

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 for LBBW and the LBBW Group 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.