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ANNUAL REPORT

2009

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## TO OUR BUSINESS ASSOCIATES



CHRISTIAN BRAND  
Chairman of the Board  
of Management of L-Bank

Dear Business Partners,  
At the current time, people are talking a lot about a "trust crisis" in the world of finance and economics. Trust is the basis for any business relationship: Those who trust place confidence in the reliability of their partners, or of structures and systems. It is a simple fact that the crisis has unveiled errors and weaknesses of the system; but we can learn from these errors by analyzing and correcting them. It is also a fact that many partners, structures and systems have been reliable and will continue to be so in the future.

The crisis has led to a worldwide regionalization of banking markets. Last year, many banks retreated to their home markets, the three-pillar model proving to be a stabilizing factor. Our system was capable of compensating the turmoil on the international markets more effectively and efficiently than the systems of other western developed countries. A solid regional banking structure with a clear focus on regional business is indispensable for financing our small and medium-sized companies which are the backbone of our economy. Economic recovery in Germany will emanate from precisely those companies, with their stable structures and excellent products. To start the process of recovery, however, those companies depend on reliable local financial partners.

During the last few months, the weaknesses of our economic structure have also been shown. Baden-Württemberg, which is strong in exports, saw the flipside of its international economic success when key foreign markets collapsed. The leading industries in the country – such as automobile manufacturers and mechanical engineering companies – found the weak order books especially painful. But export-oriented companies are now the first to benefit from the economic recovery. In addition, our small and medium-sized companies have learned their lessons from previous crises. They maintained their staff of specialized employees, even if they had to reduce production. When the markets recently regained momentum, they were able to react quickly to the changed order situation.

Circumstances have improved, but we are still in a dynamic situation – and changes may generate uncertainty. This said, with the right business partners, they also offer chances and favorable starting conditions, e.g. for new technologies or innovative companies. Just now, a lot depends on research and development. Baden-Württemberg has a leading position within the EU with regard to innovation – and it strives to maintain that position. L-Bank bases its strategy on this particular potential of the state and its economy. We promote this potential since it

creates the foundation for the structural development of our region. When technologies change, there will be spin-offs or acquisitions, and new business models will prevail.

With a more stable recovery, companies will invest more. In order to provide the required liquidity, L-Bank has enhanced its portfolio. We support newly founded companies of any size with initial capital. We help companies with complex plans to find the best financing solution. By means of equity financing, we give credit and investment scope to small and medium-sized companies. We give an additional impulse to the economy by financing residential housing and local infrastructure projects.

In short: L-Bank ensures it is fully involved on behalf of the economy in Baden-Württemberg – in each phase of the economic cycle. During the next few months, the challenge will be to build on the fundamentals of a long-term and stable economic development. There will be no easy way into the future. But Baden-Württemberg is a future-oriented region, its small and medium-sized companies are stable and innovative – and Baden-Württemberg has a reliable partner: L-Bank.

What will the year 2010 bring for the banking sector? There are signs that we will be able to keep countries stable and that we have now overcome the worst crisis. Nevertheless, the forecasts imply that we will have to prepare for further revaluations with respect to company credit. 2010 will be a crucial year for coping with the consequences of the financial crisis. Against this background, the following can also be said: L-Bank makes its contribution towards structural change in a committed and measured way. As a partner for the government, we pursue long-term objectives and finance the future of our country and the coming generations.

Karlsruhe, March 22, 2010



Christian Brand  
Chairman of the Board of Management of L-Bank

## REPORT OF THE SUPERVISORY BOARD



ERNST PFISTER Mdl  
Minister for Economic Affairs of  
the State of Baden-Württemberg

In the year under review, the Board of Management informed the Supervisory Board and its committees on an ongoing basis of the development of the Bank and of important business transactions.

The auditing firm PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, performed the legally required audit for the 2009 fiscal year. No objections were raised. The report was certified without reservation. The Supervisory Board is in agreement with the result of the audit. Following the review by the Supervisory Board, no objections to the year-end financial statement of Landeskreditbank Baden-Württemberg as at December 31, 2009, or the Management Report, as prepared by the Board of Management are to be raised.

In its meeting on April 30, 2010, the Supervisory Board approved the year-end financial statement of the Bank for 2009 and duly noted the Management Report.

The Supervisory Board agrees with the proposal of the Board of Management to disburse an amount of EUR 50 million from the net profit of EUR 51.2 million for the 2009 fiscal year as a dividend to the state of Baden-Württemberg, and carry forward the remaining amount of EUR 1.2 million.

Karlsruhe, April 30, 2010

The Chairman of the Supervisory Board  
ERNST PFISTER Mdl  
Minister for Economic Affairs  
of the State of Baden-Württemberg

## MANAGEMENT REPORT – REPORT OF THE L-BANK BOARD OF MANAGEMENT FOR THE 2009 FISCAL YEAR.

As the State Bank for Baden-Württemberg, L-Bank supports the state in respect of implementing its structural, economic and social policies. The institution's core business lines are start-up and SME financing; housing construction; infrastructure and location development, and family support. L-Bank utilizes a wide range of financial instruments. L-Bank is not in competition with Baden-Württemberg banks and savings banks, but rather it collaborates with them, often acting in partnership.

During the financial and economic crisis, L-Bank was flexible in its reaction to customers' changing requirements. It adjusted existing products in line with requirements, and made additional funds available. L-Bank's role has not changed – organizing the future was, and remains, its principal task.

### GENERAL ECONOMIC DEVELOPMENT

The past fiscal year was characterized to a considerable extent by the global financial market crisis and the resulting crisis in the real economy. As one of the world's leading industrial nations, Germany is suffering, in particular because of its strength as an exporter, from the cooling down of the world economy. On the basis of calculations by the Federal Statistical Office, the gross domestic product is thought to have fallen by 5.0% in real terms.

Industry in the south-west of the nation was unable to avoid the downturn. As an effect of their pronounced export alignment, domestic companies suffered in particular as a result of the crisis. The situation was exacerbated by Baden-Württemberg's

worldwide leading role in the automotive and mechanical engineering sectors, which faced a drastic drop in the demand for investment goods. During the course of the year, manufacturing industry witnessed a drop in sales of 24.1% compared with the corresponding prior period. In 2009 Baden-Württemberg's gross domestic product fell by 8.2% in real terms.

Irrespective of the difficult underlying conditions, the labor market proved relatively strong, in particular due to the increase in short-time compensation payments. At 5.1% Baden-Württemberg's unemployment rate in December 2009 was considerably below the German average (7.8%).

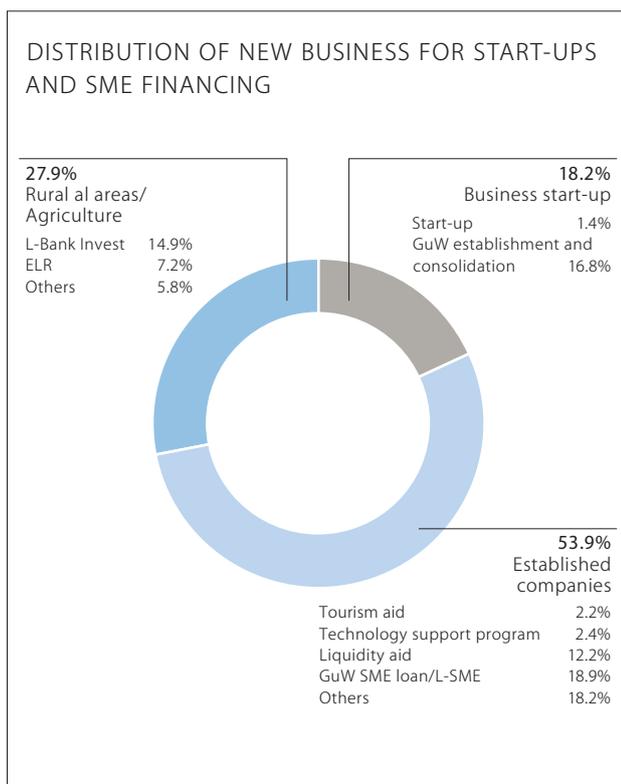
### DEVELOPMENT OF BUSINESS LINES

The international financial crisis had a considerable effect on several segments of the real economy, and exerted an influence on L-Bank's 2009 fiscal year, too. An increase in new approvals in some business lines, especially housing construction finance, contrasts with sharp falls in others, includ-

ing start-ups and SME financing and transactions geared towards asset and liability management. Overall, new business volume fell in the year under review to EUR 9,400.9 million (previous year: EUR 12,661.7 million).

### FINANCING START-UPS AND SMES

L-Bank is committed to creating lasting growth by financing newly established enterprises and SMEs, including in challenging economic times. Furthermore, it acts as a point of contact for enterprises intending to enter into investment projects related to climate protection and in rural areas.



In a difficult economic environment, L-Bank made available a financing volume of EUR 2,396.8 million in the course of the year (previous year: EUR 3,045.5 million) to domestic companies. Although

the provided volume fell, the number of approved credits matched the high level of the previous year.

In 2009 companies invested considerably less than in previous years. The overall decline in investment volume is also reflected in L-Bank's investment programs:

L-Bank finances investments in SMEs in Baden-Württemberg by way of the standard support program "Gründungs- und Wachstumsfinanzierung – Start-up and Growth Financing – (GuW)". It refinances the funds it needs for this purpose via Kreditanstalt für Wiederaufbau (KfW) thereby reducing interest payments considerably. Furthermore, under certain circumstances borrowers can obtain a guarantee from Bürgschaftsbank Baden-Württemberg GmbH or an unpublicized injection of capital via MBG Mittelständische Beteiligungsgesellschaft Baden-Württemberg GmbH. Depending on the age and size of the company filing the application, investment projects are either financed via "Gründung und Festigung" or "GuW Mittelstandskredit". In 2009, demand for the GuW program dropped noticeably because replacement investments were largely financed via companies themselves in view of the current economic situation, and the overall emphasis of funding moved towards the financing of operating funds and securing liquidity.

Promoting start-ups and young enterprises offers the opportunity to organize the economic future in the south-west of the country. As part of the "GuW Gründung und Festigung" program, young entrepreneurs received support from L-Bank in the form of 2,093 loans in the sum of EUR 334.6 million (previous year: 2,583 loans; EUR 460.8 million). In addition, company founders had access to "Starthilfe Baden-Württemberg", a support product which is made available in conjunction with the Baden-Württemberg Bürgschaftsbank and which is geared in particular towards the requirements of small-volume financing projects up to EUR 150,000.00. Under this program, the Bank made available EUR 28.5 million (previous year: EUR 31.5 million) to the customers.

Established companies can finance their investment projects using "GuW Mittelstandskredit". Due to the general investment decline in domestic industry, in the last fiscal year the Bank saw a noticeable decline in the demand for this product to a volume of EUR 372.2 million (previous year: EUR 712.6 million).

Such caution in respect of investments also made its presence felt in the guarantee program and guarantee-like financings. In this context, a volume of EUR 67.9 million EUR (previous year: EUR 88.6 million) was made available to SMEs. By contrast, in the case of projects with a financing requirement of over EUR 5.0 million, L-Bank processed on behalf of the state, guarantees for companies in the amount of EUR 278.5 million (previous year: EUR 10.0 million).

In the case of financing major investment projects, where L-Bank acted as a syndicate partner with other credit institutions, it issued credits of EUR 235.0 million (previous year: EUR 388.7 million).

In addition, commercial banks were given the option of making use of global loans at favorable interest rates earmarked for distribution to SMEs and for the financing of housing construction. In this respect the volume assured was EUR 150.0 million (previous year: EUR 300.0 million).

Supporting agriculture and rural areas is a key aspect of Baden-Württemberg's funding policy. In this business line L-Bank works closely with Landwirtschaftliche Rentenbank, which operates throughout Germany. The Bank can look back on a record funding year, in which it funded EUR 116.2 million EUR (previous year: EUR 67.0 million). In particular the program "Energie vom Land", which funded projects in the amount of EUR 50.6 million, saw a positive development compared with the previous year. Funding is granted to commercial and agricultural companies that produce power in Baden-Württemberg on the basis of renewable energy sources. The Bank uses the funding instrument "L-Bank Invest" for commercial industrial companies

and self-employed persons (EUR 297.0 million; previous year: EUR 335.5 million) for investments in rural areas. The funding product range for rural regions is completed by the development program "Entwicklungsprogramm Ländlicher Raum (ELR)", on the basis of which companies with less than 100 employees can apply for low-interest loans, subsidies or a combination of both. In the case of certain types of project part of the subsidies emanate from European Union (EU) funds and priority is given to projects that are co-financed in this way. In the 2009 fiscal year the ELR program granted EUR 144.1 million to customers.

Innovative and energy-efficient investments with a volume of EUR 49.0 million (previous year: EUR 134.5 million) were financed in the year under review as part of the "Technology Funding Program" and the "Environmental Protection and Energy-Saving Program". By providing funding of EUR 44.8 million to the tourist industry in south-west Germany, L-Bank increased the previous year's approved volume by 23.4%.

In reaction to the underlying economic conditions and changed financing requirements the "Liquidity Aid Program" was further developed at the start of the year. In particular, implementation of the option to obtain a standardized risk reduction of 50.0% via Bürgschaftsbank Baden-Württemberg, and the streamlining of maturity range structures, gave rise to an increase in demand among companies and their corporate banks. During the course of 2009 some 1,471 loans in the sum of EUR 244.2 million EUR (previous year: 490 approvals with a volume of EUR 54.7 million) were issued, a four-fold increase over two years. The program is characterized by the issue of cost-effective liquidity support loans with a short to medium-term maturity range, which are particularly suited to financing operating resources or consolidation measures.

To optimize their economic equity base, companies with sales of up to EUR 50.0 million have the option of applying for unsecured "L-MezzaFin" sub-

ordinate loans. The basic concept of this product is deliberately geared towards the requirements of SMEs which, on account of their size, have difficulty accessing mezzanine financing instruments. The tranches of up to EUR 1.5 million can be used to finance growth, modernization, takeovers or innovations. In the year under review, 15 new commitments were entered into with a volume of EUR 8.1 million (previous year: EUR 25.0 million). New business witnessed a considerable decline compared with the previous year, mainly reflecting changed demand on the part of companies. This was in turn due to lower demand for the type of products for which mezzanine capital would largely be used (growth investments, succession management and corporate takeovers, etc.) instead of short-term financing for operating resources.

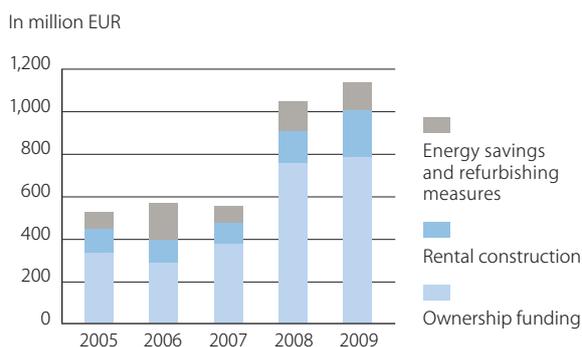
### FINANCING FOR HOUSING CONSTRUCTION

As in the case of the previous fiscal year, uncertainty in the financial markets worldwide has focused attention on investments in real assets. Owning property, which in this country is still seen as the best old-age pension, was extremely popular.

In this environment housing construction finance business saw positive development. L-Bank made financing commitments of EUR 1,122.5 million (previous year: EUR 1,073.6 million). This surpassed the previous year's very good results by 4.6%. Of the total, EUR 844.1 million was attributable to the financing of owner-occupied residential property. State funding for general rental property, discontinued in the past few years, was reinstated in 2009 in major cities including university cities. Some EUR 27.8 million EUR granted for this purpose were part of the overall financing volume of EUR 278.4 million for residential rental property.

The housing construction programs support both real estate construction and the acquisition or refurbishment of existing properties. Thanks to its provision of loans at favorable interest rates, the Bank

### TOTAL FINANCING OF HOUSING CONSTRUCTION 2005–2009



is a reliable partner for families intending to own their own property. In addition to family policy support aspects, the Bank makes a direct contribution towards work and employment in the case of trade enterprises with an SME character by way of its real estate financing. The Bank's real estate finance activity not only supports the state's policy towards families but also makes a direct contribution to job creation in the building trade and SMEs connected to building.

The State Residential Subsidy Program is the central instrument of housing construction support in Baden-Württemberg. As part of this program loans of EUR 426.4 million (previous year: EUR 431.2 million) were made available in 2009 for owner-occupied property.

The programs "Living with Children" and "Living Tomorrow", launched in 2007, also saw gratifying development in the year under review. The first product comprises loans refinanced via KfW, which are rendered even cheaper by L-Bank and made available from the applicant's own bank or directly via L-Bank. "Living with Children" is geared towards private individuals with certain income levels who have at least one child and who would like to acquire or build owner-occupied property. In the

year under review 4,360 loans totalling EUR 269.3 million (previous year: EUR 239.2 million) were granted. Private home owners who install a system in their property that runs on renewable energy can make use of the program "Living Tomorrow". Loans totalling EUR 49.8 million (previous year: EUR 30.9 million) were granted in 2009 via this program.

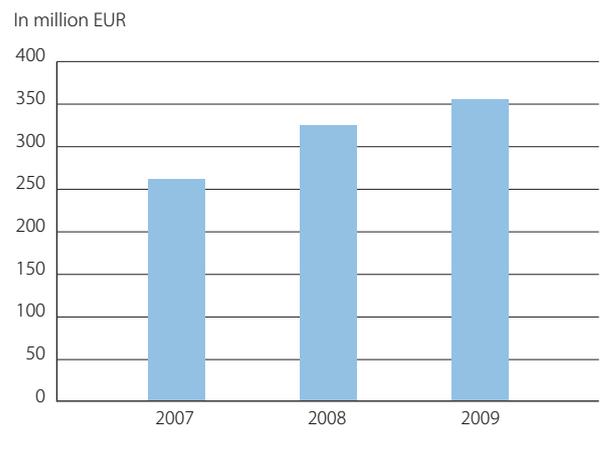
### INFRASTRUCTURE FINANCING

The unsettled economic environment is also noticeably restricting the scope of financial activity of municipal authorities as a result of the decline in tax revenues. To sustain the implementation of key investments in these conditions, L-Bank is supporting Baden-Württemberg's cities and municipalities with various types of financing.

Its financing of public projects is largely geared towards projects brought to fruition by private industry. In such circumstances the Bank acts at all times in a competitively neutral manner, and cooperates with other business banks. In the 2009 fiscal year, development banks played a stronger role overall in the case of financing major infrastructure projects, whilst in view of the global financial market crisis the operations of business banks were more restrained. In the year under review, L-Bank participated in several major power plant and traffic infrastructure projects, and played a crucial role in financing the project of a private motorway-operating company in Baden-Württemberg. In 2009 the Bank continued to finance infrastructure projects, which also included Public-Private Partnership projects (PPP projects), creating a new business volume of EUR 353.7 million (previous year: EUR 327.7 million).

Furthermore, in the year under review EUR 66.0 million (previous year: EUR 49.5 million) were issued to regional and local authorities, enterprises run independently by the municipalities and special-purpose associations as part of the infrastructure program "Investment Credit Municipal Direct"

#### DEVELOPMENT OF THE NEW BUSINESS VOLUME INFRASTRUCTURE FINANCING INCLUDING PPPs

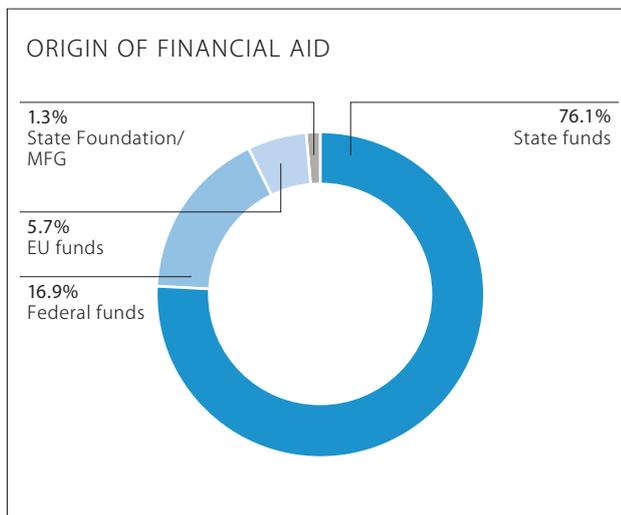


that was reinstated on October 1, 2009, in cooperation with KfW.

Good accessibility to public transport gives a location an advantage that should not be underestimated, especially in rural areas. L-Bank provides subsidies and low-interest loans as part of this line of business. It supports local transport companies with the initial procurement of public service buses or their replacements, as well as with the retrofitting of particle filters. In 2009 the Bank granted subsidies in the sum of EUR 26.6 million (previous year: EUR 10.9 million) and loans in the sum of EUR 32.7 million (previous year: EUR 66.8 million).

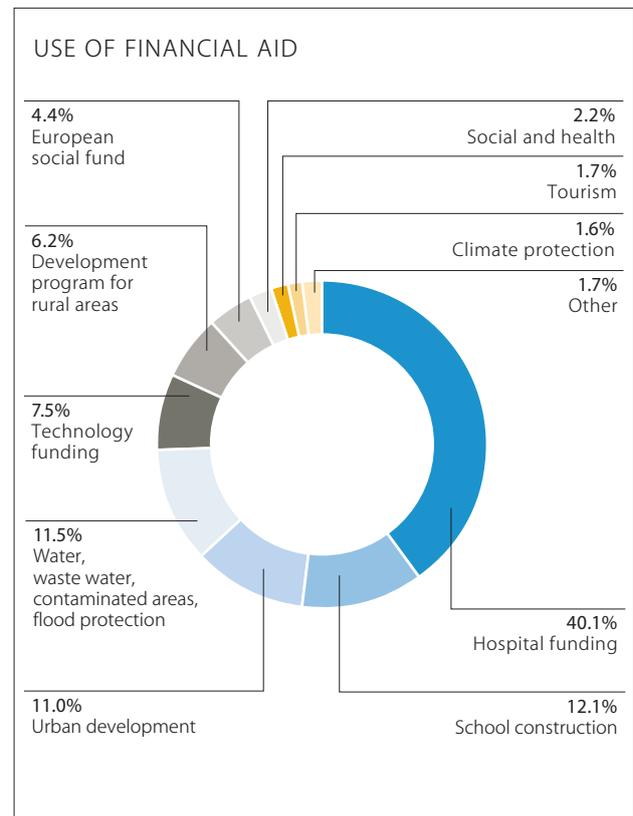
### FINANCIAL ASSISTANCE

L-Bank processes numerous subsidy programs for the public sector. Federal and EU subsidies are issued, as well as state funding, funds from the Baden-Württemberg State Foundation and MFG Medien- und Filmgesellschaft Baden-Württemberg. The various funding programs of the above-mentioned institutions are supported and processed centrally by the Financial Assistance department.



In the year under review the development of application and approval volume was extremely dynamic, with an increase of 30.9%. Some 7,811 approvals (previous year: 6,513) with a total volume of EUR 1,199.6 million (previous year: EUR 916.2 million) were processed. The provision of such funds is the sole responsibility of contract-awarding entities, and is conditional on the budget made available and conditions for use.

In 2009 development in financial aid was chiefly characterized by the following factors. On the one hand, the Bank met the comprehensive preconditions for enabling the drawdown of funds from the EU and the state in the current funding periods of the European Fund for Regional Development (EFRD), the European Social Fund (ESF) and the European Agriculture Fund for Rural Development (EAFRD). They included implementing software developed by the Bank and adjusting organizational structures. On the other hand, L-Bank also assumed the task of issuing additional funds as part of the economic programs of the federal government (Future Investment Program) and the state (State Infrastructure Program). The increase in volume of financial aid is largely attributable to these economic programs. The option of falling back on processes already in place at the Bank and making use of the



know-how in place there were crucial in respect of the decision to delegate such tasks to L-Bank. Finally, additional specific administrative functions were assigned to the Bank aimed at bundling the principals' funding activities, and issuing subsidies more efficiently and speedily.

### SUPPORT FOR FAMILIES

Baden-Württemberg attaches great importance to an attractive family policy. It is crucial in respect of lessening the foreseeable consequences of demographic change in society, and securing the economic future of Baden-Württemberg in the long-term. By direction of the federal government and the state therefore, L-Bank supports families with children by issuing federal parental and state educational allowances.

### Parental allowance

L-Bank is the central disbursement authority for the parental allowance in Baden-Württemberg. In 2009 the development in application and approval volume almost mirrored that of the previous period; 111,170 applications (previous year: 113,506) with a volume of EUR 642.4 million (previous year: EUR 642.7 million) were approved. To continue to deal with the strong demand in a service and customer-oriented manner, as well as to guarantee the best possible advice for applicants, additional specialists were once again employed during the course of the year, internal working processes were continually developed and processing times were thus again reduced.

### Educational allowance

In addition to the German federal educational allowance, families in Baden-Württemberg whose income falls below a certain level can make use of the state educational allowance. In 2009, 24,541 applications (previous year: 38,167) with a volume of EUR 50.9 million (previous year: EUR 92.4 million) were approved. In line with expectations, the application and approval volume fell in the year under review because two age groups were simultaneously entitled to the educational allowance in the 2008 fiscal year. This was the result of a special legal situation which produced strong demand. The continuing difficult economic circumstances, which reduced many applicants' income to within the stipulated income limit for granting the educational allowance, reduced expected decline.

### SHAREHOLDINGS

L-Bank enters into strategic shareholdings in enterprises in Baden-Württemberg, as well as taking shareholdings in subsidiaries for business location development. It also takes risk capital shareholdings. As at the date of accounting, the shareholding portfolio had a book value of EUR 497.2 million (previous year: EUR 616.4 million).

### SME funds and venture capital

Via L-EigenkapitalAgentur (L-EA), L-Bank makes use of its equity or equity-like funds to participate in entrepreneurial risks. The funds are made available to companies and investment partners via L-EA Venture Fonds, L-EA Mittelstandsfonds and L-EA Garantiefonds.

L-EA Venture Fonds is geared towards the equity financing of young Baden-Württemberg companies, primarily from the biotechnology, medical technology and IT and communications technology sectors. The fund has a volume of EUR 127.8 million and is used to largely finance projects in the seed and start-up phase.

In the year under review there were no additional new investments in the L-EA Venture Fonds. Rather, activities focused on the continued financing of existing shareholdings. On December 31, 2009, the investment volume was EUR 85.6 million (previous year: EUR 81.4 million) and the portfolio comprised 21 shareholdings. By mutual agreement the cooperation with SEED GmbH in respect of supporting the portfolio companies of L-EA Venture Fonds ended on the balance sheet date. Since then, this task has been performed by the long-standing management partner L-EA Private Equity GmbH.

Via the L-EA Mittelstandsfonds, which has an investment volume of EUR 350.0 million, L-Bank normally acquires as a co-investor a stake in established SMEs that have their registered offices in Baden-Württemberg, or supports such companies by way of tailor-made mezzanine financing concepts. The demand for L-EA Mittelstandsfonds remains strong. In the 2009 fiscal year the fund volume was increased by EUR 100.0 million from the previous figure of EUR 250.0 million to EUR 350.0 million to enable it to continue to provide SMEs in Baden-Württemberg with suitable financing instruments, in particular in times of crisis. In the year under review one new commitment was made and four existing investments received further finance. In 2009

the investment volume totalled EUR 12.6 million. As at December 31, 2009 the portfolio therefore consisted of 16 commitments (two funds, eight individual shareholdings and six subordinate loans) with a current investment volume of EUR 128.0 million.

The goal of the L-EA Garantiefonds consists of targeted action to promote creditors' willingness to invest in SMEs by way of a matching assumption of the financing risk, so as to optimize capitalization. The fund assumes up to 50.0% of the respective shareholding commitment with a maximum limit for the guaranteed volume of EUR 2.5 million, and a maximum term of ten years. The forms of guaranteed financing range from direct shareholdings to mezzanine instruments, such as participation certificates and dormant holdings. No new investments were made in the past fiscal year. As at December 31, 2009, the guarantee volume of the L-EA Garantiefonds was EUR 7.5 million (previous year: EUR 10.5 million).

### Strategic shareholdings

The book value of the strategic shareholdings at the end of 2009 was EUR 425.2 million (previous year: EUR 542.3 million). The changes are based on an increase in the shareholding commitment in Wüstenrot & Württembergische AG, and value adjustments to the holdings in Dedalus GmbH & Co. KGaA and Landesbank Baden-Württemberg. The reduction in the book value in the case of Landesbank Baden-Württemberg is set off by a claim from an intrinsic value guarantee of the Land Baden-Württemberg in the same amount.

## BUSINESS LOCATION DEVELOPMENT

Innovation is the essential prerequisite for future growth and achieving a high level of competitiveness and employment in developed economies. In this respect L-Bank has made commitments to numerous university locations in Baden-Württemberg via its subsidiary companies operating in technology and

industrial parks. The Bank's strategy consists of using real estate sector investments to expand the existing network of industry non-university and university research facilities; promote new forms of cooperation; stimulate the exchange of experience and pave the way for know-how and technology transfer.

In this respect the technology and industrial parks in Karlsruhe, Stuttgart, Tübingen and Reutlingen consistently bundle their strengths by combining the functions of developer, building contractor, investor and operator in a single source. In addition, these locations boast excellent infrastructure with connections to freeways, public transport and airports. Thanks to efficient park management and supplementary services such as kindergartens, primary schools and the provision of laboratories, they distinguish themselves from the other commercial rental opportunities. In the process they provide attractive office space to both new and established enterprises. Once the enterprise has been successfully established, L-Bank sells the real estate investment to third parties – whilst still preserving the character of the respective enterprise.

Since the start of activities in the business location development sector, investments have totalled EUR 454.9 million, while real estate worth EUR 286.2 million has been sold to investors. As at December 31, 2009, the investment figure was EUR 168.7 million. The 2009 fiscal year saw the completion of a building in Reutlingen and the start of the construction of an additional property in Stuttgart. This is testimony to L-Bank's willingness to make anticyclical investments.

## REFINANCING AND BANK CONTROLLING

### Refinancing

In its capacity as state bank for Baden-Württemberg, L-Bank has an excellent credit rating thanks to the explicit guarantee of the state. This is provided for in the L-Bank Act, and via the state's liability for its

own institutions as well as its direct guarantee. In accordance with Basel II the liability mechanism guarantee implies equivalence in terms of address with the state of Baden-Württemberg and, as a result, with the Federal Republic of Germany.

The rating agencies Moody's Investors Service and Standard & Poor's have confirmed this outstanding position in the money and capital markets by way of L-Bank's rating of Aaa/AA+ with a stable outlook.

The volatile start of the year in the money and capital markets was followed by a significant calming of nerves and increasing normalization of L-Bank's refinancing environment. During the course of the year investors' interest in secure investments further increased to the benefit of L-Bank.

L-Bank refinanced its activities on both the national and international money and capital markets. The issuance of benchmark bonds in euros and US dollars via the Debt Issuance Programme (DIP), with an overall volume of EUR 30.0 billion, is a key element of its capital market refinancing strategy. Furthermore, the Bank issued private placements geared towards investors in various currencies and in the form of bearer debentures and registered bonds, as well as promissory notes. Repurchases and premature repayment of issues have contributed to improving the Bank's image in the secondary market. Furthermore, the launch of a commercial paper program with a volume of EUR 5.0 billion played a part in rounding off the refinancing portfolio in April 2009.

In the year under review L-Bank's issue volume in the capital market was EUR 10.8 billion (previous year: EUR 135 billion). Private placings, largely in euros but also in US dollars, British pounds, Swiss francs and Japanese yen, accounted for the lion's share of borrowing, and focused on the short to medium-term maturity range. In 2009 the Bank issued three benchmark debentures with an issue amount of one billion each, viz. two in US dollars with a maturity period of two to three years and one in euros with a five-year maturity period. In addition, L-Bank

also placed one public bond in Swiss francs and one in British pounds. As at December 12, 2009, the Debt Issuance Programme had a capacity utilization of EUR 16.0 billion while that of the Commercial Paper Program was about EUR 4.1 billion.

### Bank controlling

L-Bank's consistent investment focus, as part of bank asset and liability management, on assets rated good to very good proved successful, in particular in the current market environment. It also provided a safeguard against losses in 2009. In the year under review, provisions were not required for value adjustments to securities from securitization transactions, credit default swaps or other guarantee-like risk assumptions.

In view of the volatile market development, new transactions were not entered into in 2009 in respect of securitization transactions, credit default swaps or other guarantee-like risk assumptions.

Thanks to this extremely conservative investment strategy, L-Bank possesses securities from securitization transactions almost exclusively with ratings in the AAA and AA range. The rating changes in the past business year are attributable to changes in, and adjustments to, valuation models by the rating agencies, as well as the deterioration in the portfolios taken as a basis.

All credit transactions were stated in the Bank's own books. Commitments were also entered into in securitization tranches with a rating below AA at the time of acquisition. However, the interest on, and repayment of, such commitments were, without exception, secured at the time of investment by a government or supranational facility with a rating of at least AA. The following table provides an overview of L-Bank's portfolios and risk profile in Asset-Backed Securities and Credit-Linked Notes on the balance sheet date (with consideration given to hedging transactions entered into at the time of acquisition).

## PORTFOLIO OF ASSET-BACKED SECURITIES AND CREDIT-LINKED NOTES\*

	Nominal value in million EUR	AAA	AA range	A range	BBB range	BB range
Asset-Backed Securities	1,166.9	71.9%	7.2%	14.1%	6.3%	0.4%
Credit-Linked Notes	1,157.3	90.8%	0.6%	5.2%	0.0%	3.4%

\* The basis for classification is the respective weakest external rating.

## TOTAL ASSETS AND OPERATIONAL INCOME

In the 2009 fiscal year L-Bank's balance sheet total fell by 2.6% to EUR 59.7 billion (previous year: EUR 61.3 billion). This fall is largely attributable to a decline in loans to credit institutions. The drop in liabilities due to credit institutions was compensated only in part by an increase in securitized liabilities as a result of the launch of a commercial paper program. The security portfolio remained almost constant in the year under review. New investment with a strong rating compensated scheduled repayments.

As a result of the reduction in the balance sheet total, L-Bank's businesses volume fell as at the balance sheet date EUR 1,657.1 million to EUR 70.6 billion (previous year: EUR 72.2 billion). This figure includes guarantee obligations and irrevocable credit assurances.

Compared with the previous year, the Bank's earnings saw positive development. Ordinary earnings, comprising total of interest and commission income and other operating income, increased in the year under review to EUR 441.9 million (previous year: EUR 398.2 million). This was attributable, in particular, to an increase in net interest income to EUR 394.2 million (previous year: EUR 353.6 million), the Bank's most important source of income. The 11.5% increase was largely attributable to

L-Bank's favorable refinancing environment in the international money and capital markets. Commission income, which to a considerable extent is determined by the remuneration for processing the parental and educational allowance, also saw positive development, increasing by year-end to EUR 31.8 million (previous year: EUR 28.2 million). In 2009 other operating income fell slightly by 2.7% to EUR 15.9 million.

The Bank's administrative expenses, comprising personnel and material expenses and depreciation on tangible assets, increased moderately in the 2009 fiscal year by 1.5% to EUR 127.2 million. Personnel expenses increased to EUR 79.1 million (previous year: EUR 76.8 million). In contrast, operating expenses at EUR 39.0 million (previous year: EUR 41.5 million) fell slightly. The Bank's cost income ratio improved in the year under review compared with 2008 to 30.8% (previous year: 32.9%).

L-Bank accordingly posted an operating result increase of 13.6% before valuation adjustments of EUR 303.9 million (previous year: EUR 267.6 million).

As a result of its public service obligations, the Bank is subject to risk concentrations from the subsidiary business, which it can only counter to a limited extent. The financial market crisis and resulting

weakness in the real economy and the consequential problems for SMEs, gave rise to an increase in the net loss from asset valuation of EUR –67.3 million. However, and as expected, last year's nominally positive net profit from asset valuation of EUR 0.5 million was not replicated in the year under review because of the special situation that subsisted at that time.

Following deduction of risk provisions and valuation adjustments, the Bank posted an operating result in 2009 of EUR 236.6 million (previous year: EUR 268.1 million).

In view of the delayed economic recovery, L-Bank has increased the fund for general bank risks by EUR 57.0 million (previous year: EUR 118.0 million) to EUR 304.0 million.

For the 2009 fiscal year this therefore gives rise to a distributable result of EUR 179.5 million (previous year: EUR 149.1 million).

## EQUITY AND PROFIT DISTRIBUTION

The German federal state of Baden-Württemberg, in its capacity as sole owner, made available to L-Bank funds totalling EUR 179.1 million (previous year: EUR 152.4 million). EUR 113.8 million (previous year: EUR 112.1 million) were used for reduced-interest reserves and subsidies. Continuing the practice of previous years, an amount was also made available to finance road construction in Baden-Württemberg in the sum of EUR 15.3 million. Of the net profit, the Bank will disburse a special dividend of EUR 50.0 million (previous year: EUR 25.0 million) to the state in addition to the payments stated above. The remaining balance sheet profit of EUR 1.2 million has been carried forward to the new account.

## DEVELOPMENT OF SELECTED KEY FIGURES

	01.01.2009 to 31.12.2009	01.01.2008 to 31.12.2008	01.01.2007 to 31.12.2007
Equity ratio	2.9%	2.8%	2.9%
Return on equity	10.5%	8.7%	14.4%
Cost income ratio	30.8%	32.9%	33.6%

## INCOME SUMMARY FROM AN OPERATING PERSPECTIVE In million EUR

	01.01.2009 to 31.12.2009	01.01.2008 to 31.12.2008	Change	Change in %
Interest income	394.2	353.6	40.6	11.5
Commission income	31.8	28.2	3.6	12.8
Other earnings/expenses	5.1	11.1	-6.0	-54.1
./. General administrative expenses	127.2	125.3	1.9	1.5
Operating earnings before risk provisions/ assessments	303.9	267.6	36.3	13.6
./. Risk provision/valuations	67.3	-0.5	67.8	>100.0
Operating income following risk provision/ assessments	236.6	268.1	-31.5	-11.7
Extraordinary operating result	0.8	0.2	0.6	>100.0
./. Addition to fund for general banking risks	57.0	118.0	-61.0	-51.7
Net income before taxes	180.4	150.3	30.1	20.0
./. Taxes on earnings	0.9	1.2	-0.3	-25.0
Distributable profit	179.5	149.1	30.4	20.4
./. Transfer to provision for interest subsi- dies and other subsidies granted	113.8	112.1	1.7	1.5
./. Contribution to road constructions investment program	15.3	15.3	0.0	0.0
Net income	50.3	21.7	28.6	131.8
./. Special dividend	50.0	25.0	25.0	100.0

## RISK REPORT

L-Bank has implemented a risk management system with the following objectives to control risks associated with the banking business:

- To enable the Bank to assess the risk situation at all times.
- To identify and communicate the risks in good time.
- To identify possible alternative action to control the risks.

Risk management is implemented by way of four types of action:

- Specifying strategies (business and risk strategy)
- Internal capital allocation processes
- Risk management and risk controlling processes
- Rules governing the organization and structure of processes

### BUSINESS AND RISK STRATEGY

On account of its public service mission, the risk profile of L-Bank is determined to a great extent by development programs that produce a concentration of counterparty default risks in particular regions, industries or customer groups (cluster risks). The objective of risk controlling is to secure the continuing existence of the Bank without the support of the State of Baden-Württemberg. The Bank places a high priority on maintaining a sound level of capital resources that can support all risks (risk capacity). The Bank prepares a risk strategy each year on the basis of the planning for the individual lines of business. This reveals the planned extent of future lending risks, cluster risks and risk capacity.

### ORGANIZATION OF RISK MANAGEMENT

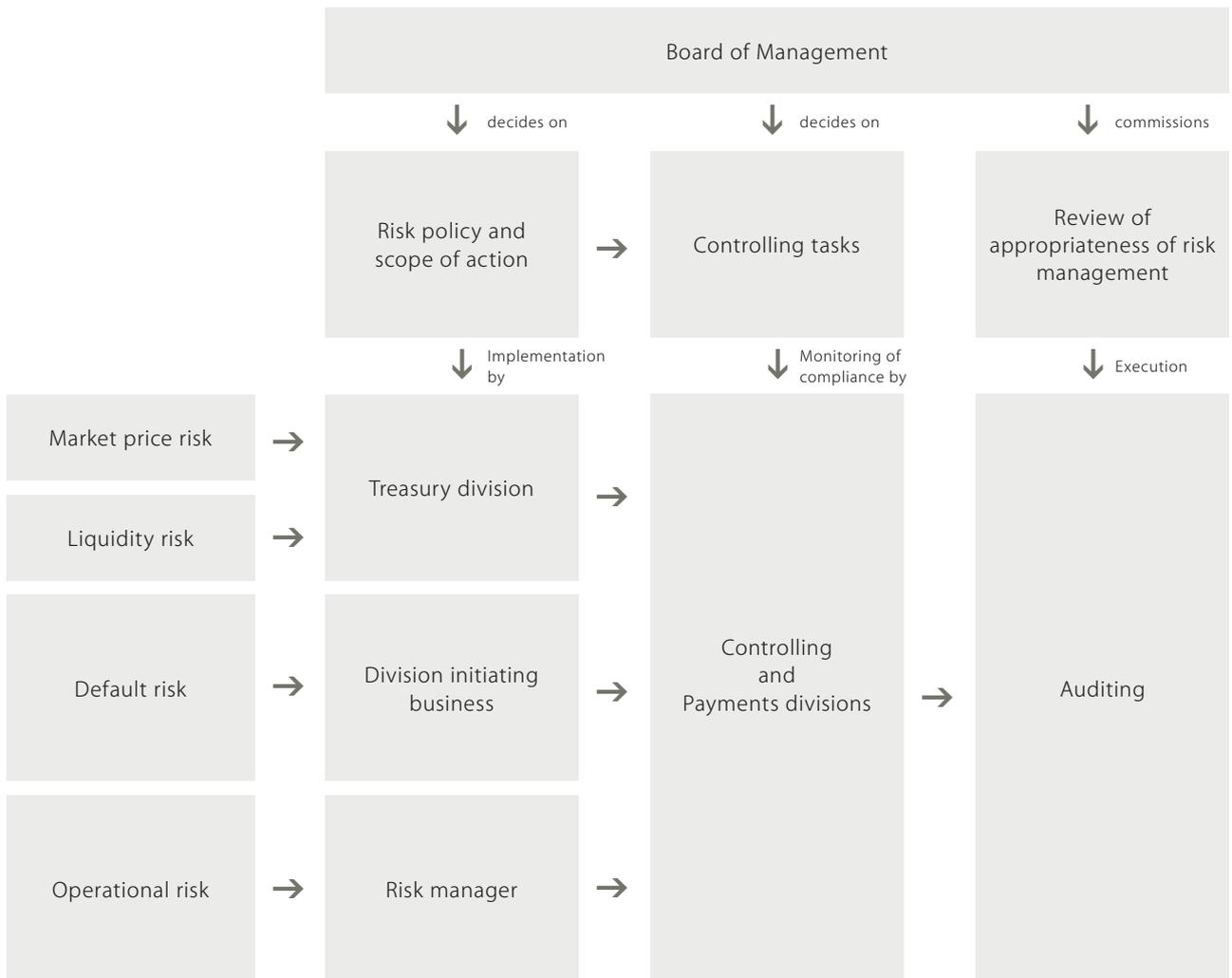
The Board of Management formulates risk policy and defines the scope of action for its implementation. The Board also defines the controlling targets, in particular by setting risk limits and target structures.

The operational departments are responsible for implementing the defined risk policy. The Treasury department is responsible for controlling interest rate and currency risks in the non-trading portfolio and for management of the liquidity risk. All departments that initiate lending business are responsible for controlling default risk. Operational risks are controlled by so-called risk managers. These manage either bank-wide operational risks (central risk managers) or the risks for specific work processes (decentralized risk managers).

The Controlling department undertakes overall risk assessment. This department, together with the Treasury Execution unit of the Payments department, is responsible for monitoring compliance with all established controlling requirements, and reports to the Board of Management about the risk situation.

The Auditing department audits and evaluates the effectiveness and appropriateness of risk management and the orderly conduct of all significant activities and processes of the Bank in a risk-oriented and process-independent manner on behalf of the Board of Management. This unit is directly subordinate and reports to the entire Board of Management. The Auditing department performs its duties autonomously and independently and is not subject to instructions with respect to the assessment of the audit results or reporting.

ORGANIZATION OF RISK MANAGEMENT



## INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

By way of a two-tier control system, L-Bank ensures that unexpected losses do not exceed the risk cover assets. In this respect the scope for action is determined by specifying maximum loss limits derived as part of a risk-based decision-making procedure by way of the capital for risk coverage.

### Risk cover assets and value-at-risk risk capital

The risk cover assets comprise all assets of the Bank. They are calculated as the total of the cash values of all assets and liabilities minus the cash value of the personnel and material costs associated with processing these transactions, minus the cash value of the anticipated default costs inherent in these transactions. Not all the risk cover assets are available as risk capital, which covers future unanticipated losses. The size of the portion of the risk cover assets that is available as risk capital must meet the following conditions:

- The value-at-risk capital may not be greater than the profit before determination of the reserves of the current year (cover layer I) plus hidden reserves (cover layers II–IV). Compliance with this requirement ensures that no negative effects can impact the statement of profit and loss or the balance sheet of the current year due to the occurrence of all unanticipated losses.
- The value-at-risk capital may not be greater than 50% of the stated capital of the previous year.
- The value-at-risk capital may not be greater than 40% of the risk cover assets.

### Total maximum loss limit

A further risk-oriented decision-making process in risk controlling determines which proportion of the value-at-risk capital is set as the total maximum loss limit. The total maximum loss limit may not be greater than the value-at-risk capital previously defined.

### Single maximum loss limits

Depending on the nature and scope of a transaction, the defined total maximum loss limit is divided into single maximum loss limits for all main risks of the Bank (default risk, market price risk, liquidity risk, operational risk). In accordance with Article 19 of the German Banking Act KWG, default risk is determined for all loans. The total maximum loss limit may not be less than the sum of the single maximum loss limits, i.e. the mutual dependencies between the individual risk types that would reduce the stated total risk are not taken into account.

### Business and risk strategy

The defined single maximum loss limits are compared with the value-at-risk capital required for all anticipated planned risk volumes of the next three years according to the risk strategy. If the necessary value-at-risk capital is greater than the defined single maximum loss limits, new-business planning is adapted accordingly.

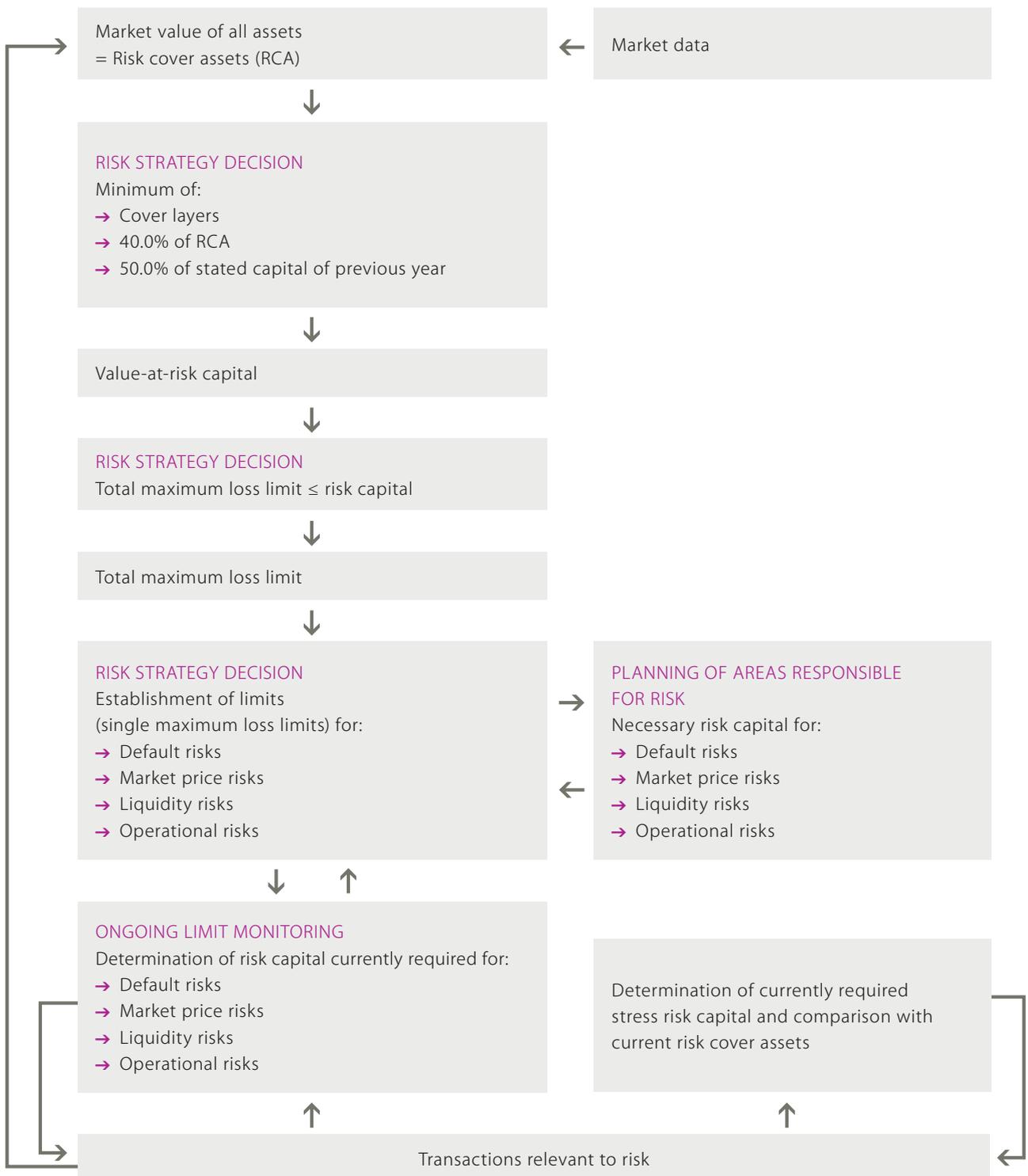
### Limit monitoring and stress test

As part of the ongoing risk controlling and risk monitoring, the following actions are carried out at regular intervals:

- Determination of the risk cover assets
- Verification of compliance with the requirements regarding value-at-risk capital
- Comparison of the required value-at-risk capital with the single maximum loss limits established
- Determination of the required stress risk capital and comparison with the risk cover assets
- Reviewing the possible continuation of the Bank in the event of the occurrence of stress scenarios

In the event of a negative change in risk cover assets, or if the single maximum loss limits are exceeded or the stress risk capital exceeds the risk cover assets, general management decides on the further course of action.

INTERNAL CAPITAL ALLOCATION PROCESS (ICAP)



## RISK MANAGEMENT AND CONTROLLING

The risk controlling processes of the Bank comprise the identification, assessment, controlling, monitoring and communication of significant risks. L-Bank has identified the following types of risks as significant:

- Default risk
- Market price risk
- Liquidity risk
- Operational risk
- Business risk

L-Bank regards anticipated losses from default risk, the value-at-risk figures and stress test results as the most important quantitative indicators for assessing the risk situation.

### Value at risk

Risks from unanticipated losses are quantified using the value-at-risk (VaR) approach, which measures the potential loss that will not be exceeded over a defined future period under normal circumstances and with a defined confidence level.

### Stress tests

The extent to which stress tests are meaningful is naturally limited on account of the number of stress tests that can be performed and the fact that it is not possible to simulate all market conditions. The stress tests are defined according to our best knowledge and belief, taking into account extreme historic market conditions. However, the occurrence of market conditions that result in losses which exceed the risk cover assets cannot be entirely ruled out.

## DEFAULT RISK

Default risk refers to a possible loss from a lending transaction within the meaning of the German

Banking Act (Article 19 KWG) in the event that the counterparty does not meet his contractual obligations. The cause for nonfulfillment of a contract can lie in individual factors relating to the creditworthiness of the borrower or in political reasons resulting from direct government prohibitions of performance.

Depending on when the default risk occurs, the Bank further differentiates between settlement risk, transaction risk and lending risk.

### Assessment method

The risks from unanticipated losses are quantified using the value-at-risk approach.

The default risks in housing construction subsidization are calculated using a statistical method that assumes a holding period of one year and a confidence level of 99.0%. These analyses consider the proceeds from the realization of security provided, but not correlations between the individual borrowers, as the housing construction sector comprises a great number of homogeneous debtors.

In other lending, the calculation is performed using Monte Carlo simulation, on the basis of internal ratings and probabilities of rating changes – provided by rating agencies. These analyses take into consideration correlations – identified for the various home countries of the borrowers but not the security they provide. Virtually the entire portfolio originates in Europe and the USA, so that other country risks play only a minor role.

### Development and controlling in the fiscal year under review

Default risks make up the largest part of the risks that exist for L-Bank. Attributable to this risk type were 82.7% of all VaR values occurring through December 31, 2009.

Each loan is classified, whereby the Bank takes the special characteristics of the respective customer structure into account in its classification methods and also assigns general ratings for homogeneous customer groups.

Individual lending risk is limited by establishing issuer, counterparty and borrower limits. These limits (general and individual business) are set by the Board of Management on the basis of an internal analysis of creditworthiness and monitored on a daily basis by the Controlling unit. When any of these limits are exceeded, risk response measures are initiated that same day. The country transfer risk is limited by setting maximum limits for countries outside the euro zone. These limits are also set by the Board of Management on the basis of an analysis of the risk situation of the respective country, and compliance with these is monitored on a daily basis by the Controlling unit. Risk response measures are initiated the same day if these limits are exceeded.

Cluster risks in the lending business are controlled using portfolio limits for the various industries, regions and risk classes. These limits are set by the Board of Management as a part of the business and risk strategy. The risk structure of the securities portfolio is also limited. The Controlling department monitors compliance with the portfolio limits on a quarterly basis. When these are exceeded, the Board of Management is notified and possible risk response measures are proposed.

Loss risks from lending are limited using VaR limits. The Board of Management establishes these for the individual lines of business on the basis of the risk capacity and the business and risk strategies. The Controlling department monitors compliance with VaR limits on a quarterly basis and initiates risk response measures when these are exceeded. The allocation of the aforementioned limits for loss risks to the individual customer groups of the Bank is shown in the table below.

#### DISTRIBUTION OF LIMITS FOR LOSS RISKS TO THE BANK'S INDIVIDUAL LINES OF BUSINESS

Total counterparty risks	EUR 555.0 million
Private customers	EUR 15.0 million
Corporate customers	EUR 280.0 million
Banks	EUR 250.0 million
Public sector	EUR 10.0 million

The lending risk profiles shown on the following page summarize all transactions in which losses can occur if a counterparty is unable to meet its obligations. Security or guarantees provided have been taken into account in the determination of these amounts. The amounts stated below do not include: cash reserve, claims from interest deferrals and corrections.

**QUALITATIVE DISTRIBUTION OF THE LOAN PORTFOLIO AS AT 31.12.2009** in million EUR

	Private customers	Businesses, self-employed persons	Banks	Public sector	L-Bank total	% share
Excellent credit risk	3,946.8	8,011.0	18,459.7	8,846.6	39,264.1	58.5
Good credit risk	4,126.2	3,969.5	16,307.6	60.6	24,463.9	36.5
Fair credit risk	0.0	1,104.1	195.3	0.0	1,299.5	1.9
Poor credit risk	83.6	1,133.1	619.4	0.0	1,836.1	2.7
Other/in processing	39.1	190.9	1.9	0.0	232.0	0.3
Total	8,195.8	14,408.5	35,584.0	8,907.2	67,095.6	100.0

**REGIONAL DISTRIBUTION OF THE LOAN PORTFOLIO AS AT 31.12.2009** in million EUR

	Private customers	Businesses, self-employed persons	Banks	Public sector	L-Bank total	% share
Germany	8,195.4	13,877.5	26,246.5	4,844.9	53,164.2	79.2
Europe	0.4	480.8	7,972.3	4,052.0	12,505.5	18.6
USA	0.0	1.0	661.2	0.0	662.2	1.0
Other foreign	0.0	49.3	704.0	10.3	763.7	1.1
Total	8,195.8	14,408.5	35,584.0	8,907.2	67,095.6	100.0

Of the portfolio of loans to businesses and self-employed persons with a poor credit risk amounting to EUR 1.1 billion, EUR 880.3 million is attributable to "rental construction in Saxony".

L-Bank defines problem loans as loans which require actions to avert or minimize loss that exceed the normal scope of loan administration and which are beyond mere intensification of customer contact and the possible provision of additional security in cooperation with a customer under intensive supervision. A portfolio of problem loans amounting to EUR 2,386.0 million existed as at December 31, 2009. This is distributed as follows among the Bank's lines of business:

PROBLEM LOAN PORTFOLIO in million EUR	
Private customers	377.8
Home ownership support in BW	260.8
Home ownership support in Saxony	117.0
Businesses and self-employed persons	1,447.7
Rental construction support in BW	287.2
Rental construction support in Saxony	977.9
Economic development	182.6
Banks	560.5
Total	2,386.0

L-Bank has issued clear guidelines for creation of risk provisions. The table below shows the development of individual provisions in EUR million by lines of business.

#### Financial instruments for risk controlling

The Bank held securities and loans against borrower's notes with a value of EUR 20,025.7 million in its investment assets. These securities were purchased in order to diversify cluster risks associated with the development business. They are held to maturity. The following table shows the risk structure of these securities.

RISK STRUCTURE OF THE SECURITY PORTFOLIO in million EUR	
Risk categories	Portfolio
AAA	11,910.5
AA	5,697.2
A	1,890.6
BBB	366.8
BB	103.5
B	57.0

TREND OF INDIVIDUAL VALUE ADJUSTMENTS ACCORDING TO BUSINESS LINES in million EUR				
	Private customers	Business customers	Banks	Public sector
31.12.2007*	89.4	767.8	1.6	0.0
31.12.2008*	89.5	761.7	1.6	0.0
31.12.2009	87.4	752.4	1.6	0.0

\* The previous year's figures have, in part, been adjusted due to varying classification.

## MARKET PRICE RISK

The market price risk is the potential loss due to disadvantageous changes in market prices. The term "market" relates to the money and capital markets so that the market price risk can be broken down according to possible influencing factors:

- Interest rate risks
- Currency risks
- Risks from stocks and other equity positions (= shareholdings)
- Option risks

### Assessment method

Risks from unanticipated losses are quantified using the value-at-risk (VaR) approach. With respect to market price risks, VaR is determined using a historical simulation for a holding period of ten days and a confidence level of 99%.

### Development and controlling in the fiscal year under review

Market price risks exist for L-Bank primarily in the form of interest rate risks in the non-trading portfolio. In addition, the subsidiaries in which L-Bank holds a majority share are exposed to price risks in the form of real estate risks.

The Board of Management establishes VaR limits to control the assumed expected risks. Daily calculation of the VaR of interest rate and currency risks is performed in the Risk Controlling unit using the historical simulation method. The reliability of this calculation method is verified using back-testing. VaR values enable the quantification of possible unexpected losses under normal market conditions. Additionally, stress, extreme and worst-case scenarios are simulated so as to estimate possible losses even in the event of extreme market changes. In the stress tests, L-Bank also examines the effects of a parallel shift in the yield curve by 130 basis points

upward and 190 basis points downward. The proportion of the loss of liable capital within the meaning of the German Banking Act (Article 10 KWG) in this scenario is determined.

The Board of Management uses a further restriction to limit interest-rate risk in the non-trading portfolio at regular intervals in the form of a term-related risk planning structure. This represents the target interest-rate risk profile. The permissible deviation of the actual from the planned risk structure is limited by one limit interval for each duration band.

To quantify real estate risk, L-Bank calculates the reduced yield of the invested capital in the event of sale under worst-case assumptions. This is estimated taking into account historical and anticipated development of real estate prices.

Interest change and currency risks are monitored by the Risk Controlling unit of the CT department. The VaR values determined daily are compared with the set limits. Risk controlling also monitors compliance with the planned risk structure and the set limits. A daily risk and yield report provides information for the individual Board members responsible for risk controlling and the trading departments.

The table below shows the loss in market value at an assumed parallel shift of the interest structure curve by +130/–190 basis points.

TOTAL INTEREST RATE RISKS (CORRELATED)				
	End of year 31.12.2009	Maximum 08.04.2009	Minimum 12.01.2009	Average
+130/-190 basis point shift*	EUR 220.4 million	EUR 277.3 million	EUR 170.6 million	EUR 224.4 million
Proportion of liable capital as per Article 10 KWG	7.0%	9.6%	5.7%	7.6%

\* The least favorable value is stated.

### Financial instruments for controlling

Derivatives are used primarily in the form of interest-rate and cross-currency interest-rate swaps for the purpose of controlling interest-rate and currency risks in the non-trading portfolio. As at December 31, 2009, the portfolio of interest-rate swaps (including swaptions) totalled EUR 78,930.5 million (previous year: EUR 87,457.1 million). Cross-currency interest-rate swaps had a nominal volume of EUR 8,861.3 million (previous year: EUR 7,919.3 million).

### LIQUIDITY RISK

Liquidity risk comprises the risk that payment obligations cannot be met when due (liquidity risk in the narrow sense). It also includes the risk that transactions cannot be concluded, or not at the expected price (market liquidity risk). Additionally, this category comprises the risk that it is not possible to obtain sufficient liquidity at the expected terms (follow-on refinancing risk).

#### Assessment method

The VaR for liquidity risks (follow-on refinancing risk) is calculated on the basis of the negative ratings changes observed in the past in respect of L-Bank's refinancing terms. It is assumed that the Bank is refinancing the excess payouts at the less advantageous terms resulting from the reduced rating. The resulting cash-value expenses then form the VaR.

### Development and controlling in the fiscal year under review

Liquidity controlling is the task of the Treasury department. The basis for this is an IT-based liquidity forecast that takes into account all expected and planned payment flows within the next twelve calendar months. Loan disbursements, the amount or timing of which are not yet precisely established, are taken into account on the basis of statistically determined call behavior in the various lines of business.

In early 2009, which was characterized by uncertain capital market conditions, L-Bank launched two benchmark bonds that put the Bank's refinancing capability to the test. During the further course of the year the Bank's capital market environment improved such that the annual requirements were met early. From April the newly issued commercial paper program contributed further to optimizing the refinancing. The Bank holds a portfolio of EUR 13.8 billion in ECB-eligible securities. The refinancing requirement for 2010 is likely to be EUR 13.0 billion.

The assessment and monitoring as well as the reporting of liquidity risk are performed by Controlling. The liquidity risk in the narrow sense is monitored by the Controlling department on the basis of the indicators defined by the applicable German liquidity regulation. The liquidity index is calculated on a monthly basis as part of liquidity regulation reporting. This calculation

compares the payments expected to be received in the subsequent 30 days with the disbursements expected for the same period. The payments received in the reporting period must be greater than the disbursements. As at year-end the liquidity index was 2.1. The average over the entire year was 2.1.

The VaR for market liquidity risk describes the possible loss in the event that the Bank is unable to buy or sell certain positions within one day, but rather within ten days, due to little or no demand on the capital market.

Follow-on refinancing risk runs the risk of a potential deterioration in the refinancing options of L-Bank. To avoid redundant calculation, L-Bank merely considers the follow-on refinancing risk in calculating the VaR of the liquidity risk.

To safeguard against financial risks arising from follow-on refinancing risk, L-Bank defined a target structure for disbursement surpluses. In addition, the Bank holds a minimum portfolio of ECB-eligible securities and securities of the liquidity reserve.

#### Financial instruments for controlling

The guarantee of the State of Baden-Württemberg for the instruments stated in Article 5 (3) of the state law establishing L-Bank ensures that the Bank has dependable access to liquidity at all times. The distribution of the refinancing range, above all by way of the commercial paper program, further increased the flexibility and diversity of the overall financing. The strategic focus remained the maturity range of two to five years. Three benchmark bonds were issued, one in euros, two in US dollars. Private placings continued in British pounds, Swiss francs, Japanese yen and a number of smaller currency markets. L-Bank maintains direct and ongoing contact with broadly diversified national and international investors.

#### OPERATIONAL RISK

Operational risk is the risk of losses due to the inappropriateness or failure of internal processes, individuals and systems or as a result of external events. This definition includes legal risks.

#### Assessment process and controlling

For operational risks, VaR is calculated using a model similar to that which is used in the insurance industry to determine the risk of catastrophically large losses. This is based on expert appraisals of every process of the Bank that entails risk. The estimates, which are audited, are aggregated to arrive at an overall VaR for the Bank. The use of estimates is necessary as, to date, the Bank has only experienced losses from operational risks to a negligible extent, so that it is not possible to determine the VaR on the basis of historical data.

Operational risks and their amount are identified and assessed by the Controlling department with the aid of structured interviews in all operational departments. The risks identified are assigned to five categories. These are defined in terms of the financial effects that the potential occurrence of the risk would have on the asset situation of the Bank and the expected frequency of such an occurrence.

The Bank has taken out insurance policies to reduce the economic impact of losses resulting from the occurrence of operational risks.

#### BUSINESS RISK

Business risks pose the threat of falling income in the case of falling subsidy volumes and that expenses cannot be reduced to the same extent. L-Bank can only generate income by way of business transactions if they are in line with its public service. The business risk is therefore a risk that L-Bank cannot avoid.

### Assessment method and controlling

Personnel expenses are controlled by way of productivity analyses – where such action is possible and expedient. The primary goal of productivity analyses consists of determining the ideal personnel levels required to perform the assigned tasks. This uncovers so-called empty capacities, whereby costs can also be reduced.

Business risks are factored into the risk cover assets by way of taking residual costs into consider-

ation in the personnel and material costs. The amount of such personnel and material expenses is determined on the basis of a qualified expert appraisal.

### SUMMARY OF RISK SITUATION

The significance of the individual risks for L-Bank is highlighted by way of a juxtaposition of the VaR figures.

#### SINGLE MAXIMUM LOSS LIMITS AND THEIR UTILIZATION AS AT 31.12.2009 In million EUR

	Limit	Utilization	Proportion of total VaR
Default risks	555.0	496.2	83%
Market price risks	72.0	39.6	7%
Operational risks	20.0	6.2	1%
Real estate risks	20.0	14.2	2%
Liquidity risks	280.0	43.6	7%
Free scope	30.0	0.0	0%
Total maximum loss limits	977.0	599.8	100%

## KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN VIEW OF THE ACCOUNTING PROCESS

According to the balance sheet law modernization act (BilMoG) or the newly introduced Article 289, paragraph 5, of HGB, L-Bank undertakes to state the key features of the internal control and risk management system in the Management Report in the light of its accounting process.

The accounting process comprises all activities from allocating accounts and processing a business transaction to preparing the annual financial state-

ment. The goal of the accounting-related internal control and risk management system consists of ensuring adherence to the standard and requirements that apply in relation to the accounting, and guaranteeing proper accounting principles.

L-Bank prepares its balance sheet in accordance with the requirements set out in the German Commercial Code (HGB) and the Regulation on Invoicing by Credit Institutions and Financial Services

Institutions (RechKredV) with due regard to the proper accounting principles. These regulations are stated in specific relation to L-Bank in manual and work instructions. The Accounting department monitors and adjusts these in line with legal and regulatory amendments. The correct accounting-related illustration of new products is guaranteed by way of incorporating the Accounting department in the process that applies to the launch of new products.

The documentation of the invoicing process is coherently classified for expert third parties. The respective documents are stored by way of adhering to the statutory periods.

The functions of the involved Accounting and Payment Transactions departments are clearly separated in respect of the invoicing process. The loan, securities and passive accounting is stated in off-balance sheet accounts in the Payment Transactions department. The data are transferred to the general ledger via an automatic interface. The Accounting department is responsible for specifying account allocation regulations, booking systems, accounting program control and the administration of the financial accounting system.

L-Bank uses standard software in the financial accounting. It supports:

- The safeguards against unauthorized access by way of issuing authorization in line with the respective competence level
- Error avoidance by way of plausibility checks
- Error identification by way of the four-eyes principle, standardized harmonization routines and target/actual situation comparisons

At the same time these measures are aimed at establishing the correct approach to and statement and evaluation of assets and debts.

The Internal Audit department carries out regular process-independent checks in respect of the reliable performance of the accounting-related internal control and risk management system.

Up-to-date, reliable and relevant reports are files to management and division management as part of the management information system. The Board of Management regularly informs the Supervisory Board and its committees of the business development. In addition, up-to-date information is provided about special events.

## SECURITIES COMPLIANCE, MONEY LAUNDERING AND DATA PROTECTION

Adherence to existing statutory legal requirements on securities compliance money laundering prevention and data protection is guaranteed by way of suitable organizational measures and the ongoing control of relevant business transactions. In the year under review the tasks securities compliance, fraud prevention and data protection on the one hand were separated in terms of functions from money laundering. The compliance officers remain directly subordinate to the Management Board. In respect of money laundering, internal guidelines were adjusted in line with the regulations of the Supplementary Act to the German Money Laundering Act dated August 13, 2008. No unusual events occurred in the year under review.

## EMPLOYMENT REPORT

As a public credit institution the Bank offers attractive and secure jobs and a personnel policy geared towards long-term employment, which takes on an increasingly significant role in respect of personnel management in particular in an economic crisis. Successfully motivating employees on a permanent basis calls for a concept that is geared in the long term towards individuals' values and is performance-oriented. The family life-profession balance, employees' health and a commitment to life-long learning has long been a reality at L-Bank.

On the balance sheet date L-Bank had 1,230 employees in Karlsruhe and Stuttgart. Contrary to the general trend, the Bank therefore further expanded its workforce during the crisis compared with the previous year. The increase in personnel focused on taking on temporary personnel in the family subsidies department. The number of women in the overall workforce has further increased, and is now 57.2%. The quote of female executive staff members (without the Management Board) has, in the meantime, reached 31.1%.

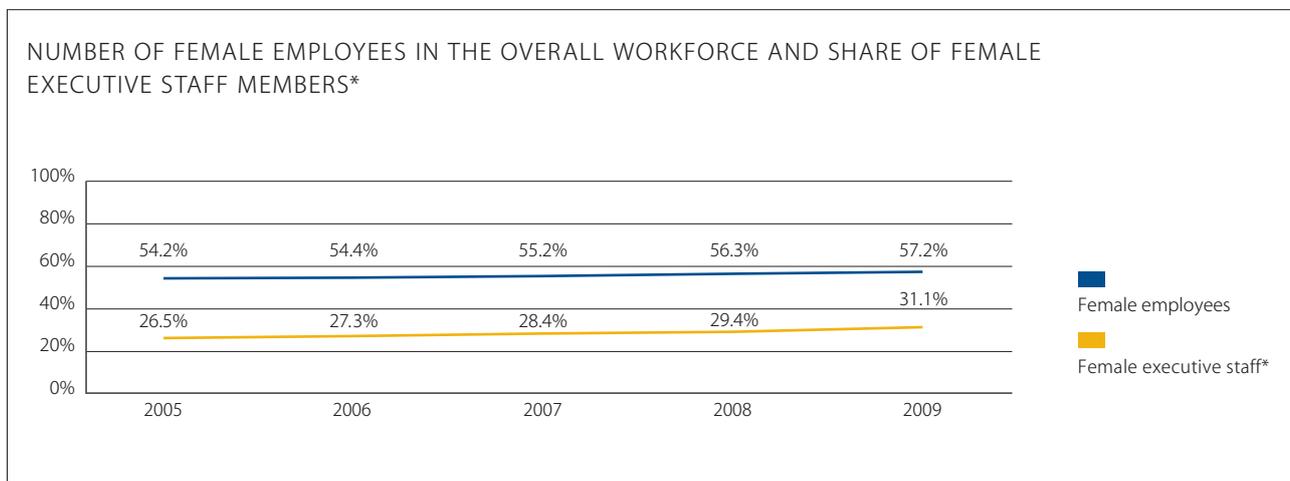
L-Bank covers its demand for qualified experts and executive staff members largely by way of internal appointments. A key element of winning over junior staff consists of training students, alongside their profession, who study business informatics and business administration at the dual university Baden-Württemberg (DHBW), Karlsruhe. In the year under review, the Bank appointed nine dual university students. Of these, two studied business informatics. L-Bank's dual university students regularly obtain good to very good degree marks.

The Bank offers qualified university graduates an individual and flexible modular training program. Prime importance is attached to project activity in respect of company development and shareholdings, among other things aimed at gaining comprehen-

sive knowledge of the Bank's legal, economical and political underlying conditions. Graduates are therefore prepared for qualified positions within the Bank by way of targeted training.

Interested young people can get to know L-Bank and its tasks as part of an internship prior to or during their university course. The establishment of a Web-based internal traineeship exchange saw a noticeable increase in the demand of specialist areas for support by a trainee in the form of 29 concluded contracts (previous year: 18).

In April of the year under review the Financial Stability Board (FSB) published Principles for Remuneration Systems, which were incorporated in the new version of the minimum requirements for risk management (MaRisk) dated August 14, 2009. L-Bank's remuneration systems are in line with the regulations set out therein. In the year under review a documentation of the remuneration systems was drawn up as part of the organizational guidelines. A new circular of the German Federal Financial Supervisory Authority (BaFin) has been in place at L-Bank since December 2009 which, among other things, supersedes the MaRisk requirements of relevance to remuneration. Accordingly, L-Bank is required to specify at its own responsibility on the basis of a risk analysis whether or not the special requirements set



\* Not including the Board of Management or employees released from duties due to partial retirement.

## STAFFING FIGURES AS AT DAY OF ACCOUNTING

Employees	2009	2008
Total number of employees	1,230	1,175
Proportion of part-time employees in the overall workforce	24.8%	25.0%
Proportion of female employees in the overall workforce	57.2%	56.3%
Average age	44.3	44.5
Average length of service*	15.0 years	15.1 years
Fluctuation rate*	2.3%	3.1%
Illness rate	4.7%	4.4%

\* The method for calculating the part-time proportion has been changed since the last Annual Report. The previous year's figures have been recalculated.

Vocational training/continuing education	2009	2008
DH students (per year)	31	29
Trainees	2	3
Apprentices	5	4
Interns (per year)	29	18
Training courses	356	301
Participants in training courses	1,059	1,014

out in the circular are to be applied. The Bank has conducted such a risk analysis, and has come to the conclusion that the special requirements set out in the circular need not be applied.

## SUPPLEMENTARY REPORT

No other events of particular importance occurred following the end of the fiscal year under review on December 31, 2009.

## OUTLOOK

Irrespective of the lasting financial and economic crisis, the commercial industry in Baden-Württemberg was cautiously optimistic about its business situation at the end of the year. The L-Bank-ifo economic situation test, Baden-Württemberg, dated December 2009 conducted in conjunction with ifo-Institut in Munich underlines this impression. Experts in various sectors expect demand to stabilize during the course of the year. An improvement in export opportunities is also assumed on the basis of the moderate recovery in the economic environment. However, private consumption that

has supported development to date will probably be weaker during the course of the year as a result of a temporary increase in unemployment, and will dampen the overall economic development. L-Bank believes that the business climate recovery will continue but not at the pace that would be desirable from an overall economic point of view.

Under the stated underlying conditions L-Bank expects to see a significant increase in the balance sheet total and a decline in the operating result. That decline will largely be attributable to lower interest income as a result of changes to the general refinancing conditions in the money and capital markets. Personnel expenses will increase slightly in the following fiscal year.

L-Bank does not expect to see fundamental structural changes to its business development in the coming year. Further adjustments will be made in respect of organizing programs.

In respect of start-up and SME financing, prime importance will be attached to demand-oriented optimization of the product range to further facilitate access to financing by companies with promising business models. The goal consists of creating a sound financial basis for SMEs in Baden-Württemberg. In detail the Bank aims to improve conditions in the "Technology Support Program" and in the "Environmental Protection and Energy Savings Program" by way of funds from the European Union to accompany the expected increase in investment activity by industry. This will probably occur in the form of increased demand for loans from the "L-MezzaFin" program.

In the coming years, significantly fewer subsidies will be available for the business line housing construction subsidization than in 2009. This will give rise to a corresponding reduction in the program volume. Furthermore, the start of the state residential housing subsidization program will be delayed until the spring of 2010. Both aspects mean that the new business volume in this sector will decline.

In the financial support business line the approval volume has probably reached its peak on the basis of the economic programs put in place by the federal government and the state in 2009. The coming years will be characterized by the further processing of these assurances and their administration. Overall the trend of transferring administrative-intensive and personnel-intensive tasks from the state to L-Bank is continuing.

In the case of the parental and educational allowances the Bank expects to see application volumes in 2010 that are just as high as those in the year under review. The Bank will react accordingly in the event of the increase in labor-input in the event that the Act on Parental Allowance and Parental Leave (BEEG) is amended. The goal consists of keeping processing times to a minimum.

To diversify L-Bank's refinancing portfolio, and in view of the high degree of market acceptance, the commercial paper program initiated in the year under review will be extended in 2010.

The crisis gave the subsidizing banks the opportunity to put their strengths to the test. In difficult times they react quickly and flexibly without losing sight of the long-term challenges of the state's structural, economic and social policies. A sound equity base to cushion the risks associated with performing the task is the prerequisite for the ability of these banks to assume such a role in the future, too.

## LANDESKREDITBANK BADEN-WÜRTTEMBERG – FÖRDERBANK

### BALANCE SHEET AS AT DECEMBER 31, 2009

<b>ASSETS</b>	EUR 31.12.2009	EUR 31.12.2009	EUR 31.12.2009	EUR 31.12.2008
<b>1. CASH RESERVE</b>				
a) Cash in hand		21,742.92		21,914.54
b) Current balances with central banks including with Deutsche Bundesbank EUR 539,858,093.43 (EUR 391,414,391.88)		539,858,093.43		391,414,391.88
c) Current balances with postal giro offices		--		--
			<b>539,879,836.35</b>	<b>391,436,306.42</b>
<b>2. CLAIMS AGAINST CREDIT INSTITUTIONS</b>				
a) Day-to-day		7,171,298.92		20,519,655.06
b) Other claims		19,497,900,431.47		20,695,708,920.77
			<b>19,505,071,730.39</b>	<b>20,716,228,575.83</b>
<b>3. CLAIMS AGAINST CUSTOMERS</b>			<b>21,585,703,394.87</b>	<b>21,967,600,290.40</b>
including:				
secured through real estate liens EUR 9,024,692,573.30 (EUR 9,527,683,353.37)				
Municipal loans EUR 5,504,887,691.63 (EUR 5,115,640,259.54)				
<b>4. DEBENTURES AND OTHER FIXED- INTEREST SECURITIES</b>				
a) Money-market securities				
aa) from public issuers including: eligible as collateral for Deutsche Bundesbank EUR -- (-.-)		--		--
ab) from other issuers including: eligible as collateral for Deutsche Bundesbank EUR -- (-.-)		--	--	--
				--
b) Bonds and debentures				
ba) from public issuers including: eligible as collateral for Deutsche Bundesbank EUR 4,475,605,375.85 (EUR 3,724,245,636.13)	5,302,821,860.87			4,485,600,799.34
bb) from other issuers including: eligible as collateral for Deutsche Bundesbank EUR 9,358,699,031.87 (EUR 9,743,894,531.69)	11,369,135,177.01			12,329,209,787.79
		16,671,957,037.88		16,814,810,587.13
c) Own debentures Nominal value: EUR 299,140,000.00 (EUR 102,095,000.00)		304,761,337.14		106,204,684.70
			<b>16,976,718,375.02</b>	<b>16,921,015,271.83</b>
Carried over			<b>58,607,373,336.63</b>	<b>59,996,280,444.48</b>

<b>ASSETS</b>	EUR 31.12.2009	EUR 31.12.2008
Carried over	58,607,373,336.63	59,996,280,444.48
5. SHARES AND OTHER NON-FIXED-INTEREST SECURITIES	--	--
6. SHAREHOLDINGS including: With financial institutions EUR 301,986,360.47 (EUR 477,733,106.47) With financial services institutions EUR -- (--)	474,224,690.84	599,105,436.17
7. HOLDINGS IN AFFILIATED COMPANIES including: In financial institutions EUR -- -- In financial services institutions EUR -- (--)	23,009,202.02	17,309,202.02
8. TRUST ASSETS including: trust loans EUR 124,327,213.72 (EUR 154,494,798.56)	125,179,093.45	155,259,868.83
9. INTANGIBLE ASSETS	2,141,419.30	1,169,832.30
10. TANGIBLE ASSETS	139,481,574.22	134,736,634.96
11. OTHER ASSETS	148,803,748.97	153,358,317.08
12. ACCRUED AND DEFERRED ITEMS	190,985,797.53	229,265,959.81
<b>TOTAL ASSETS</b>	<b>59,711,198,862.96</b>	<b>61,286,485,695.65</b>

## LANDESKREDITBANK BADEN-WÜRTTEMBERG – FÖRDERBANK

### BALANCE SHEET AS AT DECEMBER 31, 2009

<b>LIABILITIES</b>	EUR 31.12.2009	EUR 31.12.2009	EUR 31.12.2009	EUR 31.12.2008
<b>1. LIABILITIES TOWARDS FINANCIAL INSTITUTIONS</b>				
a) Day-to-day		108,973,431.39		95,824,171.78
b) With agreed term or notice period		19,064,911,283.29		25,394,204,486.91
			<b>19,173,884,714.68</b>	<b>25,490,028,658.69</b>
<b>2. LIABILITIES TOWARD CUSTOMERS</b>				
a) Savings deposits				
aa) with agreed notice period of three months	--			--
ab) with agreed notice period of more than three months	--			--
b) Other liabilities				
ba) day-to-day	127,008,884.83			156,120,755.55
bb) with agreed term or notice period	6,743,286,480.04			6,232,115,401.67
		6,870,295,364.87	<b>6,870,295,364.87</b>	<b>6,388,236,157.22</b>
<b>3. SECURITIZED LIABILITIES</b>				
a) Debentures issued		28,474,133,001.37		23,826,428,204.82
b) Other securitized liabilities including: money-market securities EUR -- (--) own acceptances and promissory notes in circulation EUR -- (--)		--		--
			<b>28,474,133,001.37</b>	<b>23,826,428,204.82</b>
<b>4. TRUST LIABILITIES</b> including: trust loans EUR 124,327,213.72 (EUR 154,494,798.56)			<b>125,179,093.45</b>	<b>155,259,868.83</b>
<b>5. OTHER LIABILITIES</b>			<b>309,291,015.78</b>	<b>397,277,309.67</b>
<b>6. ACCRUED AND DEFERRED ITEMS</b>			<b>536,920,855.09</b>	<b>578,957,280.06</b>
<b>7. PROVISIONS</b>				
a) Provisions for pensions and similar obligations		148,293,275.00		144,663,977.00
b) Tax provisions		7,800.00		123,100.00
c) Other provisions		672,682,260.60		670,763,412.66
			<b>820,983,335.60</b>	<b>815,550,489.66</b>
<b>8. SUBORDINATE LIABILITIES</b>			<b>797,576,285.15</b>	<b>1,114,121,603.64</b>
Carried over			<b>57,108,263,665.99</b>	<b>58,765,859,572.59</b>

<b>LIABILITIES</b>	EUR 31.12.2009	EUR 31.12.2009	EUR 31.12.2008
Carried over		57,108,263,665.99	58,765,859,572.59
<b>9. PROFIT-SHARING RIGHTS OUTSTANDING</b> including: due within 2 years EUR -- (-.-)		539,925,800.00	539,925,800.00
<b>10. FUND FOR GENERAL BANKING RISKS</b>		304,000,000.00	247,000,000.00
<b>11. EQUITY</b>			
a) Subscribed capital	250,000,000.00		250,000,000.00
b) Capital reserve	950,850,789.69		950,850,789.69
c) Revenue reserves			
ca) statutory reserve	--		--
cb) reserve for own shares	--		--
cc) reserves according to articles of association	--		--
cd) other revenue reserves	507,000,000.00		507,000,000.00
d) Net profit	51,158,607.28		25,849,533.37
		1,759,009,396.97	1,733,700,323.06
<b>TOTAL LIABILITIES</b>		59,711,198,862.96	61,286,485,695.65
<b>1. CONTINGENT LIABILITIES</b>			
a) Contingent liabilities from settled bills of exchange passed on	--		--
b) Liabilities from guarantees and guarantee contracts	9,125,500,232.28		9,250,769,641.13
c) Liability from the provision of security for external debts	--		--
	9,125,500,232.28		9,250,769,641.13
<b>2. OTHER OBLIGATIONS</b>			
a) Repurchase obligations from unqualified pension transactions	--		--
b) Placement and assumption of obligations	--		--
c) Irrevocable loan commitments	1,718,617,997.50		1,675,184,440.82
	1,718,617,997.50		1,675,184,440.82

## LANDESKREDITBANK BADEN-WÜRTTEMBERG – FÖRDERBANK STATEMENT OF PROFIT AND LOSS FOR THE FISCAL YEAR JANUARY 1 TO DECEMBER 31, 2009

	2009 EUR	2009 EUR	2009 EUR	2008 EUR
<b>1. INTEREST EARNINGS FROM</b>				
a) Lending and money market transactions	1,739,805,457.70			1,948,423,185.59
b) Fixed-interest and book-entry securities	569,183,297.00			783,381,930.79
		2,308,988,754.70		<b>2,731,805,116.38</b>
<b>2. INTEREST EXPENSES</b>		1,921,884,615.28		2,386,251,007.02
			<b>387,104,139.42</b>	<b>345,554,109.36</b>
<b>3. CURRENT INCOME FROM</b>				
a) Shares and other non-fixed-interest securities		--		--
b) Shareholdings		7,095,153.11		8,092,163.67
c) Holdings in affiliated companies		--		--
			<b>7,095,153.11</b>	<b>8,092,163.67</b>
<b>4. COMMISSION EARNINGS</b>			<b>42,233,516.86</b>	<b>37,258,505.28</b>
<b>5. COMMISSION EXPENSES</b>			<b>10,398,431.12</b>	<b>9,086,989.31</b>
<b>6. OTHER OPERATIONAL INCOME</b>			<b>15,872,087.08</b>	<b>16,314,126.27</b>
<b>7. GENERAL ADMINISTRATIVE EXPENSES</b>				
a) Personnel expenses				
aa) wages and salaries	65,178,553.80			62,666,975.62
ab) social contributions and expenses for pension provision and for support including for pension provision EUR 1,990,499.92 (EUR 3,571,789.39)	13,904,346.61			14,165,266.57
		79,082,900.41		76,832,242.19
b) Other administrative costs		39,007,330.96		41,456,320.69
			<b>118,090,231.37</b>	<b>118,288,562.88</b>
<b>8. WRITE-DOWNS AND CORRECTIONS ON INTANGIBLE AND TANGIBLE ASSETS</b>			<b>9,134,947.27</b>	<b>6,975,414.53</b>
<b>9. OTHER OPERATIONAL EXPENSES</b>			<b>29,002,390.79</b>	<b>23,305,008.42</b>
Carried over			<b>285,678,895.92</b>	<b>249,562,929.44</b>

	2009 EUR	2008 EUR
Carried over	285,678,895.92	249,562,929.44
10. WRITE-DOWNS AND CORRECTIONS ON CLAIMS AND CERTAIN SECURITIES AS WELL AS TRANSFERS TO PROVISIONS IN LENDING BUSINESS "Fund for general banking risks" EUR 57,000,000.00 (EUR 118,000,000.00)	118,466,110.34	148,155,113.99
11. WRITE-DOWNS AND CORRECTIONS ON SHAREHOLDINGS, SHARES IN AFFILIATED COMPANIES AND SECURITIES TREATED LIKE INVESTMENT ASSETS	5,835,026.98	--
12. INCOME FROM WRITE-UPS TO SHAREHOLDINGS, SHARES IN AFFILIATED COMPANIES AND SECURITIES TREATED LIKE INVESTMENT ASSETS	--	30,661,009.61
13. INCOME FROM NORMAL BUSINESS ACTIVITY	161,377,758.60	132,068,825.06
14. TAXES ON INCOME AND EARNINGS	906,156.01	1,174,865.25
15. OTHER TAXES NOT STATED UNDER LINE ITEM 9	145,459.49	152,189.74
16. TRANSFERS TO PROVISIONS FOR INTEREST SUBSIDIES	110,017,069.19	109,035,867.10
17. NET INCOME	50,309,073.91	21,705,902.97
18. PROFIT CARRIED FORWARD FROM PREVIOUS YEAR	849,533.37	4,143,630.40
	51,158,607.28	25,849,533.37
19. TRANSFERS TO REVENUE RESERVES TO OTHER REVENUE RESERVES	--	--
20. NET PROFIT	51,158,607.28	25,849,533.37

## APPENDIX TO THE YEAR-END FINANCIAL STATEMENT OF L-BANK AS AT DECEMBER 31, 2009

### GENERAL PRINCIPLES

L-Bank (Landeskreditbank Baden-Württemberg – Förderbank) was established by a law dated November 11, 1998, effective December 1, 1998. Article 2, paragraph 1, 1st sentence of this act established the equity of L-Bank at EUR 250 million.

The balance sheet of L-Bank was prepared in accordance with the provisions of the German Commercial Code HGB and the applicable accounting directive for banks and financial services institutions (RechKredV).

The organization of the balance sheet and the statement of profit and loss corresponds with the forms of RechKredV. The statement of profit and loss was expanded to include the expense item "Transfers to provisions for interest rate subsidies" (Article 265, paragraph 5, HGB).

When taken together the stated majority holdings are of secondary importance. Preparation of a consolidated financial statement was thus waived (Article 296, paragraph 2, HGB).

### PRINCIPLES OF CURRENCY CONVERSION

Currency conversion has been carried out according to the regulation of Article 340 h HGB and the BFA Opinion 3/1995. Assets and liabilities denominated in foreign currencies, as well as all pending foreign currency cash transactions, are converted using the mean spot rate as at December 28, 2009.

In respect of currency conversion, the Bank calculates the currency by setting the claims and obligations from on-balance-sheet and off-balance-sheet transactions in the respective currency against each other. These transactions were classified and assessed as specially covered in each currency. Accordingly, all expenses and income from currency conversion within the meaning of Article 340 h, paragraph 2, sentences 1 and 2 HGB are included

in the statement of profit and loss; no income was earned that required separate statement, as the items existing as at the balance sheet date are promptly accounted.

### ACCOUNTING AND VALUATION METHODS

Assets, liabilities and pending transactions are valued according to the general provisions of Article 252 et seq. HGB and under consideration of the special requirements that apply to financial institutions (Articles 340 e et seq. HGB).

Claims against financial institutions and customers are always stated at their nominal value and liabilities at their repayment value. Differences (premiums and discounts) with respect to claims and liabilities are stated under accrued and deferred items and released on a prorated basis. Administrative charges are collected immediately. Low-interest and zero-interest claims are discounted. Zero bonds issued and similar liabilities are stated as liabilities at offer price plus prorated interest accrued as at the balance sheet date. Interest-subsidy provisions are made for loans granted within the context of development programs. The Bank additionally establishes cost reserves for development programs not backed by loans.

All recognizable individual risks in lending as well as country risks are adequately provided for through the formation of individual provisions or reserves. General bad-debt provisions exist for the latent lending risk, and precautionary reserves for general banking risks. Individual and general bad debt charges, as well as provisions for general banking risks within the meaning of Article 340 f HGB, are taken into account on the asset side or met with provisions as appropriate. Provisions were made for loan derivatives stated in the guarantee obligations in the form of portfolio adjustments.

Securities in the trading portfolio and the liquidity reserve are stated at either the purchase cost

or the lower of exchange or market price as at the balance sheet date, in accordance with the strict lowest-of-cost-or-market principle. Securities treated as investment assets are stated at the depreciated historical costs, whereby differences between the book value and the repayment amount (premiums/discounts) are adjusted for interest accruing or discounted, respectively, in proportion to their term. Provision has been made for general risks in the portfolio value adjustments.

Holdings and shares in affiliated companies are stated at their respective acquisition costs or, in the event of a permanent loss of value, at the lower value as at the balance sheet date, analogous to the rules governing investment assets. Income from guarantee claims and additions was set off against expenses.

Intangible and tangible assets are valued at their procurement or production costs, reduced by scheduled depreciation. Where necessary, extraordinary write-downs are made when it is anticipated that a reduction in value is of an indefinite nature. Minor value assets are consolidated in an annual compound item and depreciated over five years.

Provisions for pensions and similar obligations are determined according to actuarial principles using Dr. Heubeck's table 2005 G. As a general rule the partial value method is used as a calculation method by way of analogy to Article 6 a EStG. Direct assurances were converted to the projected one-off contribution method. An assumed rate of interest of 4.75% is used at present. Future salary and pension adjustments have been taken into consideration in the calculation with an average of 2% p.a.

The remaining provisions are sufficiently dimensioned and take into consideration all recognizable risks from uncertain liabilities and impending losses from pending transactions. The optional right to form provisions for expenses as defined in Article 249, paragraph 2 HGB was exercised.

The Bank enters into derivative transactions primarily for controlling the overall interest-rate risk position; these transactions are not valued. Additionally, such derivative transactions are undertaken to hedge individual balance-sheet items and stated as a valuation item.

#### PRINCIPLES OF THE GERMAN BANKING ACT KWG

In the 2009 fiscal year, the Bank was in compliance with the applicable regulations governing equity and liquidity of financial institutions as set forth in the German Banking Act KWG at all times.

## APPENDIX TO THE YEAR-END FINANCIAL STATEMENT OF L-BANK AS AT DECEMBER 31, 2009

SELECTED BALANCE SHEET ASSETS AND LIABILITIES BY TERM REMAINING OR NOTICE PERIOD	31.12.2009 EURk	31.12.2008 EURk
<b>CLAIMS AGAINST FINANCIAL INSTITUTIONS</b>		
Day-to-day	7,172	20,520
Up to three months	1,809,894	2,243,352
Over three months to one year	1,704,491	1,647,814
Over one year to five years	8,439,895	7,574,157
Over five years	7,543,620	9,230,386
<b>CLAIMS AGAINST CUSTOMERS</b>		
Up to three months	695,125	657,413
Over three months to one year	719,884	882,764
Over one year to five years	4,252,251	4,300,437
Over five years	15,918,443	16,126,986
<b>DEBENTURES AND OTHER FIXED-INTEREST SECURITIES</b>		
Bonds and debentures which mature in the following year	2,041,454	2,849,124
<b>LIABILITIES TO BANKS</b>		
Day-to-day	108,973	95,824
Up to three months	1,941,538	4,706,510
Over three months to one year	2,150,835	5,401,171
Over one year to five years	6,335,123	5,486,788
Over five years	8,637,416	9,799,736
<b>LIABILITIES TO CUSTOMERS</b>		
Day-to-day	127,009	156,121
Up to three months	1,360,818	813,143
Over three months to one year	66,856	96,354
Over one year to five years	773,345	552,865
Over five years	4,542,267	4,769,753
<b>SECURITIZED LIABILITIES</b>		
Up to three months	6,888,223	4,893,239
Over three months to one year	6,065,335	3,948,629
Over one year to five years	12,848,802	12,031,767
Over five years	2,671,773	2,952,793
Portion maturing in following year in sub-item "Debentures issued": EURk 12,953,558 (previous year EURk: 8,841,868)		

## EXPLANATION OF INDIVIDUAL BALANCE SHEET ITEMS

	31.12.2009 EURk	31.12.2008 EURk
<b>CLAIMS AGAINST FINANCIAL INSTITUTIONS</b>		
This item comprises:		
- Claims against affiliated companies	-	-
- Claims against companies with which a shareholding relationship exists	4,671,309	4,487,394
<b>CLAIMS AGAINST CUSTOMERS</b>		
This item comprises:		
- Claims against affiliated companies	55,145	70,493
- Claims against companies with which a shareholding relationship exists	226,918	313,981
- Subordinated claims	39,863	70,809
<b>DEBENTURES AND OTHER FIXED-INTEREST SECURITIES</b>		
This item comprises:		
- Claims against companies with which a shareholding relationship exists	2,128,893	66,603
The subordinated line items "Bonds and Debentures" do not contain any securitized subordinated claims or claims against affiliated companies or companies with which a shareholding relationship exists.		
The portion of securities eligible for listing in this line item that are:		
- Listed	16,195,151	15,770,382
- Non-listed	781,567	1,150,633
Securities with a book value (excluding prorated interest accrued) of EUR 16,435,770k are assigned to investment assets, of which EUR 6,094,032k is valued under investment assets in view of the security provisions. The market value of these securities is EUR 5,921,697k. Short-term fluctuations in value are not taken into consideration because the intention is to hold to maturity. The market value reserve is EUR 219,205k. Stock exchange quotations were used where possible to determine the market values. If no active markets were available, model values were used which, in turn, were based on market data (interest curves, spread curves) and other available information (e.g. default probabilities).		
<b>STOCKS AND OTHER NON-FIXED SECURITIES:</b>		
Portion of securities that are eligible for listing in this line item that are:		
- Listed	-	-
- Non-listed	-	-

## APPENDIX TO THE YEAR-END FINANCIAL STATEMENT OF L-BANK AS AT DECEMBER 31, 2009

EXPLANATION OF INDIVIDUAL BALANCE SHEET ITEMS	31.12.2009 EURk	31.12.2008 EURk
<b>SHAREHOLDINGS:</b>		
Portion of securities eligible for listing in shareholdings that are:		
- Listed	69,291	9,941
- Non-listed	0	0
<b>HOLDINGS IN AFFILIATED COMPANIES</b>		
This line item contains no shares that are securitized in the form of securities eligible for listing		
<b>TRUST ASSETS</b>		
This line comprises:		
- Claims against financial institutions	90,006	97,809
- Claims against customers	35,173	57,451
<b>TANGIBLE ASSETS</b>		
including:		
- Plots and buildings used for our own activities	118,251	112,724
- Operational and business equipment	5,738	5,737
<b>OTHER ASSETS</b>		
Subordinated	7,517	7,500
<b>ACCRUED AND DEFERRED ITEMS ASSETS</b>		
- Difference between disbursement amount or procurement cost and lower nominal value of claims	61,513	71,457
- Difference between the disbursement amount and higher repayment amount of liabilities	59,715	69,986
<b>LIABILITIES TO BANKS</b>		
This item comprises:		
- Liabilities to affiliated companies	-	-
- Liabilities to companies with which a shareholding relationship exists	1,212,290	2,067,905
<b>LIABILITIES TO CUSTOMERS</b>		
This item comprises:		
- Liabilities to affiliated companies	-	-
- Liabilities to companies with which a shareholding relationship exists	-	-
<b>TRUST LIABILITIES</b>		
Trust liabilities comprise		
- Liabilities to banks	20,453	26,183
- Liabilities to customers	104,726	129,077

## EXPLANATION OF INDIVIDUAL BALANCE SHEET ITEMS

	31.12.2009 EURk	31.12.2008 EURk
<b>ACCRUED AND DEFERRED ITEMS LIABILITIES</b>		
- Difference between disbursement amount or procurement cost and greater nominal value of claims	33,504	41,268
- Difference between disbursement amount and lower repayment amount of liabilities	14,835	18,107
<b>SUBORDINATE LIABILITIES</b>		
This line item contains no liabilities towards affiliated companies or companies with which a shareholding relationship exists		
Interest expenses were incurred for subordinated liabilities in the sum of	31,616	43,906

Borrowings that exceeded 10% of the total amount of subordinated liabilities are as follows:

Currency:	EUR
Amount in m:	81.7
Interest rate %:	Zero
Date of maturity:	30.12.2010

The subordinated liabilities are intended exclusively for use as supplementary capital and comply with the requirements of the German Banking Act. The important factor here is the subordinated nature of the liability of the Bank in relation to all non-subordinated liabilities toward other creditors. In the event of liquidation, the liabilities of all other creditors would be satisfied in full before any payments were made to the subordinated creditors.

A retroactive limitation of the subordination, or of the original term, of at least five years or of periods of notice is not possible.

L-Bank is not capable of insolvency under state law.

## APPENDIX TO THE YEAR-END FINANCIAL STATEMENT OF L-BANK AS AT DECEMBER 31, 2009

INDIVIDUAL FIGURES THAT MAY BE OF IMPORTANCE IN ASSESSING THE YEAR-END FINANCIAL STATEMENTS:	31.12.2009 EURk	31.12.2008 EURk
<b>OTHER ASSETS</b>		
- Accounts receivable from swaps and other transactions	104,163	107,897
- Works of art	14,115	13,754
- Claims for the sale of developed property	9,608	11,026
- Options	5,777	5,777
- Participation certificates	7,517	7,500
<b>OTHER LIABILITIES</b>		
- Balancing item from currency conversion	204,128	302,120
- One-time bullet maturity payments from swaps	90,542	80,732
- Commitments from option sales	5,777	5,777
<b>PREPAID INCOME</b>		
- Interest-subsidy funds received in advance from third parties	420,416	437,157
- Advance one-time payments received from swaps	68,133	82,309
<b>PROVISIONS</b>		
- Among other provisions: Provisions for interest-subsidy funds to be provided under development mission	510,545	508,140
<b>CONTINGENT LIABILITIES</b>		
The liabilities from guarantees and guarantee contracts contain the following (before deduction of risk provision):		
- Credit guarantees to financial institutions	2,114,630	2,146,865
- Credit default swaps	5,319,612	5,567,929
<b>COMMISSION INCOME</b>		
- Income from other services	28,362	22,600
- Guarantee fees received	13,872	14,659
<b>COMMISSION EXPENSES</b>		
- Guarantee fees paid	6,100	5,739
<b>OTHER OPERATIONAL INCOME</b>		
- Income from services for third parties	6,311	5,309
- Rental income	5,832	6,26
<b>GENERAL ADMINISTRATIVE EXPENSES</b>		
The following auditor's fees including value added tax are included under miscellaneous administrative expenses:		
- For the audit	446	446
- For other certification or valuation services	150	5
- Other services	6	18

**INDIVIDUAL FIGURES THAT MAY BE OF IMPORTANCE IN ASSESSING THE YEAR-END FINANCIAL STATEMENTS:**

	31.12.2009 EURk	31.12.2008 EURk
<b>OTHER OPERATIONAL EXPENSES</b>		
- Expenses for subsidies granted in the course of executing development mission programs for the state of Baden-Württemberg	19,157	18,407
<b>WRITE-DOWNS AND CORRECTIONS IN RESPECT OF SHAREHOLDINGS, SHARES IN AFFILIATED COMPANIES AND SECURITIES TREATED AS INVESTMENT ASSETS</b>		
- Unplanned write-downs	189,365	26,828
<b>TOTAL AMOUNT OF ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES</b>		
- Assets	895,807	979,578
- Debts	10,972,469	7,405,767

The exchange rate risk from the foreign exchange balance sheet positions is essentially covered by off-balance-sheet hedge transactions.

**ASSETS ASSIGNED AS SECURITY**

Securities with a total value of EUR 10,870.1 million (previous year EUR 8,624.7 million) were deposited with the German Bundesbank for refinancing liabilities to credit institutions. As part of open-market transactions, securities in the sum of EUR 1,000 million (previous year EUR 3,400 million) were credited as at December 31, 2009.

**TRANSACTIONS WITH COMPANIES AND PERSONS WITH WHOM CLOSE TIES ARE MAINTAINED**

As at December 31, 2009 the balance sheet value of the transactions entered into on conditions that are customary in the market with companies and persons with whom close ties are maintained was EUR 16 million.

**OTHER FINANCIAL OBLIGATIONS**

In the equity investment area, payment obligations for outstanding contributions to capital subscribed but not yet paid up exist in the amount of EUR 13.7 million.

By way of the acquisition of the shareholding in Landesbank Baden-Württemberg (LBBW), effective January 1, 2005, L-Bank became a guarantor of LBBW. L-Bank entered into joint and several liability for all liabilities of LBBW incurred through July 18, 2005, but is liable according to its capital share in internal relationships. In the event of claims against L-Bank arising from liabilities incurred prior to January 1, 2005, it can hold the previous guarantors jointly and severally liable in full.

On the balance sheet date there were no transactions within the meaning of Article 285, No. 3 and 3 a HGB, new version, which are of importance in respect of assessing the Bank's financial situation.

## APPENDIX TO THE YEAR-END FINANCIAL STATEMENT OF L-BANK AS AT DECEMBER 31, 2009

### DERIVATIVE TRANSACTIONS

As at the date of accounting, L-Bank had in its portfolio derivative financial transactions (forward transactions within the meaning of Article 36 RechKredV). With the exception of credit derivatives, these were held primarily as hedges against interest and exchange rate fluctuations. No netting of positive and negative market values from contracts with the same counterparty was performed in stating derivative transactions. As a general rule, an insolvency-proof netting agreement exists. Fully covered derivative structures embedded in underlying transactions were not included in the tables.

In accordance with Article 285, No. 18, HGB, the derivative contracts valued according to the market valuation method are as follows:

<b>DERIVATIVE TRANSACTIONS – SUMMARY OF AMOUNTS</b>	Nominal values 31.12.2009	Nominal values 31.12.2008	Market values positive 31.12.2009	Market values negative 31.12.2009	Market values positive 31.12.2008	Market values negative 31.12.2008
In million EUR						
<b>INTEREST RISKS</b>						
– Interest swaps	78,700	87,227	2,082	–2,713	1,686	–2,074
– Interest options						
Purchases (long)	230	230	8	–	24	–
Sales (short)	230	230	–	–9	–	–23
Interest risks – total –	<b>79,160</b>	<b>87,687</b>	<b>2,090</b>	<b>–2,722</b>	<b>1,710</b>	<b>–2,097</b>
<b>CURRENCY RISKS</b>						
– Forward currency transactions swaps	2,715	332	70	–9	0	–7
– Currency/interest currency swaps	8,861	7,919	263	–361	282	–410
Currency risks – total –	<b>11,576</b>	<b>8,251</b>	<b>333</b>	<b>–370</b>	<b>282</b>	<b>–417</b>
<b>SHARE AND OTHER PRICE RISKS</b>						
– Forward share transactions (no nominal value)	–	0	–	–	–	–
Share and other price risks – total –	–	<b>0</b>	–	–	–	–
<b>CREDIT DERIVATIVES (CDS)</b>						
– Assignors	5,320	5,568	1	–115	–	–266
– Assignees	0	20	–	–	–	0
Credit derivatives – total –	<b>5,320</b>	<b>5,588</b>	<b>1</b>	<b>–115</b>	<b>0</b>	<b>–266</b>

On balance, no meaningful currency profit or loss and no interest valuation profit or loss obtained from interest/currency swaps and the corresponding underlying transactions, particularly the foreign-currency debentures issued, are due. Negative market values of the interest/currency swaps in the amount of EUR 204 million are due to the changes in the currency spot rates. A liability-side compensating item was formed in this amount from the currency conversion and this item is stated under "Other liabilities". The interest swaps of the non-trading portfolio essentially serve to control the overall interest risk position, and show a net negative market value of EUR 632 million as at the end of 2009. These interest swaps are not valued in the balance sheet. The assets and liabilities contain interest-induced hidden reserves that are significantly greater than the negative market values of the interest swaps.

Credit default swaps (CDS) for which L-Bank is the guarantor are included in contingent liabilities at the nominal volume of EUR 5.320 million.

<b>DERIVATIVE TRANSACTIONS – BY COUNTERPARTY</b>						
In million EUR	Nominal values 31.12.2009	Nominal values 31.12.2008	Market values positive 31.12.2009	Market values negative 31.12.2009	Market values positive 31.12.2008	Market values negative 31.12.2008
– Banks in the OECD	86,451	90,545	2,097	–2,903	1,719	–2,547
– Public authorities in the OECD	–	–	–	–	–	–
– Other counterparties (incl. exchange transactions )	9,605	10,981	327	–304	273	–233
<b>Total</b>	<b>96,056</b>	<b>101,526</b>	<b>2,424</b>	<b>–3,207</b>	<b>1,992</b>	<b>–2,780</b>

<b>DERIVATIVE TRANSACTIONS – BY TERM</b>						
Nominal values In million EUR	Interest risks 31.12.2009	Interest risks 31.12.2008	Currency risks 31.12.2009	Currency risks 31.12.2008	Credit derivatives 31.12.2009	Credit derivatives 31.12.2008
Remaining terms						
– up to 3 months	5,664	10,053	2,749	1,117	60	175
– up to 1 year	7,821	8,926	2,517	1,153	375	55
– up to 5 years	36,149	37,146	5,189	4,581	1,119	1,265
– over 5 years	29,526	31,562	1,121	1,400	3,766	4,093
<b>Total</b>	<b>79,160</b>	<b>87,687</b>	<b>11,576</b>	<b>8,251</b>	<b>5,320</b>	<b>5,588</b>

The transactions reflected here do not include commercial transactions.

#### VALUING DERIVATIVE FINANCIAL INSTRUMENTS

The market valuation of derivatives is based on market data as at 30.12.2009 that the Bank obtains from external providers: Interest curves; exchange rates; CDS spread curves; CFC, swaption and FX volatilities. In the interest structure models the required parameters are, in part, obtained through calibration using historical time series (mean reversion parameter for Hull-White models and correlation parameters).

Product group	Main valuation model
Interest and currency derivatives	DCF method
Caps/floors, swaptions	Black 76
Complex interest structures	Interest structure models (BGM model, Hull-White model, modified Hull-White model for multiple currencies)
Credit derivatives	Intensity model

#### INFORMATION ON TAX OBLIGATIONS

In accordance with the applicable German tax statutes, (Article 5, paragraph 1, No. 2, KStG and Article 3, No. 2, GewStG), L-Bank is exempt from corporate income and trade tax.

## APPENDIX TO THE YEAR-END FINANCIAL STATEMENT OF L-BANK AS AT DECEMBER 31, 2009

### HOLDINGS IN ACCORDANCE WITH ARTICLE 285 NO. 11 HGB/ARTICLE 340 A (4) NO. 2 HGB

No. Name/registered office	Direct shareholding %	Equity <sup>(*)</sup> in EURk	Earnings <sup>(*)</sup> in EURk
1. Austria Beteiligungsgesellschaft mbH, Stuttgart	33.34	35,609	1,708
2. Baden-Württemberg International – Gesellschaft für internationale wirtschaftliche und wissenschaftliche Zusammenarbeit mbH, Stuttgart	24.00	3,152	-3,263
3. CONTTEK Holding GmbH, Pforzheim	44.75	905	-2,330
4. Dorner GmbH, Gaildorf	40.00	(***)	(***)
5. EB Automotive Group GmbH, Wallerstein	30.97	-18,117	-1,889
6. Elexxion AG, Radolfzell	44.03	2,454	-2,896
7. Flyion GmbH, Tübingen	32.15	-1,743	-378
8. Gottmadinger Immobiliengesellschaft AG i. L., Gottmadingen	100.00	1,071	-456
9. Greenovation Biotech GmbH, Heilbronn	34.89	2,782	-1,580
10. KOKI Technik Holding GmbH, Konstanz	36.55	10,350	-2,280
11. Louis Renner GmbH & Co. KG, Gärtringen	37.40	1,796	1,446
12. MBG Mittelständische Beteiligungsgesellschaft Baden-Württemberg GmbH, Stuttgart	26.80	34,255	3,884
13. Mellifera Dritte Beteiligungsgesellschaft mbH, Berlin	26.00	6,320	-4,776
14. Micropelt GmbH, Freiburg	21.62	-1,685	-1,842
15. mindlab GmbH, Esslingen	38.18	397	-1,119
16. PT German Centre Indonesia, Bumi Serpong Damai, Indonesia	83.67	-6,358	-93 (**)
17. Renner, Megenhardt & Co. GmbH, Gärtringen	37.35	155	9
18. Seleon GmbH, Heilbronn	30.36	3,134	-1,543
19. Solo Stirling GmbH, Sindelfingen	22.60	(***)	(***)

**HOLDINGS IN ACCORDANCE WITH  
ARTICLE 285 NO. 11 HGB/ARTICLE 340 A (4) NO. 2 HGB**

No. Name/registered office	Direct shareholding %	Equity <sup>(*)</sup> in EURk	Earnings <sup>(*)</sup> in EURk
20. StEP Stuttgarter EngineeringPark GmbH, Stuttgart	100.00	5,374	-1,149
21. Stulz Wasser- und Prozesstechnik GmbH, Grafenhausen	49.00	35,756	719
22. Sympore GmbH, Tübingen	27.95	(***)	(***)
23. Technologiepark Karlsruhe GmbH, Karlsruhe	96.00	8,485	927
24. Technologieparks Tübingen-Reutlingen GmbH, Tübingen	100.00	7,042	-265
25. Trivid GmbH, Tübingen-Dettenhausen	29.99	1,162	-469
26. Ulrich GmbH & Co. KG, Ulm	21.29	6,510	2,517
27. Ulrich Verwaltungs GmbH, Ulm	21.32	48	2
28. Wessel Werk Beteiligungsverwaltung GmbH, Karlsruhe	35.00	392	-2,701

(\*) As at the respective last fiscal year available

(\*\*) Conversion rate: 1 EUR = 15,433 IDR

(\*\*\*) No year-end financial statements were prepared due to insolvency

## APPENDIX TO THE YEAR-END FINANCIAL STATEMENT OF L-BANK AS AT DECEMBER 31, 2009

STATEMENT OF ASSETS	Acquisition costs 01.01.09 EURk	Purchases EURk	Sales EURk	Transfers EURk	Write-ups EURk	Write-down and corrections cum. EURk	Book value 31.12.09 EURk	Write-downs and corrections 2008 EURk
Investment capital - Balance sheet items -								
Debentures and other fixed-interest securities	16,605,562						16,435,770	-
Shares and other non-fixed income securities	-					Net change according to Article 34 (3) p. 2 RechKredV: EURk -401,374	-	-
Shareholdings	691,910						474,225	-189,365
Holdings in affiliated companies	36,906						23,009	-
Intangible assets	9,042	2,371	-	-	-	-9,272	2,141	-1,400
Tangible assets	217,434	12,930	-4,460	-	-	-86,422	139,482	-7,735
Other assets	13,776	361	-	-	-	-22	14,115	-

<b>TOTAL REMUNERATION OF COMMITTEES AND SUPERVISORY BODIES OF L-BANK</b>	31.12.2009 EURk	31.12.2008 EURk
- Supervisory Board	153	157
- Board of Management	2,118	2,034
including: remuneration of the Chairman	707	679
Chairman's additional income resulting from Supervisory Board, Advisory Board and Administrative Board posts	92	
- Former members of the Board of Management and their survivors	803	848
- Advisory Board (incl. travel costs)	3	171
- Pension provisions formed for former members of the Board of Management and their survivors	11,718	12,395

<b>LOANS TO SUPERVISORY BOARDS (INCLUDING LIABILITY RELATIONSHIPS)</b>	31.12.2009 EURk	31.12.2008 EURk
- Supervisory Board	174	150
- Board of Management	571	605

All loans earn interest at an appropriate market rate.

<b>AVERAGE NUMBER OF EMPLOYEES IN 2009</b>	Male	Female	Total
Employees	503	667	1,170
of which: full-time employees	481	389	870
part-time employees	22	278	300
Excluding vocational trainees and interns			

## DIRECTORSHIPS OF BOARD OF MANAGEMENT MEMBERS AND EMPLOYEES OF L-BANK WITHIN THE MEANING OF ARTICLE 340 A, PARAGRAPH 4, NO. 1 HGB

### CHRISTIAN BRAND, CHAIRMAN OF THE BOARD OF MANAGEMENT

BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart	Member of the Supervisory Board
Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, Mainz	Member of the Owners' Meeting, Deputy Member of the Administrative Board
KfW Bankengruppe, Frankfurt/Main	Member of the Administrative Board
Sächsische Aufbaubank – Förderbank, Dresden	Member of the Administrative Board
Schwäbische Hüttenwerke Automotive GmbH, Wasseralfingen	Member of the Supervisory Board
Wüstenrot & Württembergische AG, Stuttgart	Member of the Supervisory Board
Wüstenrot Holding AG, Ludwigsburg	Member of the Supervisory Board
Vorarlberger Landes- und Hypothekenbank AG, Bregenz	Member of the Supervisory Board

### JÜRGEN HÄGELE, VICE CHAIRMAN OF THE BOARD OF MANAGEMENT

Business-Park Göppingen GmbH, Göppingen	Member of the Supervisory Board
Gottmadinger Immobiliengesellschaft AG i.L., Gottmadingen	Chairman of the Supervisory Board
Landesimmobiliengesellschaft Baden-Württemberg mbH, Stuttgart	Member of the Supervisory Board
Sächsische Aufbaubank – Förderbank, Dresden	Deputy Member of the Administrative Board
Internationales Bankhaus Bodensee AG, Friedrichshafen	Member of the Supervisory Board

**DR. MANFRED SCHMITZ-KAISER, MEMBER, BOARD OF MANAGEMENT**

BioPro Baden-Württemberg, Stuttgart	Member of the Supervisory Board
Gottmadinger Immobiliengesellschaft AG i.L., Gottmadingen	Vice Chairman of the Supervisory Board
MBG Mittelständische Beteiligungsgesellschaft Baden-Württemberg GmbH, Stuttgart	Member of the Supervisory Board
Tourismus-Marketing GmbH Baden-Württemberg, Stuttgart	Vice Chairman of the Supervisory Board

**DR. KARL EPPLE, MEMBER, BOARD OF MANAGEMENT**

Baden-Württembergische Spielbanken GmbH & Co. KG, Baden-Baden	Member of the Supervisory Board
Bau- und Wohnungsverein Stuttgart, Stuttgart	Chairman of the Supervisory Board
EnBW Systeme Infrastruktur Support GmbH, Karlsruhe	Member of the Supervisory Board
Gottmadinger Immobiliengesellschaft AG i.L., Gottmadingen	Member of the Supervisory Board

## GOVERNING BODIES OF L-BANK

BOARD OF MANAGEMENT	SUPERVISORY BOARD MEMBERS 2009		
Christian Brand Chairman	<b>Regular members</b>		<b>Consulting members</b>
Jürgen Hägele Vice Chairman	Representatives of the state government *	Other members **	
Dr. Manfred Schmitz-Kaiser	Ernst Pfister MdL Minister for Economic Affairs Chairman	Martin Lamm Managing Director Bauunternehmung Lamm	Reiner Enzmann Chairman of the Central Staff Council of L-Bank, Karlsruhe
Dr. Karl Epple	Willi Stächele MdL Minister of Finance Vice Chairman	Wirtsch.-Ing. Bernd Bechtold President of IHK Karlsruhe	Clemens Meister Chairman of the Staff Council of L-Bank, Karlsruhe
	Heribert Rech MdL Minister of Internal Affairs Vice Chairman	Heinz Kälberer Former Mayor, Vaihingen	Thomas Dörflinger Chairman of the Staff Council of L-Bank, Stuttgart
	Peter Hauk MdL Minister for Food and Rural Areas Vice Chairman	Leni Breymaier Regional Manager VER.DI Baden-Württemberg	
	Tanja Gönner Minister for the Environment	Dr. Jürgen Schütz President, Baden-Württemberg Council of Local Government Districts	
	Dr. Monika Stolz MdL Minister for Labor and Social Affairs	Gerhard Burkhardt Chairman of the Board of Management Verband baden-württembergischer Wohnungsunternehmen e.V.	
	Hubert Wicker State Secretary in Ministry of State	Dr. Maximilian Dietzsch- Doertenbach	
	Dr. Gisela Meister-Scheufelen Ministerial Director in Ministry of Finance	Managing Partner Doertenbach & Co. mbH From 25.06.2009	

\* Membership by law

\*\* Personally appointed

## Alternate members

## Alternate members of the government of the state

<b>Richard Drautz</b> State Secretary in Ministry for Economic Affairs	<b>Bernhard Bauer</b> Ministerial Director in the Ministry for the Environment
<b>Gundolf Fleischer MdL</b> State Secretary in Ministry of Finance	<b>Dieter Hillebrand MdL</b> State Secretary in the Ministry for Labor and Social Affairs
<b>Günther Benz</b> Ministerial Director in Ministry for Internal Affairs From 01.10.2009	<b>Michael Kleiner</b> Chief Undersecretary Head of Dept. I in the Ministry of State From 01.10.2009
<b>Rainer Arnold</b> Ministerial Director in Ministry for Internal Affairs To 30.09.2009	<b>Günther Benz</b> Ministerial Director Head of Dept. I in the Ministry of State To 30.09.2009
<b>Dr. Albrecht Rittmann</b> Ministerial Director in Ministry for Food and Rural Areas	<b>Prof. Dr. Claus Eiselstein</b> Ministerial Director Head of Dept. III in the Ministry of State

## Alternates

<b>Joachim Wohlfeil</b> President, Karlsruhe, Chamber of Trades and Crafts
<b>Dr.-Ing. Hansjörg Rieger</b> Managing Partner RUD Ketten Rieger & Dietz GmbH & Co. KG
<b>Gerhard Roßwog</b> President, Baden-Württembergischer Genossenschaftsverband e.V.
<b>Frank Zach</b> Head of Economics Department of DGB District Baden-Württemberg
<b>Roger Kehle</b> President, Gemeindegtag Baden-Württemberg
<b>Andreas Schmitz</b> Speaker for the Board of Management of HSBC Trinkaus & Burkhardt AG
<b>Wilhelm Freiherr von Haller</b> Chairman of the Board of Management, Sal. Oppenheim jr. & Cie. Verwaltungs AG From 25.06.2009

Other alternate members for  
the government of the state

<b>Prof. Dr. Willi Weiblen</b> Ministerial Director Head of the Economic Principles and Administration Department Ministry for Economic Affairs
<b>Walter Leibold</b> Ministerial Director Head of the Financial Policy and Holdings Department, Ministry of Finance
<b>Volker Jochimsen</b> Ministerial Director Head of the Constitution, Municipal and Sparkassen and Legal Affairs Department of the Ministry of Internal Affairs
<b>Joachim Hauck</b> Ministerial Director Head of the Agriculture Department in the Ministry for Food and Rural Areas
<b>Jutta Lück</b> Ministerial Director Head of the Administrative Department in the Department for the Environment
<b>Thomas Halder</b> Ministerial Director Ministry for Labor and Social Affairs
<b>Dr. Georg Walch</b> Undersecretary Head of the Department for Budget and Tax Policy, Tax Estimates, Properties and Holdings in the Ministry of State
<b>Norbert Schmitt</b> Chief Undersecretary Head of the Department for Public Holdings and Banking, Ministry of Finance

## PROPOSAL OF THE BOARD OF MANAGEMENT FOR THE DISTRIBUTION OF NET PROFIT

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The Board of Management hereby proposes to the Supervisory Board of L-Bank that the net profit of the 2009 fiscal year of EUR 51,158,607.28 be disposed of in the form of a dividend to the state of Baden-Württemberg in the amount of EUR 50.0 million, and the remaining amount of EUR 1,158,607.28 be carried forward to the current fiscal year.

Karlsruhe, March 22, 2010

L-Bank

Christian Brand

Jürgen Hägele

Dr. Manfred Schmitz-Kaiser

Dr. Karl Epple

## DECLARATION OF THE BOARD OF MANAGEMENT WITH RESPECT TO THE YEAR-END FINANCIAL STATEMENT OF LANDESKREDITBANK BADEN-WÜRTTEMBERG – FÖRDERBANK AS AT DECEMBER 31, 2009

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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 the Bank, and the Management Report includes a fair review of the development and performance of the business and the position of the Bank, together with a description of the principal opportunities and risks associated with the expected development of the Bank.

Karlsruhe, March 22, 2010

Christian Brand

Jürgen Hägele

Dr. Manfred Schmitz-Kaiser

Dr. Karl Epple

## AUDITOR'S CERTIFICATION

We have audited the annual financial statements – consisting of the balance sheet, the statement of profit and loss and the appendix – taking into consideration the accounting and the Management Report of L-Bank for the fiscal year from January 1, 2009 through December 31, 2009. The accounting and the preparation of the year-end financial statements and the Management Report in accordance with German commercial law are the responsibility of the Board of Management of the Bank. Our task is to provide an assessment of the annual financial statements including the accounts and the Management Report on the basis of our audit.

We carried out our audit of the annual financial statements in accordance with Article 317 HGB (German Commercial Code) under consideration of IDW's (Institute of Auditors) rules on the proper auditing of German annual financial statements. These stipulate that the audit must be planned and conducted in such a manner that misstatements and violations that have a significant effect on the understanding of assets, finances and earnings as conveyed by the annual financial statements in accordance with the rules on the proper accounting, and the Management Report, are identified with a sufficient level of certainty. In determining the specific procedure of the audit, knowledge of the reality of the business, the economic and legal background of the Bank as well as possible errors to be expected are taken into consideration. The audit assesses the efficiency of the internal account auditing system and the documentation of the data stated in the accounts, annual financial statements and the Management Report primarily on the basis of random checks.

The audit comprises an assessment of the accounting principles employed and the fundamental estimates made by the Board of Management, as well as of the overall representation contained in the annual financial statements and the Management Report. It is our opinion that our audit provides a sufficiently sound basis for our assessment.

Our audit has not resulted in any objections.

In our assessment, on the basis of the understanding gained in the course of the audit, the annual financial statements comply with the legal requirements and convey an accurate impression of the assets, finances and earnings situation of the Bank. The Management Report accords with the year-end financial statements, and as a whole provides a suitable view of the Bank's position, and accurately represents the opportunities and risks attendant on its future development.

Stuttgart, March 22, 2010

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Jürgen Breisch  
Auditor

per pro Ralf Steffan  
Auditor



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