


[Translator's remark: The following is a translation of *Gesetz über die Landesbank Baden-Württemberg* (Landesbank Baden-Württemberg Act) from German into English made to the best of the translator's knowledge and belief and in accordance with the principles of due diligence. This translation is provided for your convenience. Should the meaning of any word or phrase in the English translation differ from the German text, the German version, as the legally binding version, shall prevail.]

Entire Act

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**Landesbank
Baden-Württemberg Act
(Gesetz über die Landesbank
Baden-Württemberg - LBWG)
dated 11 November 1998**

Most recent available version of the entire Act as of 7 January 2014

As of: most recent amendments that were taken into account: sections 1 and 8 amended by Article 4 of the Act dated 19 December 2013 (Law Gazette (*Gbl.*) pages 491,492)

The State Parliament (*Landtag*) adopted the following Act on 11 November 1998:

**Section 1
Establishment and Legal Status**

(1) Landesbank Baden-Württemberg (Landesbank) shall be established as an institution under public law with legal capacity. To this end, Südwestdeutsche Landesbank Girozentrale, Landesgirokasse - öffentliche Bank und Landessparkasse (Landesgirokasse), and Landeskreditbank Baden-Württemberg shall be merged.

(2) The assets of Landesgirokasse and Landeskreditbank Baden-Württemberg (transferring legal entities) shall be transferred as a whole to Südwestdeutsche Landesbank Girozentrale (acquiring legal entity), whereby the transferring legal entities shall be dissolved without being wound up and their Owners shall become guarantors (*Gewährträger*) (section 4 para. 1) and acquire interests in the nominal capital (section 5 para. 1) of the acquiring legal entity.

(3) The assets and liabilities of the transferring legal entities shall devolve upon the acquiring legal entity (universal succession – *Gesamtrechtsnachfolge*).

(4) Landesbank's registered offices shall be in Stuttgart, Karlsruhe, Mannheim, and Mainz. Landesbank may establish and operate branches, offices, stock exchange offices, and representative offices without regional restriction.

(5) In its capacity as the acquiring legal entity, Landesbank may engage in mergers, demergers or transfers of assets. In its capacity as acquiring legal entity, Landesbank may also engage in cross-border mergers, if one or several corporations within the meaning of section 122b para. 1 of the Company Transformation Act (*Umwandlungsgesetz*) as amended are exclusively involved in such merger as transferring entities and if at least one of these corporations is subject to the laws of another member state of the European Union or of another state which is a party to the Agreement on the European Economic Area. The codetermination of employees in the Supervisory Board of Landesbank after a cross-border merger is governed exclusively by section 10 of this Act.

(6) The provisions of the Company Transformation Act as amended shall apply to the measures pursuant to para. 5 (transformations), unless otherwise provided for in this Act or the Ordinance of Landesbank. In this regard, the provisions in the Company Transformation Act that are applicable to

stock corporations shall apply to Landesbank. Transformations require the approval of the General Meeting (*Hauptversammlung*) and of the Supervisory Authority on Points of Law (*Rechtsaufsichtsbehörde*). The resolution by the General Meeting requires a majority of 75 percent of the votes cast. Section 4 para. 7 of this Act shall apply to any admission of additional owners of Landesbank due to a transformation.

Section 2 Duties

(1) Landesbank shall have full freedom to conduct business. It may engage in all types of banking and financial service activities as well as in all other activities that are useful to Landesbank. It is authorized to issue mortgage-backed bonds (*Pfandbriefe*), public debt-backed bonds (*Kommunalobligationen*), and other bonds (*Schuldverschreibungen*).

(2) Landesbank shall strengthen competition in the banking business. It shall provide its services in the interest of the people, the economy, and the public sector, taking into account market requirements.

(3) Landesbank shall be a universal bank and an international commercial bank.

(4) Landesbank shall also be the central bank for the savings banks (*Sparkassen*) in Baden-Württemberg. In this regard it shall conduct its business with due consideration of the interests of the savings banks. Landesbank may not use information obtained in its central bank function to initiate other business transactions. Jointly with the associated enterprises of the savings banks, it shall promote and support the competitiveness of the savings banks in the market.

(5) Landesbank shall also perform the duties of a savings bank in the territory of the state capital Stuttgart under analogous application of section 6 para. 1 of the Savings Bank Act (*Sparkassengesetz*).

(6) Landesbank may create legally dependent institutions under public law, invest in enterprises, and become a member of associations. In addition, it may acquire interests in the capital of credit institutions under public law and be a guarantor or owner of such institutions.

(7) Landesbank qualifies for holding money in trust for wards (*Mündelgeld*).

Section 3 Ordinance

With due regard to applicable laws, Landesbank shall regulate its affairs by means of Ordinances. Ordinances must be made public. The Supervisory Authority on Points of Law (*Rechtsaufsichtsbehörde*) must be notified of the promulgation of and amendments to the Ordinances of Landesbank.

Section 4 Owners (*Träger*) and Liability

(1) The Owners of Landesbank are the State of Baden-Württemberg (the State), the Savings Banks Association of Baden-Württemberg (*Sparkassenverband Baden-Württemberg – SVBW*) (the Association), and the state capital Stuttgart (the City).

(2) The Owners shall support Landesbank in the execution of its duties according to the following provisions. The Owners are neither obliged to provide funds nor does Landesbank have the right to claim the provision of funds from the Owners.

(3) The Owners of Landesbank as at 18 July 2005 are responsible for honoring all liabilities of Landesbank existing at this date. For liabilities agreed by 18 July 2001 this applies without time limit; for those agreed after this date and until 18 July 2005, this applies only if their maturity does not go beyond 31 December 2015. The Owners will immediately honor their obligations arising from the guarantor's liability (*Gewährträgerhaftung*) vis-à-vis the creditors of liabilities agreed until 18 July 2005 as soon as they have stated in due manner and in writing upon these liabilities falling due that the creditors of these liabilities cannot be satisfied from the assets of Landesbank. The obligations of Landesbank resulting from its own guarantor's liability or comparable liability undertaking or a liability arising from membership in a savings banks association as guarantor are laid down and fall due under the terms of sentences (1) - (3) at the same moment as the obligation secured by such an undertaking. Several Owners are jointly and severally responsible, in their internal relationships according to their interests in the capital.

(4) Irrespective of paragraph 5, any Owner of Landesbank may accept, solely or jointly and severally with other Owners or third parties, guarantees limited in time and amount for a fair market rate.

(5) Landesbank shall be liable for its liabilities to the full extent of its assets. The liability of the Owners shall be limited to the capital as stated in the Ordinance.

(6) Should an Owner transfer its entire interest in the nominal capital, it may withdraw as an Owner by submitting a declaration to this effect to Landesbank. The declaration is subject to the approval of the Supervisory Authority on Points of Law (*Rechtsaufsichtsbehörde*). The withdrawal of the Owner shall become effective upon such approval; the former Owner shall remain liable to third parties for obligations of Landesbank that were established up to the time of its withdrawal pursuant to paragraph 3.

(7) Under consideration of the foregoing paragraphs, legal entities under public law may be admitted by contract as additional Owners provided that they acquire interests in the nominal capital. The same applies to persons in private law that are appointed as Owners, in which only the Owners of Landesbank have an interest. The appointment shall be effected upon request of the Owner to be admitted by an administrative act of the Supervisory Authority on Points of Law.

Section 5 Nominal Capital

(1) The Owners shall endow Landesbank with a nominal capital; the Ordinance shall specify further details. The ordinances of the Savings Banks and Giro Associations may require that their member savings banks make direct contributions to the nominal capital.

(2) Each Owner may transfer its interest in the nominal capital in whole or in part to another Owner by virtue of a contract.

(3) In accordance with the provisions of the German Banking Act (*Gesetz über das Kreditwesen - KWG*) Landesbank may accept capital generated by profit-participation certificates (*Genussrechtskapital*), capital contributed by silent partners (*stille Einlagen*), as well as subordinated liable capital and other types of capital from its Owners and third parties.

Section 6 Executive Bodies

(1) The executive bodies of Landesbank shall be the General Meeting (*Hauptversammlung*), the Supervisory Board (*Aufsichtsrat*), and the Board of Managing Directors (*Vorstand*).

(2) The members of the Supervisory Board and of the Board of Managing Directors shall be obliged to maintain secrecy; the Ordinance shall specify further details.

Section 7 Principles Governing Business Operations

Landesbank shall conduct its business in accordance with economic principles. In doing so, the duties incumbent upon Landesbank shall also be taken into account.

Section 8 General Meeting (*Hauptversammlung*)

(1) The General Meeting shall be comprised of the Owners. The Owners shall exercise their rights with respect to Landesbank's affairs at sessions of the General Meeting, unless otherwise provided for by this Act or the Ordinance. The Owners shall be represented at sessions of the General Meeting by one or several persons. Each Owner may demand that a general meeting be convened. The Ordinance shall specify further details.

(2) The General Meeting shall pass resolutions on the matters expressly provided for in this Act or in the Ordinance, more specifically on

1. the appointment of the members of the Supervisory Board who are not elected by the employees, and the confirmation of the employee representatives on the Supervisory Board;

2. the appropriation of the distributable profit;
3. the approval of past activities of the members of the Supervisory Board and the members of the Board of Managing Directors;
4. the appointment of the auditors of the financial statements and the auditors pursuant to section 36 of the German Securities Trading Act (*Wertpapierhandelsgesetz - WpHG*);
5. the Ordinances of Landesbank and their amendments;
6. the determination of and changes in the nominal capital, the issuance of profit-participation rights and the acceptance of silent partners' contributions;
7. the approval of enterprise agreements within the meaning of sections 291 and 292 of the German Stock Corporation Act (*Aktiengesetz – AktG*);
8. the remuneration of the members of the Supervisory Board and the representation allowance of the members of any Advisory Boards (*Beiräte*);
9. the approval of a transformation pursuant to section 1 para. 5 of this Act.

(3) Resolutions passed at General Meetings shall require a simple majority of votes, unless this Act or the Ordinance stipulates a different majority or further requirements.

(4) The Owners shall have voting rights in proportion to their respective interests in the nominal capital. The Ordinance shall specify further details.

(5) By approving the past activities of the members of the Board of Managing Directors and of the Supervisory Board, the General Meeting approves Landesbank's management through the members of these bodies. The approval of past activities shall not include a waiver of claims for compensation.

Section 9 Supervisory Board (*Aufsichtsrat*)

(1) The Supervisory Board shall consist of 21 members who shall be appointed and recalled in accordance with this Act and the Ordinance. The members of the Supervisory Board shall be elected by the General Meeting, unless they are elected by the employees as their representatives in accordance with section 10 of this Act and unless otherwise provided for by section 19 para. 1 of this Act. Seven of the members of the Supervisory Board elected by the General Meeting must be independent. Each Owner shall be entitled to propose candidates. The Ordinance shall specify further details.

(2) The members of the Supervisory Board must be reliable and have the expertise required to assess and monitor the transactions carried out by Landesbank in order to exercise the control function incumbent upon the Supervisory Board. They shall not be bound by instructions. They must perform their duties conscientiously and without self-interest.

(3) With a majority of 75 percent of the votes cast, members of the Supervisory Board may be recalled by the General Meeting before their term of office has elapsed. Upon application of the Supervisory Board or of an Owner, the General Meeting shall recall a member of the Supervisory Board for an important reason resting in the member him- or herself.

(4) At least one member of the Supervisory Board must have expert knowledge in accounting and/or the audit of financial statements.

(5) Members of the Supervisory Board may not be appointed for periods exceeding the end of the General Meeting that resolves upon the approval of past activities relating to the fourth business year after the start of the term of office of the members concerned. The business year in which the term of office commenced shall not be counted in. Section 19 of this Act shall remain unaffected.

Section 10 Employee Representatives on the Supervisory Board

Seven members of the Supervisory Board shall be elected by the employees of Landesbank as their representatives on the Supervisory Board and confirmed by vote of the General Meeting, unless section 19 para. 1 of this Act provides otherwise. The number of elected employee representatives shall equal three times the number of seats. The election shall take place under analogous application of section 16 para. 1 sentences 1, 3, 5, and 6; paras. 2, 3 and 4 sentences 1, 2, and 4; and para. 5 of the Savings Bank Act for Baden-Württemberg as well as the Savings Bank Election Regulations (*Sparkassenwahlordnung*) subject to the following:

1. section 16 para. 2 sentence 2 and para. 3 sentence 1 of the Savings Bank Act for Baden-Württemberg shall be based on twice the number of employee representatives to be elected pursuant to sentence 2;
2. each person entitled to vote shall have 21 votes; and
3. the Staff Council (*Personalrat*) or, in case of section 9 para. 2 of the State Staff Representation Act (*Landespersonalvertretungsgesetz - LPVG*), Landesbank's Central Staff Council (*Gesamtpersonalrat*) shall appoint an Election Committee (*Wahlvorstand*) consisting of at least three employees entitled to vote and – from among such employees – one person as a Chairman and one as his deputy at the latest 12 weeks before the term of office expires.

Employees who on the election day are citizens of a member state of the European Union shall be eligible to be elected; above and beyond this, section 12 paras. 1 and 2 number 1 of the *LPVG* shall apply accordingly to the eligibility for election. Loss of an employee representative's eligibility for election shall result in the termination of his or her term of office on the Supervisory Board.

Section 11 Duties of the Supervisory Board

(1) The Supervisory Board shall supervise the management of Landesbank's business. The Supervisory Board shall be responsible for appointing, recalling, employing and dismissing members of the Board of Managing Directors and their deputies as well as for appointing and recalling the Chairman and the Deputy Chairmen of the Board of Managing Directors. The Supervisory Board shall represent Landesbank towards the Board of Managing Directors. The Supervisory Board shall elect a Chairman and a Deputy Chairman of the Supervisory Board, unless otherwise provided for by section 19 para. 1 of this Act.

(2) The Supervisory Board shall pass resolutions on:

1. the adoption of the annual financial statements;
2. the establishment of committees of the Supervisory Board, their composition, decision-making powers and representative capacity, their chairmen and deputy chairmen; the Ordinance shall stipulate further details;
3. the rules of procedure of the Board of Managing Directors and the approval of the schedule of responsibilities proposed by the Board of Managing Directors;
4. the engagement of the auditors of the financial statements and the auditors pursuant to section 36 of the German Securities Trading Act;
5. the approval of any measures and transactions that are stipulated as requiring approval by the Ordinance;
6. other matters assigned to the Supervisory Board pursuant to the Ordinance.

(3) Resolutions of the Supervisory Board shall require a majority of the votes cast (simple majority). Each member shall have one vote.

(4) In addition to supervising the audit of the annual financial statements and of the consolidated financial statements, the Supervisory Board shall supervise the accounting process and the effectiveness of the internal control system, of the internal auditing system and of the risk management system. It shall supervise and check the independence of the auditors, and notably any services provided in addition to the audit by the auditors for Landesbank.

(5) The auditors shall report to the Supervisory Board the most significant findings acquired during the audit, notably findings on material weaknesses regarding Landesbank's internal control of the accounting process. Once a year the auditors shall assure the Supervisory Board in writing of their independence of Landesbank and inform the Supervisory Board of the services provided by them for Landesbank in addition to the audit; furthermore, the auditors shall discuss with the Supervisory Board any risks endangering their independence as well as any protective measures to minimize these risks documented by them.

(6) The Ordinance or the Supervisory Board may determine that an audit committee shall take the place of the Supervisory Board to fulfill the duties specified in paras. 4 and 5; the members of such audit committee shall be appointed from among the members of the Supervisory Board, and at least one member of such audit committee must be a member pursuant to section 9 para. 4.

Section 12

Board of Managing Directors (*Vorstand*)

(1) The Board of Managing Directors shall consist of several members; the Ordinance shall specify further details.

(2) The members of the Board of Managing Directors shall be appointed by the Supervisory Board for a maximum term of five years and shall be employed subject to private law; reappointment is permissible.

Section 13

Duties of the Board of Managing Directors

(1) The Board of Managing Directors shall manage Landesbank on its own authority, in compliance with applicable law and in the interest of the bank. The Board of Managing Directors shall manage the business of and represent Landesbank. The Ordinance shall specify further details.

(2) The Board of Managing Directors shall be responsible for all matters of Landesbank, except for those for which this Act or the Ordinance places authority elsewhere.

Section 14

Advisory Boards (*Beiräte*)

Landesbank may establish one or several advisory board/s to provide expert advice to Landesbank; the Ordinance shall specify further details.

Section 15

Use of Seal

(1) Landesbank shall carry a seal with the small State crest and the circular inscription »Landesbank Baden-Württemberg«.

(2) Documents that are executed by the Board of Managing Directors or by persons authorized to represent the Board of Managing Directors and which bear the Landesbank seal shall be deemed to be documents issued by a public authority.

Section 16

Public Announcements

(1) Public announcements shall be published in the Official Gazette of Baden-Württemberg (*Staatsanzeiger für Baden-Württemberg*).

(2) In lieu of a publication in the Official Gazette of Baden-Württemberg, Landesbank may display public announcements at all registered offices of Landesbank provided that reference to such method of publication is simultaneously made in the Official Gazette of Baden-Württemberg.

Section 17

Invalidation of Savings Certificates (*Sparurkunden*)

Section 34 of the Savings Bank Act (*Sparkassengesetz*) shall be applied accordingly.

Section 18

Supervision

(1) Landesbank shall be subject to supervision by the State. This supervision shall be limited to ensuring the legality of Landesbank's management and administration, unless determined otherwise by law. The Supervisory Authority on Points of Law (*Rechtsaufsichtsbehörde*) shall be the Ministry of Finance and the Ministry of the Interior.

(2) The Supervisory Authority on Points of Law shall be entitled to obtain information about the affairs of Landesbank, in particular by conducting examinations and on-site visits, requesting reports, and inspecting files and documents. Sections 121 through 123 of the local by-laws of the state of Baden-Württemberg (*Gemeindeordnung*) shall apply accordingly.

(3) Past actions of the Board of Managing Directors may only be approved in accordance with section 8 para. 2 no. 3 if the Supervisory Authority on Points of Law has confirmed that the audit of the annual financial statements did not reveal any material violation or that all major objections were settled.

Section 19

Constitution of General Meeting (*Hauptversammlung*) and Supervisory Board (*Aufsichtsrat*)

(1) The first Supervisory Board (*Aufsichtsrat*) with a term of office not exceeding five years shall be constituted no later than one month after this Act takes effect. The composition of this Supervisory Board shall be subject to the following provisions:

1. The members of the Supervisory Board shall be appointed by the Owners, unless they are to be elected by the employees as their representatives. In this respect the following shall apply: The State and the Association shall each appoint five, and the City shall appoint three members of the Supervisory Board. The State, the Association and the City shall unanimously appoint the Chairman of the Supervisory Board. Seven of the members of the Supervisory Board, including the Chairman, must be independent. Section 9 para. 3 shall apply to recalling members of the Supervisory Board. The respective Owner shall be entitled to appoint another member to serve on the Supervisory Board for the remaining period of the first term of office should the member appointed by him or her be recalled or otherwise withdraw; should the Chairman of the Supervisory Board be recalled or otherwise withdraw, the State, the Association and the City shall be unanimously entitled to appoint a new Chairman.
2. The employee representatives on Landesbank's old Supervisory Board (*Verwaltungsrat*), confirmed by vote of the Owners' Meeting, who attained the first seven seats during the preceding election of employee representatives by the employees of Landesbank following the D'Hondt electoral formula for proportional representation shall represent the employees on the Supervisory Board. Should an employee representative be recalled or otherwise withdraw, the employee who attained the next following seat during the most recent election of employee representatives in accordance with sentence 1 shall succeed the recalled or withdrawing member.

(2) As soon as the members of the Supervisory Board pursuant to para. 1 sentence 2 have been determined, in any event before 31 December 2010, a constituent session of the Supervisory Board must be held that the Chairman of the old Supervisory Board (*Verwaltungsrat*) has to convene. Chaired by the latter, the constituent session of the Supervisory Board shall elect the Deputy Chairman of the Supervisory Board from among the members of the Supervisory Board and upon nomination of the Owners, and form a Chairman's Committee (*Präsidialausschuss*), an Audit Committee (*Prüfungsausschuss*) and a Risk Committee (*Risikoausschuss*).

(3) Upon the constituent session of the Supervisory Board being held, the General Meeting (*Hauptversammlung*) shall replace the Owners' Meeting (*Trägerversammlung*). At the same time the term of office of the Owner representatives in the Owners' Meeting, of the Chairman and of the Deputy Chairman of the Owners' Meeting shall end. Upon the constituent session of the Supervisory Board being held, the Supervisory Board and the committees formed by it shall also replace the old Supervisory Board (*Verwaltungsrat*) and its committees. At the same time the term of office of the members of the old Supervisory Board (*Verwaltungsrat*) shall end.

Section 20

Supplementary pension fund (*Zusatzversorgungskasse*)

The supplementary pension fund (*Zusatzversorgungskasse*) of Landesbank continues to exist as an independent entity; the Insurance Supervisory Law (*Versicherungsaufsichtsgesetz*) shall not be applicable to it.

Sections 21 (repealed)

Sections 22 (repealed)

**Sections 23
(repealed)**

**Section 24
Amendments to the Savings Bank Act (*Sparkassengesetz*)**

(amendment instructions)

**Section 25
Amendments to the Act Amending the Savings Bank Act (*Gesetz zur Änderung des Sparkassengesetzes*)**

(amendment instructions)

**Section 26
Amendments to the Savings Bank Rules of Business Procedure
(*Sparkassengeschäftsverordnung*)**

(amendment instructions)

**Section 27
Amendments to the Savings Bank Election Regulations (*Sparkassenwahlordnung*)**
(amendment instructions)

**Section 28
Amendments to the State Budget Regulations (*Landeshaushaltsordnung*)**
(amendment instructions)

**Section 29
Amendments to the Local By-Laws (*Gemeindeordnung*)**
(amendment instructions)

**Section 30
Amendments to the State Equal Rights Act (*Landesgleichberechtigungsgesetz*)**
(amendment instructions)

**Section 31
Amendments to the Act Governing the Municipal Association of Baden-Württemberg for Pensions and Related Benefits (*Gesetz über den kommunalen Versorgungsverband Baden-Württemberg*)**
(amendment instructions)

**Section 32
Repeal of Legal Provisions**

The Annual Financial Statement Regulations for Credit Institutions under Public Law (*Jahresabschlußverordnung für öffentlich-rechtliche Kreditanstalten*) of 28 December 1987 [Law Gazette (*GBI.*) 1988, p. 69] shall be repealed.

**Section 33
Return to Amendments and Repeals by Virtue of Regulations**

The portions of the Savings Bank Rules of Business Procedure (*Sparkassengeschäftsverordnung*) that are based on section 26, and the portions of the Savings Bank Election Regulations (*Sparkassenwahlordnung*) that are based on section 27 may be amended or repealed by virtue of regulations promulgated on the basis of the appropriate statutory authorization.

**Section 34
Effective Date**

This Act shall become effective on 1 January 1999, except for sections 19, 20, 22 and 23, which shall become effective on the date after their announcement.

This Act is hereby executed and shall be announced and published.

Stuttgart, 11 November 1998

The government of the State of Baden-Württemberg:

Teufel
Dr. Döring Dr. Palmer
Dr. Schäuble Dr. Schavan
Von Trotha Dr. Groll
Stratthaus Staiblin
Dr. Repnik Müller
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In my capacity as a translator for the English language, duly appointed, commissioned and sworn in by the respective Hamburg authorities, I hereby certify that the foregoing is a true and complete English translation of the PDF document submitted to me in the German language. IN WITNESS THEREOF I have set my hand and seal this day of 5 May 2014.