tied up in accordance with supervisory requirements.

In the first half of 2012, methodological improvements and more differentiated offsetting procedures further refined the income, cost, and volume allocation to segments. The prior-year figures were adjusted to the new reporting to improve comparability. Segment reporting also takes into account corrections to the balance sheet and income statement owing to factors in line with IAS 8.42 as a component of reconciliation/consolidation.

Segment results.

EUR million	Corporates		Financial Markets		Retail/Savings Banks		Credit Investment		Corporate items/ reconciliation/ consolidation		LBBW Group	
	1 Jan.- 30 June 2012	1 Jan.- 30 June 2011	1 Jan.- 30 June 2012	1 Jan.- 30 June 2011	1 Jan.- 30 June 2012	1 Jan.- 30 June 2011	1 Jan.- 30 June 2012	1 Jan.- 30 June 2011	1 Jan.- 30 June 2012	1 Jan.- 30 June 2011	1 Jan.- 30 June 2012	1 Jan.- 30 June 2011
Total operating income/ expenses¹⁾	734	1 216	359	349	289	304	134	409	-159	-275	1 357	2 004
Provision for credit losses	-85	-44	4	-6	-9	21	-2	-32	1	-22	-91	-84
Net gains/losses from financial investments, net income/expense from investments accounted for using the equity method and from profit/ loss transfer agreements	9	-16	0	-4	0	0	-72	-261	42	-42	-21	-324
Administrative expenses	-336	-343	-168	-160	-221	-217	-32	-42	-135	-99	-893	-861
Operating result	321	812	195	178	58	108	28	74	-251	-437	352	735
Guarantee commission for Baden-Württemberg	0	0	0	0	0	0	-151	-152	0	0	-151	-152
Impairment of goodwill	0	-15	0	0	0	0	0	0	0	0	0	-15
Restructuring expenses	-7	0	0	0	0	0	0	0	0	-1	-7	-1
Consolidated profit/loss before tax	314	797	195	178	58	108	-123	-78	-251	-438	194	567
Income tax											-29	-217
Consolidated profit											165	350
Segment assets	85 882	90 973	137 222	134 957	34 811	38 099	42 792	48 097	72 089	60 933	372 796	373 059
Tied-up equity	5 382	4 687	1 563	972	1 085	888	845	969	1 719	3 060	10 593	10 576
RoE (in %)	11.7	34.0	25.0	36.6	10.8	24.2	<0	<0			3.7	10.7

1) Correction previous year's values (see Note 2).

Details on corporate items, reconciliation and consolidation.

EUR million	Corporate items		Reconciliation/consolidation		Corporate items/ reconciliation/consolidation	
	1 Jan.- 30 June 2012	1 Jan.- 30 June 2011	1 Jan.- 30 June 2012	1 Jan.- 30 June 2011	1 Jan.- 30 June 2012	1 Jan.- 30 June 2011
Total operating income/expenses¹⁾	227	22	-385	-297	-159	-275
Provision for credit losses	0	-17	1	-5	1	-22
Net gains/losses from financial investments, net income/expense from investments accounted for using the equity method and profit/loss transfer agreements	-1	-131	43	89	42	-42
Administrative expenses	-135	-99	0	0	-135	-99
Operating result	91	-224	-342	-214	-251	-437
Guarantee commission for Baden-Württemberg	0	0	0	0	0	0
Impairment of goodwill	0	0	0	0	0	0
Restructuring expenses	0	-1	0	0	0	-1
Consolidated profit/loss before tax	91	-224	-342	-214	-251	-438
Segment assets	78 330	80 429	-6 241	-19 495	72 089	60 933
Qualifying items	2 142	3 374	-423	-314	1 719	3 060
Tied-up equity					0	0

1) Correction previous year's values (see Note 2).

Reconciliation of segment results to the income statement.

In the first half of 2012, the total of »Reconciliation/consolidation« on the consolidated profit or loss before tax amounted to EUR - 342 million (previous year: EUR - 214 million) and is essentially due to the following factors:

- In internal management reporting, the net interest income is calculated on the basis of the market interest method. Differences compared with the income statement are therefore the result of net interest income for prior periods and IFRS-specific measurements not included in internal management reporting (e. g., net result from the repurchase of own issues).
- The valuation methods used in internal management reporting for part of the trading book holdings differ from those of IFRS accounting.
- Effects arise resulting from IFRS-specific matters connected with hedge accounting and the fair value option.

Notes to the income statement.

4. Net interest income.

The items »Net interest income« and »Interest expense« also include the interest and dividend income and the associated refinancing expenses of financial instruments in the held for trading and designated at fair value categories. In addition, the payments to typical silent partners are reported under »Interest expense« due to the classification of silent partners' contributions as debt in accordance with IAS 32.

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Trading derivatives	15 365	15 236
Lending business and money market transactions	3 042	3 846
Hedging derivatives	2 422	1 478
Fixed-income securities and debentures	1 050	1 172
Other	510	162
Interest income	22 389	21 894
Leasing business	484	502
Early termination fees	50	20
Equity investments and affiliates	24	54
Equities and other variable-rate securities	19	27
Current income	577	603
Net interest and current income	22 966	22 497
Trading derivatives	-15 287	-14 849
Hedging derivatives	-2 496	-1 672
Deposits	-1 865	-2 292
Securitized liabilities	-955	-1 181
Leasing business	-273	-277
Subordinated debt	-123	-234
Other	-719	-787
Interest expense	-21 718	-21 292
Total	1 248	1 205

In the case of financial assets in the LaR category for which valuation allowances were charged, interest income of EUR 33 million (previous year: EUR 40 million) was recognized in the period under review from the increase in the present value of the receivables (unwinding in accordance with IAS 39.AG93).

During the period under review, interest expense of EUR -6 million (previous year: EUR -7 million) was recognized from the netting of treasury and intragroup debentures in accordance with IAS 39.39ff.

5. Net fee and commission income.

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Payments and international transactions	91	87
Securities and custody business	91	99
Brokerage business	56	68
Lending, trustee and guarantee (aval) business	51	68
Other	36	36
Fee and commission income	325	358
Securities and custody business	-49	-40
Payments and international transactions	-10	-10
Lending, trustee and guarantee (aval) business	-6	-24
Brokerage business	-4	-7
Other	-9	-5
Fee and commission expense	-78	-86
Total	247	272

6. Net gains/losses from financial instruments at fair value through profit or loss.

Net gains/losses from financial instruments at fair value through profit or loss is comprised of the following:

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Net trading gains/losses	-136	422
Net gains/losses from financial instruments designated at fair value	-29	19
Net gains/losses from hedging transactions	-11	-17
Total	-176	424

Net trading gains/losses.

All net and remeasurement gains/losses from financial instruments in the held for trading category are reported under »Net trading gains/losses«. The net gains/losses from hedging transactions exclusively comprise remeasurement losses from effective hedging transactions as part of hedge accounting. The interest and dividend income and the associated refinancing expenses of financial instruments are reported under »Net interest income«.

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Interest-rate transactions	-213	53
Economic derivative hedging instruments	-14	-101
Foreign exchange transactions	-1	40
Equity transactions	10	36
Rating-related transactions	82	394
Total	-136	422

Overall, the spread tightening for credit derivatives in the credit investment portfolio had a positive effect on the result from credit quality-driven transactions. However, the contribution to results is considerably lower than the previous year. The favorable spread development in the first quarter of 2012 was once again used to establish counterpositions to safeguard profit contributions.

Net income/loss from financial instruments designated at fair value.

Net income from financial instruments designated at fair value includes all realized and unrealized gains and losses from assets and liabilities designated at fair value. Dividends and the interest income/interest expense from assets designated at fair value are reported under »Net interest income«. The fee and commission payments associated with purchases and sales are reported under »Net fee and commission income«.

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Realized gains/losses	-21	21
Unrealized gains/losses	-8	-2
Total	-29	19

The change in the fair value of the financial liabilities classified here includes expenses of EUR - 83 million (previous year: EUR - 56 million) in »Unrealized gains/losses« in conjunction with consideration given to the bank's own credit quality in the measurement.

Net gains/losses from hedging transactions.

The gains/losses from hedging derivatives include the remeasurement gains/losses from economic hedging relationships within the scope of hedge accounting. The effect on profit or loss of hedging transactions not satisfying the efficacy requirements of IAS 39 is reported under »Net trading gains/losses«.

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Portfolio fair value hedges	-14	-13
of which hedged item	-76	261
of which hedging instrument	62	-274
Micro fair value hedges	3	-4
of which hedged item	42	-219
of which hedging instrument	-39	215
Total	-11	-17

7. Other operating income/expenses.

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Income from the sale of current assets	89	87
Reversal of impairment losses on inventories	20	21
Reversal of other provisions	20	4
Income from the management of other property portfolios	11	15
Revenues from property services	11	10
Income from operating leases	10	7
Miscellaneous operating income	37	70
Other operating income	198	214
Expenses from the disposal of current assets	-93	-86
Impairment of inventories	-4	-16
Expenses from the management of other property	-3	-6
Miscellaneous operating expenses	-93	-70
Total other operating expenses	-193	-178
Total	5	36

8. Net income/expense from investment property.

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Income from investment property	41	66
Income from the fair value measurement	3	17
Expenses from investment property	-11	-16
Total	33	67

The reduction in this item is largely associated with the sale of the LBBW Immobilien GmbH subgroup (see Note 3).

9. Provision for credit losses.

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Reversals of loan loss provision	333	417
Recoveries on loans previously written off	7	4
Additions to loan loss provision	-379	-443
Direct loan write-offs	-26	-39
Provisions for credit risks	-23	-19
Other expenses from the lending business	-3	-4
Total	-91	-84

10. Net gains/losses from financial investments.

Net gains/losses from financial investments includes disposal and remeasurement (including impairment) results on securities from the loans and receivables (LaR) and available for sale (AFS) categories, as well as on equity investments and investments in non-consolidated companies and companies not accounted for using the equity method. This item also includes reversals of impairment losses on financial investments following credit-based write-downs to the amount of the amortized cost.

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Net gains/losses on disposals	29	70
of which derivative structure	-19	-178
of which securities	-4	-3
of which equity investments	52	251
Impairment	-15	-318
Reversals of impairment losses	25	6
Net other income	0	-9
Net gains/losses from financial investments (AFS)	39	-251
Net gains/losses on disposals	-71	21
of which securities	-71	20
of which equity investments	0	1
Impairment	-38	-44
Reversals of impairment losses	34	50
Net gains/losses from the reimbursement rights from the risk shield	6	-97
Net gains/losses from financial investments (LaR)	-69	-70
Total	-30	-321

The gains/losses of EUR 6 million (previous year: EUR -97 million) from the reimbursement rights from the state guarantee result from the risk shield agreed with the State of Baden-Württemberg. This is in place for a defined securitization portfolio totaling EUR 6.7 billion.

11. Net income/expenses from investments accounted for using the equity method.

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Net gains/losses from associates	14	8
Net gains/losses from shares in joint ventures	-5	-11
Total	9	-3

12. Administrative expenses.

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Total staff costs	-509	-509
Total other administrative expenses	-321	-283
Amortization and write-downs of intangible assets	-33	-37
Depreciation and write-downs of property and equipment	-30	-32
Total	-893	-861

Other administrative expenses of EUR -321 million include expenses of EUR -46 million for the bank levies charged in Germany (previous year: EUR -29 million).

13. Income tax.

EUR million	1 Jan. - 30 June 2012	1 Jan. - 30 June 2011
Income tax from prior periods	78	-9
Income tax for the period under review	-20	-60
Deferred income taxes	-87	-148
Total	-29	-217

The arithmetically effective average group tax ratio in the reporting period is 15.1% and includes deferred tax expenses, especially from the write-down of the deferred tax assets in the amount of EUR 40 million and because of changes in tax rates in Great Britain (EUR 2 million).

The improvement in income tax is a result of, amongst other things, the reversal of provisions for taxes for international income tax from previous years. The reason for reversal of the provisions is the successful conclusion of a tax lawsuit.

Notes to the balance sheet.

14. Cash reserve.

EUR million	30 June 2012	31 Dec. 2011
Balances with central banks	2 925	5 581
Cash	124	195
Public-sector debt instruments and bills	57	72
Total	3 106	5 848

Balances with central banks include balances with Deutsche Bundesbank (the German central bank) of EUR 2 613 million (previous year: EUR 4 909 million).

15. Loans and advances to banks.

Breakdown by business type.

EUR million	30 June 2012	31 Dec. 2011
Public-sector loans	40 643	43 659
Securities repurchase agreements	9 289	8 409
Other loans	3 718	4 023
Borrower's note loan	2 061	2 010
Money market transactions	894	680
Other loans and advances	3 109	830
Loans and advances to banks	59 714	59 611
Loan loss provision	- 31	- 185
Total	59 683	59 426

Breakdown by region.

EUR million	30 June 2012	31 Dec. 2011
Domestic banks	39 326	38 025
Non-domestic banks	20 388	21 586
Total	59 714	59 611

The increase in other loans and advances is chiefly due to receivables from securities sales which have not yet been settled as of the reporting date.

Loans and advances to banks of EUR 24 731 million (previous year: EUR 20 585 million) are due within 12 months.

16. Loans and advances to customers.

Breakdown by business type.

EUR million	30 June 2012	31 Dec. 2011
Mortgage loans	31 129	30 899
Other loans	28 294	28 292
Public-sector loans	26 014	27 926
Receivables from finance lease relationships	8 232	8 112
Securities repurchase agreements	6 758	5 273
Transmitted loans	5 401	5 099
Money market transactions	5 354	5 784
Current account claims	5 249	4 763
Construction financing	2 726	2 748
Borrower's note loan	2 692	2 586
Other loans and advances	2 126	2 312
Loans and advances to customers	123 975	123 794
Loan loss provision	- 2 593	- 2 760
Total	121 382	121 034

Breakdown by region.

EUR million	30 June 2012	31 Dec. 2011
Domestic customers	90 230	88 533
Non-domestic customers	33 745	35 261
Total	123 975	123 794

Loans and advances to customers of EUR 39 402 million (previous year: EUR 37 447 million) are due within 12 months.

17. Loan loss provision.

The loan loss provision deducted from assets changed as follows in the first half-year:

EUR million	Specific/collective valuation allowance			Portfolio valuation allowance		
	Loans and advances to banks	Loans and advances to customers	of which finance lease	Loans and advances to banks	Loans and advances to customers	of which finance lease
As at 1 January 2012	175	2 556	170	10	204	17
Utilization	-163	-183	-16	0	0	0
Additions	10	248	22	4	117	2
Reversals	0	-230	-11	-5	-98	-2
Changes to present value over time (unwinding)	0	-33	-1	0	0	0
Exchange rate-related and other changes	0	12	0	0	0	0
As at 30 June 2012	22	2 370	164	9	223	17

EUR million	Specific/collective valuation allowance			Portfolio valuation allowance		
	Loans and advances to banks	Loans and advances to customers	of which finance lease	Loans and advances to banks	Loans and advances to customers	of which finance lease
As at 1 January 2011	433	3 025	179	9	250	18
Utilization	-265	-407	-34	0	0	0
Additions	19	533	43	7	120	4
Reversals	-10	-540	-17	-6	-165	-4
Changes to present value over time (unwinding)	-2	-77	-2	0	0	0
Exchange rate-related and other changes	0	22	1	0	-1	-1
As at 31 December 2011	175	2 556	170	10	204	17

18. Financial assets at fair value through profit or loss.

The financial assets at fair value through profit or loss are broken down as follows:

EUR million	30 June 2012	31 Dec. 2011
Trading assets	120 469	101 684
Financial assets designated at fair value	3 491	4 145
Positive fair values from derivative hedging instruments	1 913	10 441
Total	125 873	116 270

Trading assets and financial assets designated at fair value.

EUR million	Trading assets		Financial assets designated at fair value	
	30 June 2012	31 Dec. 2011	30 June 2012	31 Dec. 2011
Bonds and other fixed-income securities	20 563	17 644	1 284	1 938
Money market instruments	4 762	5 378	2	1
Bonds and debentures	15 801	12 266	1 282	1 937
Shares and other variable-rate securities	354	344	274	268
Shares	147	131	0	0
Investment units	207	207	267	261
Other securities	0	6	7	7
Other	33 450	26 727	730	792
Borrower's note loan	2 990	3 294	636	617
Other money market transactions	29 449	22 422	0	0
Other loans and receivables			29	28
Miscellaneous	1 011	1 011	65	147
Positive fair values from derivative financial instruments ¹⁾	66 102	56 969	1 203	1 147
Total	120 469	101 684	3 491	4 145

1) The financial assets designated at fair value include economic hedging derivatives of the HFT category, which do not qualify as hedges according to IAS 39.

Positive fair values from derivative hedging instruments.

The positive fair values from derivatives which are used to secure hedged items against the interest rate risk are included in this item. Interest rate swaps and cross-currency interest rate swaps were designated as hedging instruments.

EUR million	30 June 2012	31 Dec. 2011
Positive fair values from portfolio fair value hedges	346	8 925
Positive fair values from micro fair value hedges	1 562	1 508
Positive fair values from cash flow hedges	5	8
Total	1 913	10 441

The drop in positive fair values from derivative hedging instruments was largely due to the fact that substantially fewer qualifying hedging derivatives were included in the fair value hedge accounting portfolio as of the reporting date compared with year-end 2011.

19. Financial investments.

EUR million	30 June 2012	31 Dec. 2011
Bonds and other fixed-income securities	55 269	61 706
Money market instruments	471	289
Bonds and debentures	54 712	61 337
Refund claim (guarantee)	86	80
Shares and other variable-rate securities	6	9
Investment units	4	6
Other securities	2	3
Equity investments	1 051	1 114
Shares in affiliates	633	618
Total	56 959	63 447

20. Shares in investments accounted for using the equity method.

EUR million	30 June 2012	31 Dec. 2011
Associates	263	255
Joint ventures	32	38
Total	295	293

21. Non-current assets held for sale and disposal groups.

The restructuring plan for the reorganization of the LBBW Group resolved by the Board of Managing Directors envisages the disposal of various equity investments. A resolution was passed regarding this when the restructuring plan was approved by the former Supervisory Board and the European Commission was informed on 3 December 2009. Within the scope of the restructuring plan, negotiations were held in the first half-year about the disposal of non-current assets and disposal groups.

The LBBW Immobilien GmbH subgroup was divided into two segments - Residential and Commercial. The Commercial segment was retained within the LBBW Group and integrated in the LBBW Immobilien Management GmbH subgroup. The LBBW Immobilien GmbH subgroup including its subsidiaries were sold effective 31 March 2012. This disposal group was allocated to the Corporates reporting segment.

As of 30 June 2012, the criteria for classification according to IFRS 5 for the following non-current assets held for sale and disposal groups have been fulfilled.

- LBBW is still in negotiations for the sale of six equity investments already classified as non-current assets held for sale as of the last reporting date. The non-current assets held for sale are allocated to the Corporate Items or the Corporates reporting segment. It is planned to conclude the sale of these equity investments by the end of 2012 at the latest.
- Plans to dispose of an additional equity investment, which still met the criteria of a non-current assets held for sale as of 30 June 2012, were abandoned in August.
- An equity investment, which met the criteria of a non-current asset held for sale for the first time as of 30 June 2012, was disposed of in August. This concerns the Corporate Items segment.

Impairment was not necessary in connection with the reclassification of disposal groups and non-current assets in accordance with IFRS 5.

The main groups of assets and liabilities classified as held for sale are as follows:

EUR million	30 June 2012	31 Dec. 2011
Assets		
Loans and advances to banks	0	17
Loans and advances to customers	0	2
Loan loss provision	0	-1
Financial investments	279	274
Investment property	0	1 346
Property and equipment	0	6
Income tax assets	0	2
Other assets	0	52
Total	279	1 698
Equity and liabilities		
Deposits from banks	0	365
Deposits from customers	0	68
Provisions	0	10
Income tax liabilities	0	45
Other liabilities	0	38
Total	0	526

22. Intangible assets.

EUR million	30 June 2012	31 Dec. 2011
Goodwill	399	435
Software	83	101
Advance payments on intangible assets	24	23
Other intangible assets acquired	7	8
Total	513	567

Amortization and write-downs of intangible assets, both scheduled and unscheduled, are – with the exception of the goodwill impairment – recognized in the Amortization and »Write-downs of intangible assets« item in »Administrative expenses«.

Goodwill.

As a rule, goodwill is tested for impairment in the fourth quarter of each financial year by comparing the recoverable amount of each business segment or segment reporting goodwill with its carrying amount. The carrying amount is determined on the basis of the equity attributed to the business segment or segment. The recoverable amount is

the higher of the fair value of the business segment or segment less sales costs and the value in use. The impairment test conducted at year-end showed that the recoverable amount for all business segments was higher than their corresponding carrying amount, so that no impairment was necessary.

As of 30 June 2012, there were no triggering events to justify impairment of goodwill or customer relationships. The change in goodwill is explained by the sale of the LBBW Immobilien GmbH subgroup (see Note 3). Cumulative impairment was unchanged from 31 December 2011.

23. Investment property.

The carrying amounts of investment property measured at fair value developed as follows in the first half-year:

EUR million	2012	2011
Carrying amount on 1 January	469	1 726
Additions	0	7
Disposals	-1	-55
Transfer to non-current assets held for sale and disposal groups	0	-1 346
Transfers from/to inventories and property and equipment	0	-2
Changes in fair value from assets	4	122
Changes in fair value due to disposals	0	17
Carrying amount on 30 June/31 December	472	469

24. Property and equipment.

EUR million	30 June 2012	31 Dec. 2011
Land and buildings	484	491
Operating and office equipment	151	151
Leased assets under operating leases	61	63
Technical equipment and machines	30	26
Advance payments and assets under construction	6	22
Leased assets under finance leases	5	5
Total	737	758

Scheduled and unscheduled depreciation and write-downs are recognized in the »Depreciation and write-downs of property and equipment« item in »Administrative expenses«.

25. Other assets.

EUR million	30 June 2012	31 Dec. 2011
Inventories	1 053	1 026
Receivables from tax authorities	20	16
Receivables from investment income received in the same period	2	14
Other miscellaneous assets	370	124
Total	1 445	1 180

26. Deposits from banks.

Breakdown by business type.

EUR million	30 June 2012	31 Dec. 2011
Securities repurchase agreements	38 351	29 056
Borrower's note loan	13 095	13 753
Money market transactions	4 462	4 655
Public-sector registered covered bonds issued	4 046	4 092
Current account liabilities	2 872	1 444
Mortgage-backed registered covered bonds issued	444	723
Leasing business	373	368
Other miscellaneous deposits from other banks	26 164	23 745
Total	89 807	77 836

Breakdown by region.

EUR million	30 June 2012	31 Dec. 2011
Domestic banks	69 963	58 136
Non-domestic banks	19 844	19 700
Total	89 807	77 836

Deposits from banks of EUR 49 435 million (previous year: EUR 36 625 million) are due within 12 months.

27. Deposits from customers.

Breakdown by business type.

EUR million	30 June 2012	31 Dec. 2011
Current account liabilities	26 429	24 985
Money market transactions	16 653	18 584
Public-sector registered covered bonds issued	10 748	11 936
Borrower's note loan	10 565	11 843
Savings deposits	6 944	6 571
Mortgage-backed registered covered bonds issued	1 304	1 261
Securities repurchase agreements	790	1 164
Other miscellaneous deposits from customers	3 565	3 835
Total	76 998	80 179

Breakdown by region.

EUR million	30 June 2012	31 Dec. 2011
Domestic customers	73 121	76 182
Non-domestic customers	3 877	3 997
Total	76 998	80 179

Deposits from customers of EUR 36 740 million (previous year: EUR 37 764 million) are due within 12 months.

28. Securitized liabilities.

Securitized liabilities primarily comprise issued debentures and other liabilities securitized in the form of transferable instruments.

EUR million	30 June 2012	31 Dec. 2011
Issued debentures	64 341	70 128
Covered bonds	26 632	29 150
Other bonds	37 709	40 978
Other securitized liabilities	1 984	1 526
Total	66 325	71 654

See Note 38 for explanations regarding issuing activity.

29. Financial liabilities at fair value through profit or loss.

The financial liabilities at fair value through profit or loss are broken down as follows:

EUR million	30 June 2012	31 Dec. 2011
Trading liabilities	103 298	97 847
Financial liabilities designated at fair value	8 378	8 783
Negative fair values from derivative hedging instruments	2 853	10 558
Total	114 529	117 188

Trading liabilities and financial liabilities designated at fair value.

EUR million	Trading liabilities		Financial liabilities designated at fair value	
	30 June 2012	31 Dec. 2011	30 June 2012	31 Dec. 2011
Negative fair values from trading derivatives and economic hedging derivatives ¹⁾	66 370	58 546	375	517
Money market transactions	34 738	37 646	0	0
Securitized liabilities	1 727	1 473	4 199	4 328
Delivery obligations from short sales of securities	424	86	0	0
Borrower's note loan	37	32	2 954	3 155
Subordinated liabilities			786	725
Other financial liabilities	2	64	64	58
Total	103 298	97 847	8 378	8 783

1) The financial liabilities designated at fair value include economic hedging derivatives of the HFT category, which do not qualify as hedges according to IAS 39.

Negative fair values from derivative hedging instruments.

The negative fair values from derivatives that are used to secure hedged items against interest rate risk are reported in this item. Interest rate swaps and cross-currency interest rate swaps were designated as hedging instruments.

EUR million	30 June 2012	31 Dec. 2011
Negative fair values from micro fair value hedges	1 926	1 944
Negative fair values from portfolio fair value hedges	924	8 612
Negative fair values from cash flow hedges	3	2
Total	2 853	10 558

The drop in negative fair values from derivative hedging instruments was largely due to the fact that substantially fewer qualifying hedging derivatives were included in the fair value hedge accounting portfolio as of the reporting date in comparison with year-end 2011.

30. Provisions.

EUR million	30 June 2012	31 Dec. 2011
Provisions for pensions	1 965	1 734
Provisions for credit risks	248	237
Other personnel-related provisions	106	114
Other provisions	445	484
Total	2 764	2 569

Owing to current market conditions, the discount rate was adjusted to 4.08% p.a. (previous year: 4.75% p.a.) as of 30 June 2012.

31. Other liabilities.

EUR million	30 June 2012	31 Dec. 2011
Advances received	138	95
Liabilities from employment contracts	104	109
Liabilities from other taxes	80	206
Trade payables	42	60
Liabilities from minority interests	22	21
Liabilities from finance leases	13	14
Other miscellaneous liabilities	473	195
Total	872	700

Miscellaneous other liabilities increased largely due to the reclassification of maturing profit participation rights from »Subordinated debt« to »Other liabilities«.

32. Subordinated debt.

In the event of insolvency proceedings or liquidation, the reported subordinated debt may not be repaid until all non-subordinated creditors have been satisfied. Subordinated debt is broken down as follows:

EUR million	30 June 2012	31 Dec. 2011
Typical silent partners' contributions	4 862	5 234
Subordinated liabilities	4 530	4 874
Capital generated by profit-participation certificates	728	1 288
Total	10 120	11 396

The decline in subordinated debt by EUR 1.3 billion is largely due to maturities. The present value of the capital generated by profit-participation certificates and the silent partners' contributions was reduced by EUR 199 million. This includes compounding, currency translation effects and changes in estimates of future cashflows.

Information on financial instruments.

33. Fair value of financial instruments.

The following table compares the carrying amounts and the fair values of financial instruments:

Assets.

EUR million	30 June 2012		31 Dec. 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash reserve	3 106	3 106	5 848	5 848
Assets carried at amortized cost				
Loans and advances to banks after provision for credit losses	59 683	61 554	59 426	61 083
Loans and advances to customers after provision for credit losses	121 382	122 475	121 034	120 681
Financial investments	27 867	26 819	31 568	30 281
of which interest-bearing assets	27 851	26 803	31 552	30 238
of which non-interest-bearing assets	16	16	16	43
Assets carried at fair value				
Financial investments	29 092	29 092	31 879	31 879
of which interest-bearing assets	27 563	27 563	30 311	30 311
of which non-interest-bearing assets	1 529	1 529	1 568	1 568
Positive fair values from derivative hedging instruments	1 913	1 913	10 441	10 441
Trading assets	120 469	120 469	101 684	101 684
Financial assets designated at fair value	3 491	3 491	4 145	4 145
Portfolio hedge adjustment attributable to assets	583	583	455	455
Non-current assets held for sale and disposal groups	279	279	292	292

Equity and liabilities.

EUR million	30 June 2012		31 Dec. 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities carried at amortized cost				
Deposits from banks	89 807	91 810	77 836	79 695
Deposits from customers	76 998	79 995	80 179	83 411
Securitized liabilities	66 325	67 771	71 654	73 198
Subordinated debt	10 120	9 272	11 396	9 094
Liabilities carried at fair value				
Negative fair values from derivative hedging instruments	2 853	2 853	10 558	10 558
Trading liabilities	103 298	103 298	97 847	97 847
Financial liabilities designated at fair value	8 378	8 378	8 783	8 783
Portfolio hedge adjustment attributable to liabilities	1 180	1 180	1 019	1 019
Liabilities from disposal groups	0	0	433	433

34. Fair value hierarchy.

The following table shows the carrying amounts of financial instruments designated at fair value, divided into the measurement methods:

EUR million	Quoted prices in active markets (Level I)		Valuation method - externally observable parameters (Level II)		Valuation method - no externally observable parameters (Level III)	
	30 June 2012	31 Dec. 2011	30 June 2012	31 Dec. 2011	30 June 2012	31 Dec. 2011
Positive fair values from derivative hedging instruments	0	0	1 913	10 441	0	0
Trading assets	11 636	7 286	108 776	94 077	57	321
Financial assets designated at fair value	291	389	2 893	3 369	307	387
Financial investments (AFS)	19 205	19 948	8 862	10 835	1 025	1 096
Non-current assets held for sale and disposal groups	130	129	0	4	149	140
Total assets	31 262	27 752	122 444	118 726	1 538	1 944
Negative fair values from derivative hedging instruments	7	6	2 846	10 552	0	0
Trading liabilities	2 699	2 211	100 561	95 290	38	346
Financial liabilities designated at fair value	0	0	8 187	8 469	191	314
Liabilities from disposal groups	0	0	0	0	0	0
Total equity and liabilities	2 706	2 217	111 594	114 311	229	660

Transactions, for which the fair value was calculated by means of a measurement method where not all material input parameters are based on observable market parameters, or whose measurement model does not meet the market standard, are allocated to Level III. The subsequent measurement can yield a profit or loss that is entirely or partially based on the fact that the measurement model does not operate with the parameters observed on the market. The difference between the transaction price and the fair value is described as a »day-one profit or loss«. The day-one profit or loss is not recognized immediately in the income statement but is distributed over the transaction term.

The day-one profit or loss on the reporting date was EUR - 5 million (31 December 2011: EUR - 4 million).

In accordance with IAS 34.15B, the following transfers were made between the different levels in the fair value hierarchy:

EUR million	Transfers from Level I to Level II	Transfers from Level II to Level I	Transfers from Level III to Level I or II	Transfers from Level I or II to Level III
	1 Jan. - 30 June 2012	1 Jan. - 30 June 2012	1 Jan. - 30 June 2012	1 Jan. - 30 June 2012
Assets				
Trading assets	903	35	0	0
Financial assets designated at fair value	141	9	0	43
Financial investments (AFS)				
of which interest-bearing assets	1 213	1 070	0	25
of which non-interest-bearing assets	0	0	- 5	0
Non-current assets held for sale and disposal groups	0	0	5	0

35. Reconciliation of carrying amounts.

30 June 2012						
EUR million	Loans and receivables	Available for sale	Held for trading	Fair value option	Other liabilities	Total
Loans and advances to banks after provision for credit losses	59 683					59 683
Loans and advances to customers after provision for credit losses	121 382					121 382
Financial assets at fair value through profit or loss			120 469	3 491		123 960
Financial investments	27 867	29 092				56 959
Non-current assets held for sale and disposal groups	0	279	0	0		279
Deposits from banks					89 807	89 807
Deposits from customers					76 998	76 998
Securitized liabilities					66 325	66 325
Financial liabilities at fair value through profit or loss			103 298	8 378		111 676
Liabilities from disposal groups			0	0	0	0
Subordinated debt					10 120	10 120

31 Dec. 2011						
EUR million	Loans and receivables	Available for sale	Held for trading	Fair value option	Other liabilities	Total
Loans and advances to banks after provision for credit losses	59 426					59 426
Loans and advances to customers after provision for credit losses	121 034					121 034
Financial assets at fair value through profit or loss			101 684	4 145		105 829
Financial investments	31 568	31 879				63 447
Non-current assets held for sale and disposal groups	18	274	0	0		292
Deposits from banks					77 836	77 836
Deposits from customers					80 179	80 179
Securitized liabilities					71 654	71 654
Financial liabilities at fair value through profit or loss			97 847	8 783		106 630
Liabilities from disposal groups			0	0	433	433
Subordinated debt					11 396	11 396

36. Reclassifications.

The modifications to IAS 39 and IFRS 7 (regarding reclassification) were announced by the IASB and endorsed by the EU in 2008.

In the LBBW Group, certain trading assets and securities, which had previously been categorized as available for sale, were reclassified as loans and receivables as at 1 July 2008 in line with these changes. No further securities were reclassified in the subsequent financial years.

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

EUR million	30 June 2012 Carrying amount	30 June 2012 Fair value	31 Dec. 2011 Carrying amount	31 Dec. 2011 Fair value	1 July 2008 Nominal value	1 July 2008 Carrying amount
Held for trading reclassified as loans and receivables	209	192	259	242	935	913
of which securitization transactions	58	42	68	52	134	128
of which other securities	151	150	192	190	801	785
Available for sale reclassified as loans and receivables	8 103	7 027	11 762	10 401	29 023	27 373
of which securitization transactions	6 562	5 489	7 711	6 494	14 643	13 302
of which other securities	1 541	1 538	4 051	3 907	14 380	14 071
Total	8 312	7 219	12 022	10 643	29 958	28 286

The nominal volume of the securities transferred from the held for trading category was EUR 219 million as of 30 June 2012 (31 December 2011: EUR 271 million), of which EUR 60 million related to securitized transactions (31 December 2011: EUR 70 million) and EUR 159 million to other securities (31 December 2011: EUR 201 million).

Securities reclassified as available for sale had a nominal volume of EUR 8 738 million as of 30 June 2012 (31 December 2011: EUR 12 467 million), of which EUR 7 180 million related to securitization transactions (31 December 2011: EUR 8 395 million) and EUR 1 558 million to other securities (31 December 2011: EUR 4 072 million).

The reclassified holdings contributed EUR 16 million to the results in the first half of 2012 (30 June 2011: EUR 137 million). If there had been no reclassification, the positive contribution to the results would have been EUR 80 million as of 30 June 2012 (30 June 2011: EUR 142 million). In the case of fair value changes recognized directly in equity of reclassified AfS securities, the revaluation reserve would have been degraded by EUR 319 million (30 June 2011: burden of EUR 225 million).

37. Breakdown of derivatives volume.

30 June 2012		Nominal values - remaining maturities				Fair value	
EUR million	Up to 3 months	Over 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Total	Positive	Negative
Currency-related derivatives	137 444	65 703	48 509	11 607	263 263	5 503	5 462
Interest rate-related derivatives	202 245	546 193	666 620	581 731	1 996 789	61 964	61 473
Credit derivatives	2 346	10 781	48 198	2 298	63 623	1 246	1 828
Equity/index-related derivatives	1 521	143 822	4 423	1 880	151 646	429	741
Goods-related and other derivatives	1 040	1 141	1 115	0	3 296	76	94
Total	344 596	767 640	768 865	597 516	2 478 617	69 218	69 598

31 Dec. 2011		Nominal values - remaining maturities				Fair value	
EUR million	Up to 3 months	Over 3 months to 1 year	More than 1 year to 5 years	Over 5 years	Total	Positive	Negative
Currency-related derivatives	126 444	54 433	45 181	11 233	237 291	6 360	6 348
Interest rate-related derivatives	217 512	453 597	670 618	565 425	1 907 152	59 256	59 160
Credit derivatives	1 818	9 083	49 217	3 904	64 022	2 363	3 191
Equity/index-related derivatives	1 247	65 644	3 663	1 966	72 520	470	820
Goods-related and other derivatives	688	849	687	1	2 225	108	103
Total	347 709	583 606	769 366	582 529	2 283 210	68 557	69 622

38. Information on issuing activities.

30 June 2012		Number	Volume	Primary sale ¹⁾	Redemptions
EUR million					
Covered bonds		36	2 257	2 201	4 809
Money market transactions		137	6 858	6 858	6 765
Other bearer bonds		2 608	140 033	2 643	4 363
Other bonds		0	0	0	60
Total		2 781	149 148	11 702	15 997

31 Dec. 2011		Number	Volume	Primary sale ¹⁾	Redemptions
EUR million					
Covered bonds		87	4 112	6 272	9 751
Money market transactions		303	12 990	12 990	13 393
Other bearer bonds		5 907	291 782	8 822	12 411
Other bonds		0	0	0	28
Total		6 297	308 884	28 084	35 583

1) Primary sale also includes volume from previous years.

In accordance with IAS 39, the own debentures held by LBBW Group amounting to a nominal EUR 11 539 million (previous year: EUR 10 402 million) were offset against the debentures issued.

Other disclosures.

39. Own funds.

EUR million	30 June 2012	31 Dec. 2011
Own funds	19069	18552
Core capital (Tier I)	14 728	13 836
Supplementary capital (Tier II)	3 875	3 993
Tier III capital	466	723
Qualifying items	103 663	107 675
Risk-weighted counterparty risk items	84 038	89 663
Market risk positions	13 350	12 650
Operational risk	6 275	5 362
Total SolvV ratio	18.4%	17.2%
Core capital ratio	14.2%	12.9%

40. Contingent liabilities and other obligations.

EUR million	30 June 2012	31 Dec. 2011
Contingent liabilities	6 210	6 531
Guarantees and warranties	6 200	6 519
Other	10	12
Other obligations	22 712	22 569
Irrevocable loan commitments	22 336	22 137
Other	376	432
Total	28 922	29 100

41. Related party disclosures.

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

30 June 2012							
EUR million	Shareholders	Members of the Board of Managing Directors and the Supervisory Board	Non-consolidated subsidiaries	Associates	Joint ventures	Other related parties/companies	
Loans and advances to banks	241	0	25	295	0	0	
Loans and advances to customers	1 500	4	702	282	65	34	
Financial assets at fair value through profit or loss	4 001	0	1 098	107	7	0	
Financial investments	37	0	118	8	0	12 959	
Total assets	5 779	4	1 943	692	72	12 993	
Deposits from banks	5 789	0	31	242	0	0	
Deposits from customers	46	4	265	49	11	13 127	
Financial liabilities at fair value through profit or loss	2 957	0	125	106	0	0	
Subordinated debt	3 221	0	100	10	0	0	
Total equity and liabilities	12 013	4	521	407	11	13 127	
Contingent liabilities	0	0	21	12	0	0	

31 Dec. 2011							
EUR million	Shareholders	Members of the Board of Managing Directors and the Supervisory Board	Non-consolidated subsidiaries	Associates	Joint ventures	Other related parties/companies	
Loans and advances to banks	239	0	16	295	0	0	
Loans and advances to customers	3 641	4	772	343	45	26	
Financial assets at fair value through profit or loss	2 664	0	1 824	122	4	0	
Financial investments	115	0	113	6	0	12 722	
Other assets	0	0	0	3	0	0	
Total assets	6 659	4	2 725	769	49	12 748	
Deposits from banks	5 761	0	59	237	0	0	
Deposits from customers	31	5	264	58	11	12 743	
Financial liabilities at fair value through profit or loss	2 009	0	122	131	0	0	
Subordinated debt	3 311	0	100	10	0	0	
Total equity and liabilities	11 112	5	545	436	11	12 743	
Contingent liabilities	0	0	27	12	0	0	

As of the reporting date, loan loss provisions of EUR 48 million (previous year: EUR 53 million) were recognized for outstanding balances with related companies.

42. Executive bodies.

Members of the Board of Managing Directors and supervisory bodies.

Board of Managing Directors.

Chairman.

HANS-JÖRG VETTER

Deputy Chairman.

MICHAEL HORN

Members.

KARL-MANFRED LOCHNER
since 1 January 2012

INGO MANDT

HANS-JOACHIM STRÜDER

RUDOLF ZIPF
until 31 March 2012

Supervisory Board.

Chairman.

HANS WAGENER
Auditor, tax consultant

Deputy Chairman.

DR. NILS SCHMID MdL
Deputy State Premier, Minister of
Finance and Economic Affairs of the
State of Baden-Württemberg

Members.

HANS BAUER
Employee Representative for
Landesbank Baden-Württemberg

HARALD COBLENZ
Employee Representative
for Landesbank Baden-Württemberg

WOLFGANG DIETZ
Lord Mayor of Weil am Rhein

WALTER FRÖSCHLE
Employee Representative for
Landesbank Baden-Württemberg

HELMUT HIMMELSBACH
Chairman of the Supervisory Board of
Südwestdeutsche Salzwerte AG

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

JENS JUNGBAUER
Employee Representative for
Landesbank Baden-Württemberg

BETTINA KIES-HARTMANN
Employee Representative for
Landesbank Baden-Württemberg

KLAUS-PETER MURAWSKI
State Secretary in the State Ministry
of Baden-Württemberg and Head of
the State Chancellery

GÜNTHER NOLLERT
Employee Representative for
Landesbank Baden-Württemberg

DR. FRITZ OESTERLE
Lawyer, Oesterle law firm

MARTIN PETERS
Managing Partner of
Unternehmensgruppe Eberspächer

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

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

PETER SCHNEIDER MdL
President of Sparkassenverband
Baden-Württemberg

DR. WOLFGANG SCHUSTER
Lord Mayor of the State Capital Stuttgart

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

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

NORBERT ZIPF
Employee Representative for
Landesbank Baden-Württemberg

43. Events after the balance sheet date.

No events took place after the balance sheet date.

Further information.

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 result 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 future development of the Group for the remaining months of the financial year.

Stuttgart, Karlsruhe, Mannheim, and Mainz, 14 August 2012

Board of Managing Directors



HANS-JÖRG VETTER
Chairman



MICHAEL HORN
Deputy Chairman



KARL-MANFRED LOCHNER



INGO MANDT



HANS-JOACHIM STRÜDER

Review report.

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

We have reviewed the condensed interim consolidated financial statements of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz – comprising the condensed income statement, total comprehensive income, consolidated balance sheet, condensed statement of changes in equity, condensed cash flow statement, and the selected notes to the consolidated interim financial statements – together with the interim group management report of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz, for the period from 1 January 2012 to 30 June 2012 that are part of the semi annual 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 respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, 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, 17 August 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft



KOCHOLL
Wirtschaftsprüfer



EISELE
Wirtschaftsprüfer

Note regarding forward-looking statements.

This half-yearly financial report contains forward-looking statements. Forward-looking statements are identified by the use of words such as »expect«, »intend«, »anticipate«, »plan«, »believe«, »assume«, »aim«, »estimate«, »will«, »shall«, »forecast« and similar expressions. These statements are based on the current estimates and forecasts by the Board of Managing Directors as well as on currently available information. Forward-looking statements are not deemed to be guarantees of the future developments and results set out therein and involve a number of risks and uncertainties. If any of these or other risks or uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may differ materially from those expressed or implied by such statements.

The LBBW Group assumes no obligation to continuously update any forward-looking statements, as these are based solely on the circumstances valid on the day of publication.

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