

Report of the Supervisory Board.

The Board of Managing Directors of Landesbank Baden-Württemberg (LBBW) reported to the Supervisory Board and its committees regularly and in a timely manner about the business situation and performance of the Bank and the Group during 2009. The Supervisory Board and its committees exercised the duties incumbent upon them under the applicable laws and statutes. Moreover, the Chairman of the Board of Managing Directors informed the Chairman of the Supervisory Board about key developments and decisions between individual meetings.

In the year under review, the Supervisory Board held five regular meetings and three extraordinary meetings.

The regular reports focused on the liquidity and refinancing situation and the effects of the financial market crisis, particularly on the credit substitute business. Regular reports were also provided on the risks arising for LBBW from the traditional lending business. The Supervisory Board examined LBBW's earnings and cost situation in detail in connection with this, along with the cost reduction program and the economic plan. Particular attention was paid to selected commitments and to the development of individual areas of business. In addition, the effects of the markets, which were still very volatile in 2009, on the income statement and the capital base of LBBW were discussed. In connection with this, the Supervisory Board was kept continuously informed of the situation regarding the increase in equity, the EU state aid proceedings and the relevant discussions at LBBW's Owners' Meeting. This also included detailed reports on the results of the review of the risk situation at LBBW and its validation. The Supervisory Board and owners of LBBW

had commissioned this from various audit firms ahead of consultations on the capital measures at the end of 2008.

After the Supervisory Board passed a resolution on the principles of the business policy at its meeting on March 3, the Supervisory Board approved, at its meeting on October 1, the plan drawn up by the Board of Managing Directors for the reorganization of LBBW for submission to the European Commission.

In view of public discussions, the Board of Managing Directors looked at recent developments in the real economy and the financial markets, paying particular attention to the services provided by the banking industry to SMEs and large corporations. The structure of the credit substitute business, the achievement of synergies through the integration of Landesbanken in Saxony and Rhineland-Palatinate in the previous year and the effects of the re-rating on individual portfolios were also outlined. In addition, the Supervisory Board received detailed information about the scope of investigations by the public prosecutor's office regarding former and current members of the Board of Managing Directors. The Supervisory Board commissioned an audit firm to give its opinion on these investigations by the public prosecutor's office.

The reports on the securities account audit and audit in accordance with § 36 of the German Securities Trading Act for the 2008/2009 year, the results of the § 44 KWG (German Banking Act) audit and the Annual Report of the Board of Managing Directors in accordance with the minimum requirements for the organization of the internal auditing of banks were given to the Supervisory Board. The Supervisory Board decided on the change to the bylaws for the Loan Committees of LBBW and its dependent legal entities, which govern the extension of the reporting obligations of the Board of Managing Directors, among other things. In addition, the Supervisory Board was regularly informed about

risk-relevant issues in the LBBW Group pursuant to the Minimum Requirements for Risk Management (MaRisk). Detailed reports about the relevant risk types were presented to the Loan Committee and summaries were presented to the Supervisory Board about this topic on a quarterly basis. The Loan Committees – as committees of the Supervisory Board – dealt with commitments requiring approval according to the applicable law and statutes. The Loan Committees took note of urgent decisions made by the Board of Managing Directors.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Stuttgart, audited the single-entity financial statements and consolidated financial statements of LBBW, including the management reports, in accordance with the resolution by the Supervisory Board and issued an unqualified auditor's report. The Supervisory Board discussed the auditor's report and found no grounds for objections after completing its review.

At its meeting on April 23, 2010, the Supervisory Board assessed the 2009 annual financial statements of Landesbank Baden-Württemberg.

The economic environment and the difficult market situation, together with the tasks involved in restructuring, meant that a particular effort was required in the last fiscal year. This means that the Supervisory Board has all the more reason to give the Board of Managing Directors and employees thanks and recognition for their commitment and the work carried out.

Stuttgart, April 23, 2010
Chairman of the Supervisory Board



PETER SCHNEIDER
President Sparkassenverband Baden-Württemberg