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

Annual Financial Statements and Management Report for the business year from January 1 to December 31, 2009.

CONTENTS

The following information should be read in conjunction with the annual financial statements of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim and Mainz (LBBW), for the fiscal year from January 1 to December 31, 2009, consisting of the balance sheet, income statement and the notes. As in the previous year, the 2009 annual financial statements and the 2009 management report were issued an unqualified auditor's report by PricewaterhouseCoopers Aktiengesellschaft Wirtschafts-prüfungsgesellschaft.

Business Activities and Strategy of Landesbank Baden-Württemberg.

Landesbank Baden-Württemberg (LBBW) is a universal and commercial bank and one of the biggest banks in Germany. Together with its regional retail banks BW-Bank, Rheinland-Pfalz Bank and Sachsen Bank, it offers all the services of a large modern bank in 212 branches and offices throughout Germany. BW-Bank acts as a savings bank for LBBW in the area of Stuttgart, the state capital of Baden-Württemberg.

LBBW offers corporate customers based in Germany a worldwide local service with selected sites abroad, including the offices in New York, London, Singapore, Seoul and Mexico City, along with numerous representative offices. The international network is supplemented by the four German Centres in Beijing, Mexico City, Singapore and Delhi.Gurgaon, India.

The nucleus of the LBBW Group is LBBW itself, where staff and service functions are bundled at Group level. The capital markets business, the management of key accounts operating across Germany and internationally and the bank's function as the central bank for savings banks are also based here. As dependent institutions with their own market presence, BW-Bank, Sachsen Bank and Rheinland-Pfalz Bank form the three strong regional pillars in the Group's customer business. This allows the LBBW Group to combine efficient structures and the range of services offered by a large bank with the proximity of regional retail banks. The range of products and services offered by the LBBW Group is supplemented by specialized subsidiaries.

LBBW is a public law institution (rechtsfähige Anstalt des öffentlichen Rechts) with registered offices in Stuttgart, Karlsruhe, Mannheim and Mainz. Its owners are Sparkassenverband Baden-Württemberg (Savings Bank Association of Baden-Württemberg) with 40.53 %, the state of Baden-Württemberg with 19.57 %, the state capital, Stuttgart, with 18.93 %, Landesbeteiligungen Baden-Württemberg GmbH with 18.26 % and L-Bank with 2.71 % of shares in LBBW.

Challenging Economic Environment.

The difficult overall economic environment, coupled with the profound financial crisis, meant that the global banking sector faced massive challenges in the last fiscal year. Banks all over the world were hit unexpectedly hard by this. Since then, the situation on the international financial markets has eased again, although it has by no means returned to normal. LBBW was not left unscathed by this financial crisis, despite a solid income in its operating business.

As the market environment in the banking sector slowed down, LBBW began at an early stage to adapt its basic strategic orientation to the change in overall conditions. This process of change gathered momentum in terms of volume and timescale, as a result of the dramatic developments on the international financial markets. In particular, developments on the capital markets and external rating downgrades of securitised credits led to an unexpected increase in equity requirements.

In order to ensure, against the backdrop of tighter regulatory requirements for capital resources, that the bank can continue to fully perform its role as a solid and reliable financing partner in future, the owners made further equity in the amount of EUR 5 billion available to the LBBW Group in early summer 2009. At the same time, the state of Baden-Württemberg provided protection against risks with a guarantee in the amount of EUR 12.7 billion. The European Commission attached the condition to these measures that the bank must undergo comprehensive restructuring and realignment, and gave its approval on December 15, 2009 on the basis of a restructuring plan submitted in early October 2009, without an in-depth investigation.

Fundamental Restructuring of the Bank.

Thanks to its strongly customer-focused business, LBBW has a solid earnings base and a profitable core, which has proved successful in principle, particularly in these economically very difficult times. The bank's deep roots in the region, coupled with the associated knowledge of the market, represent true added value that LBBW can offer in relation to its competitors. Accordingly, the bank's key growth areas are in its customer-oriented business. In connection with the restructuring plan, the bank plans to concentrate on the stable core areas of business that are regional in character.

LBBW set the general course for the adaptation of its business model in 2009. In detail, the restructuring plan drawn up by LBBW includes the following key points:

1. Concentration on core business with growth prospects
In its strategic orientation, LBBW is to focus more strongly on its core activities with growth prospects, particularly business with corporate customers, private customers and savings banks, which is going well. This will be flanked by efficient real estate financing and capital market products, including for institutional customers. LBBW continues to regard itself as a reliable partner for SMEs in its core regional markets of Baden-Württemberg, Rhineland-Palatinate and Saxony, together with neighboring regions. In its corporate customer business, the bank is also to focus on selected large companies in German-speaking countries, while business with commercial real estate customers will be geared towards Germany and selected activities in the United States and the UK.

2. Reduction in the credit substitute business and in other opportunistic business activities
LBBW is to cut back its credit substitute business. The focus here will be on consistent utilization of maturities. Furthermore, the bank will offer project financing only in connection with customer business or in conjunction with projects relating to renewable energies. In international transactions, LBBW will focus in future on export and trade financing in the interests of its domestic customers. The international network is also to be streamlined and equity investments are to be sold. The focus will nevertheless remain firmly on LBBW's customer-oriented activities.

All in all, the planned measures are aimed at reducing the balance sheet total of the LBBW Group by around 40 %. In connection with this, the risk structure in the Group is to be improved further and the degree of complexity noticeably reduced.

3. Significant reduction in costs by around EUR 700 million

The costs and conditions associated with the capital increase and the risk shield call for a significant reduction in the Group's cost base. Cost cuts totaling approximately EUR 700 million per year are planned. Costs are to be cut gradually from 2010 onwards. The bulk of the reduction is to be achieved through savings on material costs and the sale of equity investments. The strategic reorganization of LBBW will also involve around 2 500 job cuts. The reduction in the number of jobs is to be carried out in a way as socially acceptable as possible.

4. Healthy growth in the core business

The reorganization concept also clearly defines the bank's growth areas. LBBW is aiming to consolidate its position further as a partner to SMEs in the bank's core regional markets, using its knowledge of the market and by getting even closer to customers, thereby ensuring the credit supply to the economy.

LBBW continues to regard itself as an efficient and reliable partner to its customers, as a principal bank in the best sense. Particularly in times of economic difficulty, banking customers need a reliable bank that thinks long term and remains loyal to customers. The experience of LBBW shows that a lasting partnership between the bank and the customer pays off for both sides in the long run. This is also demonstrated by the bank's customer relationships, some of which have continued for decades.

Healthy growth in LBBW's core business is also an important prerequisite for protecting the remaining jobs in the long term.

Overall, LBBW feels confident that it is well equipped to continue operating successfully on the market during this difficult restructuring phase.

Future Strategy for Business Areas Based on Five Pillars.

The future business model of LBBW will encompass five areas of business: private customers, corporate customers, savings banks, financial markets and real estate financing.

In the **private customers** division, LBBW is to focus on two areas. Firstly, the bank will concentrate on its high net worth private customer business. With this aim, the bank is to press ahead with attracting new customers, expand the level of support and focus its range of products in the fields of private banking and wealth management. The aim is to further consolidate BW-Bank's position as a capable regional bank and thus as one of the leading operators for high net worth segments. Additionally, business with high net worth customers will be operated by Sachsen Bank and Rheinland-Pfalz Bank on the respective markets by means of a selective local presence.
The second area on which LBBW will focus in its private customers division is the classic retail business. Within the Stuttgart area, BW-Bank will take on the function of a savings bank that offers its customers the full range of banking and financial services. A considerable share of LBBW's retail business comes from this savings bank function. The advice and support approach, which is demand-oriented and geared towards sustainable customer relationships, is and will remain the guiding principle in LBBW's private customer business.

In the **corporate customers** business, LBBW will focus firstly on support for small and medium-sized corporate customers and public sector customers. The LBBW Group manages corporate customers in Baden-Württemberg under the BW-Bank brand. Rheinland-Pfalz Bank fulfills this function in Rhineland-Palatinate and nearby economic areas, while Sachsen Bank fulfills it in central Germany.
The provision of a comprehensive portfolio of banking products to SMEs in Germany is still part of LBBW's core business model. In particular, this includes innovative financial markets products such as corporate Schuldscheine (German certificates of indebtedness) and corporate finance services. Regional business with corporate customers is to be expanded accordingly and will thus continue to serve as a stable earnings base in future. The corporate customers pillar also includes business with large customers in Germany, Austria and Switzerland. LBBW places particular emphasis on business with capital market-oriented customers whose activities are geared towards the international market. In addition, LBBW offers comprehensive services relating to project financing in the field of renewable energies.

In business with **savings banks**, LBBW acts as a **central bank to savings banks** in Baden-Württemberg, Rhineland-Palatinate and Saxony. LBBW's involvement with savings banks in its function as a central bank for savings banks can be broken down into three main types of cooperation: the bank manages proprietary business of the savings banks for all product categories for the hedging and investment of the savings banks themselves. In the market partner business, LBBW products are also offered for resale to the end customers of the savings banks, in addition to credit given on joint account. Finally, processing transactions are also performed in the service business, such as securities processing or international payment transactions. In view of the economies of scale that can be achieved, cooperation with savings banks is a key element in LBBW's business model. LBBW is therefore striving to intensify and expand its partnership with savings banks.

The **financial markets** division is geared towards service and advice for institutional customers, savings banks and corporate customers and thus has a clear focus on customer-induced business. LBBW structures, distributes and trades in share, interest, money market, currency and commodities products for private and institutional customers. Advice, structuring and placement is also offered for equity and debt financing, which, in particular, ensures that LBBW's core customers also have access to the credit markets.

The **real estate financing** business will include a wide range of financing structures relating to properties, portfolios and companies, along with a series of supplementary products and services for real estate companies and private and institutional investors. The bulk of the business will take place in Germany, while the division's international activities will be restricted to the United States and the UK. Outside the defined core markets of Germany, the United States and the UK and outside the defined segments and property categories, the real estate financing business is to be cut back significantly over the next few years.

Overall Economic Development.

Global Economy.

Despite occasional fears that there would be a repeat of the Great Depression of the 1930s, this did not occur last year. The economic stimulus programs initiated by the governments of major economies and the supply of liquidity from the most important central banks prevented the worst. Nevertheless, it was not possible to avert the most severe economic slump since the Second World War. This was reflected in a global state of shock that paralyzed the worldwide economy, particularly in the first half of the year: international trading in goods suffered a significant downturn, there was a dramatic drop in order intake and the utilization of capacity in major industrial nations at times fell to historic lows. The trend towards a recovery in the second half of the year was due above all to stimulation from fiscal and monetary policy.

Progress can be outlined effectively using the example of the United States. Although American GDP fell by 6.4 % on an annualized basis in the first quarter of 2009, government measures such as the US scrapping premium provided a positive impetus, which led to growth of 2.2 % again (on an annualized basis) in the third quarter of 2009. This positive development continued in the fourth quarter with growth of 5.7 % (on an annualized basis) compared with the previous quarter. According to provisional estimates, the biggest economy may see a drop of 2.4 % in real terms for 2009 as a whole. LBBW estimates that the global economy shrank by 0.6 % in 2009 – the most severe downturn since the Second World War. Without the robust growth recorded in emerging countries, the result would have been much worse. Once again, China was the leading country here. The Chinese government provided the biggest economic stimulus package in relation to the gross domestic product. In both 2009 and 2010, government funds of around 7 % of GDP have been available for investment measures. Against this backdrop, the Chinese economy grew by 8.7 % in 2009, according to official provisional estimates.

Germany.

The severe slump in the worldwide economy shook the German economy to its core. Having been the most important growth drivers until the crisis, investment and exports now pushed GDP firmly into the red. The decline in investment was directly linked to the massive reduction in exports. On average for the first two quarters, exports fell by 18 % in real terms year-on-year. Against this backdrop, the gross domestic product fell year-on-year by 6.7 % and 5.8 % in the first and second quarters of 2009 respectively. Without relatively robust private consumption and higher public spending, the economic downturn would have been even more severe. The spread of short-time working – between August 2008 and May 2009, the number of short-time workers rose from 39 416 to 1.533 million – meant that the increase in the unemployment rate was not as sharp as had generally been feared. The job cuts avoided thanks to this (the unemployment rate rose only from 7.7 % in December 2008 to 8.1 % in December 2009), together with the high wage agreements of the previous year and the spending stimulus provided by the »scrappage bonus«, have ensured that consumers have remained willing to spend. The recovery that began in Germany in the second quarter continued in the third quarter with growth of 0.7 % (with adjustments for seasonal and calendar effects) in a direct comparison of the two quarters. A positive impetus has been provided by investment in construction since the beginning of 2009 and by investment in machinery and equipment since the third quarter of 2009. Exports also showed growth of 3.4 % in the third quarter of 2009, compared with the previous quarter. On balance, Germany's gross domestic product shrank by 5 % in real terms in 2009 according to initial estimates of the Statistisches Bundesamt (German Federal Statistical Office), irrespective of the recovery from the second quarter onwards. This was due to the decline at the start of the year (– 3.5 % compared with the previous quarter).

Central Bank Policy.

In view of the massive economic slump and the ongoing risks in the banking sector, major central banks found themselves forced to continue with the drastic measures they had commenced in 2008. In the period from March to May, the ECB cut its key rate by a total of 100 basis points to 1 %, a historic low in the history of the central bank. The ECB also widened its room for maneuver with »unconventional measures«. Among other things, these included the announcement of the purchase of collateralized bank bonds from issuers in the euro zone. This program has a ceiling of EUR 60 billion. At the end of 2009, EUR 28.74 billion of this had been used. The central bank also introduced repo transactions with a term of one year. In a total of three annual tenders, the ECB allocated EUR 614 billion to commercial banks. The orders of individual institutions were met in full. On the money market, interest rates fell continuously for virtually the entire year, thanks to the expansive monetary policy.

While the 3-month Euribor was 2.89% at the beginning of the year, an interest rate of 0.70% was quoted at the end of the year. The ample supply of liquidity from the ECB therefore achieved the desired success on the money market.

In the United States, the US central bank continued its policy of »quantitative easing«. After the Federal Reserve effectively lowered the Fed Funds Target Rate to zero in 2008, these instruments took on considerable importance beyond interest rate policy. As part of these programs, the US central bank was to buy up USD 300 billion in US government bonds and USD 1,250 billion in mortgage-backed securities (MBS) on the market, among other things. While the purchases of government bonds were completed in autumn 2009, the purchases of MBS are expected to continue until the end of the first quarter of 2010.

Bond Market.

2009 is also expected to remain a record year for the bond market for a long time. In connection with a decline in yield markups for corporate bonds (measured against the Merrill Lynch Index EN00) from 350 basis points at the end of 2008 to 114 basis points over German federal government bonds at the end of 2009, corporate bonds with an investment grade rating achieved an annual performance of 16.4%. Corporate bonds from the high yield segment showed an even better annual performance of 74.8%. In contrast, the yield of 10-year German federal government bonds rose to 3.73% in May, starting from a record low of 2.89% in January 2009. During the rest of the year, this figure fluctuated between 3.10% and 3.40%, without any clear direction. 2009 will also be remembered as the year in which the market for government bonds in the euro zone was subjected to its first performance test. As a result of the financial market crisis and not least because of the associated drastic increase in state debt, the differences in yields between government bonds of euro member states rose again significantly for the first time since the introduction of the euro. Greek 10-year government bonds, for example, were yielding almost 300 basis points over German federal government bonds at the beginning of 2009. After the situation calmed down in the summer months, emerging fears about Greece’s credit rating have led to another significant increase in risk premiums since the beginning of this year.

Foreign Currency Market.

Throughout most of 2009, the euro gained ground against the US dollar. Both lower yields and the flood of US dollars into the markets as a result of the various aid programs of the Fed were factors that worked against the greenback. The euro reached its high against the US dollar of USD 1.51 to EUR 1 at the beginning of December. However, US yields are now higher again, at least in the medium- to long-term segment, which means that this argument is no longer applicable. When concerns then arose on the capital markets about Greece's solvency, the value of the euro against the US dollar dropped to USD 1.42/EUR 1 at the end of 2009.

Stock Market.

The stock markets were subject to severe fluctuations in 2009. In the first quarter, the behavior of investors was dominated by the financial crisis and fears about the economy, along with a resulting extreme risk aversion. In a final sell-out, the DAX plunged in mid-March to a five-year low of around 3 600 index points. The subsequent countermovement, which was normal in view of the oversold chart situation, then moved directly into an impressive comeback. If the bull market was initially founded only on vague hopes of an end to the economic downturn, support was provided from the summer by the gradual stabilization of the macro-economic environment. Bit by bit, companies abandoned the distinct pessimism they had shown in the first half of the year. The upwards revision of profit forecasts for companies provided fundamental support for higher prices. One important catalyst was certainly the liquidity that was looking for a higher investment return. In the absence of attractive alternatives, institutional investors in particular turned once again to asset classes that carry greater risk, such as the stock market.

Banking Industry Performance.

Ups and Downs in the 2009 Banking Year.

The climate in the banking industry was largely shaped by two factors in 2009. On the one hand, the financial markets stabilized continuously following the extensive measures taken at the level of central banks and governments. On the other hand, economic downturns, in some cases severe, were seen all over the world.

In this environment, many institutions were able to reverse impairment losses on their securities portfolios. The situation also improved for trading profits in particular. Many institutions also obtained a profit from the steep yield curve. At the same time, the risk of the total lendings to customers rose as the economic situation deteriorated, which meant that banks had to increase their allowances for losses considerably. This development placed an increasing burden not only on results, but also on the equity of the institutions.

No General Credit Crunch.

In this context, fears spread throughout Germany in particular that banks could bring about a general credit crunch by reducing risk positions and restricting lending. These fears were not confirmed. Although there was friction in individual areas, such as transaction plans with very large volumes, there was no proof of a general credit crunch that would have had a lasting negative impact on economic development. On the contrary, demand from customers was lower in many cases, given the negative overall economic environment. A deterioration in the credit rating of individual borrowers also had to be taken into account.

Restructuring Process Continued.

Restructuring and redimensioning measures and the reduction of risk positions, which in many cases had begun the previous year, continued to preoccupy many market players to a considerable extent in 2009. State support measures intensified this effect. For the institutions that had received state support in the European Union, this resulted in state aid proceedings at the EU competition commission. As a rule, these are linked to significant conditions involving a reduction in risk positions and in the size of the institutions over the next few years.

The market environment was generally unfavorable last year towards major consolidation measures in the sector, particularly as the aspect of size is being judged more critically from an overall economic viewpoint, in view of experience of the financial market crisis.

Sector Facing Extensive New Regulation.

A new international financial market structure is to be created in response to the financial market crisis. It became increasingly clear in 2009 that the banking industry is facing extensive new regulations, of which a key element will be increased requirements in terms of the equity of institutions.

Key Events During the Fiscal Year.

Capital Base and Risk-bearing Capacity Strengthened.

The owners of LBBW strengthened the bank's capital base and risk-bearing capacity in early summer 2009 with a capital increase of EUR 5 billion. At the same time, the state of Baden-Württemberg provided a risk shield for parts of the credit substitute portfolio with a guarantee in the amount of EUR 12.7 billion. As part of these measures, Sparkassenverband Rheinland-Pfalz (the Savings Bank Association of Rhineland-Palatinate) sold its shares in the bank to Sparkassen-Verband Baden-Württemberg (the Savings Bank Association of Baden-Württemberg), which now holds 40.53% of the shares. The state of Baden-Württemberg and L-Bank, both owners of LBBW, carried out the capital increase for LBBW through Landesbeteiligungen Baden-Württemberg GmbH. After this, the state of Baden-Württemberg holds 19.57%, Landesbeteiligungen Baden-Württemberg GmbH holds 18.26% and L-Bank holds 2.71% of the shares. The state capital, Stuttgart, still holds 18.93% of shares in LBBW.

Decision Reached on EU Subsidy.

The support measures provided by the owners constituted grounds for state aid proceedings at the European Commission. The Commission approved the measures put forward for approval by the bank and its owners and a related restructuring plan on December 15, 2009, without an in-depth investigation.

The plan approved by the European Commission would see the bank focusing more strongly on its core business areas, particularly business with corporate customers, private customers and savings banks. This will be backed up by efficient capital market products, including for institutional customers, and business with real estate financing. The credit substitute business is to be discontinued gradually. There are also plans to streamline the international network and to sell equity investments.

Taking all measures into consideration, the bank's balance sheet total is to be reduced by approximately 40%. This will be linked to a reduction in costs of around EUR 700 million per year and around 2 500 job cuts. At the same time, LBBW is to be converted into a public limited company under German or European law by the end of 2013. By the end of 2010, LBBW will already have adopted the main structural elements of a public limited company. Instead of a Verwaltungsrat (Supervisory Board), an Aufsichtsrat (Supervisory Board) is to be introduced. The Owners' Meeting is to become an annual general meeting.

Restructuring Process Started.

In parallel to the approval process, the bank fulfilled the necessary requirements so that the restructuring plan can be implemented quickly. In addition to the necessary details of measures planned up to spring 2010, negotiations were commenced with employee representatives in 2009 regarding a redundancy scheme. A new, separate division has been set up for the credit substitute business, which is to be cut back. Extensive project work has got underway to reduce complexity and costs.

Changes to the Executive and Supervisory Bodies.

There was also a change in the Board of Managing Directors of LBBW in 2009. Following the departure of Dr. Siegfried Jaschinski, the Chairman of the Board of Managing Directors, from the Board of Managing Directors and the post of Chairman of the Board of Managing Directors, the Owners' Meeting of LBBW appointed Hans-Jörg Vetter, until then acting as Chairman of the Board of Managing Directors of Landesbank Berlin AG, as the new Chairman of the Board of Managing Directors of LBBW with effect from June 11, 2009.

LBBW Bank's Business Performance (HGB).

Results of Operations, Net Assets and Financial Position.

LBBW Bank's Results of Operations (HGB).

	Jan. 1, 2009 – Dec. 31, 2009	Jan.1, 2008 – Dec. 31, 2008	Change 2008/2009	
	EUR million	EUR million	EUR million	in %
1. Interest income	2 172	2 801	-629	-22.5
2. Commission income	437	407	30	7.4
3. Net income from financial transactions	313	359	-46	-12.8
4. Administrative expenses	-1 545	-1 531	-14	0.9
5. Other operating income/ expenses	-18	218	-236	–
6. Operating income before risk provision/ valuation result	**1 359**	**2 255**	**-896**	**-39.7**
7. Risk provision/valuation result	-3 037	-2 605	-432	16.6
8. Liquidation of the fund for general banking risks	0	1 120	-1 120	-100.0
9. Operating income (profit from ordinary activities)	**-1 678**	**769**	**-2 447**	–
10. Extraordinary income/expenses	-470	-345	-125	36.2
11. Partial profit transfers	0	-284	284	-100.0
12. Net income of the year before tax	**-2 148**	**140**	**-2 288**	–
13. Tax	-40	-46	6	-13.0
14. Net income	**-2 188**	**94**	**-2 282**	–

Overall Result Noticeably Shaped by Negative Secondary Effects.

The financial market crisis, which initially burdened mainly the banking sector, has since hit the real economy hard – nationally and internationally, in industrialized nations and emerging countries. The worldwide recession is placing a strain on the banking industry through the increased need for risk provisions, caused by a rise in loan defaults owing to increasing unemployment and a rise in the number of companies becoming insolvent. The customers of LBBW Bank are also affected by these results of the crisis.

Against the backdrop of these difficult overall conditions, LBBW Bank showed a result for the 2009 fiscal year of EUR – 2 188 million (previous year: EUR + 94 million), despite solid income in its operating business.

One-off Effects in Previous Year Lead to Decline in Net Interest Income and Other Operating Income.

At EUR 2 172 million, the **net interest income** for the year under review was well below the previous year's figure of EUR 2 801 million. This was primarily due to a significant year-on-year reduction in the investment income to be reported under net interest income of around EUR 715 million as a result of non-recurring effects in the previous year. In particular, this decline in investment income was due to gains in 2008 from internal sales of investments held indirectly through holding companies as part of the restructuring of the investment portfolio of LBBW following the integration of the former Sachsen LB and LRP. In contrast, growth in the operating business, firstly in the money market business owing to high bid-offer spreads, particularly in the first half of the year, and secondly in the lending business with corporate customers, had a positive impact, owing to a rise in margins. This offset liquidity and refinancing costs, which were still high as a result of the financial market crisis. Owing to the negative result for the year, it was not possible to serve capital generated by profit participation certificates, which strengthened the net interest income by a further EUR 120 million.

Net fee and commission income rose by EUR 30 million to EUR 437 million (previous year: EUR 407 million). The positive development was shaped by significant growth in the brokerage business (EUR +100 million), in international transactions (EUR + 64 million) and in other types of commission, such as the syndicate business for securities issues (EUR + 30 million), which was offset by net commission expenses of EUR 156 million incurred for the first time only for the proportion of the risk shield provided.

At EUR 313 million, the **net result from financing transactions** was down around EUR 46 million on the previous year's figure of EUR 359 million. The decline was due in particular to falling profits in interest rate trading (EUR –202 million) and foreign exchange trading (EUR –104 million). This was offset by the growth in trading in other market price risks (EUR +252 million). Seen in absolute terms, the share of interest rate trading (EUR 303 million) in the overall net income from financial transactions continued to dominate. Trading in other market price risks was also positive at EUR 45 million, while foreign exchange trading recorded a loss of EUR 44 million.

At EUR –1 545 million, **administrative expenses** were at almost the same level as for the previous year (EUR –1 531 million). There was a slight increase in staff costs, partly owing to the adoption of the collective wage agreement in the banking industry, which stood in contrast to a reduction in other administrative expenses. This was largely due to the fact that costs for the IT infrastructure were lower and contributions to the German Deposit Protection Fund were smaller, while there was also a reduction in marketing and representation costs.

Other operating income for the year under review was EUR –18 million, well below the previous year's figure of EUR 218 million, which had been boosted by large gains on disposals of land and buildings.

Owing to the reductions in the net interest income and other operating income, which were influenced by one-off effects, the operating income before risk provision/valuation result dropped to EUR 1 359 million, compared with the previous year's figure of EUR 2 255 million.

Based on the available results and taking into account significant one-off effects, LBBW Bank had a **cost/income ratio** (CIR) of 54 %, which was identical to that of the previous year.

The Fact that the Financial Market Crisis Spread to the Real Economy Placed an Additional Burden on Operating Income and Result for the Year.

The **risk provision/valuation result** fell significantly in the fiscal year by EUR – 432 million to EUR – 3 037 million (previous year: EUR – 2 605 million).

In particular, the considerable increase in the allowance for losses on loans and advances, which was closely linked to the financial market crisis spreading to the real economy, and the measurement of the investment portfolio placed a burden on profits.

Additions to write-downs in the traditional lending business increased significantly by EUR – 615 million to a total of EUR – 1 743 million in the last fiscal year. Most of these involved specific valuation allowances.

Owing to the measurement of the overall portfolio, write-downs on equity investments and shares in affiliated companies amounting to EUR – 624 million had to be carried out and losses of various subsidiaries assumed in the amount of EUR – 596 million in the 2009 fiscal year.

Thanks to the easing on the financial markets, combined with falling key rates, bond prices stabilized considerably. Overall, the valuation result for securities/derivatives was nevertheless burdened by EUR 80 million in the fiscal year (previous year: EUR 1 637 million). However, there are signs of a trend towards recovery. Following significant valuation losses in the previous year, the valuation result for securities in the liquidity reserve and fixed assets totaled EUR 498 million on the reporting date, although this was overshadowed in some cases by valuation losses from interest and credit derivatives in the amount of EUR – 268 million. The valuation result for securities held as long-term investments was also burdened by valuation allowances (EUR – 286 million), mainly securitized product and price losses (EUR – 24 million).

The operating income after risk provision and the valuation result was EUR –1 678 million for the year under review, well below the previous year's figure of EUR 769 million. It must be noted, however, that in the previous year EUR 1 120 million in reserves were released from the fund for general banking risks.

While in 2008 the item **extraordinary income and expenses** was shaped by expenses linked to the integration of LRP and Sachsen LB into LBBW Bank, this item was largely influenced in the 2009 fiscal year by the creation of provisions for restructuring expenses on the basis of the restructuring plan submitted to the EU.

Because of the negative result, it was not possible to service silent partners' contributions. Expenses from the item **partial profit transfer** were therefore reduced to zero compared with the previous year (previous year: EUR –284 million).

The result for the 2009 fiscal year reflected the solid development of profits in the operating business and the emerging recovery on the financial markets. However, this was considerably overshadowed by burdens in the real economy as a result of the financial market crisis and burdens linked to the planned restructuring on the basis of the EU decree. The result after tax for the 2009 fiscal year was EUR –2 188 million, a drop of EUR –2 282 million on the previous year's result of EUR +94 million.

LBBW Bank's Net Assets and Financial Position (HGB).

	Dec. 31, 2009	Dec. 31, 2008	Change 2008/2009	
Assets	EUR million	EUR million	EUR million	in %
1. Cash reserve	1 790	3 283	- 1 493	- 45.5
2. Public-sector debt instruments and bills of exchange eligible for refinancing with central banks	41	36	5	13.9
3. Loans and advances to other banks	101 078	134 882	- 33 804	- 25.1
4. Loans and advances to customers	158 133	157 918	215	0.1
5. Bonds and other fixed-income securities	119 332	108 242	11 090	10.2
6. Equities and other non-fixed-income securities	1 840	2 474	- 634	- 25.6
7. Equity investments	1 663	1 951	- 288	- 14.8
8. Investments in affiliates	3 885	6 316	- 2 431	- 38.5
9. Trust assets	666	1 156	- 490	- 42.4
10. Intangible assets	73	75	- 2	- 2.7
11. Tangible assets	483	511	- 28	- 5.5
12. Other assets	5 310	7 383	- 2 073	- 28.1
13. Prepaid expenses	1 783	1 424	359	25.2
Total assets	**396 078**	**425 651**	**- 29 573**	**- 6.9**
14. Contingent liabilities	37 118	44 209	- 7 091	- 16.0
15. Other obligations	27 655	33 648	- 5 993	- 17.8
Business volume*	**460 850**	**503 508**	**- 42 658**	**- 8.5**

* In addition to the total assets, the business volume includes off-balance sheet contingent liabilities and other obligations.

Liabilities and Shareholders' Equity

		Dec. 31, 2009	Dec. 31, 2008	Change 2008/2009	
		EUR million	EUR million	EUR million	in %
1.	Deposits from other banks	132 743	142 544	– 9 801	– 6.9
2.	Amounts due to customers	115 368	111 366	4 002	3.6
3.	Securitized liabilities	116 238	142 273	– 26 035	– 18.3
4.	Trust liabilities	666	1 156	– 490	– 42.4
5.	Other liabilities	5 075	4 409	666	15.1
6.	Deferred income	1 180	1 141	39	3.4
7.	Provisions	2 377	2 035	342	16.8
8.	Special item with partial reserve character	0	7	– 7	– 100.0
9.	Subordinated liabilities	5 308	5 637	– 329	– 5.8
10.	Capital generated by profit participation certificates	1 577	2 463	– 886	– 36.0
11.	Fund for general banking risks	480	480	0	0.0
12.	Equity	15 065	12 140	2 925	24.1
	Total liabilities and shareholders' equity	**396 078**	**425 651**	**– 29 573**	**– 6.9**

Business Volume.

LBBW Bank's business volume declined by EUR – 42.7 billion or – 8% year-on-year to EUR 461.0 billion. This is attributable to a decline in the balance sheet volume (EUR – 29.6 billion) and off-balance sheet transactions (EUR – 13.1 billion). The decline in the balance sheet volume is essentially due to a reduction in interbank business (loans and advances to other banks EUR – 33.8 billion, deposits from other banks EUR – 9.8 billion). At the same time, on the assets side, the portfolio of bonds and other fixed-income securities rose owing to the addition of the bond from GPBW GmbH & Co. KG (GPBW, a company owned by the state of Baden-Württemberg (guarantee company)) with a nominal volume of EUR 12.7 billion. On the liabilities side, the reduction in securitized liabilities (EUR – 26.0 billion) corresponds to the drop in loans and advances to other banks. The increase in the nominal capital and the capital reserve in the amount of EUR 5 billion decided on by the owners strengthened the equity.

The nominal volume of derivative transactions was EUR 2 263 billion at the end of the year, well above the previous year's figure (EUR 1 731 billion). Of the entire derivatives volume, 92% related to trading assets. Trading activities include largely closed-out positions from offsetting derivatives. Open positions from trading activities were within the stipulated risk limits.

Lending.

LBBW Bank's total loan volume, consisting of loans and advances to customers and other banks and off-balance sheet transactions, fell last year by EUR – 46.7 billion to a total of EUR 324.0 billion as at the reporting date. The primary reason for this was the significant reduction in loans and advances to other banks.

In the last fiscal year, loans and advances to other banks fell by – 25% or EUR – 33.8 billion to EUR 101.1 billion. All maturity bands were affected by this. The decline was essentially due to a reduction in the portfolios of borrower's note loans and declining receivables from securities lending/repo transactions. Cooperation with the savings banks affiliated to LBBW Bank in the field of borrowings payable on demand developed positively in 2009. Here, the portfolio as at the reporting date was 36% or EUR 1.2 billion higher than in the previous year.

The portfolio of bonds and other fixed-income securities increased year-on-year by 10% or EUR 11.1 billion to EUR 119.3 billion, which was largely the result of the addition of the EUR 12.7 billion bond issued in connection with the risk shield provided by the state of Baden-Württemberg.

Funding.

LBBW Bank strove to achieve a balanced funding structure. For this reason, funding was based primarily on three pillars that were used in varying degrees depending on the performance of the money and capital markets.

Despite a reduction of EUR – 9.8 billion, deposits from other banks maintained their position as the most important funding pillar of LBBW Bank, with a portfolio of EUR 132.7 billion and thus a share of 36 % in the total funding volume. An increase in portfolios in the field of call money of 8 % to EUR 5.8 billion pointed to the beginnings of a recovery in interbank trading. Of the total portfolio of deposits from other banks, 15 % or EUR 19.4 billion related to deposits from affiliated savings banks at the end of the year (previous year: 17 % or EUR 24 billion).

The portfolio of amounts due to customers showed an increase of 4 % or EUR 4.0 billion to EUR 115.4 billion as at the reporting date and thus accounted for 32 % of LBBW Bank's entire funding volume.

The third funding pillar at LBBW Bank related to securitized liabilities, which totaled EUR 116.2 billion at the end of 2009. The portfolio of securitized liabilities thus fell by – 18 % or EUR – 26.0 billion compared with the previous year.

Landesbank Baden-Württemberg issued mortgage-backed covered bonds and public-sector covered bonds on the capital market, in addition to unsecured bonds. The target groups for issues placed directly were primarily savings banks, private customers, insurance companies and pension and investment funds. In addition, bonds were placed with other banks and on the international capital markets. LBBW opened up the market for large-scale issues of covered bonds (benchmarks) in 2009 with the issue of a EUR 1 billion public-sector covered bond in February. The issue was a major success with both national and international investors. This transaction underlined the role of LBBW as an important issuer of covered bonds in Germany. In 2009, LBBW was able to fulfill refinancing requirements without any restrictions.

Despite the difficult market environment, LBBW was not dependent on state-guaranteed issues at any time. LBBW's good refinancing situation was strengthened by its integration in the savings bank association and in customer business.

Equity.

In a contract dated June 19, 2009, the owners of LBBW decided on an increase in the share capital of EUR 1.2 billion and in the share premium of EUR 3.8 billion and the addition of Landesbeteiligungen Baden-Württemberg GmbH (Landesbeteiligungen BW) as another owner of LBBW. The increase in share capital and the share premium was carried out by means of a capital increase through cash contributions. The total amount of the capital increase was made available by June 30, 2009 and, in agreement with Bundesanstalt für Finanzdienstleistungsaufsicht (the German Federal Financial Supervisory Authority), became eligible as Tier 1 capital from the time it was paid in. In December 2009, the European Commission gave its final approval for the capital increase.

The equity on the balance sheet (equity including funds for general banking risks, subordinated liabilities and capital generated by profit participation certificates) amounted to EUR 22.4 billion as at December 31, 2009. Through the capital increase of EUR 5 billion and the agreed guarantees of GPBW for the LBBW Group's ABS portfolio in the amount of EUR 6.7 billion and for the Sealink junior loan in the amount of EUR 6.0 billion, the regulatory equity ratio was raised to the current normal international level following burdens owing to poorer ratings for borrowers and issuers of securities.

The regulatory ratios of LBBW Bank were as follows compared with the previous year:

	2009	2008	Change 2008/2009	
	EUR million	EUR million	EUR million	in %
Own regulatory funds*	**22656**	**19177**	**3479**	**18.1**
of which core capital	16692	12712	3980	31.3
of which supplementary capital	5413	5825	–412	–7.1
of which Tier 3 capital	551	640	–89	–13.9
Qualifying items	**149538**	**170187**	**–20649**	**–12.1**
Overall ratio in %	**15.2**	**11.3**		**3.9**

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

Employees.

In order to meet increasing demands in Germany and abroad, the LBBW Group fundamentally reorganized its human resources division in 2009 with the new consultation approach HR (human resources) Plus. In organizational terms, the new structure is characterized by its orientation towards the functions of »distribution«, »service« and »expertise«, while in terms of working processes it is characterized by the introduction of the more customer-friendly consultation approach HR-Plus. The new HR portal on the LBBW Intranet offers all employees and executives a clearly structured information and advice service and allows the human resources division to manage operational personnel issues at any time and in any place. In HR-Pro, the Key Account Managers for human resources offer second- and third-level executives at LBBW comprehensive advisory services on all strategic human resources issues and support them as a personal contact in all fields of human resources work. The aim of the extensive reorganization is to ensure a sustainable improvement in the efficiency of human resources work and to position the human resources division as an internal service provider in the Group.

Other key issues in the 2009 fiscal year were the introduction of a new function structure, with which an efficient instrument has been created for human resources measures ranging from human resources planning, recruitment and the development of executives to salary calculation. The Board of Managing Directors also decided in 2009 on guidelines for a sustainable human resources policy at LBBW.

Restructuring Process Started.

In parallel to the European Commission's approval process, preliminary work began in the final quarter of 2009 for the quick implementation of the EU restructuring conditions, with around 2 500 job cuts and consolidation tasks. The restructuring plan for LBBW that was approved by the European Commission in December 2009 is linked to a significant reduction in costs by EUR 700 million each year. Negotiations with the General Staff Council about a redundancy scheme were commenced in connection with this in 2009.

Development of the Workforce.

The Group's workforce rose in 2009 from 13 369 employees as at December 31, 2008 by 1.95% to 13 630 employees as at December 31, 2009. The increase of 261 employees is mainly linked to changes in the basis of consolidation, with the addition of subsidiaries to the sub-group LBBW Immobilien GmbH (+227 employees) and slight increases in employment at subsidiaries (+21 employees). At LBBW Bank itself, with the LBBW, BW-Bank, Rheinland-Pfalz Bank and Sachsen Bank brands, the number of employees rose by 13 from 10 934 to 10 947.

Women make up a slight majority of the personnel, accounting for 51.0% of employees. The share of employees working part-time, including older employees working part-time (Altersteilzeit), grew from 18.7% in the previous year to 19.7% in 2009 in the Group and from 20.1 % to 21.3% at LBBW Bank. The employee turnover rate at the bank was 4.3% in 2009 compared with 5.3% in the previous year; with adjustments for early retirement and severance agreements, the rate was 3.5%, compared with 2.7% for 2008. The average age of employees at LBBW Bank was 40.9 years in the year under review, while the average length of service was 14.8 years. 17.7% of employees are 30 years old or younger.

The importance of filling vacancies internally in the Group's human resources planning was still evident, although at a considerably lower level. The number of in-house job advertisements dropped in 2009 to around 770, compared with 1 300 in the previous year.

Guidelines for Sustainability in Human Resources Policy.

The guidelines for a sustainable human resources policy in the LBBW Group that the Board of Managing Directors decided on in 2009 are based on the twelve »HPI value drivers« listed in the »Human Potential Index (HPI)« of the German Federal Ministry of Labor and Social Affairs (Bundesministerium für Arbeit und Soziales – BMAS). According to a study commissioned by the BMAS, these value drivers have a positive impact on employees' commitment to the company and therefore play a crucial part in determining the success of the company. The twelve value drivers are implemented in guidelines for a sustainable human resources policy at LBBW, in the order of their influence on the company's success (http://nachhaltigkeit.lbbw.de/leitplanken).

Training and Personnel Development.

LBBW attaches importance to first-rate training. As at December 31, 2009, 679 (previous year: 665) trainees were employed in the Group, of whom 674 were on various company professional training courses or courses of study at the dual universities in Baden-Württemberg and Saxony, while five trainees were in Luxembourg. With 248 new entrants (previous year: 252) and a training rate of 4.98% (previous year: 5.0 %), LBBW maintained its high level from the previous years.

Of the 153 people who completed a traineeship at LBBW in the career of banking specialist (Bankkauffrau/-mann), 17 received awards and 41 received commendations from the chambers of commerce for their outstanding performance. Of the 58 LBBW employees who completed training at the dual universities, nine students received distinctions for special achievements. All those who completed training in 2009 and were suitable received an offer of employment.

The LBBW graduate trainee programs also represented an attractive option for qualified university graduates wanting to get on the career ladder in 2009, and were an important pillar in the strategic development of new recruits. Over 185 graduate trainees, including around 110 people completing external training and about 75 internal graduate trainees, undertook such a program in almost all areas of business at LBBW in 2009. Above all, the focus here was on the areas of private banking, corporate customers and financial markets.

In 2009, the LBBW Group once again invested heavily in training for its executives and employees. With 19167 personnel development measures, training was up 27.3 % on the previous year (15 059). The measures focused on the areas of distribution and back office. In the private customer divisions, intensive training was provided for a TÜV-certified consulting system.

229 workshops were also organized for executives at LBBW, to accompany the change management processes. To obtain advice on specific management and personality issues, many executives also took advantage of the coaching services offered by the Group's own management consultancy.

As part of talent management, a process of identifying and reviewing potential was successfully developed and implemented in 2009, particularly for management functions with an international orientation. In addition to classic management requirements, this process takes into account aspects of the management of employees that are specific to different countries and cultures.

Pay.

LBBW introduced a new function structure for all employees in 2009. In six different »career paths« such as distribution, staff/supervision, management and project management, over 400 different functions were described, which were allocated to several career levels and assessed in terms of collective wage agreements and with no collective wage agreements. In view of the newly announced regulations issued by the German Federal Financial Supervisory Authority for the structuring of pay systems, LBBW reviewed the new systems it has developed in the last few years for the private customers/private banking/wealth management and corporate customers segments to ensure that they are compatible with the new guidelines, and found them to be suitable. The newly created pay committee began operating in 2009. It will support and advise the Board of Managing Directors in future on the organization and development of pay systems. LBBW explicitly supports the »Principles for Sound Compensation Practices – Implementation Standards« of the Financial Stability Board (FSB) from September 25, 2009. In December 2009, LBBW even committed itself in writing to organizing pay systems so that they will better support the corporate aims, which are geared towards sustainability.

LBBW FlexiWertkonto and Company Pensions.

Owing to the change in the legal situation on January 1, 2009 (law to improve the framework for protecting flexible working-time regulations – »Flexigesetz II«), LBBW revised the LBBW FlexiWertkonto, its attractive working time account model. In addition to the selection of new investment products, regulations relating to labor law were adapted to the new legal situation.

In connection with the harmonization of the company pension schemes, one of the old pension systems was transferred to the LBBW capital accounts plan for the first time. The transfer had a neutral impact on value.

Organizing Working Life.

LBBW dealt with the increasing importance of the compatibility of work and family in several auditing workshops and a strategy workshop in 2009. As the basis for certification by the Hertie Foundation audit berufundfamilie (»work and family«), a catalog of targets and measures was drawn up, including 27 measures in various areas of business. By implementing this catalog over the next three years, LBBW hopes to position itself as a modern and innovative company and optimize processes within the company under the angle of »Organizing working life«.

LBBW added to its achievements as a family-conscious company in 2009 by expanding its childcare services. In Mannheim, the new day care center »Kleine Raupe« was set up with five places (including one emergency place). The »Frechdax« day care center in Stuttgart was expanded to include 45 places. The emergency childcare center »Mainzelmäuse« in Mainz provides up to 15 places, which are used by parents at LBBW during the holidays and on bridging days in particular.

Diversity and Equal Rights as an Opportunity.

By creating a post for a diversity representative in February 2009, LBBW reinforced awareness of the issues of equal rights and diversity. LBBW regards diversity as an opportunity and has committed itself to the »Diversity Charter« for companies in Germany. It is important to LBBW to create a working environment that recognizes and promotes these diverse types of potential. All employees should feel appreciated – regardless of gender, race, nationality, ethnic origin, religion or world view, disability, age, sexual orientation or identity. This not only creates an environment of acceptance and trust at the company, but will also plays a part in determining the company's future success.

Company Health Management.

To LBBW, company health management is an integral part of a forward-looking corporate policy. It includes the development of overall conditions, structures and processes at the company that are aimed at arranging work and the organization in a way that promotes health and at enabling employees to live healthily. The focus is on maintaining and improving employee health. In the guidelines for a sustainable human resources policy decided on by the Board of Managing Directors, the promotion of health is explicitly named as one of twelve value drivers for the success of the company. The »Round Table on Health« serves as an engine for company health management and for controlling core processes. The focus in 2009 was on an extensive review and assessment of the situation and the development of a strategy for health management at LBBW. LBBW receives support with company health management from a major health insurance scheme as part of a cooperation project.

LBBW Improvement Process.

The LBBW Improvement Process gives employees the opportunity to participate actively in shaping services and working processes with their ideas. The process is organized simply and transparently and has been very well received by employees. The number of ideas put forward by employees has been rising steadily for years, and in 2009 increased by 7% to 3 322.

The monetary benefits generated through the implementation of the ideas rose 64% to EUR 2.30 million in 2009. Ideas from employees also optimized over 700 procedures and working processes. This sustainable way of thinking and acting helps employees to identify with the Group and has a positive effect on competitiveness and customer focus. The LBBW Improvement Process has achieved above-average success for the industry and is regarded as a leading scheme in the financial services sector.

Compliance.

LBBW defines compliance as the preventative management of risk arising from failure to comply with the applicable laws, standards and processes, which damages the bank's business model, reputation and success and disappoints the expectations of owners, customers, employees and the public.

The requirements of LBBW's compliance are set out in a compliance management system (CMS). This system combines requirements of the corporate culture and internal guidelines, a compliance organization, information systems, controls, employee training and reciprocal reporting to create an instrument for risk-oriented management. The goal is to implement an end-to-end culture of prevention in which all agents of the bank commit to comply with the law and act accordingly, thereby achieving risk transparency and ultimately the trust of business partners.

Capital Market Compliance.

The transfer of the EU's Markets in Financial Instruments Directive (MiFID) into national law and the procedures and processes introduced after this were monitored in 2009 by LBBW's capital market compliance. Compliance also supervised the implementation of the tightened regulations on recording investment advice, which have been in force since January 1, 2010.

Employee training was also provided in 2009 to raise awareness of individuals holding insider information and the resulting prohibitions on trading. In addition to advice for specialized divisions on issues of capital market compliance, the focus was again on continual monitoring of securities transactions with regard to adherence to legal regulations (control room).

Money Laundering Prevention.

The requirements of the money laundering law, which was amended in 2008, continued to necessitate significant adjustments to processes, both in the field of money laundering prevention and in distribution. The money laundering law concentrates on a risk-oriented approach that is specific to the institution, which can be determined through a detailed analysis of the bank's risk situation. As a result, multi-level companies, correspondent banks and foreign customers who exercise an important public function are subject to stricter reviews and must meet increased transparency and integrity standards. These requirements applicable to natural persons are supplemented by an obligation to verify the identity of decision-makers and economic beneficiaries and to verify ownership structures in the case of legal entities.

Financial Sanctions/Embargoes.

LBBW's customers and all incoming and outgoing payment transactions by LBBW and its savings bank partners that are processed through LBBW's cross-border payment activities are continually reviewed. The embargo unit of the Compliance department at LBBW provides recommendations on issues relating to foreign trade legislation, such as adjustments or amendments to financing plans with regard to sanctioned countries, such as Iran and Uzbekistan at present.

Financial Intelligence Activities.

Financial fraud represents a significant potential threat that, in addition to material damage, can involve incalculable risks to reputation. As in previous years, LBBW placed particular emphasis on raising awareness and informing employees about the *modus operandi* of perpetrators. A joint information campaign was organized with the police headquarters in Karlsruhe to protect elderly people against criminals posing as long-lost relatives. All branches of BW-Bank were also provided with relevant information material. In order to better counteract the anticipated increase in organized fraud, LBBW will implement additional measures based on the results of the risk analysis for financial fraud. These include the creation of a bank-wide »Fraud Prevention Board« and the gradual introduction of plausibility checks to prevent fraud in bank units that are at particular risk.

Data Protection.

Three amendments were made to the Federal Data Protection Act in 2009: the first amendment changed how the activities of credit agencies and their contractual partners (particularly banks) and scoring are regulated. The second amendment concerns, among other things, new regulations on market research and opinion polls, address trading, employee data protection and the processing of data relating to orders. The third amendment relates to consumer credit rights.

While the guidelines of the second amendment have had to be observed since September 2009, the fulfillment of the requirements of the first and third amendments will become compulsory during the first half of 2010.

The implementation of the guidelines of the second amendment in conjunction with the revised version of the law against unfair competition is of practical relevance to the distribution and marketing units. The extension of obligations relating to verification, monitoring and documentation in connection with awarding contracts to external service providers leads to additional costs before the contract is concluded and during its term. New processes have been designed for this and their implementation has begun.

Increasing interest in issues relating to data protection legislation was reflected in 2009 in a higher number of customer queries and requests for information.

As in previous years, subsidiaries were checked within the Group on the basis of a standard introduced by the Federal Office for Information Security. The action taken as a result of the findings of these checks ensured a comparably high level of data protection at all subsidiaries in Germany.

Random checks were also carried out by Data Protection on internal organizational units at the LBBW Group. In 2009, checks focused on concepts of roles and rights, the storage of third-party and partner products, content filtering of incoming emails, video surveillance, security in the computer center, ordering processes for Extend checking accounts and spot checks to ensure the operation of branches in compliance with data protection law. LBBW also conducted audits at the premises of external service providers involved in business with credit cards, the destruction of files and data carriers and PC services.

In addition, a risk analysis was carried out regarding opportunities for third parties to gain unauthorized access to personal data. The results of this will serve as a basis for future checks.

Sustainability.

Landesbank Baden-Württemberg broke new ground in sustainability communications in 2009 with the presentation of its third sustainability report. The central source of information on this subject is the website, which has been fundamentally revised and is geared towards the international guidelines of the Global Reporting Initiative (GRI). The full report can be accessed at http://nachhaltigkeit.lbbw.de. Up-to-date articles on the issue of sustainability are also regularly made available on the internet.

With its 2007/2008 sustainability report, LBBW achieved first place in the banks segment in the 2009 rankings of the independent Institute for Ecological Economy Research (IÖW) and the business initiative future e.V. in the assessment of over 100 sustainability reports by German companies. In the overall rankings of large corporations, it came in ninth place.

Guidelines for Sustainability.

In spring 2009, the Board of Managing Directors and the specialized divisions of Landesbank Baden-Württemberg together approved binding guidelines on sustainability. These mark out the corridor within which LBBW will pursue its sustainability goals in its investment and lending business, in its human resources policy and in dealing with resources.

The sustainability guidelines describe and illustrate LBBW's position on important issues relating to sustainability. They specify the sustainability policy and thus represent a strategic statement on the weighting given to sustainability issues in decisions. Detailed information on the guidelines can be accessed online at http://nachhaltigkeit.lbbw.de/leitplanken.

Sustainable Investment Products.

The equity fund LBBW NachhaltigkeitsStrategie BWI is the first fund set up in Germany to have received the »European transparency logo for sustainable retail funds«. This indicates that the managers of the fund disclose investment criteria, research methods and the processes involved in the liquidation of individual investments in a transparent way, thereby strengthening the trust of investors.

In September 2009, the sustainable bond fund »LBBW Nachhaltigkeit Renten« was set up for institutional customers. This invests in government bonds, covered bonds and corporate bonds of companies or states that act in a more sustainable way than average. When selecting the securities, LBBW cooperates with analysts at oekom research AG, as with the equity fund. This not only ensures that the fund complies with the guidelines of churches, pension funds and other investors with a sustainable approach, but also offers a good opportunity for better value development than the market as a whole, as ethical, political and ecological risks are avoided. The fund is to be opened up to private customers in 2010.

LBBW has been the first German Landesbank to align itself with the »Principles for Responsible Investment« (PRI) of the United Nations. In doing so, it has pledged to pay more attention to issues relating to environmental protection, responsible management and social concerns in its investment strategies. One example of action planned by LBBW is to support companies and corporations in which the bank itself invests as an active shareholder. LBBW is also to cooperate with other signatories. The aim is to improve the effectiveness of the PRI principles and to report on progress.

Diversity Charter

Landesbank Baden-Württemberg has been the first Landesbank to align itself with the initiative »Diversity as an opportunity – the diversity charter for companies in Germany«, which is supported by the German government. LBBW is thereby continuing its commitment to a fair and unprejudiced working environment. All employees should feel appreciated and recognized – regardless of gender, race, nationality, ethnic origin, religion, world view, disability, age, sexual orientation or identity.
In view of their importance for an open corporate culture, the issues of diversity and equal opportunities are dealt with by a diversity representative at the LBBW Group.

Sustainability Ratings.

In the sustainability ratings of Sustainalytics, LBBW received 70 out of 100 points. According to Sustainalytics, LBBW is therefore in second place out of 76 non-listed financial institutions at international level. Sustainalytics regards itself as an independent, innovative provider of »responsible investment services« and states it is one of the market leaders in Europe and North America.

In the ratings of imug Investment Research, LBBW received the overall rating of »positive« as an issuer of public-sector covered bonds and mortgage-backed covered bonds. The rating is used as a basis for decisions by investors and asset managers with a focus on sustainability. In addition to the performance of the issuers of covered bonds in terms of sustainability, Imug assesses the cover funds (in the case of public-sector covered bonds) and activities in business with real estate loans according to sustainability criteria.

Corporate Ecology.

LBBW, BW-Bank and Rheinland-Pfalz Bank purchased green energy for all buildings for the first time in 2009. In order to reduce our »carbon footprint«, we are continuing to work on improving our energy efficiency through technical and organizational measures and on reducing our CO_2 emissions. In the last few years, various central buildings have been inspected from the point of view of energy; economizing measures have been drawn up and implemented on the basis of this analysis. In the field of housing services, the trend reversal in energy that was already foreseeable in 2006 and 2007 was confirmed in 2009.

Certification.

LBBW has pledged to comply with the ISO 14001 standard and the Eco-Management and Audit Scheme (EMAS) standard. The aim of EMAS is to improve environmental protection beyond the legal guidelines and to inform the public about it.

The implementation of the standard and the regulation was once again checked in an internal and external environmental audit in 2009. The audit showed that LBBW's environmental management system complies fully with the requirements of the EMAS regulation and ISO 14001.

Risk Report.

Risk-oriented Management of the Bank as a Whole.

LBBW defines risk management as the use of a comprehensive set of tools to deal with risks within the scope of the risk-bearing capacity, the strategy set out by the Board of Managing Directors and the Group-wide system for risk-oriented management of the bank as a whole. In particular, these mechanisms include LBBW's organizational structure and processes, risk management and control processes, and internal auditing.

Risk Strategy.

The Board of Managing Directors and the Supervisory Board stipulate the principles of the risk management system by defining risk strategies that are consistent with LBBW's business strategy. Corporate policy and risk strategy guidelines for risk management are specified through risk principles in the Group risk strategy, which applies Group-wide and across all risk categories. Processes, business strategies and earnings targets are also stipulated for the front and back office divisions using a combined top-down/bottom-up process in the specific risk strategies.

Risk-bearing Capacity.

A Group-wide compilation of risks across all major risk categories and subsidiaries and the comparison of this with the capital required for business purposes (aggregate risk cover) is carried out in the risk-bearing capacity.

The following risk categories are identified:

Risk Categories.

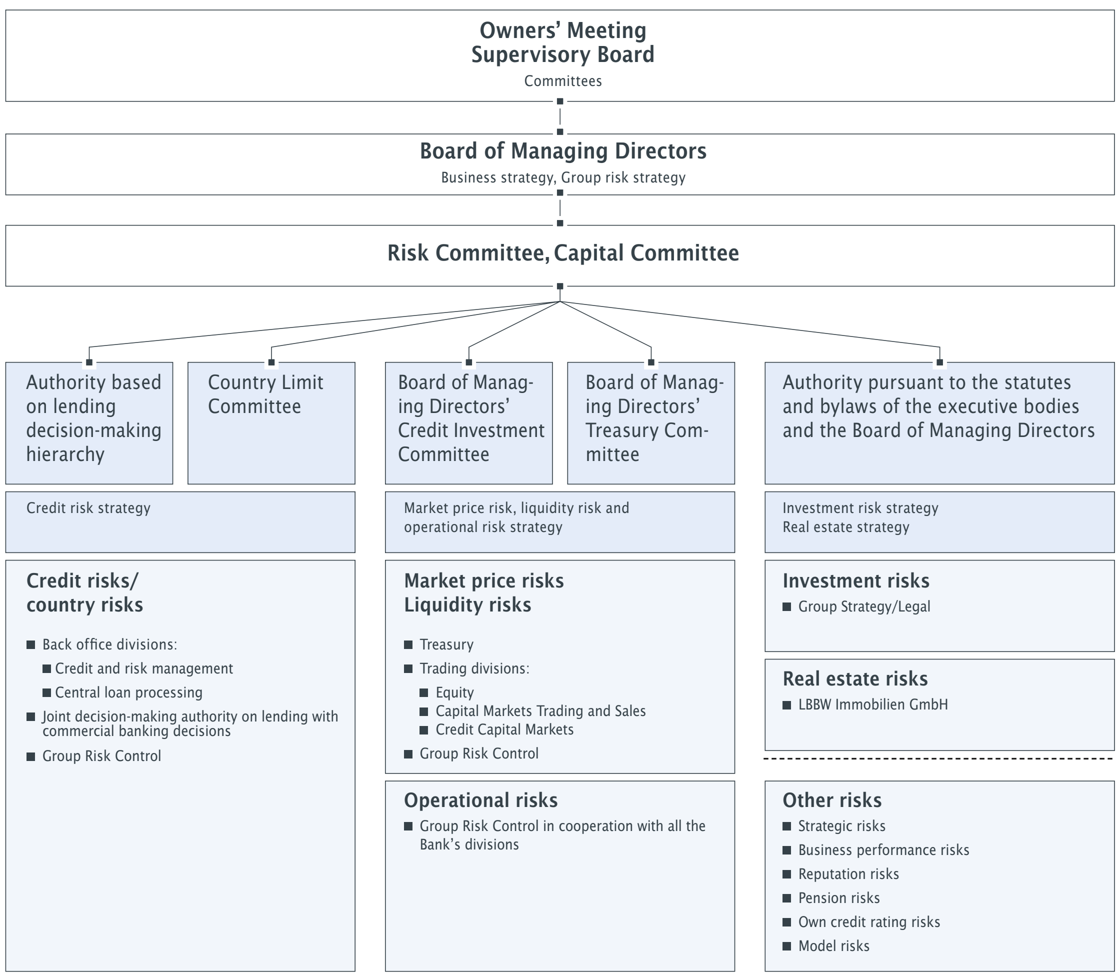
Risk-bearing capacity		Risk category	Describes possible …
Material risks		Credit risks	… losses arising from the default or credit rating deterioration of business partners. … disruptions to payments as result of transfer risks. … losses arising from low proceeds from the liquidation of collateral.
Material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

LBBW's aggregate risk cover represents LBBW's ability to absorb possible unexpected losses. These resources are broken down into levels based on the various degrees of availability of the funds included in each level. The aggregate risk cover takes into account losses that have already been incurred and valuation allowances that have been made, along with certain components of the results for the current fiscal year. These are compared with the risks as potential losses.

As a uniform risk measure at the highest level, economic capital is calculated. In contrast to the capital stipulated by regulatory bodies, this represents the capital backing required from LBBW's point of view for business purposes, calculated using the bank's own risk models. LBBW's economic capital is in principle expressed by value-at-risk (VaR) at a confidence level of 99.95 % and with a holding period of 1 year. The standard regulatory approach is used for operational risks.

The upper risk limit for economic capital represents the upper limit for all currently quantifiable risks throughout the Group. This limit reflects LBBW's maximum willingness to take risks and was set well below the total resources available to cover risks in line with the conservative risk policy of LBBW. Economic capital limits for the various risk categories are derived from this, whereby a buffer is kept available for other risks that are not directly quantifiable and for risks arising from unforeseeable stress situations.

Cross-disciplinary Risk Management Processes.



At LBBW, transactions can only be entered into within clearly defined limits or competencies, and the resulting risks must be in reasonable proportion to profit potential. These guidelines form the foundation of LBBW's risk policy and provide a framework for all business activities.

Within the prescribed framework, risk management decisions are made individually by the departments with portfolio responsibilities on a decentralized basis, maintaining the separation of functions; these decisions are monitored by the central Group Risk Control division. The risk control and risk management system set up for this purpose covers all material risks and the details specific to the risk categories.

The Risk Committee comprises the department heads in charge of trading, monitoring and back office functions, in addition to division managers from the front and back office, risk control and financial controlling, among other areas. As an advisory committee, the Risk Committee prepares decisions for the Board of Managing Directors and supports it in the cross-disciplinary monitoring of LBBW's risk-bearing capacity and of material risks, as well as in complying with regulatory requirements. The monthly overall risk report and other reports prepared as needed on specific issues form the basis for this. Decision-makers are also supported in risk management by an extensive reporting system that is specific to risks and issues.

The Capital Committee prepares decisions for the Board of Managing Directors and supports it in ensuring the adequacy of the LBBW Group's capital resources, structure and target figures. The resolution is passed by the Group's Board of Managing Directors. The Capital Committee is coordinated by financial controlling and comprises the Chairman of the Board of Managing Directors, the department heads in charge of trading and monitoring and certain division managers, including from the front office, financial controlling and accounting divisions.

Process-independent Monitoring.

The Internal Auditing division is a process-independent department that monitors all operations and business workflows, risk management and control, and the Internal Control System (ICS) with the aim of safeguarding LBBW's assets and boosting its operating performance. The Internal Auditing division exercises its duties autonomously. The Board of Managing Directors is informed about the results of audits by way of written audit reports discussed with the audited operating units. Internal Auditing also monitors how the audit findings are dealt with.

Implementation of Regulatory Requirements.

MaRisk.

LBBW is fully subject to the regulations on the minimum requirements for risk management (MaRisk). On August 14, 2009, the German Federal Financial Supervisory Authority specified and extended the minimum requirements with the second MaRisk amendment.

In particular, the revised version of MaRisk tightens and expands the regulatory requirements of stress testing, liquidity risk and the concentration of risk. Higher demands are also placed on Group-wide risk management and the risk-bearing capacity. In connection with the implementation of these regulations, the risk-bearing capacity system was reviewed. Monitoring, ad hoc reporting and early warning processes were expanded further. The integrated stress scenarios across various risk categories that are required by MaRisk, paying particular attention to concentration and so-called reverse stress tests, were addressed through appropriate extensions in 2009. The analysis of the stress test results within the scope of risk-bearing capacity thus allows conclusions to be drawn about LBBW's resilience in the face of conceivable crisis situations and, if certain thresholds are exceeded, triggers measures for early relief or for increasing the aggregate risk cover.

The supervisory authorities also attached greater importance to the interaction of the Board of Managing Directors and the Supervisory Board. In particular, the Board of Managing Directors of LBBW incorporated extended information and communication processes into the rules.

The new minimum requirements were to be implemented by December 31, 2009. At LBBW, extensive work packages were defined and processed for implementation in connection with these issues. By the end of the year, the material extensions of MaRisk had been dealt with, despite the short period for implementation. The remaining tasks are expected to be completed in the first half of 2010.

SolvV (German Solvency Regulation)/Basel II.

As of January 1, 2008, LBBW began using the Internal Ratings-Based Approach (IRBA) to measure capital adequacy for counterparty risks in accordance with the German Solvency Regulation (SolvV), after the most important rating procedures from the point of view of the portfolio were audited and approved by the supervisory authorities. LBBW is aiming to obtain regulatory approval for further rating procedures in subsequent years.

Risk Management System for Covered Bond (Pfandbrief) Operations.

A risk management system must be in place pursuant to § 27 PfandBG (German Covered Bond Act) to ensure identification, assessment, management, and monitoring of the risks associated with this business segment.

A multi-tiered limit system is in place for monitoring risk. Regular stress tests are conducted with regard to NPV (net present value) overcollateralization. In the event that the fixed limits are reached, a process for then cutting the risk back down has been established. As part of internal reporting, the Board of Managing Directors and the Risk Committee are informed quarterly of compliance with the provisions of the Pfandbriefgesetz (German Covered Bond Act) and the utilization of legal and internal limits. The risk management system is reviewed at least annually.

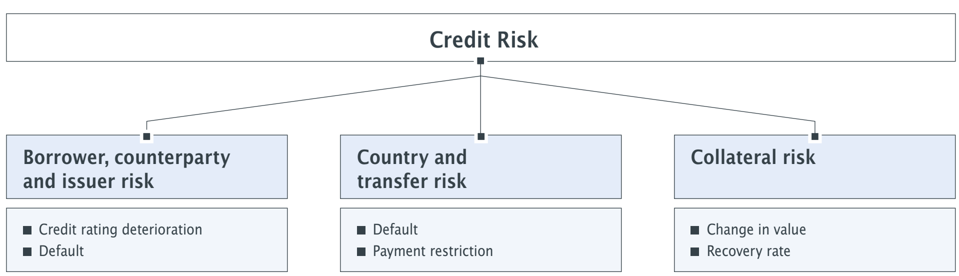
Credit Risks.

At LBBW, credit risks are defined as possible losses that result from:

- Deterioration in the credit ratings of, or defaults by, borrowers, counterparties or equity investments,
- The impact of cross-border restrictions on payments or
- Changes in the value of collateral.

The credit risk structure follows the illustration below:

Credit Risk Structure.



Borrower, Counterparty and Issuer Risk.

The risk that a contractual partner does not meet his payment obligations or does not meet them in full within the stipulated period, that deteriorations in the credit ratings of borrowers, counterparties or issuers lead to a decline in value or that an unrealized profit can not be recognized in the event of a default by the contractual partner.

Country and Transfer Risk.

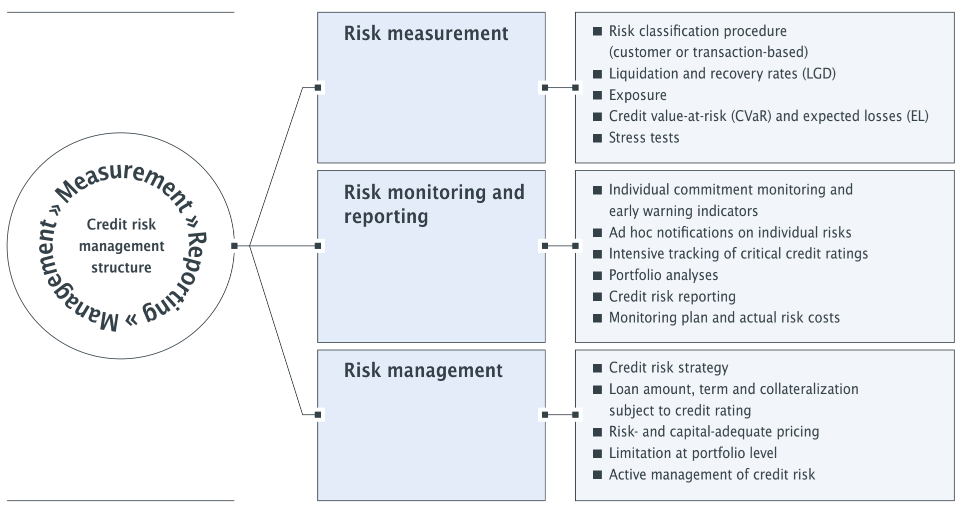
The risk that customers abroad who are both willing and able to meet their payment obligations cannot fulfill them or cannot fulfill them completely due to limitations on payments or other government actions.

Collateral Risk.

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

LBBW's system for credit risk management can be illustrated in three associated phases:

Credit Risk Management.



Risk Measurement.

In order to measure risk, LBBW uses an extensive range of instruments involving quantitative measuring procedures. These are subject to ongoing quality control and are developed further as and when required.

Risk Classification Procedures.

LBBW uses specific scoring or rating procedures for all relevant business fields. These procedures quantify the probability of default for the investments. The counterparty risk is calculated both including and excluding the transfer risk.

The forecast reliability of the scoring and rating procedures in use is reviewed regularly and the procedures are refined if necessary. Risk classification procedures are maintained and updated by LBBW on its own initiative or in cooperation with S Rating GmbH (a subsidiary of DSGV) or Rating Service Unit GmbH& Co. KG (a subsidiary of the Landesbanken).

Liquidation and Recovery Rates.

For a risk-adequate valuation of investments, an estimate of the loss given default is required, in addition to the probability of default. To this effect, estimates are calculated for liquidation rates (average proceeds expected from the liquidation of collateral in relation to market value) and for recovery rates (proportion of the proceeds from the unsecured part of a receivable). The estimates are based on empirical values recorded by the bank itself and in cooperation with savings banks and other Landesbanken.

Exposure at Default.

Depending on the type of product, the market factor (interest rate, currency etc.) and the term, a differentiated calculation of potential future exposures is carried out, ensuring adequate application against the line.

Expected Losses and Credit Value-at-Risk.

The expected loss, as an indicator that depends on customer creditworthiness, an estimation of the amount of the loss and the expected exposure at the time of default, provides the basis for the level of the standard risk costs. In preliminary costing at the individual transaction level, these are included in the calculation of risk-adequate loan terms. At the portfolio level, this indicator can be used to ensure comparability between different portfolios and to check the plausibility of projected risk costs. In the context of calculating impairment, the concept of the expected loss is also used to calculate flat-rate risk provisions (GLLP and PLLP not impaired), in order to estimate the actual loss (incurred loss) that has not yet been recognized because of delays in information.

At LBBW, unexpected loss or credit value-at-risk (CVaR) represents the potential present value loss of a portfolio above its expected loss. Here, the amount is calculated that will not be exceeded by losses with a given probability (confidence level) within a time horizon of one year. Concentration risks play a particularly important role in this regard. Industry concentrations and volume concentrations in the case of individual borrowers increase portfolio risk, while a high level of granularity and diversification reduce this risk. LBBW uses a credit portfolio model based on the modeling of rating migration to calculate this value. The individual borrowers are assigned default and migration probabilities corresponding to their ratings. These are modeled in such a way that correlations between borrowers (particularly based on their allocation to sectors and countries) can be addressed adequately. The credit exposure is subject to mark-to-model valuation; the calculation is based on present value.

The credit portfolio model uses a Monte Carlo simulation approach to calculate risk. As for the other risk categories, the CVaR is calculated at a confidence level of 99.95%.

Stress Tests.

In addition to statistical indicators and risk measurement tools, which are ultimately based on historical data, stress scenarios play an important part in risk assessment at LBBW. These analyze in advance the impact of possible economic volatility, market crises and extreme scenarios in order to establish whether LBBW's risk-bearing capacity is adequate for these extreme situations. At LBBW, a set of standardized stress scenarios is calculated and incorporated into the risk-bearing capacity. This is supplemented by special stress scenarios according to current requirements, which analyze changes in LBBW's portfolio with regard to potential developments (e. g. crises in the sector). These scenarios are incorporated into management as information supplementing the value-at-risk indicators.

Risk Monitoring and Reporting.

Individual Transaction Level.

Monitoring of risks at the individual transaction level is ensured through ongoing observation of the customer and his environment by the risk analysts in the back office division who are responsible for the transaction.

LBBW's internal processes aim to identify commitments affected by low credit ratings or deterioration in credit ratings at an early stage, on the basis of early warning indicators. This enables us to start a dialogue with customers to initiate timely measures to prevent crises or at least mitigate them. Depending on the level of risk, problematic commitments are classified as cases requiring intensive tracking, restructuring or liquidation and are dealt with by a specialized division. LBBW aims to minimize losses through successful restructuring activities, in line with the bank's own interests and those of customers.

For specific reporting to the decision-makers in charge, an ad hoc reporting process is implemented for significant and extraordinary events. Larger and/or more complicated credit risk exposures are regularly reported to the Board of Managing Directors and the supervisory bodies with well-founded statements about the respective investment strategy and financial development.

Portfolio Level.

Monitoring of counterparty risk at portfolio level takes place predominantly in the Group Risk Control division, which, from an organizational point of view, is separate from the front and back office divisions. Among other things, this division is responsible for ensuring the suitability of scoring and rating procedures, measuring credit risk, monitoring counterparty and country limits and drawing up risk reports.

Risks are monitored through limitations at various levels of the portfolio: the Group credit risk is restricted by a limit on the economic capital on the basis of the credit value-at-risk (CVaR). Compliance with country limits is monitored with a special limit system. The financial institutions portfolio has both an overall limit and limits depending on countries, in addition to the country limit. Financial institutions that are not relevant to the system are also limited by means of a further limit for each country.

Industry risks arising from the corporates portfolio are restricted and monitored through the stipulation of industry-specific limits. The limit system is based on a risk-oriented industry key designed specifically for this purpose, which combines industry segments with high dependence of losses along the output chain of companies.

As part of the overall risk report, the report on the credit risk provides information on the risk situation at the level of the portfolio and compliance with the limits described. Here, the portfolios of relevance to risk are analyzed, taking into account concentration. If necessary, recommendations for action are made to decision-makers (Group's Board of Managing Directors and supervisory bodies). In addition, the Board of Managing Directors regularly receives portfolio reports from the respective back office divisions with detailed information on the development of risks in various business fields and on critical commitments. Reports on the ongoing development of actual risk costs and deviations from forecast or standard risk costs are also provided on a monthly basis.

Risk Management.

Above all, credit risks are managed through the guidelines of the credit risk strategy, compliance with the economic capital limits with regard to the credit value-at-risk and the monitoring of concentration risks (industries, countries, individual counterparties).

Individual Transaction Level.

Risk management at the level of individual counterparties is the duty of the credit back office divisions. Key elements of individual transaction management are risk-limiting, risk/return-oriented and business segment-specific guidelines as part of LBBW's credit risk strategy. The limitation of risks at individual transaction level is ensured partly by stipulating differentiated minimum levels of creditworthiness for borrowers. In addition, the loan amount and its term and collateral structure are linked to the customer group and the credit rating of the relevant borrower. The guidelines of the regulation on large exposures and multimillion loans are taken into account.

From an economic point of view, the question of whether a transaction will produce an adequate profit on a risk-adjusted basis is a key consideration before business is entered into; for this reason, preliminary costing of all transactions is compulsory at LBBW. In addition to the historical interest rate, the components in the calculations are the cost requirement margin (cover for processing costs), the capital range (interest on equity) and the risk range (cover for expected loss). The results of the preliminary costing calculation form the basis of business management at both individual customer and profit center/portfolio level.

Portfolio Level.

In the management of the Group's loan portfolio, the utilization of the limit on the economic capital for credit risks (based on the credit value-at-risk) is monitored particularly closely. On the basis of a traffic light system, measures to cut risk are commenced at an early stage if limits are close to being fully utilized. In addition, the results of the stress tests provide indications of potentially dangerous risk situations.

Country limits are determined by the Board of Managing Directors, based on the proposal of the Country Limit Committee. If the country limit is almost fully utilized, targeted action is taken against the country and transfer risk through the imposition of bans on business. If country credit ratings deteriorate, limits are reduced or completely abolished.

The limitation on the financial institutions portfolio and the corporates and industries portfolio is monitored on an ongoing basis and, if necessary, controlling measures such as the purchase of hedging transactions or a ban on new business will be triggered.

At the level of business fields, risks are limited through adherence to the quantitative guidelines of the credit risk strategy with regard to rating structures, the portfolio quality and risk/return guidelines (e. g. targets for the return on equity). As the strategy is geared towards operating business divisions, clear (sub-)portfolio responsibilities are defined for compliance with guidelines under the credit risk strategy. In addition, the strategy guidelines extend to the product types permitted for each business division.

On December 1, 2009, LBBW set up a new division within the back office department. It is responsible for the management of the credit investment portfolio (CIP). The credit substitute business of LBBW, the former Sachsen LB and the former LRP is bundled within the CIP. The portfolio is to be liquidated gradually over the next few years as part of the restructuring of LBBW.

Risk Situation.

The different portfolio presentations according to rating levels, industries and regions give an overview of the risk situation of LBBW. In the following tables, the amount reported is the exposure. This is defined as utilization plus external open loan commitments.

Rating and Industries.

The presentation of the portfolio in the dimensions of rating and industry provides information on the scope of LBBW's business activities, while the respective rating structure reflects the risk situation.

In this industry classification, output chains in the real economy and the default correlations resulting from these are taken into consideration by applying an internal risk-oriented industry key.

Exposure According to Rating and Industries*.

EUR million	AAA – BBB –	BB+ – B+	B – C	Default	Other	Total
Financial institutions	**229 772**	**13 539**	**2 685**	**2 169**	**3 858**	**252 022**
Banks	193 121	5 973	758	1 029	339	201 221
Financial services providers	36 650	7 565	1 927	1 140	3 519	50 802
Companies	**87 877**	**36 140**	**10 846**	**4 929**	**3 310**	**143 102**
Automobiles	7 444	4 685	3 603	875	54	16 661
Construction	3 875	2 778	487	415	170	7 725
Cross-industry services for companies	2 661	1 071	260	168	360	4 522
Commercial real estate	12 268	7 985	1 982	1 436	142	23 814
Healthcare	3 149	1 022	117	134	186	4 608
Foodstuffs trade and other non-cyclical consumer goods	5 081	922	31	42	29	6 106
Telecommunications	4 924	503	129	41	54	5 651
Transport and logistics	3 963	1 615	804	115	100	6 598
Insurance	5 982	245	171	42	87	6 526
Utilities	12 787	1 049	117	80	36	14 069
Other sectors**	25 743	14 264	3 144	1 581	2 092	46 823
Public sector	78 323	1 910	18	6	5	80 261
Private individuals	3 336	3 295	295	419	13 373	20 718
Total	399 308	54 884	13 845	7 522	20 546	496 104
in %	80.5 %	11.1 %	2.8 %	1.5 %	4.1 %	100.0 %

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

From this rating distribution it can be seen that transactions with customers with good to very good credit ratings (investment grade ratings) account for 80.5 % (previous year: 81.3 %) of the portfolio. However, in the wake of the economic and financial crisis, the share represented by commitments where there has been a default on payment (see »Default« column) increased to 1.5 % of the overall portfolio (previous year: 1.2 %). The »Other« column lists transactions with customers where rating/scoring has not been carried out, e. g. for reasons of risk relevance.

The industry breakdown reveals financial institutions as the largest partial portfolio. Of this, savings banks and Landesbanken represent approximately one third of the exposure.

The portfolio of corporate customers shows the diversification of industries in place. The exposure of the largest industry »Commercial real estate« must be put into perspective in that the credit risk arising from this partial portfolio is significantly reduced by the collateral in place. In the second largest industry »Automotive«, the exposure to suppliers and machine builders, for example, with a focus on sales in the automotive industry is also reported through the application of the risk-oriented industry key. The altered rating structure in the automotive industry compared to the previous year reflects the current economic situation in this industry. The third largest industry »Utilities« includes over 90 % very good to good credit ratings, which are often those with a municipal background (e. g. public utilities). Business with the public sector and private individuals contributes to further portfolio diversification.

Regions.

In the regional distribution, business in Germany predominates, with a share of 59.6 % (December 31, 2008: 55 %). This reflects a focus on core markets in private, SME, and large client business, as well as on the function as a central bank to savings banks. 89.4 % of foreign commitments are distributed across Western Europe and North America; therefore, countries with no (euro zone) or very low transfer risks. Total commitments in Eastern Europe, Latin America, Africa and those with supra-national institutions represent less than 2 % of the overall portfolio.

Exposure according to regions.

Region	Share
Germany	59.6 %
Western Europe (excluding Germany)	27.5 %
North America	8.5 %
Asia/Pacific	2.6 %
Eastern Europe	1.1 %
Latin America	0.5 %
Africa	0.0 %
Supra-national	0.0 %
Total	100 %

Figures may be subject to rounding differences.

Risk provisions.

The development of risk provision is shown in the table below:

Valuation result – Lending.

EUR million	Portfolio 12/08	Addition from consoli-dation	Additions	Reversals	Utilization	Direct write-offs/ recoveries on loans written off	Currency difference
Credit risks	2 976.6	105.5	2 142.9	646.8	334.9	140.5	18.0
General bad debt provision	363.7	– 13.0	342.0	236.2	0.0		0.0
LBBW-Bank	**3 340.3**	**92.5**	**2 484.9**	**883.0**	**334.9**	**140.5**	**18.0**

EUR million	Risk costs (reported in net profit/loss) Risk costs	Portfolio 12/09	in % of total exposure	Exposure
Credit risks	1 636.7	4 261.4	0,86 %	496 104.1
General bad debt provision	105.7	456.5		
LBBW-Bank	**1 742.5**	**4 717.9**		

Market Price Risks.

LBBW defines market price risks as potential losses resulting from unfavorable changes in market prices. Market price risks are broken down by influencing factors.

The following characteristics of market price risks arise from the business activities of LBBW Bank:

Characteristics of Market Price Risks.

Market price risks	**Characteristics**
Share price risks	■ General and specific price risks ■ Option risks
Interest rate risks	■ General and specific interest rate risks ■ Option risks ■ Credit spread risks
Foreign exchange/ commodities risks	■ Exchange rate risks ■ Commodities risks ■ Option risks

Risk Measurement.
Risk Model.

At LBBW, the value-at-risk (VaR) from market price risks is calculated at a confidence level of 99% and a holding period of ten days. A 95 % confidence level and one-day holding period are applied for internal Bank management purposes.

This calculation is based on a procedure involving a traditional Monte Carlo simulation. In most cases, the simulation enables LBBW to not simply market-induced value fluctuations, but to measure them fully, even for complex transactions. Historical time series for the preceding 250 days are equally weighted in covariance estimates. LBBW backtests its analyses to ensure the quality of the VaR estimation procedures applied The LBBW model is also used for other Group companies with material market price risks, enabling Group-wide standardized management based on the value-at-risk risk indicator.

At LBBW, market price risks are consistently modeled in the trading book and banking book using the same VaR methodology. Trading portfolios and the strategic position of the banking book can be affected by potentially detrimental developments in market interest rates. Both absolute levels and the shape of the yield curve can have a significant influence on the LBBW interest position. These types of developments are included in the simulations used in calculating VaR. Moreover, basis risks that arise due to relative movements of various interest rate markets in relation to each other are included in risk calculations. Basis risks are very strongly dependent on the correlation of the underlying yield curves.

In the course of the financial market crisis, the credit spread risks have become an important part of LBBW's market price risk. The transactions of the trading book and the banking book that are sensitive to creditworthiness are mapped onto rating- and industry-dependent yield curves. As such, general credit spread risks from bonds and ABS as well as the traditional lending business are also measured. In addition, the issuer-specific risk for securities and ABS is calculated using the spread (and the spread volatility) of individual counterparties. The credit spread risks from all credit derivatives are determined using a multi-index model. The respective credit spreads of the reference debtor are entered into the risk calculation.

The calculations of VaR and sensitivities are supplemented with separate stress scenarios for the trading book and banking book on a weekly basis. Stress testing is used to examine how the value of the portfolio changes under extreme market conditions. LBBW uses both self-defined (synthetic) and historical market movements with a focus on modeling particular curve movements and spread changes. Synthetic scenarios mainly refer to selected market factor groups (such as interest shifts, equity shifts) on an individual basis or in combination, or stress testing of basis risks (e.g. of different yield curves). Historical scenarios have been generated from data analyses of market shocks, with stress tests for the financial crisis having been specifically added to the scenarios in question. All scenarios serve the purpose of modeling extreme events on the financial markets that, as history-based indicators, are not specifically included in VaR, in order to enable LBBW to prepare for the future. The findings are taken into consideration and reported to the relevant decision-makers both on a portfolio basis and with regard to their impact on the Group as a whole and its risk-bearing capacity.

New Products and Further Development of the Risk Model.

Before new types of products are approved for LBBW's trading units, they are subject to a »New Product Process« that ensures that these products are included in LBBW's various systems, such as those of accounting and risk controlling. If it is not possible to fully integrate the products into the model immediately, a step-by-step approach is taken whereby these products are initially only traded under strict supervision.

LBBW further developed its internal market risk model in 2009 based on, for example, the altered dynamics of the capital markets and changed risk positions. The main improvements to the model include:

- the changeover to a classic Monte Carlo simulation approach and dispensing with the use of main components and scenarios formed for interest rate risks,
- providing the market risk model with market data from a central market database,
- sophisticated mapping of the market risk of capital market floaters by applying differentiated discount and forward yield curves and
- the inclusion of European sovereigns in the multi-index model for improved mapping of general CDS spread risks.
- The presentation of banking book holdings has been improved considerably as regards the inclusion of credit spread risks (e.g. conduits included in full, inclusion of specific bond risks for overall banking book holdings).

For the purpose of regular quality assurance and validation, the adequacy of risk modeling and the risk factors used are reviewed regularly in addition to valuations. If certain markets and risk types become more important in the future, LBBW can flexibly expand the self-developed model.

However, limits have generally been set for the valuation procedure: all types of modeling are simplified compared with reality. LBBW counters these kinds of »model risks« with conservative parameters and with the use of various procedures such as VaR, sensitivities, stress values, etc. In certain cases, writedowns are taken or special limits are set if uncertainties exist with regard to the associated valuation procedures. An appropriate buffer is also kept available in aggregate risk cover for model risks.

Risk Management.

Ongoing risk management is handled by the relevant person with portfolio responsibility in the trading units and Treasury division within the scope of the market price risk strategy and the limits set. Limits based on value-at-risk (VaR), stop-loss and sensitivities are set by the Board of Managing Directors. In the case of certain sub-portfolios, this authority is assigned to individual members of the Board of Managing Directors, who then further delegate this authority according to a hierarchical system of responsibilities.

The Board of Managing Directors has delegated the strategic management of all other market price risk positions in the banking book to its Treasury Management Committee. The proposals developed by the Treasury division for strategic positioning are presented for approval at monthly meetings. The results are reported to the Group's Board of Managing Directors.

Interest rate risks from new transactions with customers are largely closed out by the Treasury division in near-real time via offsetting transactions.

The trading divisions are responsible for managing market price risks in the trading book. The trading divisions are home to the Bank's trading and sales units organized by product responsibility: The main task assigned to the sales units involves trading transactions with customers, as well as building and maintaining relationships with institutional investors. They do not enter into any risk positions above and beyond these responsibilities.

The trading units are primarily responsible for the Bank's proprietary trading. In addition, the market price risks arising from transactions entered into by the sales groups that will not be hedged by Treasury are assigned to the trading books. The trading units are assigned responsibility for market price risks and earnings.

Risk Monitoring.

The utilization of limits and compliance with the risk strategy is monitored by Group Risk Control and reported to the relevant persons with portfolio responsibilities and the Group's Board of Managing Directors. In addition to daily reports, the Board of Managing Directors also receives more detailed monthly reports in the overall risk report about the effects of market price risks on the risk and earnings situation and weekly reports on worst-case results.

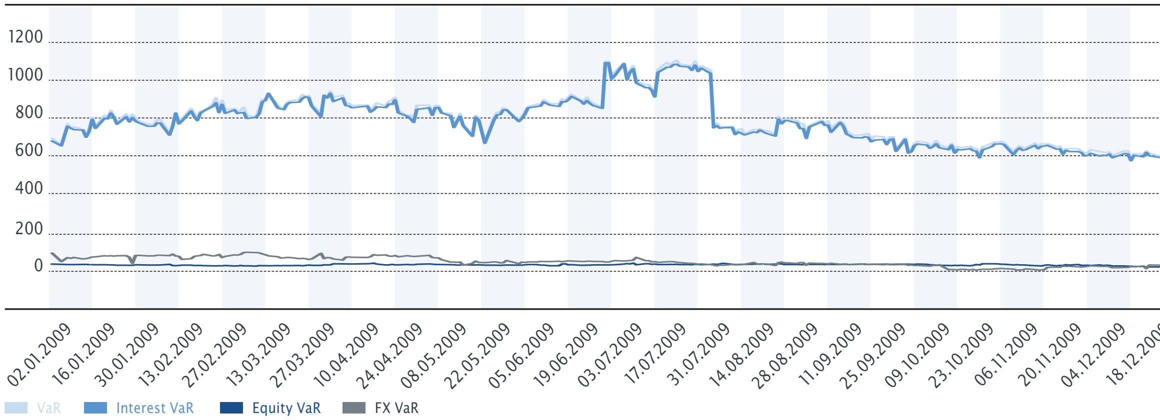
Risk Situation.

Development of Market Price Risks.

The market price risks entered into were fully within LBBW's risk-bearing capacity in 2009. The stop-loss limit was adhered to throughout the entire year. However, the financial market crisis led to VaR limit excesses up to the level of LBBW Bank in the first quarter of 2009. These limit excesses were communicated and monitored in line with the internal escalation process.

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

Risk at LBBW Bank, EUR million.



Over the course of 2009, a general decline in volatility and an increase in correlations of market parameters were observed thanks to the recovery of the financial markets. This reduced the level of risk in comparison to the previous year. The increase in risk at LBBW in the middle of the year is attributable to the comprehensive inclusion of conduits in the risk calculation. Risk then declined again significantly in August, as the ABS positions guaranteed by the risk shield were no longer reported under the market price risk of LBBW.

LBBW's market price risks are characterized overall by interest rate and credit spread risks. The overall risk is dominated by the positions in the banking book. The basis risks in the interest rate range between the euro financial curves and the swap curve, as well as the exposure to credit spreads including the risks from fixed-income securities, credit derivatives and the credit substitute business, play a decisive part here. Equity risks, along with foreign exchange and commodities risks, are less significant for LBBW than interest rate and spread risks. The former also include risks from precious metals and currency portfolios, which LBBW only holds to a limited degree.

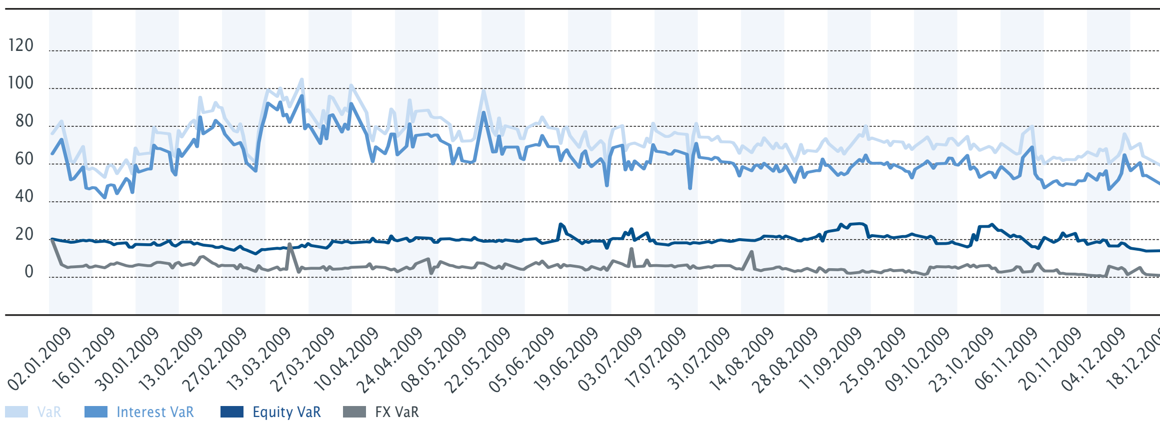
The following table illustrates the composition of VaR (99 %/10 days) by risk type at the Bank level:

VaR 99 %/10 days

EUR million	Average	Maximum	Minimum	30.12.2009	30.12.2008
LBBW Bank	**792**	**1 100**	**592**	**620**	**760**
Interest rate risks (including credit spread risks)	780	1 087	575	611	745
Equity risks	32	41	21	23	34
Currency risks	48	98	4	40	65

The following gives a graph and a table showing the composition of market price risks for the trading book positions.

Risk Trading Book, EUR million.



VaR 99 %/10 days

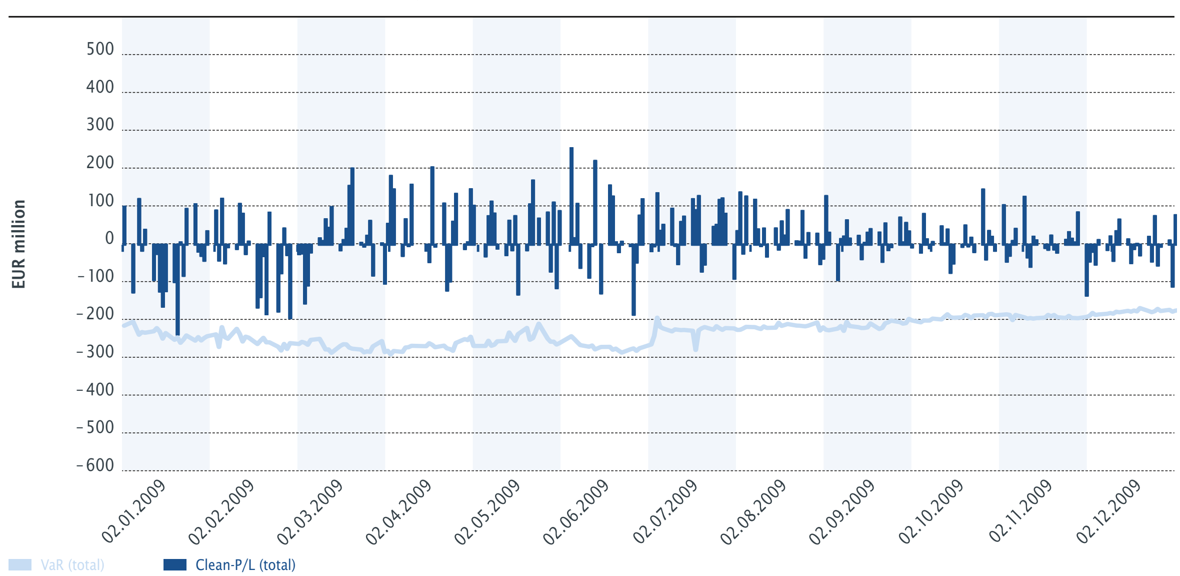
EUR million	Average	Maximum	Minimum	30.12.2009	30.12.2008
LBBW Bank trading book	**69**	**98**	**50**	**62**	**74**
Interest rate risks	59	90	40	53	64
Equity risks	19	27	13	14	19
Currency risks	6	19	2	2	8

Backtesting.

The VaR value calculated by the risk model represents a statistical forecast of expected portfolio losses from market price risks over the respective time periods. In order to verify the suitability of the model, it is necessary to test the quality of forecasts. This process is called »backtesting«. In concrete terms, this process involves counting the number of times VaR is exceeded by actual portfolio value changes (clean-P/L) called »outliers«, as the result of changes in market data. As of December 30, 2009 (inclusive), backtesting for the preceding 250 trading days indicated no model outliers for LBBW's trading positions or LBBW Bank. The trading portfolio, for which capital adequacy for equity risks and general interest rate risks is measured using the internal risk model, also did not show any outliers. This means that no additional equity capital needs to be deposited for model outliers for regulatory purposes.

Portfolio Backtesting – LBBW Bank for the Period from Jan. 2, 2009 – Dec. 30, 2009.

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



This graph shows how risk and the fluctuation of the clean-P/L lessened over the course of the year thanks to the stabilization of the financial markets.

Stress Test.

The effects of simulated stress scenarios increased considerably in 2009. In the first six months of 2009, there were limit excesses for the stress test limit of LBBW Bank, yet the overall buffer for all stress scenarios was not exceeded at any time. These limit excesses were communicated and monitored in line with the internal escalation process.

Market Liquidity Risk.

Market liquidity risk designates the risk that transactions cannot be closed out, or can only be closed out at a loss, due to inadequate market depth or market disruptions. For example, if a large volume were to be bought or sold quickly, then a corresponding market influence would be anticipated and potentially reduce the expected proceeds. Market liquidity risks are seen as a component of market price risks for trading products (particularly in the case of securities).

In some cases, LBBW addresses such risks by monitoring bid-offer spreads in the securities held in the portfolio. These are compared with the associated volumes traded. This correlation is then transferred to the volume in LBBW's portfolio and converted to a potential loss value. The risks arising from illiquid stocks in the trading portfolio are minimized through use of a separate limit and are not material to LBBW.

Moreover, the concept of market liquidity risks also relates to potential losses in the sense that the liquidity of market segments can decline, as was the case in 2007 and 2008 with credit spread products and especially securitizations. Since then, the sudden lack of liquidity in what up to that point were very liquid markets has resulted in difficulties in market valuations and the downstream processes in these market segments.

The limited liquidity of products usually leads to a higher volatility and thus to an increase in the market price risk. The market liquidity risk is thus implicitly included in the market price risk calculation to a large extent. However, a sudden lack of liquidity in market segments which are normally very liquid cannot be comparably illustrated using historical models. In this case, assumed scenarios and flat-rate mark-ups must be used. LBBW's risk management also aims to retain a great deal of room to maneuver even in crisis situations, since losses can be avoided if an institution is not forced to sell or close, despite unfavorable market liquidity situation positions.

Liquidity Risks.

LBBW's liquidity risk monitoring and management activities draw a distinction between short-term liquidity risk, which represents the risk of insolvency due to an acute lack of funds, and funding (spread) risk, which describes the adverse effects on income resulting from a possible deterioration of the funding spread.

Risk Measurement.

Short-term liquidity risk in the sense of the availability of sufficient cash at any time cannot be adequately quantified or analyzed on the basis of value-at-risk. It is therefore managed using quantitative standards in the LBBW Group, which have been established by the Board of Managing Directors in accordance with liquidity risk tolerance.

Determining the liquidity risk position involves:

- Regularly preparing liquidity gaps over a time horizon of up to 12 months, both on a daily basis and on at least a weekly basis for the Board of Managing Directors.
- Preparing gaps for long durations on a monthly basis in order to analyze funding (spread) risks.
- Calculating the potential funding available from central banks on a daily basis.
- Regularly preparing an investor list, on the basis of which any changes with regard to the diversification of the investor base can be identified.
- Analyzing the three scenarios »rating downgrade«, »financial market crisis« and »combination« (market crisis at the same time as downgrading of LBBW and competitors) as part of regular stress tests. Ongoing review and, if necessary, adjustment of assumptions and parameters used.

Liquidity risk tolerance is largely defined via a »survival period concept«, i.e. time frames are specified as regards how the Bank is expected to remain at least solvent, even in the event of severely limited opportunities to borrow on the market, subject to different combinations of assumptions (development paths). In addition, absolute limits are in place for the maximum funding requirements based on maturities from the business portfolio from a 3-month and 12-month perspective.

In order to analyze liquidity risks in the Group, all key subsidiaries and all conduits/SIVs are included in regular reporting in accordance with LBBW guidelines (weekly consolidated cash flow, in further detail in overall risk report on a monthly basis). Liquidity risks from off-balance sheet company constructions are generally analyzed and reported in the same way as on-balance sheet liquidity risks.

Risk Management.

The management of liquidity risks and funding is carried out by the Treasury division taking into consideration the measures stipulated in the liquidity risk tolerance, with the primary objective of ensuring solvency at all times as well as active earnings and risk optimization for existing mismatched maturities as part of funding planning.

The funding strategy of LBBW aims to diversify product and investor groups. In 2009, investments by savings banks and institutional investors within Germany constituted the main sources of medium and long-term funding in addition to the retail business.

The setting of internal offsetting prices in line with the market by the Treasury division is a fundamental aspect of management for the assets and liabilities side of LBBW. If necessary, the offsetting prices are quickly adjusted to altered market conditions.

The Treasury Committee is responsible for securing intraday liquidity in trading. Here, planning daily payments and calculating cash requirements up to the end of the day is carried out, while continually taking into account inflows and outflows from payments which only emerge during the course of the day as well as the central bank function for savings banks.

A detailed emergency plan is in place for securing liquidity in acute crisis situations. The provisions made include those for the formation of a crisis response team bringing in members of the management. The emergency plan is reviewed at least once a year and resolved anew by the management.

Risk Monitoring.

The regular monitoring of liquidity risks is the responsibility of the Risk Committee of LBBW at management level and Liquidity Risk Control within the Group Risk Control division at operating level. As part of the overall risk report, the Risk Committee reports in detail on all material aspects of liquidity risk, such as liquidity requirements, liquidity reserves and compliance with the specifications on liquidity risk tolerance including the results of the stress tests carried out.

Risk Situation.

At the start of the year, the money and capital markets were still very much characterized by the aftermath of the shock of the insolvency of Lehman Brothers in September 2008. Despite these limitations, it was possible to scale back the liquidity risk position of the LBBW Group to the required extent, had expanded as a result of the takeover of Sachsen LB and Landesbank Rheinland-Pfalz. In the second quarter, the Group suffered a deterioration in the evaluation of its creditworthiness by the ratings agency S&P to A– (long-term), A–2 (short-term). The impact on funding costs and funding potential became apparent in the loss of investors on the international market. There was barely any discernible reaction on the domestic market. The second half of the year passed off quietly for liquidity risk management, with no significant events.

Even in 2009, the LBBW Group was able to obtain sufficient refinancing funds via the market at all times.

The requirements of the liquidity regulation were adhered to at all times in 2009.
As of December 31, 2009, LBBW Bank’s liquidity ratio was 1.52 (2008: 1.54).

Operational Risks.

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

Risk Measurement.

The standard approach is used to measure operational risk at LBBW. An OpVaR model is to be deployed for internal management from 2010 onwards.

Risk Management and Monitoring.

Ensuring an active risk culture in dealing with operational risks is the prerequisite for monitoring and managing these risks. All employees are encouraged to handle operational risks responsibly.

At LBBW, the management of these risks is mainly the responsibility of the individual divisions. In this context, the local Operational Risk Managers are very important. They support division management and managing directors in the use of operational risk controlling tools, are contacts for their respective employees regarding operational risks, and are in close contact with LBBW's centralized OpRisk Controlling unit. An independent, centralized organizational unit within the Group Risk Control division is tasked with further developing and implementing the methods and tools used by OpRisk Controlling. To the extent that this is possible and reasonable, the central Group Strategy/ Legal division obtains insurance policies to cover potential losses.

One of the main goals of the operational risk management and control activities is to identify operational risks at an early stage and to reduce or avoid the resulting losses by implementing the appropriate measures. Various tools are used to identify and assess the risk situation. As well as the internal and external incident database, the risk inventory (self-assessment and scenario analysis) and the analysis of risk indicators, the management of OpRisk measures also plays an important role in the management of operational risks.

The centralized OpRisk Controlling unit provides decision-makers with relevant information as part of regular risk reporting. The Risk Committee supports the Board of Managing Directors in exercising its supervisory function. In this forum, incident reports and risk inventory results are discussed, along with measures aimed at promoting a sound and safe risk culture at LBBW and current events.

In the 2009 fiscal year, the new functions of the software used at LBBW to manage operational risks were gradually introduced. This includes the application of a new tool for managing measures. The aim is to optimize risk management and raise awareness of risks in these divisions.

Risk Situation.

As the information presented in the sections below illustrates, LBBW does not expect any operational risks occurring that could jeopardize its existence. Despite the extensive precautionary measures taken, operational risks can never be avoided entirely.

IT Risks.

LBBW takes international IT security standards into consideration on a continual basis and complies with ISO standards 27001, 27002 and 27005. IT risk management has been centralized for the two IT divisions, IT Financial Markets and IT/Organization. In this process, the role of the Operational Risk Manager for the IT divisions has been bundled and transferred to the area of responsibility of the Group IT Security Officer.

LBBW has set up a special IT crisis response team to ensure that its business operations are maintained and that it can function if IT systems fail; in the event of an emergency, this team will coordinate all activities and provide centralized communications capability, with the savings banks in Baden-Württemberg among others, in accordance with defined procedures. The course of action and organizational measures to be taken in the event of a crisis are described in an IT crisis management manual. IT operations have emergency plans in place for operating IT systems in an emergency.

Emergency plans for maintaining operations manually are available in the various departments.

LBBW maintains two independent, geographically separate data centers for production operations. In terms of its mainframes, LBBW has set up a backup operation with data mirroring that provides emergency backup requiring downtime of no more than three hours. A backup system with data mirroring has also been implemented for trading systems. Backup tests are run regularly to verify functionality and to train employees. In addition, backup workstations have been set up for trading and processing trading transactions.

At this time, LBBW does not face any unusual IT risks. LBBW has ensured well-organized IT operations for the future by constantly updating and improving its IT environment.

Personnel Risks.

LBBW's success depends materially on the dedication of its employees, and this idea is anchored in LBBW's mission statement: »We as employees drive the success of the Bank. Thanks to our expertise, knowledge, and commitment.« The objective of comprehensive personnel risk management is to identify negative trends (risk monitoring) and to evaluate measures suitable for preventing or minimizing risk (risk management).

The human resources department distinguishes between various types of personnel risk for purposes of risk monitoring and management. The goal is to identify bottleneck, resignation, adjustment and motivation risks early on, and to minimize the resulting costs, such as staff recruitment, termination and staff turnover expenses. These risks are measured by periodically evaluating and analyzing key human resources indicators, such as turnover rates, absences, or data concerning personnel development measures (particularly management training measures), as well as comparing these indicators across the Group.

In the risk category of »resignation risk«, for example, employees leaving LBBW are surveyed in writing about their reasons for leaving. This provides these employees with another opportunity to express freely their opinion about LBBW as an employer.

A focus here is developing and promoting young employees within the company. In order to counter the risk of a lack of high-performance employees (»bottleneck risk«), employee potential is systematically documented and analyzed. The age structure of LBBW's employees is watched particularly closely due to demographic changes, although this does not require any action in the immediate future.

LBBW has already implemented a series of measures to counter possible personnel risks. These measures range from legal protection for LBBW to ensuring that employees are qualified to do the tasks assigned to them. Among other things, a target group-oriented specialist training program is held annually. In addition, a dedicated department is responsible for education concerning and monitoring of statutory money laundering and compliance regulations.

The staff cuts announced within the framework of the EU restructuring project could lead to an increased staff turnover rate in 2010. Against the backdrop of the current historically low level of employee turnover, this risk is seen as very much controllable.

Legal Risks.

Legal risks comprise economic risks due to omission of and/or non-compliance with the framework of rules established by legal regulations and court rulings. These risks arise from a lack of knowledge of the specific legal situation, insufficient application of the law, or delayed reaction to changes in the general legal framework (including cases where this is unavoidable or the employee is not at fault, or as a consequence of changes in legislation, court rulings or administrative practice, particularly at national and European level). Legal risks are mainly managed by LBBW's Legal departments (as part of the Group Strategy/Legal division). They provide advice on legal matters to the Bank and its German and foreign subsidiaries, branches, and representative offices. In addition, their responsibilities include early identification of legal risks in business units and central divisions in cooperation with the latter, and limiting these in a suitable manner.

The National Legal and International Legal departments have themselves developed or examined and approved for use by LBBW's business areas a variety of contract forms and sample contracts in order to minimize legal risks and simplify the business activities of the front office and trading divisions. In relation to this, the Bank is supported by the cooperation of the German Savings Bank Association (DSGV) and the forms developed in the committees there and made available by the Sparkassenverlag publisher. Approved, standardized contract materials are used for derivative transactions wherever possible. If legal questions arise in new areas of business or during the development of new banking products, the Legal departments supervise and actively participate in these processes.

Furthermore, the Legal departments monitor all planned legislation, developments in court rulings, and new standards stipulated by the supervisory authorities in LBBW's key areas of activity in close cooperation with in particular the Association of German Public Sector Banks (VÖB), the German Savings Bank Association (DSGV), and the Association of German Pfandbrief Banks (VdP).

To the extent that this results in LBBW having to take appropriate action with regard to legal matters or adapt its policies, the Legal departments are instrumental in disseminating information quickly and implementing measures within the Bank. No legal risks currently exist at LBBW that could threaten its existence. The Group Strategy/Legal division also has no reason to believe that such risks will arise at LBBW in the foreseeable future.

Internal Control and Risk Management System with Regard to the Accounting Process.

LBBW defines the internal control and risk management system as a comprehensive system and follows the definitions of Institut der Wirtschaftsprüfer in Deutschland e.V. (the German Institute of Public Auditors in Germany) on the accounting-related internal control system (IDW PS 261 Item 19 f.) and the risk management system (IDW PS 340 Item 4). This includes principles, procedures and measures with the objective of implementing management decisions aimed at

- securing the effectiveness and efficiency of business activities (this also includes the protection of assets, including preventing and detecting asset damage),
- ensuring the regularity and reliability of internal and external accounting and
- ensuring compliance with legal requirements of relevance to the Company

within the organization.

The internal control and risk management system helps to provide a true and fair view of the net assets, financial position and results of operations of LBBW. A key aim is to ensure that all transactions are recorded, processed and documented in full and correctly in accordance with legal regulations and standards as well as provisions pursuant to the bylaws and other guidelines.

The accounting-related internal control system (ICS) primarily comprises the control environment, risk assessment, control activities, information and communication as well as monitoring.

The accounting-related risk management system (RMS) consists of risk identification, subsequent risk assessment, the catalog of risk management measures derived from this and ongoing risk controlling together with adequate communication to all those involved in the process.

As regards the management of risks, the accounting-related internal control system constitutes an integral part of the accounting-related risk management system. The two systems are therefore presented together.

Control Environment.

LBBW features a clear organizational, corporate, and control and monitoring structure. The Board of Managing Directors takes overall responsibility for the internal control and risk management system. All strategic units are included by means of a clearly defined management and reporting organization. The departments involved in the accounting process conform to quantitative and qualitative requirements. The employees tasked with the accounting process are provided with regular, comprehensive training.

Risk Assessment and Control Activities.

When implementing controls, a risk assessment is taken as a basis and the principle of efficiency is observed. Clear regulations are in place regarding the scope of the controls and responsibilities integrated into working processes. Control functions are exercised in the respective specialist department. The control targets defined at LBBW in their entirety indicate the identified risks.

The preparation of the financial statements by the Accounting/Reporting/Tax division is predominantly carried out on a decentralized basis at LBBW in conjunction with the relevant specialized divisions. Detailed timetables and workflows are in place for all monthly, quarterly and annual financial statements, which are monitored and managed centrally. Responsibilities in all areas of the accounting process are clearly assigned. The relevant activities in terms of risk are distributed across several organizational units within the organization of business processes. The dual-control principle is applied across-the-board for all processes relevant to accounting.

In terms of the IT systems used, preference is primarily given to standard software that is protected against unauthorized access. Portfolio management front-end systems (sub-ledgers), the SAP general ledger system and a central data warehouse (FDB = Financial Database) are used for the preparation of financial statements. The FDB contains all data necessary for preparing the financial statements.

The specialized divisions record, process and post transactions relevant to accounting, which are mapped by the system, in the appropriate IT systems. From here, the transactions and master data are then transferred into the FDB. Data from the front-end systems and FDB are automatically posted in the SAP general ledger, where the balance sheet and income statement are prepared.

Extensive ICS reconciliation steps take place at the interfaces between the sub-ledgers, the FDB and the SAP general ledger, where the completeness and accuracy of the data is checked and documented on a monthly basis as part of standardized reconciliation operations. As regards the annual and semi-annual financial statements, the control processes are also discussed by the relevant system administrators in Accounting in separate quality assurance meetings. Any inconsistencies that may arise are rectified by carrying out these ICS reconciliation steps. Measures to be taken to eliminate future errors are also established on the basis of this.

In order to measure financial instruments, LBBW draws on external data sources (stock exchanges, price service agencies, quotations and indications from market participants) or model measurements from the front-end systems, Risk Control or other internal price sources, which in turn rely on observable parameters from current external data sources wherever possible. These measurements are based on models which conform to the market standard and are operated or have been received by Risk Control. A separate organizational unit »Independent Price Verification« exists within the Risk Control division which checks individual measurements, such as securities prices, and ensures independence in trade if applicable.

Information and Communication.

The principles of LBBW, the organizational structure and procedures and the processes of the accounting-related internal control and risk management system are set out in manuals and guidelines (e.g. accounting guidelines, operating procedures, specialist concepts etc.), which are regularly adjusted to current external and internal developments and published on the LBBW intranet. The »Basic Accounting Issues« department identifies and analyzes all legal changes which have an impact on the accounting process. It informs the specialized divisions affected and ensures that these are implemented promptly and in accordance with their respective specialization. New types of products are examined in detail in the New Product Process as regards how they should be treated in accordance with the German Commercial Code. The regulation of structures and embedded derivatives is also carried out here for each product type. This regulation is stored in a database system (FinNexus) developed in-house. In the case of new types of products, the correct mapping, analysis and recognition of transaction types is also checked in a test phase.

Monitoring.

The effectiveness and suitability of the ICS and RMS are regularly monitored. This ensures that potential improvements are identified and processes are adjusted accordingly where required.

Group Auditing and the Audit Committee set up by the Supervisory Board serve as senior monitoring bodies. Group Auditing reports directly to the Board of Managing Directors. It presents the findings of its audits to the Board of Managing Directors and the employees responsible for the respective specialist area in audit reports. The management must be informed of particularly serious failings immediately.

Group Auditing monitors the resolution of audit findings, sends out reminders regarding this if necessary and then escalates this if required. It carries out follow-up audits where necessary. An annual report informs the Board of Managing Directors of the key findings of audits carried out over the course of the year, including the agreed course of action and the completion status. This procedure ensures that weak points are identified promptly and that these are rectified. The Audit Committee deals with the analysis and preparation of audit findings and informs the Supervisory Board of these activities.

Investment Risks.

LBBW invests in other companies or assigns functions to subsidiaries if this appears to be a logical choice after consideration of strategic aims or returns.

Here, equity investments are managed by the relevant specialized and operating divisions of LBBW based on the division of tasks.

Early identification of business and risk developments at LBBW's subsidiaries and equity investments is particularly important for investment controlling purposes. To this end, regular coordination meetings are held at the corresponding management levels of LBBW and the subsidiary/equity investment, particularly in the case of companies that are material in terms of risk management from a Group perspective. In addition, these companies' results and planning are regularly monitored by the organizational unit responsible for equity investment management in the Group Strategy/Legal division at LBBW. This unit also produces extensive reporting on this issue for the Board of Managing Directors and governing bodies.

The companies in LBBW's equity investment portfolio are assigned to one of two categories in terms of risk:

Material subsidiaries, i. e., companies in which LBBW is the majority shareholder and whose risk potential (in the main risk categories of credit risk, market price risk, liquidity risk, operational risk, and real estate risk) is deemed to be material from the Group's perspective.

Non-material subsidiaries and equity investments, i. e., companies in which LBBW is the majority shareholder and whose risk potential is deemed to be immaterial from the Group's perspective, or minority equity investments, i. e., companies in which LBBW as the minority shareholder does not have the direct influence possible in the case of companies in which a majority interest is held.

As much as possible, the so-called transparency principle is applied to material subsidiaries, or they are being integrated into this approach step-by-step. In accordance with the transparency principle, risks identified as material at the respective companies are measured according to LBBW's principles and parameters and included at the level of LBBW in an aggregation or Group assessment.

In the case of the non-key subsidiaries and minority interests, the risk potential is quantified based on the interest held and included as a whole in LBBW's risk management system. This calculation is made using a ratings-based credit VaR approach which is prepared by Group Risk Control and serves as the basis for recognition in the risk-bearing capacity.

LBBW pursues a selective equity investment policy. As a rule, a comprehensive risk analysis (of legal, financial and other risks) is performed in the form of due diligence, generally in conjunction with LBBW's specialized divisions, before equity investments are acquired. Of particular importance here are factors such as ensuring that inappropriate concentrations of risk do not arise in the investment portfolio.

LBBW aims to use transaction agreements to contractually hedge risks as much as possible, such as through option agreements or earn-out clauses. In addition, the buying process includes valuation of equity investments taking into account capital market-oriented risk premiums.

Enterprise values for LBBW's equity investments are calculated in accordance with the guidelines issued by the Institut der Wirtschaftsprüfer (IDW – the German Institute of Auditors) at least once a year as part of preparatory work for the annual financial statements. For the half-year report, a plausibility check of the book values is performed using calculations pro-rated for the period.

Besides the risk of a potential decline in value as the result of defaults, there is also a risk that LBBW will receive an insufficient return or no return at all on its investments. However, this risk corresponds to the above-mentioned general book value or corporate value risk due to the focus on capitalized income value in the valuation of equity investments.

In addition to the usual risks inherent in equity interests through the investment of capital, liability risks also arise from the profit and loss transfer agreements signed with some subsidiaries and from the responsibility for fulfilling the maintenance obligation (Anstaltslast) and guarantor's liability (Gewährträgerhaftung) for equity investments in public-sector banks. Furthermore, LBBW has signed letters of comfort with various investees.

Seen overall, a central risk for LBBW in relation to its investments lies in a partial or overall loss in value in one or several large strategic investments. LBBW's investment portfolio has a strong financial focus. A disturbance in this market segment can therefore lead to significant losses from investments.

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

Reputation Risks, Business Performance Risks and Strategic Risks.

Reputation risk is the risk of a loss or foregone profit due to (impending) damage to/deterioration of the Bank's reputation in the eyes of owners, employees, business partners or the wider public. Reputation risk is not a component of operational risk. However, reputation risks can be caused by an incident of loss resulting from operational risk or other risk categories becoming public knowledge.

As regards reputation risks, a difference is drawn between transaction-based and non transaction-based management. In the context of non transaction-based management, Group Communication/ Marketing is responsible in particular for ensuring controlled public and press relations via stringent and centralized issue management. In addition with the sustainability policy, the standard for all areas of business with regard to this is established in the Administration unit as part of the sustainability policy. Reputation risks are accounted for in the aggregate risk cover with a buffer amount.

The transaction-based analysis of new transactions with regard to reputation risks is carried out on a decentralized basis by the front office, particularly within the context of the New Product Process and the credit application process.

Business performance risk is the risk of unexpected falls in earnings and negative plan variances not caused by other defined risk categories.

Business performance risk can be caused by various factors, including changes in customer behavior or changes to the economic environment that are not of a legal nature. The front office is responsible for introducing individual measures as part of ongoing operating activities aimed at managing risks associated with business activities. Financial Controlling carries out a central comparison of planning and actual business development.

Strategic risk is the risk of adverse business development as a result of fundamental decisions made concerning business policy. For example, strategic risks may arise when entering into new markets, but equally when failing to build up new areas for achieving potential success.

The monitoring of the implementation of and adherence to the business strategy decided on by the Board of Managing Directors and the division-specific plans in line with this, as well as the implementation of strategic decisions made by the committees, is carried out by the relevant divisions together with Financial Controlling.

Real Estate Risks.

Real estate risks are defined as potential negative changes in the value of LBBW's own real estate holdings due to deterioration of the general real estate market or deterioration in the particular attributes of an individual property (vacancies, changes in options for use of the property, damage, etc.).

This does not include risks arising from the residential and commercial project development business or business in the Real Estate Services segment. These are taken into consideration in the LBBW Group as part of business performance risk.

The LBBW Group's real estate portfolio is managed by the subsidiary LBBW Immobilien GmbH. With effect from December 31, 2008, BW-Immobilien GmbH, another 100% subsidiary of LBBW, was integrated into LBBW Immobilien GmbH. BW-Immobilien GmbH is primarily responsible for the properties that LBBW uses itself in full or in part.

LBBW's real estate portfolio is broadly diversified in terms of residential and commercial properties as well as properties used by the Group and by third parties of various sizes and levels of quality. LBBW's real estate portfolio has a concentration of properties in southern Germany.

LBBW's material risk in relation to its real estate lies in a sharp decline in value in individual large properties or in the focus region of Stuttgart. The centralized Group Risk Control division calculates VaR indicators for real estate risks and incorporates these into the risk-bearing capacity of the Group.

LBBW pursues a strategy of orienting residential holdings towards a long-term, optimized holding portfolio. The holding portfolio features a concentration of properties with long-term development prospects in prosperous economic areas. This strategy involves turning away from broad-based holdings, which in turn improves the risk-return structure of the portfolio and increases the total return.

Commercial properties in LBBW's portfolio are reviewed using a comprehensive set of real estate-relevant criteria such as the cost/income ratio, the Group's strategy for use/growth of the site, the site's potential for development, portfolio diversification, or usage by LBBW-branches, and appropriate solutions are found on a case-by-case basis.

The client of the owner-occupied real estate business is the LBBW Group. Most of the properties are used for office or bank purposes. In 1A and 1B locations, the aim is to develop economic use concepts for LBBW and to find a profitable retail use for the associated ground-floor space in the medium term.

The Group's own properties are monitored and analyzed for risks in the course of quarterly portfolio valuation using a fair value approach. The goal is to identify at an early stage and analyze any adverse factors occurring as part of or relating to LBBW's activities. Active risk management contributes to ensuring a tolerable risk portfolio that provides a balanced ratio of opportunities to risks.

Business Performance Risks concerning LBBW Immobilien.

As well as managing the real estate portfolio of the LBBW Group, which is reflected in real estate risk, LBBW Immobilien GmbH operates two further business segments.

No significant risks are currently seen to be arising from the Real Estate Services business.

However, risks arising from the Development business came to the fore at LBBW Immobilien GmbH in the 2009 fiscal year. In this business segment, commercial real estate projects in particular, but also residential projects, are developed in Germany and abroad. As these mainly relate to speculative properties, particular risks lie in the area of rentals and sales. Construction costs and deadlines give rise to further risks. The financial and real estate crisis and the associated change in financing conditions, the increased capital requirements of banks and the restraint of private and institutional investors with the corresponding worsening of the marketing situation has had an impact on the project development business. Project reviews and resultant value adjustments have led to a fundamental review of the risk and business strategy as well as re-dimensioning and a different regional focus in the Development segment. In this context, the 2009 result is to be seen as a one-off.

The measurement and management processes for potential risks in project development will continue to be enhanced.

Summary of the Risk Situation.

Measures have been implemented at LBBW as part of appropriate risk management to limit or minimize all material risks. Sufficient capital is available to cover all risks.

For LBBW, 2009 was characterized by the transition from the financial crisis with extreme fluctuations in market prices, to an economic crisis with its effects on the real economy and the subsequent significant impact on the portfolio quality.

In sum, this resulted in very high utilization of the aggregate risk cover in the first six months of the year. However, the capital increase of EUR 5 billion and stretching the risk shield in order to immunize against risks combined with partial market recovery brought about a significant easing of the situation in the middle of the year. Despite the subsequent increase in allowances for losses on loans and advances in the second half of the year and the impact of restructuring measures based on EU specifications, adequate risk-bearing capacity is in place as of December 31, 2009.

Events after the Reporting Date.

No significant developments or events took place after the 2009 balance sheet date.

Outlook.

Anticipated Economic Performance.

LBBW anticipates economic revival in the global economy in 2010. Both key global leading indicators and hard macro-economic facts bear witness to a recovery of the global economy.

The recovery observed since summer 2009 is likely to continue thanks to the support of monetary and fiscal policy. According to LBBW, the year as a whole is expected to bring economic growth in real terms of 1.4% for Germany, approximately 1% for the euro zone and 3.2% for the USA. A relapse into recession is therefore unlikely at present, although there can be no talk as yet of a self-sustaining upturn given the stimulation provided by fiscal and monetary policy.

In addition, the risks for 2010 must also be kept in mind. According to estimates given by the ECB in its Financial Stability Review of December 2009, banks in the euro zone are once again faced with the prospect of write-downs of EUR 187 billion, of which between EUR 50 billion and EUR 75 billion is attributable to loans at German banks according to the Bundesbank. Although there is no evidence as yet of a supply-driven credit crunch, the risk is still hovering above the economy. The reduction in debt of private US households constitutes a further burden. In the period between 1997 and 2007, the increase in private consumption contributed 82% to overall economic growth in the USA. The largest national economy in the world is no longer likely to be able to rank amongst these key driving forces over the next few years. Even the recovery of the US real estate sector, which until recently had been regarded by many as stable, is proving to be doubtful, as the latest market data shows. It is generally believed that the current recovery will only continue on a sustainable basis once the emergency fiscal and monetary policy measures have been brought to an end. Past experience of recessions, which go hand in hand with financial crises, give just cause for a certain amount of skepticism. Past experience and analyses carried out by the IMF show that financial market and banking crises have considerable long-term effects on the real economy. Even after seven years, a return the growth trend seen prior to the start of the crisis had still not been achieved on average.

Industry and Competitive Situation.

The banking sector is likely to be faced with another challenging year in 2010.

The economic recovery expected, which will be cautious at the very least, is likely to brighten the outlook in the lending business little by little. However, the risk provisions of institutions in 2010 are once again expected to be at a high level as, according to past experience, economic recovery only makes itself felt in the lending books of banks with a time delay. The positive general conditions for net interest income are likely to continue in essence. In particular in the wake of economic recovery growing demand for credit may be expected. However, it is uncertain whether the write-ups and trading profits generated in the past year will be sustained.

The restructuring processes being carried out in the banking sector will continue in 2010. In the wake of the increasing implementation of EU subsidy resolutions and the planned changes to the regulatory environment, development is likely to gain in momentum.

The new regulatory framework is likely to restrict growth and profitability in the sector in the coming years. Even though the finer details are only likely to become clear over the course of the year, it is to be expected that the capital requirements of institutions will increase as a result of the new regulations.

The LBBW Group's Business Strategy and Opportunities.

In December 2009, the European Commission gave its final approval for the capital increase and the risk shield for LBBW, without an in-depth investigation. Thanks to this decision, the future business model and restructuring plan have been ratified in full by the EU. The restructuring plan approved by the European Commission sets out the main future cornerstones of the business model. For LBBW, 2010 and 2011 will be characterized by the implementation of the planned measures.

The realignment of the business model primarily involves a stronger concentration on the regional core business with customers and associated growth prospects. The credit substitute business will be cut back and further opportunistic business activities will be scaled back significantly. Furthermore, the international network and the investment portfolio are to be streamlined. Focusing on these aspects will lead to a reduction in total assets of around 40% compared to the end of 2008. In order to carry out the planned reduction in administrative expenses, the strict implementation of cost-cutting measures will be necessary, bringing with it considerable savings in material expenses and a reduction in the workforce.

LBBW still expects difficult overall conditions for the financial sector in 2010, and thus also for LBBW. Nevertheless, the Bank still anticipates a considerable improvement in its results. Administrative expenses will be reduced as early as 2010 thanks to the initial positive effects of the cost-cutting measures. These are set to be implemented by the end of 2012, meaning that the planned savings will be fully recognized in profit or loss from 2013 onwards. A slight easing in allowances for losses on loans and advances is expected in view of the tentative recovery of the economy. However, allowances for losses on loans and advances will continue to be at a comparatively high level in 2010. A conservative risk policy will continue to be adhered to in the future. A further recovery in net income for the year is anticipated in 2011. In subsequent years, LBBW expects that the reduction in silent partners' contributions and profit participation rights as a result of the loss participation in the 2009 fiscal year will be reversed thanks to profits, and that deferrals on interest payments will be caught up with.
In addition, LBBW will continue with its prudent liquidity and funding policy.

The focus of LBBW's investments in 2010 will be based on the implementation of the restructuring plan and the further development of the business model, and primarily concern investments in IT. The capital resources of LBBW are seen as adequate thanks to the capital increase and the effect of the risk shield, as well as the planned reduction in weighted risk assets, and are around the same level as other German banks.

LBBW sees particular planning risks in the event that the financial markets prove unstable once more, leading to effects including significant spread widening in the credit substitute business, increasing funding costs or a return to an extremely high level of expenses for allowances for losses on loans and advances in the traditional lending business.

The following sections will look into the planned development of the **operating segments** over the next few years.

In the **Corporates** segment (corporate customers), there will be the opportunity in the next few years to expand the principal bank function as a result of competitors retreating from this area. At the same time, demand for loans and investment and export financing on the part of SMEs will increase significantly once again from 2010 onwards. Following the slump in export financing in 2009, a return to growth is expected in future, depending on the degree to which the global economy recovers. The need for export protection has increased. In the real estate business, the growth trend surrounding residential properties is expected to weaken, albeit not to as drastic an extent as the collapse seen in the USA and Great Britain. In future, LBBW's corporate customer business will focus on SMEs in the core markets of BW-Bank, Rheinland-Pfalz Bank and Sachsen Bank. This business will be expanded further, thus leading to stable income in the LBBW Group. Services provided to large customers will in future be restricted to selected customers in German-speaking countries. The real estate financing business will focus on the core markets of Germany, the USA and Great Britain in future, where it will concentrate on selected property categories. LBBW will offer a wide range of financing and additional products and services for this purpose.

The **Retail Clients** segment (private customers) is expected to continue turning away from bond-oriented commission products in favor of traditional deposit banking. The security aspect is clearly a priority for customers. The securities business will only begin to increase again once the financial markets have fully stabilized. In deposit banking, strong competition and thus a continued squeeze on margins is to be expected. In the administrative area of Stuttgart, LBBW will continue ensure the provision of banking products to private customers under the BW-Bank brand. The business with high net worth customers is concentrated on the markets of Baden-Württemberg, Rhineland-Palatinate and Saxony.

In the **Financial Markets** segment, a certain level of caution is apparent, particularly in the case of complex and high-risk structures. Should volatility and economic development return to normal, equity and credit products will become more attractive again. Structured capital market products with a low level of complexity will show a return to growth. In future, LBBW's non customer-driven proprietary trading will decline further and there will be an even stronger focus on the customer business. On the one hand, customers will be offered equity, interest, money market, foreign exchange and commodities products. On the other, LBBW will enable its core customers to access the capital market through the placement of equity and debt financing.

In the business with **Saving Banks**, LBBW will continue to act as a central bank to the savings banks in its core markets. Here, the aim will be the continued intensification of collaboration in the contractual service partnership, which also features a collaboration partnership in the areas of liquidity and funding. Based on the economies of scale that can be achieved with services, the savings bank business constitutes an integral element in the division of tasks in the Sparkassen-Finanzgruppe.

Overall, LBBW sees itself as being well equipped for the future thanks to the planned adjustments to its business model. Its business policy will continue to focus on the principle of sustainability and prudent, sound economic management. LBBW will continue to be available to trade and industry in the future as an efficient and reliable partner. In view of the ongoing high level of volatility on the markets, it is not possible at present to make a reliable profit forecast for the 2010 fiscal year.

Financial Statements.

Income statement

of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz for the period from January 1 to December 31, 2009.

	Notes	EUR thousand	EUR thousand	EUR thousand	1.1.–31.12.2008 EUR million
1. Interest income from	30				
a) lending and money market transactions		10 114 881			
b) fixed-interest securities and book-entry securities		3 455 551	13 570 432		21 474
2. Interest expenses			11 562 280		19 568
				2 008 152	1 905
3. Current income from	30				
a) shares and other non-fixed interest securities			32 518		50
b) companies in which an equity interest is held			28 589		17
c) shares in affiliated companies			39 392		31
				100 499	97
4. Income from profit pooling, profit transfer or partial profit transfer agreements				62 836	798
5. Commission income	30		937 745		763
6. Commission expenses			500 526		355
				437 219	407
7. Net income from financial transactions	30			313 444	359
8. Other operating income	26, 30			128 310	314
9. Income from the reversal of the special item with partial reserve character	19			6 866	73
10. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		657 667			614
ab) Compulsory social security contributions, expenses for pensions, and other employee benefits		205 845			226
			863 512		841
thereof:					
for pensions		102 486			137
b) Other administrative expenses			578 503		585
				1 442 015	1 426

	Notes	EUR thousand	EUR thousand	EUR thousand	1.1.–31.12.2008 EUR million
11. Write-downs of and adjustments to intangible assests and property and equipment				103 283	105
12. Other operating expenses	26			140 634	91
13. Write-downs of and adjustments to claims and certain securities as well as allocations to provisions for possible loan losses				1 750 850	2 086
14. Income generated by write-ups of claims and certain securities, as well as from the reversal of provisions for possible loan losses				0	0
				–1 750 850	–2 086
15. Additions to the fund for general banking risks				0	1 120
16. Write-downs of and adjustments to companies in which an equity interest is held, shares in affiliated companies and securities listed under fixed assets				696 164	581
17. Income from write-ups of companies in which an equity interest is held, shares in affiliated companies and securities listed under fixed assets				0	0
				–696 164	–581
18. Expenses from the assumption of losses				596 479	10
19. Allocations to the special item with partial reserve character				0	1
20. Profit on ordinary activities				–1 672 099	774
21. Extraordinary income			7		437
22. Extraordinary expenses	28		469 746		782
23. Extraordinary result	28			–469 739	–345
24. Taxes on income	29		39 964		46
25. Other taxes not shown under item 12			5 908		5
				45 872	51
26. Income from the assumption of losses				0	0
27. Profits transferred under profit pooling, profit transfer or partial profit transfer agreements				0	284
Net income for the year/Net retained profits				**–2 187 710**	**94**
29. Capital generated by profit participation certificates	21			201 552	0
30. Silent partners' contributions	21			526 658	0
31. Net retained profit/loss	21			**–1 459 500**	**94**

Balance Sheet

of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz for the period from January 1 to December 31, 2009.

Assets	Notes	EUR thousand	EUR thousand	EUR thousand	31.12.2008 EUR million
1. Cash reserve					
a) Cash on hand				137 574	137
b) Balances with central banks				1 652 805	3 146
thereof: with Deutsche Bundesbank		1 646 842			3 135
c) Balances with postal giro accounts				0	0
				1 790 379	3 283
2. Public-sector debt instruments and bills of exchange eligible for refinancing with central banks					
a) Treasury bills and treasury discount paper, as well as similar public-sector debt instruments				41 174	36
thereof: eligible for refinancing with Deutsche Bundesbank		0			0
b) Bills of exchange				0	0
thereof: eligible for refinancing with Deutsche Bundesbank		0		41 174	36
					0
3. Claims on banks	5,6,8,10,14				
a) Payable on demand				11 322 347	10 895
b) Other claims	6			89 755 611	123 987
				101 077 958	134 882
4. Claims on customers	5,6,8,10,14			158 133 239	157 918
thereof:					
secured by mortgages		20 778 863			18 328
municipal loans		34 956 688			34 902
5. Bonds and other fixed-interest securities	5,6,7,8,9,11,14				
a) Money market instruments					
aa) issued by public-sector borrowers			1 536 730		222

Assets	Notes	EUR thousand	EUR thousand	EUR thousand	31.12.2008 EUR million
thereof: eligible as collateral for Deutsche Bundesbank advances		1 536 729			222
ab) issued by other borrowers			11 800 902		16 740
thereof:				13 337 632	16 962
eligible as collateral for Deutsche Bundesbank advances		9 652 856			10 307
b) Bonds					
ba) issued by public-sector borrowers			12 616 252		9 559
thereof: eligible as collateral for Deutsche Bundesbank advances		8 158 637			8 444
bb) issued by other borrowers			79 642 046		65 008
thereof:				92 258 298	74 567
eligible as collateral for Deutsche Bundesbank advances		45 047 581			32.287
c) Own bonds				13 736 240	16 713
				119 332 170	108 242
Nominal amount		12 915 102			14 075
6. Shares and other non-fixed interest securities	7,8			1 839 552	2 473
7. Companies in which an equity interest is held	7,11			1 663 103	1 951
thereof:					
in banks		574 542			790
in financial services institutions		25			0
8. Shares in affiliated companies	7,11			3 885 417	6 316
thereof:					
in banks		684 130			954
in financial services institutions		175 494			188
9. Trust assets	10			666 164	1 156
thereof: loans granted on a trust basis at third-party risk		385 457			888
10. Recovery claims on the public sector including bonds resulting from their exchange				0	0
11. Intangible assets	11			73 207	75
12. Property and equipment	11			482 727	511
13. Unpaid contributions to subscribed capital				0	0
thereof: amount called in		0			0
14. Own shares or equity interests				0	0
Nominal amount		0			0
15. Other assets	12			5 309 598	7 383
16. Deferred items	13			1 783 431	1 424
Total assets				**396 078 119**	**425 651**

Liabilities and shareholders' equity	Notes	EUR thousand	EUR thousand	EUR thousand	31.12.2008 EUR million
1. Liabilities to banks	5,6,18				
a) Payable on demand				5 813 506	5 399
b) With agreed term or period of notice	6			126 929 473	137 145
				132 742 979	142 544
2. Liabilities to customers	5,6,18				
a) Savings deposits					
aa) with agreed withdrawal notice of three months			5 443 180		4 777
ab) with agreed withdrawal notice of over three months	6		813 004		141
				6 256 184	4 918
b) Other liabilities					
ba) Payable on demand			31 160 188		21 438
bb) With agreed term or period of notice	6		77 951 377		85 010
				109 111 565	106 448
				115 367 749	111 366
3. Securitized liabilities	5,6,18				
a) Bonds issued				109 129 590	125 394
b) Other securitized liabilities				7 108 630	16 879
thereof:				116 238 220	142 273
Money market instruments		7 108 630			16 879
Own acceptances and promissory notes outstanding		0			0
4. Trust liabilities	10			666 164	1 156
thereof: loans granted on a trust basis at third-party risk		385 457			888
5. Other liabilities	16			5 075 424	4 409
6. Deferred items	13			1 180 363	1 141

Liabilities and shareholders' equity

	Notes	EUR thousand	EUR thousand	EUR thousand	31.12.2008 EUR million
7. Provisions					
a) Provisions for pensions and similar commitments				1 111 290	1 109
b) Provisions for taxes				265 103	315
c) Other provisions	17			1 000 442	611
				2 376 835	2 035
8. Special item with partial reserve character	19			0	7
9. Subordinated liabilities	5,20			5 308 028	5 637
10. Capital generated by profit participation certificates				1 577 471	2 463
thereof: maturing in less than two years		527 410			666
11. Fund for general banking risks				480 000	480
12. Equity	21				
a) Subscribed capital					
aa) Nominal capital			2 583 500		1 420
ab) Silent partners' contributions			4 121 948		4 652
				6 705 448	6 072
b) Capital reserve				6 910 121	3 074
c) Revenue reserves					
ca) Legal reserves			0		0
cb) Other revenue reserves			2 908 817		2 900
				2 908 817	2 900
d) Net retained profit				–1 459 500	94
				15 064 886	12 140
Total liabilities and shareholders' equity				**396 078 119**	**425 651**
1. Contingent liabilities					
a) Contingent liabilities from rediscounted bills of exchange				907	1
b) Liabilities from sureties and guarantee agreements	18,22,23,24			37 116 849	44 208
c) Liabilities from the granting of collateral for third-party liabilities				0	
				37 117 756	44 209
2. Other commitments					
a) Transactions without firm repurchase agreements				0	0
b) Placing and underwriting commitments				0	0
c) Irrevocable loan commitments	22			27 654 551	33 648
				27 654 551	33 648

Notes

to the Annual Financial Statements of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz, as at December 31, 2009.

1. Principles Governing the Preparation of the Financial Statements.

The financial statements for the 2009 fiscal year of Landesbank Baden-Württemberg (LBBW) with headquarters in Stuttgart, Karlsruhe, Mannheim, and Mainz were drawn up in compliance with the provisions of the Handelsgesetzbuch (HGB, the German Commercial Code), in particular the »Supplemental Regulations for Banks« (§§ 340 et seq. HGB) and Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute (RechKredV, the German Accounting Regulation for Banks and Financial Service Institutions).

On March 26, 2009, the German Bundestag passed a resolution on the German Accounting Law Modernization Act (BilMoG). Most of the new regulations will apply only to fiscal years beginning after December 31, 2009 and will be applied by LBBW only from this point onwards. However, it is already obligatory for LBBW to provide the following information in the annual financial statements as at December 31, 2009:

- Information on off-balance sheet transactions, see item 32
- Related party disclosures, see item 33

LBBW's audited single-entity financial statements for 2009 and a separate list entitled »Substantial Subsidiaries and Affiliates of Landesbank Baden-Württemberg« pursuant to § 285 No. 11 and § 313 (2) HGB will be published in the electronic Bundesanzeiger (the German Federal Gazette), where they can be inspected.

2. General Accounting and Valuation Methods.

Bills and forfaiting transactions held in the portfolio are stated at their discounted face amount, less specific valuation allowances.

Claims on banks and customers are stated at their nominal value, where necessary after deduction of the applicable valuation allowances.

Specific valuation allowances have been recognized for major or significant loans (loan volume greater than EUR 1 million per individual borrower) for which objective indications of impairment have been identified. The impairment loss is calculated as the book value of the loan less the present value of future payments received on account of the loan, calculated using the discounted cash flow method and taking any collateral into account. In the case of insignificant loans (receivables volume of less than EUR 1 million per individual borrower), we comply with the principle of single-unit valuation to the extent that we group the loans concerned together into homogenous portfolios. In these cases collective valuation allowances for individual risks are recognized by using a statistically calculated or estimated default amount relating to the exposure at the time of default. The calculation of the specific and collective valuation allowances also takes country risks in the form of transfer and/or conversion risks into account. Portfolio-based valuation allowances are recognized for losses in the loan portfolio that had already arisen as of the balance sheet date but were not yet identified. Their amount is based on historical default probabilities and loss rates relating to parts of the loan portfolio for which no other provisions have been set up as well as the average discovery period to be assumed.

Specific valuation allowances, collective valuation allowances and portfolio-based valuation allowances are therefore essentially calculated according to the methods of International Financial Reporting Standards (IFRS).

Securities in the liquidity reserve/trading portfolio are reported in compliance with the strict lower-of-cost-or-market principle at the acquisition cost, or at the quoted/market price or fair value as of the balance sheet date (if lower). Securities arising from asset swap combinations are valued on a linked basis; market-induced impairment losses due to credit risks are recognized in income.

We carry securities held as long-term investments, companies in which an equity interest is held and shares in affiliated companies at acquisition cost or the fair value on the reporting date (if lower) in the case of continued impairment losses. If the reasons for impairment in earlier fiscal years have elapsed, additions up to the amount of the fair value are carried out to a maximum of the acquisition costs.

For securitizations whose value has been adjusted and for synthetic CDOs, the fair value on the balance sheet date was calculated using the discounted cash flow method, as no quoted or market prices were available, owing to illiquid markets.

For certain securities for which the fair value on the balance sheet date is not based solely on observable market prices or measurement parameters that can be observed on the market (synthetic CDOs, cash CDOs), remeasurements were carried out in order to take into account uncertainty regarding the balance sheet valuation.

Claims on customers include claims on LBBW Luxemburg S.A. and various special-purpose entities with a nominal amount of EUR 11.4 billion, which were hedged within the framework of a guarantee structure with a guarantee company of the state of Baden-Württemberg in the amount of EUR 6.7 billion (maximum guarantee), in addition to a portfolio of securitized products of the bank with a nominal amount of EUR 3.9 billion. As the maximum guarantee is geared towards the restoration of the value of the assets secured, the guarantee is taken into account directly in the valuation of the receivables or securities. This means that no valuation allowances are to be made for securities and claims on LBBW Luxemburg and special-purpose entities that exceed the bank's first loss in the amount of EUR 1.9 billion. The expected default risks as at December 31, 2009 on the guaranteed reference assets in the amount of the first loss of EUR 1.9 billion were addressed adequately through the creation of valuation allowances.

Selling profit or loss from investment transactions is recorded in other operating income or expense on the basis of § 340c (2) clause 2 HGB. We have presented our material shareholdings and the information in addition to this in line with § 285 clause 1 No. 11 HGB in the list of shareholdings in line with § 287 and § 313 (4) HGB.

Acquired intangible assets are carried at acquisition cost less scheduled amortization and, where necessary, non-scheduled write-downs. Scheduled write-downs are taken over the useful life of the assets using the rates allowed by tax regulations.

Tangible assets are carried at acquisition or production cost less scheduled depreciation and, where necessary, non-scheduled write-downs. Depreciation on tangible assets of domestic offices is calculated for wear and tear on the basis of tax provisions. Low-value assets are fully written off in the year of their acquisition.

Depreciation on buildings is governed by the rates allowed by tax law.

Liabilities are valued at the repayable amount.

Premiums and discounts relating to outstanding receivables and liabilities are allocated to prepaid expenses and deferred income, respectively, and reversed over their term.

Provisions for pension obligations are calculated on the basis of actuarial principles pursuant to § 6a EStG and the Richttafeln 2005 G (2005 G mortality tables), Heubeck-Richttafeln-GmbH, Cologne 2005.
Pension commitments are always expensed in compliance with the relevant tax provisions.

Other provisions are calculated under consideration of all contingent liabilities and anticipated losses from pending transactions on the basis of conservative commercial assessment.

3. Derivatives.

The following tables provide information on derivative financial instruments pursuant to § 285 No. 18 HGB in conjunction with § 36 RechKredV that existed at LBBW as of the balance sheet date.

With due regard to the accounting practice statement IDW RS HFA 22 issued by the Hauptfachausschuss (Auditing and Accounting Board) of the Institut der Wirtschaftsprüfer (IDW, the German Institute of Certified Public Accountants), ancillary agreements of a derivative nature included in portfolio-related management of trading positions are disclosed separately from the underlying transactions and are included in the following tables in the same way as derivative transactions that are concluded independently.
The tables exclude ancillary agreements of a derivative nature that are not reported separately on the balance sheet, but that are instead components of compound instruments and are therefore included as assets or liabilities in the corresponding balance sheet items.
Please refer to the data presented in the »Other assets« and »Other liabilities« items for information on the book value of options in the form of option premiums.

The tables also exclude internal derivative financial instruments.

Derivative Transactions – Product Structure.

EUR million	Nominal values Dec. 31, 2009	Nominal values Dec. 31, 2008	Positive market value[1] Dec. 31, 2009	Negative market value[1] Dec. 31, 2009
Interest rate swaps	1 346 819.6	1 144 149.1	30 388.3	28 985.2
FRAs	148 755.9	50 068.5	75.7	63.3
Interest rate options				
purchases	30 796.6	29 831.4	1 116.6	4.7
sales	50 601.7	46 608.3	0.0	1 987.0
Caps, floors, collars	50 342.2	46 199.9	551.4	306.6
Futures contracts	326 532.0	116 471.8	34.2	25.7
Other interest rate futures	6 448.8	851.1	46.9	85.3
Interest rate risks – overall	**1 960 296.8**	**1 434 180.1**	**32 213.1**	**31 457.8**
Currency forwards	157 263.1	140 191.8	2 286.1	2 267.7
Cross-currency/Interest rate swaps	31 771.5	29 502.8	1 736.8	1 998.9
Currency options				
purchases	5 492.6	5 678.9	125.4	0.0
sales	5 419.1	5 246.7	0.0	102.4
Currency risks – overall	**199 946.3**	**180 620.2**	**4 148.3**	**4 369.0**
Futures contracts	8 398.0	5 711.1	538.0	670.8
Equity forward contracts	19.2	125.9	0.3	1.0
Stock options				
purchases	3 598.2	5 306.7	869.9	0.0
sales	4 417.5	5 662.8	0.0	946.1
Commodities	702.6	796.9	56.9	47.6
Equities and other price risks – overall	**17 135.5**	**17 603.4**	**1 465.1**	**1 665.5**
Credit derivatives – protection seller	54 306.9	59 492.0	564.2	1 171.7
Credit derivatives – protection buyer	33 925.8	38 691.5	518.5	639.5
Credit derivatives	**88 232.7**	**98 183.5**	**1 082.7**	**1 811.2**
Risks – overall	**2 265 611.3**	**1 730 587.2**	**38 909.2**	**39 303.5**

[1] including accrued interest (»Dirty Price«)

Thereof:

Derivative Transactions – Trading Transactions.

EUR million	Nominal values Dec. 31, 2009	Nominal values Dec. 31, 2008	Positive market value[1] Dec. 31, 2009	Negative market value[1] Dec. 31, 2009
Interest rate risks	1 837 784.8	1 297 280.3	27 690.3	26 398,8
Currency risks	186 071.9	158 888.8	3 026.6	2 992.1
Equities and other price risks	16 877.5	17 211.1	1 465.1	1 659.8
Credit derivatives	54 553.7	55 985.6	883.1	889.0
Trading transactions – overall	**2 095 287.9**	**1 529 365.8**	**33 065.1**	**31 939.7**

Derivative Transactions – Maturity Structure (According to Remaining Maturity).

Nominal values in EUR million	Up to 3 months	Between 3 months and 1 year	1 to 5 years	More than 5 years	Total
Interest rate risks					
Dec. 31, 2009	247 909.8	627 503.5	639 789.0	445 094.5	1 960 296.8
Dec. 31, 2008	245 699.4	344 257.5	459 326.7	384 896.6	1 434 180.1
Currency risks					
Dec. 31, 2009	117 833.9	48 383.3	24 426.6	9 302.5	199 946.3
Dec. 31, 2008	93 349.1	53 475.6	25 412.7	8 382.9	180 620.2
Equities and other price risks					
Dec. 31, 2009	2 939.4	4 763.2	6 730.5	2 702.4	17 135.5
Dec. 31, 2008	3 627.8	5 008.3	2 700.0	6 267.3	17 603.4
Credit derivatives					
Dec. 31, 2009	1 995.5	6 505.5	59 723.0	20 008.7	88 232.7
Dec. 31, 2008	2 634.9	4 986.5	67 570.9	22 991.2	98 183.5
Risks – overall					
Dec. 31, 2009	**370 678.6**	**687 155.5**	**730 699.1**	**477 108.1**	**2 265 611.3**
Dec. 31, 2008	**345 311.1**	**407 727.9**	**555 010.3**	**422 537.9**	**1 730 587.2**

[1] including accrued interest (»Dirty Price«)

Derivative Transactions – Structure of Counterparties.

EUR million	Nominal values Dec. 31, 2009	Nominal values Dec. 31, 2008	Positive market value[1] Dec. 31, 2009	Negative market value[1] Dec. 31, 2009
Banks in the OECD	1 725 665.7	1 420 828.9	32 862.8	33 855.2
Banks outside the OECD	17 552.2	17 455.3	195.4	168.7
Public sector agencies in OECD countries	32 867.8	32 459.5	1 066.0	964.7
Other counterparties	489 525.6	259 843.5	4 785.0	4 314.9
Counterparties – overall	**2 265 611.3**	**1 730 587.2**	**38 909.2**	**39 303.5**

The market values of the derivatives are not synonymous with the Bank's market price risks, which result from the development of interest rates, exchange rates, stock prices, commodity prices or changes in credit standing, as risk class management relies on both on-balance sheet and derivative transactions. The risk report in compliance with § 289 HGB contains information about the scope and development of the Bank's market price risks.

The market values calculated as of the balance sheet date are values at which it would be possible to liquidate or transfer the position or to conclude an offsetting transaction.

In this context, the negative market values represent the amount that would be required for a potential liquidation of the derivative financial instruments as of the balance sheet date irrespective of their intended purpose.

The positive market values include the amount that would accrue from a potential liquidation as of the balance sheet date. Except for futures contracts as well as options sold that are free of counterparty risk, a positive market value at the same time reflects the maximum potential counterparty-related default risk from derivative financial instruments which existed as of the balance sheet date. The tables exclude netting and collateral agreements which mitigate default risks as these agreements benefit several types of products.

Valuation of Derivative Financial Instruments.

The market value (fair value) of derivatives is based on stock market prices, fair value analyses, observable market transactions in comparable instruments, or acknowledged actuarial pricing models.

Product group	Relevant valuation model
Interest-rate swaps	Net present value method, yield structure models
Forward rate agreements	Net present value method
Interest rate options	Black-Scholes, Black 76 (on Yield), yield structure models
Stock/index options	Black-Scholes, numerical procedure
Currency options	Garman Kohlhagen, mod. Black-Scholes
Commodity options	Garman Kohlhagen, mod. Black-Scholes
Credit derivatives	Intensity model, Copula model

These models take the current market and contract prices of the underlying financial instruments, as well as fair value considerations, yield curves, and volatility factors, into account. In addition, the determination of the fair value takes into consideration expected market risks, model risks, credit risks, and administrative costs.

Recognition of Valuation Results in the Balance Sheet.

The key issue in recognizing derivative financial transactions in the annual financial statements of LBBW is whether they are components of hedging relationships (micro or macro hedges) or are used in the course of trading operations.

Micro and Macro Hedges (excluding credit derivatives).

For micro hedges, individual assets or liabilities are linked with derivative financial instruments for the purpose of hedging against market price risks.

With macro hedges, derivatives are used to hedge against interest rate risks in the course of global asset and liability management.

[1] including accrued interest (»Dirty Price«)

The valuation of the hedged risk in the case of micro and macro hedges is compensatory in view of the suitable application of the general valuation principles pursuant to § 252 (1) HGB (particularly the imparity principle and the principle of single-unit valuation) and with due regard to statements No. 2/1993 and No. 2/1995 issued by the BFA of the IDW.

For micro hedges, this value compensation is achieved by treating the underlying transactions and the hedging transactions as a valuation unit as of the balance sheet date. The income and expenses resulting from hedging transactions are included in the corresponding item of the results generated by the underlying transaction and hence present a true and fair view from a business-accounting perspective.

Valuation results from derivative financial instruments used for macro-hedging purposes are not recognized in the statement of income because the value compensation results from LBBW's global asset and liability structure.

Trading Transactions.

Trading transactions are subject to the oversight of the trading divisions within the framework of the predetermined risk limits.

On-balance sheet products, derivative financial instruments and similar ancillary agreements that are split off from on-balance sheet products of the trading portfolio are subject to portfolio valuation. To this end, financial instruments in the trading portfolio that are traded in active markets are valued at market prices, while financial transactions for which market prices are not available are valued at prices determined with the help of valuation models. For accounting purposes, the individual values thus calculated are pooled at the portfolio level. The risk-adjusted mark-to-market valuation method was used for the valuation. This method reduces the mark-to-market result of these portfolios by the value-at-risk for these portfolios determined in line with regulatory requirements (10-day holding period, 99 % confidence level).

This approach ensures that the statement of income drawn up in line with the German Commercial Code takes into account any potentially remaining realization risks in line with the conservatism principle. In order to reflect the risk-adjusted mark-to-market method on the balance sheet, an adjustment item was set up on the balance sheet and reported under the Other assets and Other liabilities items.

Credit Derivatives, Non-trading.

Credit derivatives outside the trading portfolio are used in the form of credit default swaps and products with ancillary agreements of a credit default swap nature for risk assumption, arbitrage, hedging, and efficient portfolio management with regard to credit risks.

In accordance with IDW RS BFA statement 1, the treatment of credit derivatives differs depending on the respective intended purpose.

Protection seller transactions outside the trading portfolio that are not offset by specific compensating balances within the Liabilities to banks or Liabilities to customers balance sheet items are included below the line in Contingent liabilities, sub-item b Liabilities from sureties and guarantee agreements.

For micro hedges, individual assets or liabilities are linked with credit derivatives for the purpose of hedging against credit risks. On-balance sheet transactions and credit derivatives are treated as a valuation unit.

Credit derivatives used for portfolio management purposes with regard to credit risks are not valued using the mark-to-market method provided the credit default swap constitutes an original lending transaction for LBBW. A prerequisite in this respect is the intention to hold the investment to maturity, and the credit default swap must not contain structures that cannot be part of the original lending transaction. Credit derivatives outside the trading portfolio that do not fulfill these conditions are valued separately. Unrealized measurement gains are offset only if the credit risk relates to one and the same reference debtor. Provisions for anticipated losses from pending transactions are set up for unrealized measurement losses, if necessary after offsetting against unrealized measurement gains. The results are included in write-downs of and adjustments to claims and certain securities as well as allocations to provisions for possible loan losses. Any measurement gains remaining after offsetting are not recognized.

4. Currency Translation.

Foreign currency assets worth EUR 53.0 billion (2008: EUR 73.6 billion) and foreign currency liabilities worth EUR 34.5 billion (2008: EUR 58.6 billion), as well as income and expenses, included in the financial statements were translated in compliance with § 340 h (1) HGB and under consideration of statement No. 3/1995 issued by the BFA. The risk of exchange rate movements associated with balance sheet items denominated in foreign currencies, including precious metals, is primarily covered by off-balance sheet hedging transactions.

In order to determine the currency position, LBBW offset foreign currency assets and foreign currency liabilities arising from on-balance and off-balance sheet transactions by currency.

Assets and liabilities – except for insignificant equity interests in fixed assets which were not funded with matching currencies – were translated at the middle spot rate as of December 30, 2009. Differences resulting from the translation of hedged assets and liabilities at the middle spot rate were allocated to the foreign currency adjustment item, which was included in other liabilities/ other assets (depending on the balance). The adjustment item primarily corresponds to the balance of the market values of the currency forwards, cross-currency/interest-rate swaps, and currency swaps.

LBBW made consistent use of the option to split the forward rate into spot rate and swap rate for all currency forwards. Except for strategic foreign currency positions, LBBW valued assets, liabilities, and pending transactions (currency forwards/ currency options/currency swaps/cross-currency/interest-rate swaps) in line with the risk-adjusted mark-to-market method described above.

Notes to the Balance Sheet.

5. Relationships with Affiliated Companies and Companies in Which an Equity Interest Is Held.

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

EUR million	Dec. 31, 2009	Dec. 31, 2008
A3. Loans and advances to other banks	**101 078.0**	**134 881.9**
thereof to affiliates	2 037.5	2 958.6
thereof to companies in which an equity interest is held	39 497.7	43 178.8
thereof to savings banks in Baden-Württemberg	39 260.8	42 883.4
A4. Loans and advances to customers	**158 133.2**	**157 918.1**
thereof to affiliates	17 485.6	16 256.5
thereof to companies in which an equity interest is held	597.4	471.3
A5. Bonds and other fixed-income securities	**119 332.2**	**108 242.1**
thereof to affiliates	7 793.2	3 698.9
thereof to companies in which an equity interest is held	4 630.7	5 056.6
L1. Deposits from other banks	**132 743.0**	**142 543.8**
thereof to affiliates	1 072.2	508.5
thereof to companies in which an equity interest is held	19 692.2	24 258.9
thereof to savings banks in Baden-Württemberg	19 384.5	23 894.0
L2. Due to customers	**115 367.7**	**111 366.2**
thereof to affiliates	6 791.3	8 843.8
thereof to companies in which an equity interest is held	169.0	174.9
L9. Subordinated liabilities	**5 308.0**	**5 637.2**
thereof to affiliates	520.2	388.9
thereof to companies in which an equity interest is held	55.3	0.0

Because the Securitized liabilities balance sheet item (liability item No. 3) is primarily made up of bearer bonds, the holders of which were not known to the issuers within LBBW as of the balance sheet date, information on liabilities to affiliated companies and liabilities to companies in which an equity interest is held is not provided here.

6. Maturity Structure of the Balance Sheet Items.

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

EUR million	Dec. 31, 2009	Dec. 31, 2008
A3. b): Other loans and advances to other banks	**89 755.6**	**123 986.7**
Up to 3 months	21 618.4	37 981.9
Between 3 months and 1 year	14 906.7	24 671.6
Between 1 and 5 years	33 613.5	36 437.1
More than 5 years	19 617.0	24 896.1
A4. Loans and advances to customers	**158 133.2**	**157 918.1**
Up to 3 months	36 002.1	34 792.5
Between 3 months and 1 year	13 730.9	14 869.3
Between 1 and 5 years	39 995.4	37 879.6
More than 5 years	62 772.6	64 585.4
With unlimited maturity	5 632.2	5 791.3
A5. Bonds and other fixed-income securities	**119 332.2**	**108 242.1**
thereof due in the following year	34 907.4	37 889.7
L1. b): Deposits from other banks with an agreed maturity or withdrawal notice	**126 929.5**	**137 145.1**
Up to 3 months	57 053.1	61 519.9
Between 3 months and 1 year	22 187.3	24 320.8
Between 1 and 5 years	16 163.1	17 850.3
More than 5 years	31 526.0	33 454.1
L2. a) ab): Savings deposits with agreed withdrawal notice of over 3 months	**813.0**	**140.8**
Up to 3 months	7.3	22.8
Between 3 months and 1 year	106.9	20.8
Between 1 and 5 years	675.6	68.5
More than 5 years	23.2	28.7
L2. b) bb): Other deposits from customers with an agreed maturity or withdrawal notice	**77 951.4**	**85 010.0**
Up to 3 months	23 583.0	35 545.9
Between 3 months and 1 year	5 992.7	10 914.4
Between 1 and 5 years	30 265.9	18 286.1
More than 5 years	18 109.8	20 263.7
L3. Securitized liabilities		
a) Bonds issued	**109 129.6**	**125 394.2**
thereof due in the following year	23 215.3	29 398.0
b) Other securitized liabilities	**7 108.6**	**16 878.7**
Up to 3 months	6 103.1	6 147.3
Between 3 months and 1 year	1 005.5	10 731.4
Between 1 and 5 years	0.0	0.0
More than 5 years	0.0	0.0

7. Securities and Equity Investments.

The assets items below include marketable securities as well as equity investments and affiliates in line with the less strict lower-of-cost-or-market principle:

EUR million	Dec. 31, 2009	Dec. 31, 2008
A5. Bonds and other fixed-income securities		
Marketable	119 348.9	79 227.8
thereof listed	104 095.3	67 080.6
No amortization due to temporary impairment		
Carrying amount	38 509.2	33 146.9
Fair value	37 547.1	30 276.8
A6. Equities and other non-fixed-income securities		
Marketable	1 839.6	1 272.7
thereof listed	1 152.0	1 090.6
No amortization due to temporary impairment		
Carrying amount	128.6	390.4
Fair value	0.4	27.5
A7. Equity investments		
Marketable	583.7	836.9
thereof listed	493.1	711.1
No amortization due to temporary impairment		
Carrying amount	16.7	604.9
Fair value	14.4	539.8
A8. Investments in affiliates		
Marketable	392.7	665.3
thereof listed	0.0	0.0
No amortization due to temporary impairment		
Carrying amount	0.0	19.5
Fair value	0.0	17.6

The fair values of securities that were not written down as there was no permanent impairment include compensatory valuation through hedging derivatives. Without taking into account the hedging derivatives for micro hedges, there are still further hidden burdens in the amount of EUR 693.7 million beyond the differences shown between the book value and the fair value.

Securities held as long-term investments, equity investments and shares in affiliated companies are carried at cost or amortized cost or at fair value (if lower) in the case of permanent impairment loss. The impairment of the securities held as long-term investments, equity investments and shares in affiliated companies is determined on the reporting date on the basis of published stock market price quotations, i.e. in line with IDW S1 in conjunction with IDW RS HFA 10-recognized valuation methods (income value or discounted cash flow method).

In the case of impairments which are foreseeably not permanent, the option of § 253 (2) clause 3 HGB is exercised in conjunction with § 340e (1) HGB, so that no amortizations are made on the lower fair value (less strict lower-of-cost-or-market principle). The impairment is judged as non-permanent if the Companies' net payments/deposits expected in the future allow this.

In the case of securities lending agreements, it is assumed that economic ownership is not transferred to the borrower. Securities that are lent are therefore still shown in the securities portfolio and accounted for accordingly (analogous application of the corresponding regulations for transactions with firm repurchase agreements in § 340b (4) clause 1 HGB).

The bank did not create valuation allowances on securities in the amount of EUR 20.2 million, owing to the guarantee agreement with the state of Baden-Württemberg.

8. Subordinated Assets.

Subordinated assets are included in the following asset items:

EUR million	Dec. 31, 2009	Dec. 31, 2008
A3. Loans and advances to other banks	473.7	263.4
A4. Loans and advances to customers	1 354.1	427.3
A5. Bonds and other fixed-income securities	1 159.8	1 588.1
A6. Equities and other non-fixed-income securities	22.1	22.2

9. Transactions with Firm Repurchase Agreements and Open-Market Transactions.

As of the balance sheet date, bonds of EUR 31 709.4 million (2008: EUR 31 347.4 million) were pledged under repurchase agreements for use in the course of open-market transactions with Deutsche Bundesbank, of which EUR 4 120.0 million (2008: EUR 555.3 million) was required.
The book value of securities sold to other banks and non-banks under repurchase agreements as of the balance sheet date was EUR 20 583.4 million (2008: EUR 29 119.8 million).

10. Trust Activities.

The following table contains a breakdown of trust assets (asset item A9) and trust liabilities (liability item L4):

EUR million	Dec. 31, 2009	Dec. 31, 2008
Trust assets	**666.2**	**1 156.2**
Loans and advances to other banks	203.9	6.2
Loans and advances to customers	181.5	881.9
Fixed-income securities	5.7	4.5
Equity investments	126.4	126.4
Property and equipment	47.1	54.7
Other items	101.6	82.5
Trust liabilities	**666.2**	**1 156.2**
Deposits from other banks	465.0	150.0
Due to customers	201.2	1 006.2
Other	0.0	0.0

11. Fixed Assets.

The changes in fixed assets are shown in the following Statement of Fixed Asset Additions and Disposals:

EUR million	Acquisition costs	Additions	Disposals	Reclassifications	Reversals of impairment losses	Write-downs and valuation allowances cumulative	Write-downs and valuation allowances in fiscal year	Accrued interest	Book value Dec. 31, 2009	Book value Dec. 31, 2008
Equity investments	1 968.5	18.5	42.3	0.0	0.2	281.8	270.7	–	1 663.1	1 951.3
Investments in affiliates	6 691.7	141.0	2 213.8	– 4.3	3.7	732.9	357.3	–	3 885.4	6 316.1
Securities held as long-term investments	40 422.4	19 389.8	5 815.1	23 931.7	234.2	780.2	265.6	571.9	77 954.7	40 364.0
Intangible assets	510.1	44.0	126.9	– 2.7	0.0	351.3	155.7	–	73.2	75.0
Land and buildings	575.2	10.0	50.1	– 1.3	0.0	275.9	49.5	–	257.9	282.1
Thereof: land and buildings used commercially	403.5	9.8	47.5	– 1.4	0.0	185.0	44.7	–	179.4	195.8
Other assets, operational and business equipment	621.7	47.0	45.3	4.9	0.0	403.5	90.3	–	224.8	228.6
Total fixed assets									**84 059.1**	**49 217.1**

12. Other Assets.

Items of particular significance included in LBBW's other assets are option premiums totaling EUR 2 526.1 million (2008: EUR 2 161.9 million), an adjustment item of EUR 1 431.3 million (2008: EUR 2 275.2 million) relating to risk-adjusted mark-to-market valuation, and tax refund claims amounting to EUR 670.1 million (2008: EUR 790.6 million).

The tax refund claims include claims relating to taxes on income for past fiscal years amounting to EUR 360.7 million, claims of EUR 128.2 million from reversal effects in connection with the tax audit, and claims relating to taxes on income for fiscal 2009 of EUR 72.8 million. The refund claims stand in contrast to tax provisions amounting to EUR 265.1 million (2008: EUR 315.3 million).

13. Prepaid Expenses.

Deferred items include the following amounts:

EUR million	Dec. 31, 2009	Dec. 31, 2008
Prepaid expenses	**1 783.4**	**1 424.0**
Discount from liabilities in line with § 250 (3) HGB	699.3	895.3
Premium from receivables in line with § 340 e (2) clause 3 HGB	164.3	145.9
Deferred income	**1 180.4**	**1 141.0**
Discount from receivables in line with § 340 e (2) clause 2 HGB	289.1	268.2

Deferred items additionally include nonrecurring payments from interest-rate swaps and cross-currency/interest-rate swaps amounting to EUR 343.9 million (2008: EUR 132.3 million) on the assets side and EUR 85.5 million (2008: EUR 245.4 million) on the liabilities side which resulted from asset- and liability-swap combinations.

14. Coverage of Mortgage and Municipal Loan Transactions.

The liabilities below are covered as follows:

EUR million	Dec. 31, 2009	Dec. 31, 2008
Mortgage-backed covered bonds (Hypothekenpfandbriefe) issued in line with ÖPG (German Act concerning Pfandbriefe and associated Bonds of Banks under Public Law) and PfandBG (German Covered Bond Act)	6 518.5	6 238.0
To cover certain assets	12 611.6	11 770.7
A3. Loans and advances to other banks	300.0	344.5
A4. Loans and advances to customers	12 186.2	11 426.2
A5. Bonds and other fixed-income securities	125.4	0.0
Overcollateralization	**6 093.1**	**5 532.7**
Public-sector covered bonds (öffentliche Pfandbriefe) in line with PfandBG (German Covered Bond Act)	59 200.1	72 132.0
To cover certain assets	72 706.1	87 685.2
A3. Loans and advances to other banks	35 433.3	47 398.4
A4. Loans and advances to customers	22 301.3	24 127.2
A5. Bonds and other fixed-income securities	14 971.5	16 159.6
Overcollateralization	**13 506.0**	**15 553.2**

15. Transparency Provisions for Public-Sector Covered Bonds (öffentliche Pfandbriefe) and Mortgage-Backed Covered Bonds (Hypothekenpfandbriefe) Pursuant to § 28 PfandBG (German Covered Bond Act).

A) Transparency Provisions for Public-Sector Covered Bonds Pursuant to § 28 PfandBG.

EUR million	Dec. 31, 2009	Dec. 31, 2008
a) Cover fund for public-sector covered bonds		
Nominal value	72 706	87 685
Present value	76 690	92 074
Present value (+250 bp and currency stress)	71 944	86 251
Present value (–250 bp)	81 713	98 708
Circulation of public-sector covered bonds		
Nominal value	59 200	72 132
Present value	63 246	76 056
Present value (+250 bp and currency stress)	59 322	71 205
Present value (–250 bp)	67 325	81 441
Overcollateralization		
Nominal value	13 506	15 553
Present value	13 444	16 018
Present value (+250 bp and currency stress)	12 622	15 046
Present value (–250 bp)	14 388	17 267
Additional cover assets	15	15
b) Proportion of derivatives in cover fund	0	0

c) Term structure of public-sector covered bonds

	Dec. 31, 2009							
EUR million	Up to 1 year	≥ 1 to 2 years	≥ 2 to 3 years	≥ 3 to 4 years	≥ 4 to 5 years	≥ 5 to 10 years	More than 10 years	**Total**
Cover fund	13 200	12 735	7 975	9 132	7 841	16 555	5 268	**72 706**
Circulating public-sector covered bonds	11 420	11 690	10 561	9 334	4 479	9 736	1 980	**59 200**

	Dec. 31, 2008				
EUR million	Up to 1 year	≥ 1 to 5 years	≥ 5 to 10 years	More than 10 years	Total
Cover fund	18 541	40 124	23 400	5 620	**87 685**
Circulating public-sector covered bonds	18 012	40 731	11 428	1 961	**72 132**

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

	Dec. 31, 2009				
EUR million	Country	Regional government	Local government	Other debtors	Total
Austria	14	0	12	0	26
Belgium	0	0	0	0	0
Canada	0	71	0	0	71
Cyprus	10	0	0	0	10
Czech Republic	65	0	0	0	65
Federal Republic of Germany	1 134	10 574	6 428	50 606	68 742
Finland	48	0	0	0	48
France incl. Monaco	50	2	8	0	60
Greece	823	0	0	0	823
Hungary	48	0	0	0	48
Iceland	20	0	0	0	20
Ireland	0	0	0	0	0
Italy	669	141	22	0	832
Japan	300	0	0	0	300
Latvia	30	0	0	0	30
Luxembourg	0	0	0	9	9
Netherlands	0	0	0	0	0
Poland	27	0	0	0	27
Portugal incl. Azores and Madeira	0	0	0	0	0
Slovakia	80	0	0	0	80
Slovenia	0	0	0	0	0
Spain	0	229	42	0	271
Switzerland	0	843	0	0	843
UK	73	0	0	0	73
United States of America (incl. Puerto Rico)	188	120	0	20	328
Total	**3 579**	**11 980**	**6 512**	**50 635**	**72 706**

EUR million	Country	Regional government	Local government	Other debtors	Total
	Dec. 31, 2008				
Austria	21	10	12	0	43
Belgium	0	0	0	0	0
Canada	0	73	0	0	73
Cyprus	10	0	0	0	10
Czech Republic	65	0	0	0	65
Federal Republic of Germany	1 399	11 682	6 959	62 415	82 455
Finland	50	0	0	0	50
France incl. Monaco	50	3	11	0	64
Greece	1 027	0	0	0	1 027
Hungary	57	0	0	0	57
Iceland	20	0	0	0	20
Ireland	0	0	0	0	0
Italy	685	147	22	600	1 454
Japan	300	0	0	0	300
Latvia	30	0	0	0	30
Luxembourg	0	0	0	9	9
Netherlands	0	0	0	200	200
Poland	22	0	0	0	22
Portugal incl. Azores and Madeira	0	0	0	0	0
Slovakia	80	0	0	0	80
Slovenia	10	0	0	0	10
Spain	0	389	48	0	437
Switzerland	0	1 217	0	0	1 217
United States of America (incl. Puerto Rico)	0	22	0	40	62
Total	**3 826**	**13 543**	**7 052**	**63 264**	**87 685**

e) Total amount of payments outstanding at least 90 days according to country/type

	Dec. 31, 2009				
EUR million	Country	Regional government	Local government	Other debtors	Total
Austria	0	0	0	0	0
Canada	0	0	0	0	0
Cyprus	0	0	0	0	0
Czech Republic	0	0	0	0	0
Federal Republic of Germany	0	0	0	0	0
Finland	0	0	0	0	0
France incl. Monaco	0	0	0	0	0
Greece	0	0	0	0	0
Hungary	0	0	0	0	0
Iceland	0	0	0	0	0
Ireland	0	0	0	0	0
Italy	0	0	0	0	0
Japan	0	0	0	0	0
Latvia	0	0	0	0	0
Luxembourg	0	0	0	0	0
Poland	0	0	0	0	0
Portugal incl. Azores and Madeira	0	0	0	0	0
Slovakia	0	0	0	0	0
Slovenia	0	0	0	0	0
Spain	0	0	0	0	0
Switzerland	0	0	0	0	0
United States of America (incl. Puerto Rico)	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

	Dec. 31, 2008				
EUR million	Country	Regional government	Local government	Other debtors	Total
Austria	0	0	0	0	0
Canada	0	0	0	0	0
Cyprus	0	0	0	0	0
Czech Republic	0	0	0	0	0
Federal Republic of Germany	0	0	0	0	0
Finland	0	0	0	0	0
France incl. Monaco	0	0	0	0	0
Greece	0	0	0	0	0
Hungary	0	0	0	0	0
Iceland	0	0	0	0	0
Ireland	0	0	0	0	0
Italy	0	0	0	0	0
Japan	0	0	0	0	0
Latvia	0	0	0	0	0
Luxembourg	0	0	0	0	0
Poland	0	0	0	0	0
Portugal incl. Azores and Madeira	0	0	0	0	0
Slovakia	0	0	0	0	0
Slovenia	0	0	0	0	0
Spain	0	0	0	0	0
Switzerland	0	0	0	0	0
United States of America (incl. Puerto Rico)	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

B) Transparency Provisions for Mortgage-Backed Covered Bonds (Hypothekenpfandbriefe) Pursuant to § 28 PfandBG (German Covered Bond Act).

EUR million	Dec. 31, 2009	Dec. 31, 2008
a) Cover fund for mortgage-backed covered bonds		
Nominal value	8 195	6 042
Present value	8 787	6 460
Present value (+250 bp and currency stress)	7 992	5 824
Present value (–250 bp)	9 682	7 235
Circulation of mortgage-backed covered bonds (Hypothekenpfandbriefe)		
Nominal value	4 162	2 829
Present value	4 367	2 978
Present value (+250 bp and currency stress)	4 065	2 832
Present value (–250 bp)	4 699	3 151
Overcollateralization		
Nominal value	4 033	3 213
Present value	4 420	3 482
Present value (+250 bp and currency stress)	3 927	2 992
Present value (–250 bp)	4 983	4 084
Additional cover assets	150	0
b) Proportion of derivatives in cover fund	0	0

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

EUR million	Dec. 31, 2009 Up to 1 year	≥ 1 to 2 years	≥ 2 to 3 years	≥ 3 to 4 years	≥ 4 to 5 years	≥ 5 to 10 years	More than 10 years	**Total**
Cover fund	1 180	594	1 012	860	657	3 255	637	**8 195**
Circulating mortgage-backed covered bonds	926	632	696	379	295	1 223	11	**4 162**

EUR million	Dec. 31, 2008 Up to 1 year	≥ 1 to 5 years	≥ 5 to 10 years	More than 10 years	Total
Cover fund	789	2 233	2 492	528	6 042
Circulating mortgage-backed covered bonds	760	1 625	439	5	2 829

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

EUR million	Dec. 31, 2009	Dec. 31, 2008
Up to EUR 300,000	3 178	2 357
Between EUR 300,000 and EUR 5 million	2 280	1 869
More than EUR 5 million	2 737	1 816
Total	**8 195**	**6 042**

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

EUR million	Dec. 31, 2009						
	Federal Republic of Germany	Netherlands	France	Belgium	USA	UK/North Ireland/ Channel Islands	**Total**
Commercially utilized land	1	0	0	0	0	0	**1**
Land used for residential purposes	0	0	0	0	0	0	**0**
Apartments	1 080	0	0	0	0	0	**1 080**
Single family houses	1 453	0	0	0	0	0	**1 453**
Multi-family houses	2 155	0	0	0	0	0	**2 155**
Office buildings	908	30	40	4	156	0	**1 138**
Trade buildings	602	0	14	0	0	0	**616**
Industrial buildings	62	0	0	0	0	0	**62**
Other commercially used buildings	1 256	0	0	0	0	17	**1 273**
Incomplete and not profitable new buildings	135	0	0	0	0	0	**135**
Building sites	15	0	0	0	0	0	**15**
Other cover	267	0	0	0	0	0	**267**
Total	**7 934**	**30**	**54**	**4**	**156**	**17**	**8 195**

EUR million	Dec. 31, 2008				
	Federal Republic of Germany	Netherlands	France	Belgium	Total
Commercially utilized land	0	0	0	0	0
Land used for residential purposes	0	0	0	0	0
Apartments	800	0	0	0	800
Single family houses	1 076	0	0	0	1 076
Multi-family houses	1 897	0	0	0	1 897
Office buildings	630	30	0	6	666
Trade buildings	458	0	0	0	458
Industrial buildings	28	0	0	0	28
Other commercially used buildings	874	0	0	0	874
Incomplete and not profitable new buildings	142	0	0	0	142
Building sites	21	0	0	0	21
Other cover	80	0	0	0	80
Total	**6 006**	**30**	**0**	**6**	**6 042**

f) Total amount of payments outstanding at least 90 days according to country

EUR million	Federal Republic of Germany	Netherlands	France	Total
Dec. 31, 2009	0	0	0	0
Dec. 31, 2008	0	0	0	0

g) Quantity of pending foreclosures and compulsory administration and foreclosures carried out in the fiscal year

	31.12.2009	
Quantity	Commercially utilized land	Land serving residential purposes
Foreclosures pending	0	0
Cases of compulsory administration pending	0	0
Foreclosures carried out	0	0
Total	**0**	**0**

	31.12.2008	
Quantity	Commercially utilized land	Land serving residential purposes
Foreclosures pending	0	0
Cases of compulsory administration pending	0	0
Foreclosures carried out	0	0
Total	**0**	**0**

h) Acquisition of land to prevent losses

	Total	
Quantity	Commercially utilized land	Land serving residential purposes
Jan. 1, 2009 – Dec. 31, 2009	0	0
Jan. 1, 2008 – Dec. 31, 2008	0	0

i) Total amount of outstanding interest

EUR million	Total	
Quantity	Commercially utilized land	Land serving residential purposes
Jan. 1, 2009 – Dec. 31, 2009	0	0
Jan. 1, 2008 – Dec. 31, 2008	0	0

16. Other Liabilities.

The most important individual components of the Other liabilities item are option premiums totaling EUR 3 400.0 million (2008: EUR 3 514.4 million), currency adjustment items for foreign exchange transactions of EUR 650.5 million (2008: EUR –231.4 million) and liabilities to affiliated companies in the amount of EUR 601.7 million (2008: EUR 72.8 million).

17. Other Provisions.

The other provisions of EUR 1 000.4 million (2008: EUR 610.7 million) include provisions for restructuring expenses in the amount of EUR 414.3 million (2008: EUR 46.6 million), comprising EUR 260.1 million for the restructuring of human resources and EUR 154.2 million for the restructuring of material expenses. This balance sheet item also includes provisions for possible loan losses in the amount of EUR 226.7 million (2008: EUR 222.4 million) and provisions from the valuation of financial transactions in the amount of EUR 152.9 million (2008: EUR 177.5 million).

18. Assets Assigned as Collateral for Own Liabilities.

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

EUR million	Dec. 31, 2009	Dec. 31, 2008
Deposits from other banks	45 023.9	63 321.1
Contingent liabilities	105.0	140.0
Securitized liabilities	17.0	67.5
Subordinated liabilities	10.0	13.0
Due to customers	4.2	365.7
Total amount of collateral transferred	**45 160.1**	**63 907.3**

19. Special Item with Partial Reserve Character.

In the 2009 fiscal year, the special item with partial reserve character amounting to EUR 6.9 million (§ 247 (3) in conjunction with § 273 HGB, in compliance with the provisions of § 6b EStG) was released fully into income. It resulted from the migration of LRP Landesbank Rheinland-Pfalz, Mainz, and was assigned to the capital goods concerned in the 2009 fiscal year.

20. Subordinated Liabilities.

The subordinated liabilities of EUR 5 308.0 million recorded in the balance sheet comply with the requirements of § 10 (5a), clause 5 KWG (German Banking Act) (EUR 4 972.5 million) after deduction of Tier 3 capital (EUR 167.6 million), pro rata interest (EUR 85.0 million), the original discount (EUR 13.3 million), three issues not recognizable for regulatory purposes (EUR 0.6 million), write-ups of zero bonds in the last five years before maturity (EUR 62.2 million) and further corrections (EUR 6.8 million). In this respect, only two-fifths (EUR 74.3 million) of EUR 185.8 million (book value or issuing price for zero bonds plus write-ups during the period ending five years before maturity; previous year: EUR 284.8 million) were recognized because these liabilities might fall due within the two-year period stipulated in § 10 (5a), sentence 2 KWG, or because there is a cancellation right (non-recognition in the amount of EUR 111.5 million).
Of the subordinated loans borrowed from BW Bank Capital Funding LLC I and II totaling EUR 100.0 million, the bank is no longer assigning EUR 30.0 million to supplementary capital, in view of the fact that a repurchase may be necessary.

A total of EUR 4 831.0 million of the subordinated liabilities as of December 31, 2009 was included in supplementary capital pursuant to § 10 (5a) KWG. A market-smoothing item totaling EUR 3.6 million is required to be deducted from this amount as of the reporting date (December 31, 2009), resulting in a capital requirement of EUR 4 827.4 million.
The corrections of EUR 6.8 million result from different conversion rates having been applied as of the balance sheet date by the reporting unit (ECB reference rate) and the accounting unit (EuroFX rate) and the limited allocatability of the interest accrued from subordinated zero borrower's note loans to liable capital in line with § 10 (5a) clause 1 No. 2 KWG.
In the year under review, interest expenses of EUR 228.8 million (previous year: EUR 272.4 million) were incurred for subordinated liabilities.

21. Equity.

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

EUR million	Dec. 31, 2009
Equity as of December 31, 2008	12 140,1
./. Distribution from 2008 net retained profit	85,2
+ Capital increase	5 000,0
./. Price-related changes in the silent partners	3,8
./. Loss allocation to silent partners' contributions	526,7
./. Net retained loss for 2009	1 459,5
Equity as of December 31, 2009	15 064,9

As a result of the changes in market requirements of the capital resources of banks and in order to strengthen the bank against the background of the financial market crisis, an increase in equity of EUR 5 000 million was carried out in the 2009 fiscal year. Investors in silent partners' contributions and profit participation certificates will participate in the net loss for the year in the ratio of silent partners' contributions/profit participation certificates to liable capital. They will participate in the loss on an equal basis and in proportion, in addition to the rest of the bank's liable capital. In accordance with the contracts relating to silent partnerships and conditions for profit participation certificates, the extent of the share in the loss is calculated as the share of the volume of silent partners or capital generated by profit participation certificates in the total volume of regulatory liable capital. The holders of silent partners' contributions and profit participation certificates do not receive any regular payments for fiscal years in which the payment of remuneration would lead to a net loss for the year or a net retained loss or would increase this. In most cases, the postponed payments are to be paid in arrears in subsequent years, provided that this will not lead to a net loss for the year or a net retained loss.
The repayment claim will be increased by future net income for the year, unless this is limited in the contracts to the maturity of the deposit.

22. Items Below the Line.

Credit default swaps amounting to EUR 22 945.3 million (2008: EUR 29 393.3 million) for which LBBW provides counterparties with collateral similar in nature to guarantees are reported below the line. The credit default swaps relate to 788 individual transactions (2008: 947). Of the total volume, the main institution accounts for EUR 6 212.6 million (2008: EUR 10 461.3 million), the London branch for EUR 14 569.4 million, the Singapore branch for EUR 816.1 million and the New York branch for EUR 1 347.2 million.
The total portfolio, including the credit default swaps for which LBBW provides no collateral, is described under item No. 3 Derivatives.

The irrevocable loan commitments are exclusively made up of external commitments. Delivery commitments arising from forward transactions totaled EUR 1 429.3 million as of the balance sheet date (2008: EUR 1 853.1 million). This figure includes borrower's note loan transactions (EUR 587.5 million), term money (EUR 233.0 million), fixed-income securities (EUR 550.4 million) and securities repurchase agreements (EUR 58.4 million).

23. Letter of Comfort.

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

LBBW has issued letters of comfort in favor of BW-Bank Capital Funding LLC I and BW-Bank Capital Funding LLC II, which rank lower than all of LBBW's senior and subordinate liabilities including the capital generated by profit participation certificates.

24. Guarantor's Liability (Gewährträgerhaftung).

In its capacity as guarantor, LBBW continues to be liable for liabilities of DekaBank Deutsche Girozentrale, Berlin and Frankfurt am Main and LBS Landesbausparkasse Baden-Württemberg, Stuttgart and Karlsruhe, incurred until July 18, 2005 (elimination of the guarantor's liability), in certain cases depending on the time when the liabilities arose and upon their term; however, LBBW is in no event liable as guarantor for any liabilities that have arisen after this date.

This also applies externally to the liabilities of the following credit institutions provided that these liabilities arose during the time when LBBW was a guarantor of these credit institutions: former Landesbank Schleswig-Holstein Girozentrale, Kiel; Westdeutsche ImmobilienBank AG, Mainz, former SLB Landesbank Sachsen Girozentrale, Leipzig and former LRP Landesbank Rheinland-Pfalz, Mainz.

In addition, LBBW will release the trustors and former guarantors of SLB inter partes from all claims for liabilities arising from the guarantor's liability (Gewährträgerhaftung) and maintenance obligation (Anstaltslast) they have assumed for SLB that are asserted against the trustors and former guarantors of SLB for the first time after December 31, 2007 insofar as and to the extent that the guarantor's liability (Gewährträgerhaftung) exists due to claims by LBBW or affiliates of LBBW within the meaning of § 15 et seq. Aktiengesetz (German Stock Corporation Act) in connection with the Sealink structure (successor company to Ormond Quay and Castle Views), including one or more Castle View vehicles to the extent that these entities have assets that were originally included in the Ormond Quay portfolio (Issuer Valuation Agreement of May 6, 2004 amended July 7, 2005, between SachsenLB Europe plc. and Ormond Quay Funding plc., Eden Quay Asset Limited, Ellis Quay Asset Management Limited and Merchants Quay Asset Management Limited).

LBBW will also release the trustors and former guarantors of SLB inter partes from all claims for liabilities arising from the guarantor's liability (Gewährträgerhaftung) and maintenance obligation (Anstaltslast) they have assumed for SLB that are asserted against the trustors and former guarantors of SLB for the first time after December 31, 2010.

25. Other Financial Obligations.

Other financial obligations that neither appear on the balance sheet nor below the line amounted to EUR 905.8 million (2008: EUR 915.9 million) at LBBW. EUR 114.8 million per year thereof is accounted for by long-term rental and leasing contracts, while EUR 75.8 million is attributable to an obligation to contribute to Liquiditäts- und Konsortialbank GmbH, Frankfurt am Main, in the year under review. There are obligations to make further contributions of EUR 649.0 million to the reserve fund of the Landesbanken and the Girozentralen (central savings banks). Payment of these additional contributions can be immediately demanded in the event that an institution requires assistance.

EUR 41.3 million (2008: EUR 56.1 million) of the other financial obligations relate to affiliated companies.

Pursuant to § 5 (10) of the bylaws of the German Deposit Protection Fund, we undertook to indemnify Bundesverband deutscher Banken e.V., Berlin, against any and all losses incurred by the latter as the result of assistance provided to credit institutions that are majority-owned by Landesbank Baden-Württemberg.

Owing to the net loss for the year, liabilities arising from profit participation certificates and silent partners' contributions will not be paid on the current annual accounts. Moreover, the liabilities arising from profit participation certificates and silent partners' contributions will share in the loss in line with their share in the liable capital. Both measures will reduce the net loss for the year and the net retained loss.
The replenishment of capital generated by profit participation certificates and silent partners' contributions and the making good omitted distributions is subject to a condition precedent and, if a net income for the year or net retained profit is recorded in future, is to be given priority over allocations to shareholders or to provisions. Depending on the contractual conditions, LBBW must in some cases also service deferred shares of the capital after repaying liabilities arising from profit participation certificates and silent partners' contributions that are due.
The condition precedent of the payment of distributions is also regulated differently in different contracts, but will take place at a maximum up to the repayment of the respective capital.
As at December 31, 2009, the obligation to replenish capital and to make good the payments not yet made for silent partners' contributions and profit participation certificates was EUR 1 135.5 million.

Notes to the Statement of Income.

26. Other Operating Income and Expenses.

EUR 28.8 million (2008: EUR 213.9 million) of the other operating income is accounted for by capital gains on the sale of equity interests and real estate held as fixed assets, as well as by income from renting and leasing land and buildings.
Other operating expenses essentially comprise staff costs for employees seconded to third parties in the amount of EUR 19.3 million (2008: EUR 20.6 million), expenses for land and buildings in the amount of EUR 12.6 million (2008: EUR 7.9 million), material costs for non-bank business amounting to EUR 12.2 million (2008: EUR 13.0 million), canteen costs amounting to EUR 10.1 million (2008: EUR 8.4 million), allocations to provisions in the amount of EUR 18.7 million (2008: EUR 7.0 million), expenses from the transfer of pension provisions for LRP in the amount of EUR 15.2 million (2008: EUR 1.6 million) and other expenses amounting to EUR 25.6 million (2008: EUR 9.2 million). EUR 16.4 million of the other expenses results from the derecognition of land and buildings that had already been disposed of or sold in previous years but had not been recognized. The increase in prior-period expenses from EUR 3.1 million in the previous year to EUR 18.0 million in 2009 is largely the result of this situation.

27. Auditors' Fees.

The auditors' fees recognized as an expense in the fiscal year exclusively include fees for the services provided by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft.

EUR million	Dec. 31, 2009
Audit services	2,7
Audit-related services	2,3
Tax services	0,1
Other services	0,5
Total	**5,6**

28. Extraordinary Result.

The extraordinary result is mainly due to restructuring expenses brought about by the financial market crisis. In the 2009 fiscal year, provisions of EUR 375.6 million had to be made in connection with this, while expenses of EUR 18.1 million were incurred during the year.

29. Taxes on Income.

The tax expense of EUR 39.0 million for the period was attributable to the positive results of the foreign branches, including foreign withholding tax.

Owing to effects from previous years, there was a prior-period tax expense of EUR 0.9 million. In total, tax on income of EUR 39.9 million was thus recorded.

30. Breakdown of Income According to Geographic Markets.

The total amount from the income statement items

Nr. 1: Interest income
Nr. 3: Current income from shares and other non-fixed interest securities, companies in which an equity interest is held, and shares in affiliated companies
Nr. 5: Commission income
Nr. 7: Net income from financial transactions
Nr. 8: Other operating income

is distributed across the following geographical markets:

EUR million	Dec. 31, 2009	Dec. 31, 2008
Federal Republic of Germany	13 354.6	19 563.2
Europe (EU states excluding Germany)	1 118.6	2 047.0
Asia	225.6	568.0
America	351.6	828.5
Total	**15 050.4**	**23 006.8**

31. Administrative and Intermediary Services.

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

Other Disclosures.

32. Off-Balance Sheet Transactions.

The passing of the German Accounting Law Modernization Act (BilMoG) requires the reporting company to provide information on off-balance sheet transactions. In future, the nature and purpose of transactions not reported on the balance sheet and the risks and advantages associated with them are to be stated if this is necessary to assess the financial situation. This includes all transactions, not only those that are pending, that were not entered in the financial statements initially or that result in the permanent disposal of assets or liabilities from the financial statements.

Revocable loan commitments:

The granting of overdraft facilities that can be terminated by the bank at any time allows customers to overdraw their checking accounts within the scope of the loan commitment, without generally having to provide collateral. The bank itself benefits from this product, which is standardized and customary for the market, through higher interest income if the commitment is utilized or exceeded by the customer. At the same time, however, there are risks arising from a deterioration in the financial situation of the borrower. At the end of the year, there were revocable loan commitments in the amount of EUR 23.2 billion, which do not have to be reported either on the balance sheet or below the line.

Special-Purpose Entities/Securitizations:

LBBW has business relationships with various special-purpose entities following different business models. These business relationships are all accounted for on the balance sheet (receivables, securities, valuation allowances) or in the form of contingent liabilities or other obligations in the financial statements.

The purchase of trading and leasing receivables by special-purpose entities serves primarily to finance SMEs. The special-purpose entities obtain their funding by issuing asset backed commercial papers (ABCP), among other sources. LBBW provides these special-purpose entities with loans and liquidity lines. Funding from LBBW is already reported in the accounts.

Other special-purpose entities invest in (securitized) securities. LBBW assumes risks by funding the companies through commercial papers, loans and securities repurchase agreements and by providing liquidity lines. Investment in securities and significant risks associated with them may lead to valuation allowances for loans granted to the special-purpose entity or to the utilization of guarantees provided in the bank's financial statements. These risks are taken into account in the balance sheet or below the balance sheet.

33. 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: from the Group's perspective, based on international financial reporting standards (IFRS):

EUR million	Shareholders	Members of the Board of Managing Directors and Supervisory Board	Affiliates	Associates	Joint ventures	Other related parties/ companies
Loans and advances to other banks						
2009	957	0	50	320	0	5 867
2008	2 057	0	51	316	0	7 921
Loans and advances to customers						
2009	4 439	3	2 778	372	27	32
2008	3 941	4	1 441	347	19	1 548
Trading assets, financial assets designated at fair value						
2009	904	0	9	36	0	332
2008	153	0	138	35	0	275
Investment securities						
2009	12 700	0	241	10	0	137
2008	0	0	222	8	29	365
Total other assets						
2009	0	0	0	1	0	0
2008	0	0	0	186	0	0
Total assets						
2009	**19 000**	**3**	**3 078**	**739**	**27**	**6 368**
2008	**6 151**	**4**	**1 852**	**892**	**48**	**10 109**

EUR million	Shareholders	Members of the Board of Managing Directors and Supervisory Board	Affiliates	Associates	Joint ventures	Other related parties/ companies
Deposits from other banks						
2009	5 064	0	67	232	0	8 828
2008	4 268	0	4	272	0	9 363
Due to customers						
2009	13 986	5	751	74	9	0
2008	4 036	4	833	41	14	30
Securitized liabilities						
2009	0	0	0	0	0	0
2008	0	0	0	0	0	0
Trading liabilities, financial liabilities designated at fair value						
2009	353	0	0	41	0	221
2008	241	0	12	51	0	365
Total provisions						
2009	0	0	0	0	0	0
2008	0	0	0	0	0	0
Other liabilities						
2009	0	0	0	0	0	0
2008	0	0	1	0	0	1
Subordinated debt						
2009	3 116	0	100	10	0	0
2008	3 120	0	100	5	0	0
Total liabilities						
2009	**22 519**	**5**	**918**	**357**	**9**	**9 049**
2008	**11 665**	**4**	**950**	**369**	**14**	**9 759**

34. Interests Exceeding Five Percent of the Voting Rights Held by LBBW in Large Corporations.

Atos Wordline Processing GmbH, Frankfurt am Main

B+S Card Service GmbH, Frankfurt am Main

Bürgschaftsbank Sachsen GmbH, Dresden

HSBC Trinkaus & Burkhardt AG, Düsseldorf

Siedlungswerk gemeinnützige Gesellschaft für Wohnungs- und Städtebau GmbH, Stuttgart

SOTRADA AG, Stuttgart

Südwestdeutsche Salzwerke AG, Heilbronn

Universal-Investment-Gesellschaft mbH, Frankfurt am Main

Württembergische Lebensversicherung AG, Stuttgart

Wüstenrot & Württembergische AG, Stuttgart

35. Legal Representatives or Employees of LBBW Occupied the Following Positions on Statutory Supervisory Boards and Similar Supervisory Bodies of Large Corporations and Banks within Germany.

Company	Position	Incumbent
AdCapital AG, Leinfelden-Echterdingen	Member of the Supervisory Board	Hans-Joachim Strüder
AKA Ausfuhrkredit GmbH, Frankfurt am Main	Member of the Supervisory Board Deputy Member of the Supervisory Board	Joachim Landgraf Elvira Bergmann
Allgaier Werke GmbH, Uhingen	Member of the Supervisory Board	Joachim E. Schielke
Asknet AG, Karlsruhe	Member of the Supervisory Board	Joachim Hug
Bankhaus Ellwanger & Geiger KG, Stuttgart	Chairman of the Supervisory Board	Michael Horn
Berlin-Hannoversche Hypothekenbank AG, Berlin	Member of the Supervisory Board	Hans-Jörg Vetter until July 2, 2009
B+S Card Service GmbH, Frankfurt am Main	Member of the Supervisory Board	Rudolf Zipf
börse-Stuttgart AG, Stuttgart	Chairman of the Supervisory Board Member of the Supervisory Board	Horst Marschall Hans-Joachim Strüder
Bürgerliches Brauhaus Ravensburg-Lindau AG, Ravensburg	Deputy Chairman of the Supervisory Board	Harald R. Pfab
Bürgschaftsbank Baden-Württemberg GmbH, Stuttgart	Deputy Chairman of the Supervisory Board Member of the Supervisory Board	Dr. Bernhard Walter Jürgen Kugler
Bürgschaftsbank Sachsen GmbH, Dresden	Member of the Supervisory Board	Harald R. Pfab
DekaBank Deutsche Girozentrale, Berlin und Frankfurt am Main	1st Deputy Chairman of the Supervisory Board 2nd Deputy Chairman of the Supervisory Board Member of the Supervisory Board	Hans-Jörg Vetter from August 1, 2009 Dr. Siegfried Jaschinski until May 19, 2009 Michael Horn from February 11, 2009
Deutsche Pfandbriefbank AG, Munich	Member of the Supervisory Board	Hans-Jörg Vetter until August 13, 2009
Deutscher Sparkassenverlag GmbH, Stuttgart	Member of the Supervisory Board Member of the Supervisory Board	Dr. Siegfried Jaschinski until May 19, 2009 Hans-Jörg Vetter from November 1, 2009
Dürr AG, Stuttgart	Member of the Supervisory Board	Joachim E. Schielke
ECC European Commodity Clearing AG, Dresden	Member of the Supervisory Board	Harald R. Pfab
Euwax AG, Stuttgart	Deputy Chairman of the Supervisory Board Member of the Supervisory Board	Horst Marschall Hans-Joachim Strüder
Grieshaber Logistik AG, Weingarten	Member of the Supervisory Board	Michael Horn
Heidelberger Druckmaschinen AG, Heidelberg	Member of the Supervisory Board	Dr. Siegfried Jaschinski as Chairman of the Board of Managing Directors of LBBW until June 10, 2009
HSBC Trinkaus & Burkhardt AG, Düsseldorf	Member of the Supervisory Board Member of the Supervisory Board	Dr. Siegfried Jaschinski until May 19, 2009 Hans-Jörg Vetter from September 30, 2009
Hypo Real Estate Holding AG, Munich	Member of the Supervisory Board	Hans-Jörg Vetter until August 13, 2009
Hymer AG, Bad Waldsee	Member of the Supervisory Board	Michael Horn
KfW Kreditanstalt für Wiederaufbau, Frankfurt am Main	Member of the Supervisory Board	Dr. Siegfried Jaschinski until May 19, 2009

Company	Position	Incumbent
LBBW Asset Management (Ireland) plc., Dublin	Chairman of the Supervisory Board	Hans-Joachim Strüder until April 22, 2009
	Deputy Chairman of the Supervisory Board	Dr. Bernhard Walter until April 22, 2009
LBBW Asset Management Investment GmbH, Stuttgart	Chairman of the Supervisory Board	Hans-Joachim Strüder
	Deputy Chairman of the Supervisory Board	Horst Marschall
	Member of the Supervisory Board	Dr. Peter Merk from September 1, 2009
	Member of the Supervisory Board	Dr. Peter M. Haid from September 1, 2009
	Member of the Supervisory Board	Manuel Köppel from January 12 to August 31, 2009
LBBW Bank CZ a.s., Prag	Chairman of the Supervisory Board	Michael Horn
	Deputy Chairman of the Supervisory Board	Dr. Peter Kaemmerer
	Member of the Supervisory Board	Andreas Fohrmann
	Member of the Supervisory Board	Harald R. Pfab
LBBW Immobilien GmbH, Stuttgart	Chairman of the Supervisory Board	Dr. Siegfried Jaschinski until May 19, 2009
	Chairman of the Supervisory Board	Hans-Jörg Vetter from June 25, 2009
	Member of the Supervisory Board	Dr. Peter Kaemmerer from March 27, 2009
	Member of the Supervisory Board	Dr. Bernhard Walter
LBBW Luxemburg S.A., Luxembourg	Chairman of the Supervisory Board	Hans-Joachim Strüder
	Member of the Supervisory Board	Michael Horn
	Member of the Supervisory Board	Dr. Peter Kaemmerer
	Member of the Supervisory Board	Berthold Veil
LBBW (Switzerland) AG, Zurich	Chairman of the Supervisory Board	Horst Marschall
LBS Baden-Württemberg, Stuttgart and Karlsruhe	Member of the Supervisory Board	Michael Horn
	Deputy Member of the Supervisory Board	Rudolf Zipf
MKB Mittelrheinische Bank GmbH, Koblenz	Chairman of the Supervisory Board	Joachim E. Schielke
	Deputy Chairman of the Supervisory Board	Michael Horn
	Member of the Supervisory Board	Dr. Bernhard Walter
MMV-Leasing GmbH, Koblenz	Chairman of the Advisory Board	Joachim E. Schielke
	Deputy Chairman of the Advisory Board	Michael Horn
	Member of the Advisory Board	Dr. Bernhard Walter
Paul Hartmann AG, Heidenheim a.d. Brenz	Member of the Supervisory Board	Joachim E. Schielke
quirin bank AG, Berlin	Member of the Supervisory Board	Andreas Benninger
Rohwedder AG, Bermatingen	Member of the Supervisory Board	Dr. Peter Kaemmerer until December 31, 2009
Schlossgartenbau AG, Stuttgart	Chairman of the Supervisory Board	Hans Strudel until June 30, 2009
	Chairman of the Supervisory Board	Achim Kern from December 4, 2009 (Member from October 20 to December 3, 2009)
	Member of the Supervisory Board	Dr. Armin Brendle
	Member of the Supervisory Board	Markus Pflitsch from July 1 to August 14, 2009
Schwabenverlag AG, Ostfildern	Member of the Supervisory Board	Werner Partsch As an employee of the bank until September 30, 2009

Company	Position	Incumbent
Schweizerische National-Versicherungs-Gesellschaft, Basel	Member of the Supervisory Board	Dr. Peter Kaemmerer
Siedlungswerk Gemeinnützige Gesellschaft für Wohnungs- und Städtebau mbH, Stuttgart	Deputy Chairman of the Supervisory Board	Michael Horn
	Member of the Supervisory Board	Dr. Stefan Hofmann from July 16, 2009
SOTRADA, Stuttgart	Chairman of the Supervisory Board	Ralf Menzel
	Member of the Supervisory Board	Ralf Winkelmann until February 28, 2009
	Member of the Supervisory Board	Andreas Leonhard from March 1, 2009
Sparkasse Donnersberg, Rockenhausen	Member of the Supervisory Board	Gabriela Wildanger-Hofmeister
Stratec biomedical Systems AG, Birkenfeld	Member of the Supervisory Board	Burkhard Wollny until May 20, 2009
SV SparkassenVersicherung Holding AG, Stuttgart	Member of the Supervisory Board	Michael Horn
Universal-Investment-Gesellschaft mbH, Frankfurt am Main	Member of the Supervisory Board	Horst Marschall
Voralberger Landes- und Hypothekenbank, Bregenz	Member of the Supervisory Board	Michael Horn
Württembergische Lebensversicherung AG, Stuttgart	Member of the Supervisory Board	Michael Horn
Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg	Member of the Supervisory Board	Hans-Joachim Strüder
Wüstenrot & Württembergische AG, Stuttgart	Member of the Supervisory Board	Joachim E. Schielke

36. Employees (Annual Averages).

	Male	Female	Total
LBBW			
German headquarters/branches	5148	5442	10590
Foreign branches	180	102	282
Representative offices	28	19	47
LBBW total	**5356**	**5563**	**10919**
For information:			
Trainees	293	340	633

37. Total Remuneration of the Executive Bodies.

The total remuneration paid to the Board of Managing Directors of LBBW was EUR 4.5 million (2008: EUR 5.7 million). The remuneration paid to the members of the Supervisory Board, the Owners' Meeting, and the Credit Committee totaled EUR 0.6 million (2008: EUR 0.6 million). The total remuneration paid to former members of the Board of Managing Directors and their surviving dependents amounted to EUR 9.0 million (2008: EUR 9.9 million); the provisions for pensions for former members of the Board of Managing Directors and their surviving dependents totaled EUR 80.1 million (2008: EUR 82.5 million).

38. Advances and Loans to and Contingent Liabilities Assumed in Favor of the Executive Bodies of LBBW and its Predecessors.

EUR million	Board of Managing Directors	Supervisory Board	Owners' Meeting
Advances and loans	0.5	2.6	0.2
Contingent liabilities	0.0	0.0	0.0

Board of Managing Directors and Supervisory Board of LBBW.

Board of Managing Directors

DR. SIEGFRIED JASCHINSKI
Chairman (until June 10, 2009)

HANS-JÖRG VETTER
Chairman (from June 11, 2009)

MICHAEL HORN
Deputy Chairman

DR. PETER A. KAEMMERER

JOACHIM E. SCHIELKE

HANS-JOACHIM STRÜDER

DR. BERNHARD WALTER

RUDOLF ZIPF

Supervisory Board of LBBW.

Chairman

PETER SCHNEIDER MDL
President of Sparkassenverband Baden-Württemberg (the Savings Bank Association of Baden-Württemberg), Stuttgart

1st Deputy Chairman

STEFAN MAPPUS MDL
Chairman of the CDU Parliamentary Group in the State Parliament of Baden-Württemberg, Stuttgart

2nd Deputy Chairman

DR. WOLFGANG SCHUSTER
Lord Mayor of the State Capital Stuttgart

Members

DIPL.-OEC. MUHTEREM ARAS
from September 17, 2009
City Councilor, Tax Adviser, Chairman of the Bündnis 90/DIE GRÜNEN Parliamentary Group of the City Council of the State Capital Stuttgart

THOMAS BERRETH *
Employee of Landesbank Baden-Württemberg, Stuttgart

HARALD COBLENZ *
Employee of Landesbank Baden-Württemberg, Karlsruhe

WOLFGANG DIETZ
from October 1, 2009
Lord Mayor of the Town of Weil am Rhein

BERND DOLL
until September 30, 2009
Lord Mayor (retired) of the Town of Bruchsal

DR.-ING. E. H. HEINZ DÜRR
Chairman of the Supervisory Board of Dürr AG, Stuttgart

WALTER FRÖSCHLE *
Employee of Landesbank Baden-Württemberg, Stuttgart

PROF. DR. ULRICH GOLL MDL
from January 1, 2009
Deputy Prime Minister, Justice Minister of the State of Baden-Württemberg, Stuttgart

DR. JUR. RAINER HAAS M. A.
from December 16, 2009
Senator h. c.,
District Administrator of the Ludwigsburg District, Chairman of the Supervisory Board of Kreissparkasse Ludwigsburg

ALBERT HÄBERLE
Savings Bank Director, Chairman of the Board of Managing Directors of Kreissparkasse Waiblingen

KARLHEINZ HEINZELMANN *
Bank employee in early retirement, Besigheim

HELMUT HIMMELSBACH
Lord Mayor of the Town of Heilbronn

UDO HUMMEL *
Employee of Landesbank Baden-Württemberg, Stuttgart

PROFESSOR DR. SC. TECHN. DIETER HUNDT
Senator h.c.,
President of the Confederation of German Employers' Associations,
Chairman of the Supervisory Board of ALLGAIER-WERKE GmbH, Uhingen

JENS JUNGBAUER *
Employee of Landesbank Baden-Württemberg, Stuttgart

DIPL.-ING. (FH) MANFRED KANZLEITER
until September 17, 2009
City Councilor, Stuttgart

LIAN LIE LIEM *
Employee of Landesbank Baden-Württemberg, Stuttgart

GÜNTHER NOLLERT *
Employee of Landesbank Baden-Württemberg, Mannheim

PROF. DR. WOLFGANG REINHART MDL
Minister for Federal and European Affairs at the Ministry of the Prime Minister of the State of Baden-Württemberg

* von den Mitarbeiterinnen und Mitarbeitern gewählt

IRIS RIPSAM
until September 17, 2009
City Councilor, Stuttgart

DIPL.-VOLKSWIRT EUGEN SCHÄUFELE
Savings Bank Director, Chairman of the Board of Managing Directors of Kreissparkasse Reutlingen

DR. STEFAN SCHEFFOLD MDL
from January 1, 2009
Attorney at Law, Deputy Chairman of the CDU Parliamentary Group in the State Parliament of Baden-Württemberg, Stuttgart

HELMUT SCHLEWEIS
until December 31, 2009
Savings Bank Director, Chairman of the Board of Managing Directors of Sparkasse Heidelberg

DR. NILS SCHMID MDL
Attorney at law, Deputy Chairman of the SPD Parliamentary Group in the State Parliament of Baden-Württemberg, Stuttgart

CLAUS SCHMIEDEL MDL
Chairman of the SPD Parliamentary Group in the State Parliament of Baden-Württemberg, Stuttgart

WILLI STÄCHELE MDL
Finance Minister of the State of Baden-Württemberg, Stuttgart

FRED-JÜRGEN STRADINGER
from September 17, 2009
City Councilor, Chairman of the CDU Parliamentary Group of the City Council of the State Capital Stuttgart

HANS OTTO STREUBER
until June 12, 2009
President of Sparkassenverband Rheinland-Pfalz (the Savings Bank Association of Rhineland-Palatinate), Budenheim

WERNER UNFRIED *
Employee of Landesbank Baden-Württemberg, Stuttgart

KURT WIDMAIER
District Administrator of the Ravensburg District, Chairman of the Supervisory Board of Kreissparkasse Ravensburg

NORBERT ZIPF *
Employee of Landesbank Baden-Württemberg, Stuttgart

Deputy Members

JOSEF AHMED
from July 17, 2009
Employee of Landesbank Baden-Württemberg, Stuttgart

DIPL.-OEC. MUHTEREM ARAS
until September 17, 2009
City Councilor, Tax Adviser, Chairman of the Bündnis 90/DIE GRÜNEN Parliamentary Group of the City Council of the State Capital Stuttgart

HANS BAUER *
Employee of Landesbank Baden-Württemberg, Stuttgart

DIPL.-WIRTSCH.-ING. (FH) BERND BECHTOLD
from May 5, 2009
Chairman of the Chamber of Industry and Commerce, Karlsruhe District, Managing Shareholder of b.i.g. bechtold INGENIEURGESELLSCHAFT MBH, Karlsruhe

GÜNTHER BENZ
from May 5, 2009 to October 1, 2009
Director General in the Interior Ministry of the State of Baden-Württemberg, Stuttgart

DR. ROSWITHA BLIND
from September 17, 2009
City Councilor, Chairman of the SPD Parliamentary Group in the City Council of the State Capital Stuttgart

CHRISTIAN BRAND
Chairman of the Board of Managing Directors of Landeskreditbank Baden-Württemberg – Förderbank, Karlsruhe

OTWIN BRUCKER
from November 23, 2009
Mayor (retired), Pliezhausen

* Elected by LBBW employees

ROLAND BÜRKLE
Mayor of the Town of Bad Wurzach

MICHAEL FÖLL
First Mayor of the State Capital Stuttgart
Stuttgart

REINHARD FRANK
from November 23, 2009
District Administrator of the Main-Tauber District, Chairman of the Supervisory Board of Sparkasse Tauberfranken, Tauberbischofsheim

ARMIN FREUNDL *
Employee of Landesbank Baden-Württemberg, Stuttgart

DR. HANS-DIETER FREY
from May 5, 2009
Director in the Ministry of Economic Affairs of Baden-Württemberg, Stuttgart

DIRK GAERTE
from December 16, 2009
District Administrator of the Sigmaringen District, Chairman of the Supervisory Board of Hohenzollerische Landesbank Kreissparkasse Sigmaringen

REINHOLD GALL MDL
from November 17, 2009
Parliamentary secretary of the SPD Parliamentary Group in the State Parliament of Baden-Württemberg, Stuttgart

DR. JUR. RAINER HAAS M. A.
until December 16, 2009
Senator h. c.,
District Administrator of the Ludwigsburg District, Chairman of the Supervisory Board of Kreissparkasse Ludwigsburg

EBERHARD HÄGE *
Employee of Landesbank Baden-Württemberg, Stuttgart

MARTIN HAIBLE *
Employee of Landesbank Baden-Württemberg, Stuttgart

DIPL.-VERW.-WIRT (FH) KLAUS HERRMANN MDL
from May 5, 2009
Financial Policy Spokesman of the CDU Parliamentary Group in the State Parliament of Baden-Württemberg, Stuttgart

HANS GEORG JUNGINGER
from May 5, 2009 to November 17, 2009
Attorney at Law, Weinheim

DR. MICHAEL KIENZLE
from September 17, 2009
City Councilor, Stuttgart

TIMO KLEIN *
until June 30, 2009
Employee of Landesbank Baden-Württemberg, Karlsruhe

MICHAEL KLEINER
from November 17, 2009
Senior Undersecretary in the Baden-Württemberg State Ministry, Karlsruhe

SABINE LEHMANN *
Employee of Landesbank Baden-Württemberg, Mannheim

PROF. DR. DORIT LOOS
until September 17, 2009
City Councilor, Stuttgart

THOMAS LÜTZELBERGER
Savings Bank Director, Chairman of the Board of Managing Directors of Sparkasse Schwäbisch Hall-Crailsheim

HERMANN MADER
until November 23, 2009
District Administrator of the Heidenheim District, Chairman of the Supervisory Board of Kreissparkasse Heidenheim

SIEGMAR MÜLLER
from January 1, 2009 to June 12, 2009
Savings Bank Director, Chairman of the Board of Managing Directors of Sparkasse Germersheim-Kandel

SIEGFRIED RIEG
until November 23, 2009
District Councilor, Lord Mayor (retired), Giengen

DIETER RÖSLER *
Employee of Landesbank Baden-Württemberg, Stuttgart

CHRISTIAN ROGG *
Employee of Landesbank Baden-Württemberg, Stuttgart

JOHANN ROTH
Savings Bank Director, Chairman of the Board of Managing Directors of Bezirkssparkasse Reichenau

HELMUT WALTER RÜECK MDL
from May 5, 2009
Member of the Board of Managing Directors of the CDU Parliamentary Group in the State Parliament of Baden-Württemberg, Stuttgart

DIPL.-ING. (FH) INGO RUST MDL
from May 5, 2009
Chairman of the Finance Committee of the State Parliament of Baden-Württemberg, Stuttgart

DR. H.C. KLAUS SCHMIDT
from January 1, 2009
Chairman of the Boards of Managing Directors of DEKRA e. V./AG, Stuttgart

GERD SIEBERTZ *
Employee of Landesbank Baden-Württemberg, Stuttgart

RENATE STEINER *
Employee of Landesbank Baden-Württemberg, Stuttgart

JOACHIM WALTER
District Administrator of the Tübingen District, Chairman of the Supervisory Board of Kreissparkasse Tübingen

* Elected by LBBW employees

Responsibility Statement.

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Landesbank Baden-Württemberg, and the management report includes a fair review of the development and performance of the business and the position of Landesbank Baden-Württemberg, together with a description of the principal opportunities and risks associated with the expected future development of Landesbank Baden-Württemberg.

Stuttgart, Karlsruhe, Mannheim, and Mainz, March 25, 2010

The Board of Managing Directors

HANS-JÖRG VETTER
Chairman

MICHAEL HORN
Deputy Chairman

DR. PETER A. KAEMMERER

JOACHIM E. SCHIELKE

HANS-JOACHIM STRÜDER

DR. BERNHARD WALTER

RUDOLF ZIPF

Auditor's Report.

»We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim and Mainz, (LBBW) for the business year from January 1, to December 31, 2009. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the LBBW's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB (»Handelsgesetzbuch«: »German Commercial Code«) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.
In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the LBBW´s position and suitably presents the opportunities and risks of future development.«

Stuttgart, March 25, 2010

PricewaterhouseCoopers
Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft

WALTER SCHULDT
German Public Auditor

DR. ANDREAS RUSS
German Public Auditor