

LB  BW

Breaking new ground

# Annual financial statements 2018



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# 01

## Combined management report

The management report of LBBW (Bank) and the group management report are combined in accordance with section 315(5) of the Handelsgesetzbuch (HGB – German Commercial Code) in conjunction with section 298(2) HGB and published in the 2018 annual report of LBBW.

The annual financial statements and the LBBW management report combined with the group management report for the 2018 financial year will be submitted to and published by the operator of the German Federal Gazette (Bundesanzeiger).

The annual financial statements of LBBW (Bank) and the annual report of LBBW are also available online at [www.LBBW.de](http://www.LBBW.de).



# 02

Annual financial statements for  
the 2018 financial year

# Balance sheet

as at 31 December 2018

## Assets

EUR million	Explanation in the Notes (chapter)			31 Dec. 2018	31 Dec. 2017
<b>Cash and cash equivalents</b>					
a) Cash				167	154
b) Balances with central banks				24,544	22,569
including: with Deutsche Bundesbank		24,416			17,408
				<b>24,712</b>	<b>22,722</b>
<b>Loans and advances to banks</b>					
	<b>2, 3, 4, 5, 35</b>				
a) Mortgage loans				530	286
b) Public-sector loans				27,644	25,473
c) Other receivables				16,602	19,764
of which: payable on demand		4,548			4,940
of which: collateralized by securities		7,673			10,358
				<b>44,776</b>	<b>45,522</b>
<b>Loans and advances to customers</b>					
	<b>2, 3, 4, 5, 35</b>				
a) Mortgage loans				32,287	30,550
b) Public-sector loans				15,382	17,332
c) Other receivables				62,065	55,003
of which: collateralized by securities		11,944			11,539
				<b>109,734</b>	<b>102,886</b>
<b>Debentures and other fixed-income securities</b>					
	<b>2, 3, 4, 5, 7, 35</b>				
a) Money market instruments					
aa) issued by public-sector borrowers		342			0
of which: eligible as collateral with Deutsche Bundesbank		0			0
ab) issued by other borrowers		621			1,161
of which: eligible as collateral with Deutsche Bundesbank		0			250
				963	1,161
b) Bonds and debentures					
ba) issued by public-sector borrowers		4,908			7,317
of which: eligible as collateral with Deutsche Bundesbank		3,894			5,810
bb) issued by other borrowers		14,807			13,664
of which: eligible as collateral with Deutsche Bundesbank		12,773			11,787
				19,715	20,982
c) Own debentures				328	320
Nominal amount		321			306
				<b>21,006</b>	<b>22,462</b>

Differences in the amount of +/- one unit in the balance sheet, income statement and the Notes are due to rounding.

## Assets

EUR million	Explanation in the Notes (chapter)			31 Dec. 2018	31 Dec. 2017
<b>Equities and other non-fixed-income securities</b>	<b>2, 5, 7</b>			<b>164</b>	<b>108</b>
<b>Trading portfolio</b>	<b>2, 5, 9</b>			<b>20,453</b>	<b>21,429</b>
<b>Equity investments</b>	<b>2, 7, 12</b>			<b>625</b>	<b>631</b>
of which: in banks		432			432
<b>Shares in affiliates</b>	<b>2, 7, 12</b>			<b>1,639</b>	<b>1,667</b>
of which: in banks		329			328
of which: in financial services companies		400			421
<b>Trust assets</b>	<b>13, 35</b>			<b>356</b>	<b>433</b>
of which: trust loans		355			431
<b>Intangible assets</b>	<b>2, 12</b>				
a) Internally generated industrial property rights and similar rights and assets			33		20
b) Concessions, industrial property rights and similar rights and assets, and licenses to such rights and assets			150		185
d) Advances paid			16		16
				<b>199</b>	<b>221</b>
<b>Property and equipment</b>	<b>2, 12</b>			<b>831</b>	<b>850</b>
<b>Other assets</b>	<b>14</b>			<b>2,122</b>	<b>1,288</b>
<b>Deferred items</b>	<b>15</b>				
a) From issuing and lending business			715		644
b) Other			1,673		1,732
				<b>2,388</b>	<b>2,376</b>
<b>Total assets</b>				<b>229,005</b>	<b>222,596</b>

Differences in the amount of +/- one unit in the balance sheet, income statement and the Notes are due to rounding.

## Equity and liabilities

EUR million	Explanation in the Notes (chapter)			31 Dec. 2018	31 Dec. 2017
<b>Deposits from banks</b>	<b>2, 16, 17, 18, 34</b>				
a) Mortgage-backed registered covered bonds issued				229	300
b) Public-sector registered covered bonds issued				590	793
c) Other liabilities				60,215	57,720
of which: payable on demand		8,529			5,156
				<b>61,033</b>	<b>58,813</b>
<b>Deposits from customers</b>	<b>2, 16, 17, 18</b>				
a) Mortgage-backed registered covered bonds issued				505	707
b) Public-sector registered covered bonds issued				2,978	3,366
c) Savings deposits					
ca) with an agreed notice period of three months		6,274			5,696
cb) with an agreed notice period of more than three months		70			580
				6,344	6,276
d) Other liabilities				73,335	69,219
of which: payable on demand		46,944			44,010
				<b>83,162</b>	<b>79,567</b>
<b>Securitized liabilities</b>	<b>2, 16, 17, 18</b>				
a) Issued debentures					
aa) Pfandbriefe (mortgage-backed covered bonds)		10,308			9,602
a) Pfandbriefe (public covered bonds)		4,049			4,683
ac) Other debentures		23,051			27,520
				37,409	41,806
b) Other securitized liabilities				4,991	2,104
of which: money market instruments		4,991			2,104
				<b>42,400</b>	<b>43,910</b>
<b>Trading portfolio</b>	<b>2, 9, 18</b>			<b>15,634</b>	<b>14,036</b>
<b>Trust liabilities</b>	<b>13</b>			<b>356</b>	<b>433</b>
of which: trust loans		355			431
<b>Other liabilities</b>	<b>2, 19</b>			<b>932</b>	<b>839</b>
<b>Deferred items</b>	<b>15</b>				
a) From issuing and lending business				312	331
b) Other				2,168	2,288
				<b>2,480</b>	<b>2,619</b>
<b>Provisions</b>	<b>2, 20</b>				
a) Provisions for pensions and other postemployment benefits				2,148	1,936
b) Tax provisions				24	34
c) Other provisions				581	572
				<b>2,753</b>	<b>2,542</b>
<b>Subordinated liabilities</b>	<b>2, 16, 21</b>			<b>4,797</b>	<b>4,328</b>

Differences in the amount of +/- one unit in the balance sheet, income statement and the Notes are due to rounding.

## Equity and liabilities

EUR million	Explanation in the Notes (chapter)			31 Dec. 2018	31 Dec. 2017
<b>Capital generated from profit-participation rights</b>	<b>22</b>			<b>229</b>	<b>229</b>
<b>Fund for general banking risks</b>				<b>743</b>	<b>852</b>
of which: transfers in accordance with section 340e(4) HGB		0			32
<b>Equity</b>	<b>23</b>				
a) Subscribed capital					
aa) Share capital		3,484			3,484
ab) Silent partners' contributions		1,010			1,029
			4,494		4,513
b) Capital reserve			8,240		8,240
c) Retained earnings					
cd) Other retained earnings		1,501			1,482
			1,501		1,482
d) Unappropriated profit/loss			250		192
				<b>14,485</b>	<b>14,427</b>
<b>Total equity and liabilities</b>				<b>229,005</b>	<b>222,596</b>
<b>Contingent liabilities</b>	<b>2, 10, 18, 24</b>				
b) Liabilities from guarantees and warranties			9,380		8,257
				9,380	8,257
<b>Other obligations</b>	<b>24</b>				
c) Irrevocable loan commitments			28,372		25,055
				<b>28,372</b>	<b>25,055</b>

Differences in the amount of +/- one unit in the balance sheet, income statement and the Notes are due to rounding.



# Income statement

for the period 1 January to 31 December 2018

EUR million	Explanation in the Notes (chapter)			01.01. - 31 Dec. 2018	01.01. - 31 Dec. 2017
<b>Interest income from</b>	<b>25, 26</b>				
a) Credit and money market transactions		12,656			10,953
b) Fixed-income securities and book-entry securities		185			115
				<b>12,841</b>	<b>11,068</b>
<b>Interest expense</b>	<b>25</b>			<b>-11,563</b>	<b>-9,826</b>
				<b>1,278</b>	<b>1,242</b>
<b>Current income from</b>	<b>26</b>				
a) Equities and other non-fixed-income securities			16		7
b) Equity investments			27		20
c) Shares in affiliates			38		41
				<b>81</b>	<b>67</b>
<b>Income from profit-pooling, profit transfer and partial profit transfer agreements</b>				<b>55</b>	<b>89</b>
<b>Fee and commission income</b>	<b>26, 27</b>			<b>496</b>	<b>518</b>
<b>Fee and commission expense</b>				<b>-94</b>	<b>-150</b>
including: guarantee commission for the State of Baden-Württemberg		0			-61
				<b>402</b>	<b>368</b>
<b>Total operating income/expenses from the trading portfolio</b>	<b>26</b>			<b>294</b>	<b>291</b>
<b>Other operating income</b>	<b>26, 28</b>			<b>141</b>	<b>219</b>
<b>General administrative expenses</b>					
a) Total staff costs					
aa) Wages and salaries		-628			-641
ab) Social security contributions and expenses for pension provision and other benefits		-312			-225
of which: pension costs		-201			-119
				-941	-866
b) Other administrative expenses				-716	-716
				<b>-1,657</b>	<b>-1,582</b>
<b>Depreciation and write-downs of intangible assets and property and equipment</b>				<b>-95</b>	<b>-101</b>

Differences in the amount of +/- one unit in the balance sheet, income statement and the Notes are due to rounding.

EUR million	Explanation in the Notes (chapter)			01.01. - 31 Dec. 2018	01.01. - 31 Dec. 2017
Other operating expenses	28			-96	-149
Depreciation and write-downs of loans and certain securities, as well as additions to provisions for credit risks			-75		0
Income from reversals of impairment losses on loans and certain securities, as well as from the reversals to provisions for credit risks			0		78
				-75	78
Depreciations and write-downs of equity investments, shares in affiliates and securities treated as fixed assets			0		-120
Income from reversals of impairment losses on equity investments, shares in affiliates and securities treated as fixed assets			11		0
				11	-120
Expenses from loss transfer				-2	-1
Allocations/reversals made to/from the fund for general banking risks				109	-31
<i>Result from normal operations</i>				445	369
Extraordinary income	30		6		4
Extraordinary expenses	30		-41		-69
Extraordinary result	30			-35	-65
				410	304
Taxes on income	31		-110		-63
Other taxes, unless reported under other operating expenses			-6		-5
				-116	-68
Profits transferred as a result of profit-pooling, profit transfer agreement or a partial profit transfer agreement				-44	-44
<i>Net profit/unappropriated profit/loss</i>	23			250	192

# Notes

for the period 1 January to 31 December 2018

## General information

### 1. Principles governing the preparation of the annual financial statements

Landesbank Baden-Württemberg (LBBW (Bank)) is a public law institution (rechtsfähige Anstalt des öffentlichen Rechts) with registered offices in Stuttgart, Karlsruhe, Mannheim and Mainz. The commercial register numbers at the responsible district court are as follows: district court of Stuttgart HRA 12704, district court of Mannheim HRA 104440 (for Karlsruhe) and HRA 4356 (for Mannheim) and district court of Mainz HRA 40687.

The annual financial statements for the 2018 financial year were prepared in compliance with the provisions of the German Commercial Code (Handelsgesetzbuch - HGB), in particular the Supplemental Regulations for Banks (sections 340 et seq. HGB), the German Accounting Regulation for Banks and Financial Service Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute - RechKredV), the German Banking Act (Kreditwesengesetz - KWG) and the German Pfandbrief Act (Pfandbriefgesetz - PfandBG).

For the purpose of transparency, the values are stated in EUR millions.

### 2. General accounting and valuation methods

#### Receivables and allowances for losses on loans and advances

Loans and advances to banks and customers are stated at their nominal value, where necessary after deduction of the applicable write-downs. Allowances for losses on loans and advances were deducted from the other receivables in the net amount. Differences between acquisition costs and nominal amount which are related to interest are allocated to deferred items and recognized proportionally in net interest income over the period. Deferred interest is reported directly in loans and advances to banks and customers.

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

Securities repurchase transactions with central counterparties are presented in net terms. The transactions were concluded on the basis of framework agreements which provide for the offsetting of financial assets and financial liabilities.

Provisions for specific allowances for losses on loans and advances have been recognized for significant loans for which objective indications of impairment have been identified. The impairment loss is calculated as the carrying amount of the loan less the present value of expected payments received on account of the loan. To calculate the expected future payments, all expected payments from the receivable (principal and interest) and any payments from the liquidation of collaterals are estimated in terms of amount and timing on the basis of various probability-weighted scenarios. In the case of insignificant loans, for which objective evidence indicating an impairment has been identified, collective write-downs basis on individual risks are recognized by using a statistically calculated default amount. General valuation allowances are recognized for expected losses on the loan portfolio as at the balance sheet date resulting from possible loss events over the next 12 months. Their amount is based on statistically calculated default probabilities, loss ratios relating to parts of the loan portfolio for which no other provisions have been set up and the expected exposure at default. Country risks in the form of transfer and/or conversion risks are taken into account.

## Securities

Securities in the liquidity reserve are measured at cost observing the principle of strict lower-of-cost-or-market, or at the lower quoted/market price or fair value (if lower) as at the balance sheet date.

Securities held as long-term investments are carried at cost or the fair value on the reporting date (if lower) in the case of continued impairment losses. Provided the reasons for impairment in earlier financial years have elapsed, reversals of impairment losses up to the amount of the fair value are carried out to a maximum of the acquisition costs. In the case of impairments which are expected not to be permanent, the option of section 253 (3) sentence 4 HGB is exercised in conjunction with section 340e (1) HGB, so that no write-downs are recognized on the lower fair value (less strict lower-of-cost-or-market principle).

The impairment of securities held as long-term investments is determined on the reporting date on the basis of published stock market price quotations, price quotations from market data providers or recognized valuation methods (e.g. net income value or discounted cash flow method). The assessment of whether impairment is expected to be permanent is carried out on the basis of LBBW's rating classification. A distinction is drawn between equity instruments, ABS securitizations and other securities. The primary reason for a permanent impairment is the occurrence of a trigger event, such as interest loss or redemption default.

Securities arising from asset swap combinations are valued as a valuation unit; for securities in the liquidity reserve from asset swap combinations, market-induced impairment losses due to credit risks are recognized in income.

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

As internal transactions only financial instruments are used. These internally contracted financial instruments are valued as transactions with external contracting parties. However, unlike external transactions, they are not recognized individually in the balance sheet but are offset under trading assets or trading liabilities.

## Financial instruments

On-balance sheet products and derivative financial instruments of the trading portfolio are subject to fair value changes. Financial instruments in the trading portfolio that are traded on active markets are recognized at market prices. Financial transactions for which market prices are not available are recognized at prices determined with the help of valuation models or on the basis of indicative quotations and parameters obtained from market data providers. Market prices, quotations and parameters are validated by LBBW (Bank) by means of statistical methods or as part of the independent price verification process (IPV). The fair values are reduced by the value-at-risk for these portfolios determined in line with regulatory requirements (10-day holding period, 99.0% confidence level, 250-day observation period). On the balance sheet, the reduction affects the balance sheet item of »trading assets«.

The absolute amount of the risk discount is EUR 15 million for LBBW (Bank) as at 31 December 2018 (2017: EUR 21 million).

This procedure ensures that the income statement drawn up in line with the German Commercial Code takes into account any potentially remaining realization risks in line with the conservatism principle.

The amount of the addition to the special reserve is limited in accordance with section 340e (4) HGB. There was no addition to the fund for general banking risks arising from this for the 2018 financial year.

Observable parameters are used for valuation methods for financial instruments in and outside the trading portfolio, if available. The application of these models and the use of these parameters require assumptions and estimates on the part of the management, the extent of which depends on the transparency and availability of market data information and the complexity of the instrument in question. These involve a certain level of uncertainty and may be subject to change. Therefore, actual results and values may differ from these assumptions and estimates.

The main parameters used in the valuation models of LBBW (Bank) are listed in the following table:

Derivatives/financial instruments	Valuation models	Material parameters <sup>1</sup>
Interest rate swaps and options	Net present value method, Black-Scholes model, replication and Copula-based models, Markov functional model and Libor market models	Yield curves, swaption volatility, cap volatility, correlations, mean reversion
Forward rate agreements	Net present value method	Yield curves
Forward commodity agreements, currency forwards	Net present value method	Commodity rates/exchange rates, yield curves
Stock/index options, equity index/dividend futures <sup>2</sup>	Black-Scholes model, local volatility model, present value method	Equity prices, share volatility, dividends, interest rates (swap, repo)
Currency options	Garman-Kohlhagen model (modified Black-Scholes model)	FX rates, yield curves, FX volatility
Commodity options	Garman-Kohlhagen model (modified Black-Scholes model)	Commodity rates, yield curves, volatility
Credit derivatives	Intensity model, credit correlation model	Credit spreads, yield curves, correlations
Money market transactions	Net present value method	Credit spreads, yield curves
Borrower's note loans, loans	Net present value method	Credit spreads, yield curves
Securities, forward security transactions	Net present value method	Securities prices, credit spreads, yield curves
Own bearer notes and borrower's note loans issued	Net present value method	Yield curves, own credit spread

<sup>1</sup> For the counterparty default risk of OTC derivatives a credit value adjustment is calculated using credit spreads, taking into account collateral and netting agreements.  
<sup>2</sup> The valuation models for equity derivatives are based on OTC as well as on exchange-traded derivatives.

The valuation methods include all factors and parameters which LBBW (Bank) believes would also be considered by other market participants. If the valuation methods do not take individual factors into account, valuation adjustments are conducted. Value adjustments are determined by Risk Controlling and documented in a valuation adjustment policy. Significant value adjustments affect, among other things, valuation adjustments for counterparty credit risk (credit valuation adjustment, CVA) and own credit risk (debt valuation adjustment, DVA) of OTC derivatives and valuation adjustments to take into account bid/ask spreads (close-out costs). LBBW (Bank) makes further valuation adjustments to take account of model weaknesses and valuation uncertainties (model valuation adjustments), including when determining the fair value of certain interest rate and credit derivatives. Differences arising between the price calculated by the model and the price traded on the transaction day are taken into account as day-1 P&L valuation adjustment for transactions categorized as level 3 according to the International Financial Reporting Standards (IFRS). Collateralized OTC derivatives are mostly discounted on the basis of EONIA rates.

The key issue in recognizing derivative financial instruments in the annual financial statements of LBBW (Bank) is whether they are components of valuation units (micro hedges) or are used in the course of trading or are used for the (internal) management of the interest margin of the interest-bearing transactions of the banking book (loss-free valuation in the banking book).

With due regard to accounting practice statement IDW RS HFA 22, issued by the Main Committee (Hauptfachausschuss) of the Institute of Public Auditors in Germany (IDW), ancillary agreements of a derivative nature, whose market price risks are included in portfolio-related management of trading positions, are disclosed separately from the underlying transactions.

The tables exclude ancillary agreements of a derivative nature that are not reported separately on the balance sheet but that are instead components of structured instruments (structured financial instruments) and are therefore included as assets or liabilities in the corresponding balance sheet items. The tables exclude netting and collateral agreements which mitigate default risks.

In addition to the main valuation parameters already named, there are further influencing factors for derivatives which determine the extent, time and collateral of future cash flows.

In the case of options in particular, there are transaction-related payment terms (e.g. trigger for exotic options, redemption date for premiums, structuring the option as American or European). Upfront or balloon payments can be agreed for interest rate swaps. Furthermore, the creditworthiness of the counterparties and the Bank or the resulting default risk has a significant effect on future cash flows. For this purpose, the LBBW (Bank) draws up a credit valuation adjustment (CVA) or reaches collateral agreements with counterparties. Furthermore, LBBW (Bank) is a direct clearing member for the purposes of clearing interest rate swaps via central counterparties. The variation margin is offset against the fair values. In the case of standardized derivatives traded at derivatives exchanges, margining can be agreed which hedges payments between counterparties.

#### **Credit derivatives outside the trading portfolio**

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

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

Protection seller transactions in the non-trading portfolio are included in the item »Contingent liabilities«, sub-item b) »Liabilities from guarantees and warranties«.

Credit derivatives in the non-trading portfolio that were entered into by LBBW as a protection buyer are then treated as credit collateral received, if a documented hedging purpose exists in relation to another transaction subject to credit risk and the derivatives are objectively appropriate for reducing risk. As credit collateral received, these credit derivatives are not recorded in the balance sheet (such as with guarantees received) but are taken into consideration when calculating the necessary allowances for losses on loans and advances for the hedged transaction.

Credit derivatives used for portfolio management purposes with regard to credit risks are not valued using the mark-to-market method provided the credit default swap constitutes an original lending transaction for LBBW (Bank). A prerequisite in this respect is the intention to hold the investment to maturity, and the credit default swap must not contain structures that cannot be part of the original lending transaction. Corresponding provisions for anticipated losses are created for credit derivatives for which there is no intention to hold.

Credit derivatives in the non-trading portfolio that do not fulfill these conditions are valued separately. Unrealized valuation gains are offset only if the credit risk relates to one and the same reference debtor. Provisions for anticipated losses from pending transactions are created for unrealized valuation losses, if necessary after netting unrealized valuation gains. The results are included in depreciations and write-downs of loans and certain securities, as well as additions to provisions for credit risks. Any valuation gains remaining after netting are not recognized. The combined management report (risk and opportunity report) contains information about the scope and development of the LBBW (Bank) market price risks.

### Equity investments and shares in affiliates

Equity investments and shares in affiliates are carried at cost or the fair value on the reporting date (if lower) in the case of continued impairment losses. Provided the reasons for impairment in earlier financial years have elapsed, reversals of impairment losses up to the amount of the fair value are carried out to a maximum of the acquisition costs. In the case of impairments which are expected not to be permanent, the option of section 253 (3) sentence 4 HGB is exercised in conjunction with section 340e(1) HGB, so that no write-downs are recognized on the lower fair value (less strict lower-of-cost-or-market principle).

Sales profit or loss from equity investment transactions is recorded in »other operating income or expenses« on the basis of section 340c (2) sentence 2 HGB. For a list of shareholdings in accordance with section 285 no. 11 HGB, refer to the chapter »List of shareholdings«.

The value of equity investments and shares in affiliates is determined on the reporting date on the basis of published stock market price quotations, price quotations from market data providers or recognized valuation methods (e. g. net income value or discounted cash flow method).

### Intangible assets and property and equipment

Acquired intangible assets are valued at acquisition cost less scheduled depreciation and, where necessary, unscheduled write-downs.

Internally generated intangible assets held as long-term investments are recognized in accordance with section 248 (2) HGB and valued at production cost less scheduled depreciation and, where necessary, unscheduled write-downs.

Tangible assets are valued at acquisition or production cost less scheduled depreciation and, where necessary, unscheduled write-downs.

Scheduled depreciation is effected at the rates permitted by tax laws since, in the view of LBBW (Bank), these correspond to the economic life.

### Liabilities

Liabilities are recognized at the settlement amount as per section 253 (1) HGB. Differences between issue amount and settlement amount which are related to interest are allocated to deferred items and recognized proportionally in net interest income over the period. Deferred interest is reported directly in liabilities. Zero coupon bonds are recognized including the pro rata interest rate in accordance with section 22 (2) sentence 3 RechKredV.

Securities repurchase transactions with central counterparties are presented in net terms. The transactions were concluded on the basis of framework agreements which provide for the offsetting of financial assets and financial liabilities.

## Provisions

Provisions for discounting the pension obligations are calculated on the basis of actuarial principles pursuant to section 253 HGB and the 2018 G mortality tables (Heubeck-Richttafeln-GmbH, Cologne 2018). The previously used »2005 Heubeck mortality tables« were replaced by the »2018 G Heubeck mortality tables« published in 2018. This update of the Heubeck mortality tables increased provisions for pensions and grant aid by EUR 24 million.

The projected unit credit method was used as an actuarial calculation method. Accrual allocation of benefit payments during employment and actuarial assumptions are used for the assessment. According to section 253 (2) HGB, the average 10-year discount rate for pension provisions is 3.21%, compared with the average seven-year discount rate of 2.32%. Expected wage and salary increases are 1.85%, plus a career trend of 0.50% based on an age up to 50. The future annual rate of pension increase remains at 1.70% and a company-specific fluctuation of 4.00% is assumed.

The difference calculated in accordance with section 253(6) sentence 1 HGB and arising from the switch from a provisions for pensions approach as determined by the corresponding average market interest rate from the last seven financial years to an approach based on ten financial years amounts to EUR 279 million.

According to Article 67 (1) sentence 1 of the *Einführungsgesetz zum Handelsgesetzbuch* (EGHGB – Introductory Act to the HGB), which sets out the transitional provisions relating to the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Act on the Modernization of Accounting Law), the additions to the provisions for pensions can be spread out over 15 years as a consequence of the first-time adoption of BilMoG. LBBW (Bank) has used this option and added EUR 26 million (1/15) to the provisions for pensions in the past financial year. The remaining residual amount is EUR 159 million; additions of at least EUR 26 million must be added annually until 31 December 2024.

There is a unit-linked commitment (LBBW VorsorgeFonds Plus), which invests via a life-cycle model through a contractual trust arrangement (CTA), for new entrants after 31 December 2016. The new regulation will take effect from 1 January 2026 for employees of capital account plan 2000 and 2005 with entry dates before 1 January 2017. The amount of the obligation is determined by the fair value of the associated fund, provided that this exceeds the guaranteed minimum value. The original acquisition cost of the plan assets is EUR 5 million. EUR 4 million in obligations from the LBBW VorsorgeFonds Plus were offset against the plan assets with a fair value of EUR 4 million. The obligations for the LBBW VorsorgeFonds Plus were offset against the plan assets measured at fair value.

Plan assets of EUR 18 million were set up as at year-end 2018 for the obligation for settlement arrears from partial retirement contracts. This corresponds to the fair value of the plan assets as at 31 December 2018. The obligations for settlement arrears from partial retirement contracts were offset against the plan assets in line with section 246 (2) sentence 2 HGB.

As at 31 December 2018, EUR 74 million in obligations from the LBBW FlexiWertkonto (working time account) were offset against the plan assets with a fair value of EUR 64 million. The acquisition costs amount to EUR 61 million. The obligations for the FlexiWertkonto were offset against the plan assets measured at fair value. Expenses of EUR 7 million (increase in obligations in 2018) were offset against income of EUR 6 million (increase in plan assets in 2018).

Indirect obligations not accounted for in the balance sheet in accordance with Article 28 (1) sentence 2 EGHGB amounted to EUR 309 million as at 31 December 2018.

Other provisions are calculated under consideration of all contingent liabilities and anticipated losses from pending transactions on the basis of conservative commercial assessment. Provisions with a residual term over one year are discounted at the seven-year average discount rate published by Deutsche Bundesbank in accordance with section 253 (2) HGB.



The continuation option for provisions as part of the BilMoG conversion balance in line with Article 67 (1) EGHGB is exercised. Overcollateralization amounts to EUR 1 million as at 31 December 2018.

### Loss-free valuation in the banking book

The business activities of the banks within the scope of the banking book do not permit regular immediate reciprocal allocation of individual financial instruments. However, regardless of this, there is an economic link between these transactions (funding partnership) due to their objective (achieving an interest margin). Accordingly, LBBW (Bank) manages the interest margin/change in present value of all interest-bearing transactions as a whole in the banking book. This (internal) management of the banking book also provides the framework for the application of the imparity principle in commercial law.

A provision that might be required in line with section 340a in conjunction with section 249 (1) sentence 1, 2nd alternative HGB (provision for onerous contracts) thus extends to all interest-bearing financial instruments in the banking book. The valuation of the interest rate position of the entire banking book and the associated risk and administrative costs must be included in the calculation of negative excess liability, if any, as part of the loss-free valuation of interest-bearing transactions of the banking book. The Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) has answered individual questions on the procedure in a statement issued on this topic (IDW RS BFA 3).

LBBW (Bank) applied statement IDW RS BFA 3 as at the reporting date. LBBW (Bank) uses the net present value method. No negative excess liability existed. Accordingly, no provisions were created.

### Valuation units

In the case of valuation units, underlying transactions (assets, debt and derivatives separable from the balance sheet) are linked with hedging transactions (derivative financial instruments and some on-balance sheet assets) to hedge market price risks (hereinafter referred to as micro hedge).

The hedged risks include general and structured interest rate risks, equity risks, credit risks and currency risks.

The following methods of measuring effectiveness are used: When a valuation unit is formed and on each reporting date, a check is carried out prospectively as to whether effective hedging is in place. The micro hedges, in particular, which are created for the purpose of hedging structure interest-rate and other market price risks, are structured in such a way as to ensure that the main factors (hedged risk, nominal amount, currency and duration) receive the same or almost the same coverage. In the case of these valuation units and, in general, when a valuation unit is formed, a check is carried out for the compensatory settlement of hedged risks for underlying and hedging transactions; to this end, a comparison is carried out between these factors in the underlying and hedging transactions. In the case of micro hedges that hedge the general interest rate risk a regression analysis is carried out on each reporting date to investigate the compensatory effect. If the above mentioned comparison or regression analysis is positive, effectiveness (between the change in the value of the underlying transactions and hedging transactions with reference to the hedged risk) is also expected for the future (the remaining maturity of the transactions).

Retrospective valuation of effectiveness takes place on each reporting date with the help of the dollar-offset method. According to this method, the underlying transaction is valued for the hedged risk and compared with the valuation of the hedging transaction for the hedged risk (e.g. interest rate risk). This also forms the basis for calculating the previous invalidity and any loss peak. The procedure is already applied for the majority of valuation units for the general interest rate risk. In case of all other valuation units formed for the structured interest rate risk or other market price risks, the valuation of the hedged risk of the underlying is derived from the valuation of the hedging transaction.

The changes in value of hedging and underlying transactions are calculated on the balance sheet for the effective part using the net hedge presentation method, with only a loss peak shown on the balance sheet as a provision for valuation units. The loss peak (ineffectiveness from the hedged risk) is taken into account in the income statement.

Brokered, structured derivative, from which the market price risk is eliminated, are treated as economic hedges in risk management. These transactions are allocated to the trading book (so-called back-to-back operations) in the financial statements pursuant to German law.

For recognition of market price risks, refer to the chapter »market price risks« in the combined management report (risk and opportunity report) for the 2018 annual financial statements.

### Currency translation

In order to determine the currency position, LBBW (Bank) offsets foreign currency assets and foreign currency liabilities arising from on-balance transactions by currency. The application of the particular cover is derived from the Bank's internal FX policy. Currency risks resulting from non-trading assets are generally transferred to the trading books. Accordingly, expenses or income generated from them are ultimately reported under net trading gains/losses.

Assets and liabilities are translated at the mid-spot exchange rate as at the reporting date. Differences resulting from the translation of hedged assets and liabilities at the mid-spot exchange rate are offset by the opposing effects of outstanding nominal payments from foreign exchange transactions, cross-currency/interest-rate swaps and currency swaps. Currency forwards, cross-currency/interest-rate swaps and currency swaps, provided that they are not part of a valuation unit and are not concluded for the purpose of liquidity management of the banking book, are allocated to the trading portfolio. In the balance sheet these derivatives are recognized at fair value as part of the positive or negative fair values in trading assets/liabilities.

The swap points are accrued and shown in interest income or interest expense for currency forwards.

### Deferred taxes

There is a recognition option for net lending positions resulting from the overall view of deferred tax assets and liabilities and a recognition obligation for net borrowing positions. Accordingly, LBBW (Bank) has not exercised the option in section 274 (1) sentence 2 HGB regarding the recognition of deferred tax assets.

Deferred tax liabilities from different temporary taxable differences between book value and tax base, especially for property and equipment, intangible assets and shares in affiliates were offset against deferred tax assets on tax loss carryforwards and deductible temporary differences on provisions (particularly for pensions) and other liabilities, financial investments, loans and advances to customers and other assets.

Company-specific tax rates were used in the recognition of deferred taxes. For the domestic tax group, the corporate income tax was recognized at 15.83% including solidarity surcharge. An average trade tax rate of 14.70% was used for the domestic tax group. Deferred taxes for the foreign branches were recognized at the statutory tax rates applicable in those locations, ranging from 12.00% to 29.69%.

## Notes to the balance sheet

### 3. Relationships with affiliates and companies in which equity interests are held, and with affiliated savings banks (Sparkassen), receivables and debentures

The following balance sheet items include receivables and debentures to affiliates or companies in which an equity investment is held:

EUR million	31 Dec. 2018	31 Dec. 2017
<b>Loans and advances to banks</b>	<b>44,776</b>	<b>45,522</b>
of which to affiliates	54	45
of which to companies in which equity interests are held	2,154	1,771
of which to affiliated savings banks (Sparkassen)	24,087	20,641
<b>Loans and advances to customers</b>	<b>109,734</b>	<b>102,886</b>
of which to affiliates	3,893	3,422
of which to companies in which equity interests are held	264	247
<b>Debentures and other fixed-income securities</b>	<b>21,006</b>	<b>22,462</b>
of which from affiliates	0	0
of which from companies in which equity interests are held	0	0

### 4. Maturity structure of the receivables and debentures

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

EUR million	31 Dec. 2018	31 Dec. 2017
<b>Loans and advances to banks</b>	<b>44,776</b>	<b>45,522</b>
up to 3 months	15,664	18,917
more than 3 months to 1 year	7,703	5,653
more than 1 year to 5 years	12,389	11,735
more than 5 years	9,019	9,218
no specified maturity	0	0
<b>Loans and advances to customers</b>	<b>109,734</b>	<b>102,886</b>
up to 3 months	22,734	15,741
more than 3 months to 1 year	13,859	11,556
more than 1 year to 5 years	38,880	38,476
more than 5 years	34,262	37,114
no specified maturity	0	0
<b>Debentures and other fixed-income securities</b>	<b>21,006</b>	<b>22,462</b>
of which due in the following year	2,630	4,328

## 5. Subordinated assets

Subordinated assets are included in the following asset items:

EUR million	31 Dec. 2018	31 Dec. 2017
Loans and advances to banks	365	317
Loans and advances to customers	153	164
Debentures and other fixed-income securities	399	94
Equities and other non-fixed-income securities	0	0
Trading assets	73	44

## 6. Transactions with firm repurchase agreements

The carrying amount of securities sold to other banks and non-banks under repurchase agreements as at the balance sheet date was EUR 4,435 million (2017: EUR 5,430 million).

## 7. Securities and equity investments

The asset items below include marketable securities as well as securities, equity investments and shares in affiliates measured at the less strict lower-of-cost-or-market principle:

EUR million	31 Dec. 2018	31 Dec. 2017
<b>Debentures and other fixed-income securities</b>		
Marketable	21,006	22,462
of which listed	19,061	19,719
No write-down due to temporary impairment		
Carrying amount	1,600	1,741
Fair value	1,382	1,564
<b>Equities and other non-fixed-income securities</b>		
Marketable	164	108
of which listed	28	0
No write-down due to temporary impairment		
Carrying amount	0	0
Fair value	0	0
<b>Equity investments</b>		
Marketable	429	435
of which listed	423	423
No write-down due to temporary impairment		
Carrying amount	0	0
Fair value	0	0
<b>Shares in affiliates</b>		
Marketable	10	10
of which listed	0	0
No write-down due to temporary impairment		
Carrying amount	0	0
Fair value	0	0

With micro-hedged transactions, as a result of the net hedge presentation method, the carrying amounts shown above do not include any corresponding adjustments to the book values for hedged risks (please refer to the chapter »Valuation units«). If the carrying amounts had been adjusted, the omitted write-downs of the debentures and other fixed-income securities would decline by EUR 88 million (2017: EUR 119 million).

## 8. Shares in investment fund assets

The value of the shares in investment fund assets is determined on the reporting date on the basis of published redemption prices in the case of retail funds and the fair values provided in the case of special funds.

EUR million

Investment objective	Name	Fair value	Difference to carrying amount	Distribution for the financial year	Daily return possible	Unscheduled write-downs omitted
Equity fund	BL-Equities Dividend	8	0	0	yes	no
Equity fund	FP Shenkman-Hansa Hgh Yld FdRegistered S	38	0	0	yes	no
Equity fund	LBBW Global Equity	12	0	0	yes	no
Equity fund	Market Access -iST.MUTB Ja.Q.150 I.U.ETF	19	0	0	yes	no
Investment funds - closed-end fund investments	F&C European Cap.Partn.B L.P. 1	13	- 15	0	no	no
Mixed fund	LBBW Multi Global Plus	9	0	0	yes	no
Mixed fund	SSKM Invest	15	0	0	yes	no
Property fund	Germany Diversified Core+	58	0	0	yes	no
Bond fund	IPAM RentenWachstum Inhaber-Anteile	3	0	0	yes	no
Bond fund	OP-Fonds SKP 1	197	120	10	yes	no
Bond fund	PIMCO GL INV.-Gl.Inv.Gr.CreditReg.Acc.Sh	100	0	0	yes	no
		<b>472</b>	<b>105</b>	<b>10</b>		

1 The fund units are part of an asset-linked note, i.e. the performance from the fund units is attributable to the bearer of the associated issue by LBBW (Bank).

## 9. Trading portfolio

The trading portfolio is composed as follows:

EUR million	Trading assets		Trading liabilities	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Derivative financial instruments	8,596	8,511	7,164	6,575
Receivables/liabilities	4,228	3,553	1,687	7,461
Debentures and other fixed-income securities	6,529	7,461	5,681	0
Equities and other non-fixed-income securities	1,087	1,902	0	0
Other assets/other liabilities	13	3	1,102	0
	<b>20,453</b>	<b>21,429</b>	<b>15,634</b>	<b>14,036</b>

## 10. Derivatives

The following tables provide information on derivative financial instruments pursuant to section 285 nos. 19 and 20 HGB in conjunction with section 36 RechKredV that existed at LBBW (Bank) as at the balance sheet date.

### Derivative transactions – Product structure – Recognized at fair value

EUR million	Nominal values		Positive fair value <sup>1,2,3,4</sup>		Negative fair value <sup>1,2,3,4</sup>	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Interest rate swaps	1,383,577	1,163,272	5,703	6,110	3,408	3,617
FRAs	374,091	6,550	0	0	1	2
Interest rate options	73,204	76,316	406	348	484	437
Purchases	29,346	31,410	267	250	70	57
Sales	43,858	44,906	140	98	414	380
Caps, floors, collars	31,180	30,026	61	51	44	45
Other interest rate contracts	1,933	1,772	0	9	90	60
Exchange-traded interest rate products	43,192	55,967	0	0	0	0
<b>Interest rate risks – overall</b>	<b>1,907,177</b>	<b>1,333,903</b>	<b>6,170</b>	<b>6,518</b>	<b>4,028</b>	<b>4,161</b>
Foreign exchange transactions	217,203	184,139	852	1,172	1,083	980
Interest-rate/currency swaps	30,022	24,000	222	262	144	340
Currency options	10,705	9,091	24	30	48	97
Purchases	5,197	4,440	24	30	0	0
Sales	5,508	4,651	0	0	47	97
<b>Currency risks – total</b>	<b>257,931</b>	<b>217,230</b>	<b>1,099</b>	<b>1,464</b>	<b>1,274</b>	<b>1,417</b>
Stock options	1,948	1,173	-6	26	3	6
Purchases	979	539	-6	26	0	22
Sales	970	634	0	0	3	-16
Exchange-traded equity and index products	19,048	20,535	644	529	1,600	742
Commodities	2,643	2,313	69	68	64	78
of which exchange-traded	1,585	1,317	39	63	53	37
Other equity derivatives	762	1,248	110	13	116	18
<b>Equity and other price risks – overall</b>	<b>24,403</b>	<b>25,270</b>	<b>816</b>	<b>636</b>	<b>1,783</b>	<b>844</b>
Credit derivatives (protection seller)	5,770	6,859	13	28	4	0
Credit derivatives (protection buyer)	4,435	4,314	6	-136	119	152
<b>Credit derivatives</b>	<b>10,205</b>	<b>11,173</b>	<b>20</b>	<b>-107</b>	<b>123</b>	<b>152</b>
<b>Risks – overall</b>	<b>2,199,716</b>	<b>1,587,576</b>	<b>8,105</b>	<b>8,511</b>	<b>7,208</b>	<b>6,575</b>

1 Including interest deferral (dirty price).

2 The fair value of transactions concluded on the basis of framework agreements that provide for a daily exchange of the margin collateral will be presented in net terms. The net presentation includes the fair value of the derivatives and the margin collateral.

3 The positive and negative fair values do not include the premiums of internal transactions. This can, in individual cases, result in the reporting of negative values.

4 The valuations peaks from internal derivatives were shown in the fair values of the trading book derivatives.

### Derivative transactions – Product structure – Not recognized at fair value

EUR million	Nominal values		Positive fair value <sup>1,3</sup>		Negative fair value <sup>1,3</sup>	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Interest rate swaps	366,672	234,005	612	878	966	1,810
FRAs	0	50	0	0	0	0
Interest rate options	1,915	2,135	31	57	1	0
Purchases	785	959	31	59	0	0
Sales	1,131	1,176	0	-2	1	0
Other interest rate contracts	225	587	0	1	1	0
Exchange-traded interest rate products	50,309	105,172	0	0	0	0
Caps, floors, collars	0	0	0	0	0	0
<b>Interest rate risks – overall</b>	<b>419,121</b>	<b>341,949</b>	<b>643</b>	<b>936</b>	<b>968</b>	<b>1,811</b>
Foreign exchange transactions	0	0	0	0	-23	0
Interest-rate/currency swaps	2,019	3,024	45	83	13	-2
<b>Currency risks – total</b>	<b>2,019</b>	<b>3,024</b>	<b>45</b>	<b>83</b>	<b>-10</b>	<b>-1</b>
Stock options	288	0	6	2	7	35
Purchases	103	0	6	2	0	0
Sales	185	0	0	0	7	35
Other equity derivatives	0	24	0	0	0	0
<b>Equity and other price risks – overall</b>	<b>288</b>	<b>24</b>	<b>6</b>	<b>2</b>	<b>7</b>	<b>35</b>
Credit derivatives (protection seller)	26	32	0	-5	0	0
Credit derivatives (protection buyer)	2,749	3,486	6	138	94	134
<b>Credit derivatives</b>	<b>2,775</b>	<b>3,519</b>	<b>6</b>	<b>133</b>	<b>94</b>	<b>134</b>
<b>Risks – overall</b>	<b>424,203</b>	<b>348,516</b>	<b>700</b>	<b>1,154</b>	<b>1,059</b>	<b>1,978</b>

<sup>1</sup> Including interest deferral (dirty price).

<sup>3</sup> The positive and negative fair values do not include the premiums of internal transactions. This can, in individual cases, result in the reporting of negative values.

Most of the transactions previously referred to are concluded to cover interest rate, exchange rate or market price fluctuations, as well as for customer transactions and hedging these customer transactions.

With regard to the valuation models used, refer to the information under the chapter »General Accounting and Valuation Methods«.

Please refer to the data presented in the »Other assets« and »Other liabilities« items for Information on the carrying amount of options in the form of option premiums.

Protection seller transactions in credit derivatives in the non-trading portfolio are included in the item »Contingent liabilities«, sub-item b) »Liabilities from guarantees and warranties«. There were no protection seller transactions in credit derivatives in the non-trading portfolio in the year under review (2017: nominal EUR 0 million).



## Derivative transactions - maturity structure (by remaining maturity)

### Nominal values

EUR million	up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Total
Interest rate risks					
31 Dec. 2018	205,106	626,764	767,994	726,433	2,326,297
31 Dec. 2017	196,847	261,585	633,720	583,700	1,675,852
Currency risks					
31 Dec. 2018	160,587	57,072	33,317	8,974	259,950
31 Dec. 2017	138,280	39,334	33,875	8,764	220,253
Equity and other price risks					
31 Dec. 2018	3,265	7,293	13,590	543	24,690
31 Dec. 2017	4,362	8,092	11,938	903	25,294
Credit derivatives					
31 Dec. 2018	867	2,301	8,061	1,751	12,980
31 Dec. 2017	1,341	3,074	8,384	1,893	14,692
<i>Risks - overall</i>					
<b>31 Dec. 2018</b>	<b>369,826</b>	<b>693,430</b>	<b>822,962</b>	<b>737,701</b>	<b>2,623,918</b>
<b>31 Dec. 2017</b>	<b>340,830</b>	<b>312,084</b>	<b>687,917</b>	<b>595,260</b>	<b>1,936,091</b>

## Derivative transactions - by counterparty

EUR million	Nominal values		Positive fair value <sup>1</sup>		Negative fair value <sup>1</sup>	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Banks in the OECD	1,206,641	738,118	3,791	4,620	5,784	5,974
Banks outside the OECD	20,347	18,841	56	419	288	126
Public-sector agencies in OECD countries	34,134	38,442	2,964	3,007	207	215
Other counterparties	1,362,797	1,140,690	1,994	1,619	1,988	2,238
<b>Counterparties - total</b>	<b>2,623,918</b>	<b>1,936,091</b>	<b>8,806</b>	<b>9,666</b>	<b>8,267</b>	<b>8,553</b>

<sup>1</sup> Including interest deferral (dirty price).

## 11. Currency translation

Foreign currency assets worth EUR 38.9 billion (2017: EUR 73.2 billion) and foreign currency liabilities worth EUR 46.6 billion (2017: EUR 66.3 billion), as well as income and expenses included in the financial statements were translated in compliance with section 256a and section 340h HGB and statement IDW RS BFA 4 from the Institute of Public Auditors in Germany (IDW). Assets and liabilities do not include any assets or liabilities from pending transactions. They are included in the derivatives tables in the chapter »Derivatives«. The risk of exchange rate movements associated with balance sheet items denominated in foreign currencies, including precious metals, is primarily covered by off-balance sheet hedging transactions.

## 12. Fixed assets

The following table shows the changes in fixed assets:

EUR million	Cost of acquisition	Additions	Disposals	Reclassifications	Reversals of impairment losses	Cumulative depreciation and write-downs	Depreciation and write-downs during the financial year	Accrued interest	Carrying amount 31 Dec. 2018	Carrying amount 31 Dec. 2017
Equity investments	862	12	-48	0	1	-202	-4	0	625	631
Shares in affiliates	1,846	3	-43	0	21	-166	-8	0	1,639	1,667
Securities allocated to fixed assets	2,136	16	-230	0	1	-22	0	21	1,922	2,144
Intangible assets	782	42	-18	0	0	-607	-64	0	199	221
Land and buildings	1,069	13	-9	0	1	-316	-22	0	757	772
of which: land and buildings used commercially	986	13	-8	0	0	-254	-21	0	737	751
Other facilities, operating and office equipment	340	7	-12	0	0	-260	-9	0	74	78
<b>Total assets</b>	<b>7,035</b>	<b>93</b>	<b>-360</b>	<b>0</b>	<b>24</b>	<b>-1,573</b>	<b>-107</b>	<b>21</b>	<b>5,216</b>	<b>5,513</b>

The option described in section 248 (2) HGB is being exercised. Development costs in the 2018 financial year were accounted for fully by the internally generated intangible assets, which amounted to EUR 33 million (2017: EUR 20 million).

## 13. Fiduciary transactions

The following table contains a breakdown of trust assets and trust liabilities:

EUR million	31 Dec. 2018	31 Dec. 2017
<b>Trust assets</b>	<b>356</b>	<b>433</b>
Loans and advances to banks	267	318
Loans and advances to customers	88	113
Equities and other non-fixed-income securities	2	2
<b>Trust liabilities</b>	<b>356</b>	<b>433</b>
Deposits from banks	355	431
Deposits from customers	2	2

#### 14. Other assets

Items of particular significance included in the »Other assets« of LBBW (Bank) are margins and option premiums of EUR 884 million (2017: EUR 800 million), other assets in affiliates and companies in which an equity investment is held totaling EUR 137 million (2017: EUR 130 million) and tax refund claims of EUR 152 million (2017: EUR 118 million).

The tax refund claims in Germany primarily include income tax assets from past financial years amounting to EUR 67 million (2017: EUR 58 million), tax assets from the current financial year in the amount of EUR 29 million (2017: EUR 15 million) as well as other tax receivables of EUR 54 million (2017: EUR 40 million), comprising mainly interest receivables and VAT receivables from the domestic tax office.

The refund claims stand in contrast to the LBBW (Bank) tax provisions amounting to EUR 24 million (2017: EUR 34 million).

#### 15. Deferred items

Deferred items include the following amounts:

EUR million	31 Dec. 2018	31 Dec. 2017
<b>Prepaid expenses</b>	<b>2,388</b>	<b>2,376</b>
Discount from liabilities in line with section 250(3) HGB	150	138
Premium from receivables in line with section 340e(2) sentence 3 HGB	553	456
<b>Deferred income</b>	<b>2,480</b>	<b>2,619</b>
Discount from receivables in line with section 340e(2) sentence 2 HGB	161	113

Deferred items also include one-off payments from interest rate and cross-currency interest rate swaps of EUR 377 million (2017: EUR 279 million) on the assets side and EUR 406 million (2017: EUR 335 million) on the liabilities side.

#### 16. Relationships with affiliates and companies in which equity interests are held, and with affiliated savings banks (Sparkassen) - liabilities

The following balance sheet items include liabilities to affiliates or companies in which an equity investment is held:

EUR million	31 Dec. 2018	31 Dec. 2017
<b>Deposits from banks</b>	<b>61,033</b>	<b>58,813</b>
of which to affiliates	0	2
of which to companies in which equity interests are held	180	366
of which to affiliated savings banks (Sparkassen)	4,327	4,616
<b>Deposits from customers</b>	<b>83,162</b>	<b>79,567</b>
of which to affiliates	563	610
of which to companies in which equity interests are held	259	227
<b>Securitized liabilities</b>	<b>42,400</b>	<b>43,910</b>
of which to affiliates	0	0
of which to companies in which equity interests are held	0	0
<b>Subordinated liabilities</b>	<b>4,797</b>	<b>4,328</b>
of which to affiliates	0	0
of which to companies in which equity interests are held	0	0

## 17. Maturity structure of the liabilities

The remaining maturities of the liabilities (including pro rata interest) are as follows:

EUR million	31 Dec. 2018	31 Dec. 2017
<i>Deposits from banks with agreed duration or withdrawal notice</i>	52,501	52,985
up to 3 months	12,392	14,632
more than 3 months to 1 year	5,063	5,860
more than 1 year to 5 years	21,030	20,437
more than 5 years	14,017	12,056
<i>Savings deposits to customers with an agreed notice period of more than three months</i>	70	580
more than 3 months to 1 year	24	25
more than 1 year to 5 years	45	340
more than 5 years	0	215
<i>Other deposits from customers with an agreed duration or notice period, including mortgage-backed registered covered bonds issued and public-sector registered covered bonds issued</i>	29,875	29,282
up to 3 months	9,900	10,255
more than 3 months to 1 year	7,897	8,848
more than 1 year to 5 years	7,199	4,642
more than 5 years	4,879	5,537
<i>Securitized liabilities</i>	42,400	43,910
<i>a) Issued debentures</i>	37,409	41,806
of which due in the following year	11,208	13,981
<i>b) Other securitized liabilities</i>	4,991	2,104
up to 3 months	4,969	1,245
more than 3 months to 1 year	22	859
more than 1 year to 5 years	0	0
more than 5 years	0	0

## 18. Assets assigned as collateral for own liabilities

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

EUR million	31 Dec. 2018	31 Dec. 2017
Deposits from banks	34,593	33,202
Deposits from customers	1,001	2,154
Trading liabilities	1,762	1,949
Contingent liabilities	39	57
<i>Total amount of collateral transferred</i>	37,395	37,362

## 19. Other liabilities

The most important individual components of the other liabilities item are margins and option premiums totaling EUR 726 million (2017: EUR 623 million), distributions from silent partners' contributions amounting to EUR 44 million (2017: EUR 44 million) and taxes to be transferred amounting to EUR 38 million (2017: EUR 40 million). These are essentially liabilities from provisional VAT and preliminary wage tax returns.

## 20. Valuation units

The following table illustrates the amount by which assets and liabilities are incorporated to hedge which risks in valuation units as at 31 December 2018.

EUR million	Micro hedge						
	Carrying amount <sub>UT</sub>	Negative change in value			Positive change in value		
		Change in value <sub>UT</sub>	Change in value <sub>HT</sub>	Loss peak	Change in value <sub>UT</sub>	Change in value <sub>HT</sub>	Profit peak
Assets							
General interest rate risk	18,145	20	-21	-1	82	-81	1
Structured interest rate risk and other market price risk	515	97	-97	0	0	0	0
Liabilities							
General interest rate risk	-3,434	-8	8	0	-39	39	0
Structured interest rate risk and other market price risk	-6,898	-526	526	0	0	0	0
Contracts in progress							
Structured interest rate risk and other market price risk	-19	-114	114	0	0	0	0
<b>Total</b>				<b>-1</b>			<b>1</b>

Provisions loss peak

Profit peak

UT = hedged item; HT = hedge.

This results in a EUR 1 million increase in both the profit and the loss peak as at 31 December 2017.

LBBW (Bank) includes two types of hedge relationships under micro hedges. In the first, individual underlying transactions are hedged by individual hedging transactions. In the other, one or more underlying transactions are hedged by one or more hedging transactions.

Both types of micro hedge are documented by means of clear referencing of the underlying and hedging transactions.

## 21. Subordinated liabilities

The subordinated liabilities were raised in the form of borrower's note loans and issues denominated in EUR, USD, SGD and AUD. EUR 533 million was issued in the current year.

There are three subordinate liabilities whose nominal amounts each exceed 10% of the overall position.

Issue XS1246732249 sized at EUR 500 million bears a coupon of 3.625% and matures in 2025. Neither the creditor nor LBBW has an option of regular termination. The conditions of the subordination are in line with the requirements of the CRR.

Issue XS1072249045 sized at EUR 500 million bears a coupon of 2.875% and matures in 2026. There is no early repayment obligation unless LBBW (Bank) terminates the liability. The conditions of the subordination are in line with the requirements of the CRR.

Issue DE000LB1B2E5 sized at EUR 500 million bears a coupon of 2.875% and matures in 2026. Neither the creditor nor LBBW has an option of regular termination. The conditions of the subordination are in line with the requirements of the CRR.

Nominal amounts of EUR 289 million (2017: EUR 53 million) will mature within the next two years. The last subordinated liabilities will be repaid in 2041. The rate of interest ranges between 0.00% and 7.63%.

With the exception of issues with a nominal volume of EUR 46,000, the subordinated liabilities complied with the requirements of Article 63 CRR.

In the year under review, interest expense of EUR - 146 million (2017: EUR - 135 million) was incurred for subordinated liabilities.

## 22. Capital generated from profit-participation rights

The Capital generated by profit-participation rights comprises 28 registered participation rights.

The creditors' rights are dependent on LBBW (Bank) net profit/loss for the year or unappropriated profit/loss pursuant to HGB and are guaranteed only until maturity.

The creditors receive an annual distribution provided no net loss for the year (two agreements) is incurred or there is no increase in unappropriated loss (26 agreements) pursuant to HGB. In addition, no distribution is made if the capital generated from profit-participation rights that was reduced in the past by losses has yet to be replenished in full again.

If the capital generated from profit-participation rights was lowered in the past, all agreements include the right to replenishment of the capital from net profit for the year or unappropriated profit pursuant to HGB. Provided the capital has been replenished again, the agreements provide for unpaid dividends to be carried forward if net profit for the year or unappropriated profit pursuant to HGB is available.

## 23. Equity

The equity of LBBW (Bank) developed as follows in the financial year:

EUR million	
<b>Equity as at 31 December 2017</b>	<b>14,427</b>
- repayment of silent partners' contributions	- 20
- distribution to shareholders	- 173
+ unappropriated profit 2018	250
<b>Equity as at 31 December 2018</b>	<b>14,485</b>

The rights of creditors of 49 silent partners' contributions depend on the LBBW (Bank) net profit/loss for the year or unappropriated profit/loss pursuant to HGB and are guaranteed, unless it is formulated otherwise, only until maturity.

The creditors receive an annual distribution, provided the distribution does not lead to a net loss for the year (43 agreements) or unappropriated loss (6 agreements) pursuant to HGB, or that such a loss is increased as a result of the distribution. In addition, a distribution is not made if capital from silent partners' contributions that was reduced in the past has yet to be replenished in full again.

If the silent partners' contributions were reduced in the past, 47 agreements include the right to a replenishment of capital from net profit or unappropriated capital pursuant to HGB. Two agreements include the right to repayment of the silent partners' contribution even after four years. Provided the capital is replenished, 21 agreements also provide for a repayment of suspended distributions if net profit for the year or unappropriated profit pursuant to HGB is available.

## 24. Items below the line

### Contingent liabilities

EUR million	31 Dec. 2018	31 Dec. 2017
<b>Contingent liabilities</b>	<b>9,380</b>	<b>8,257</b>
Liabilities from guarantees and warranties	9,380	8,257

If a guarantee is drawn on, there is a risk for the LBBW (Bank) that its claim (for recourse) against the guarantee holder less the collateral is not valuable. If there are valid reasons for an expected claim, LBBW (Bank) creates specific provisions at the level of individual transactions, provided that imminent loss is expected. Provisioning on a portfolio basis is created for latent risks.

The following letters of comfort had been issued as at the balance sheet date:

LBBW has issued a letter of comfort, which reads as follows, in favor of the wholly owned subsidiaries Landesbank Baden-Württemberg Capital Markets Plc, London, LBBW Asset Management Investment-gesellschaft mbH, Stuttgart, and SüdFactoring GmbH, Stuttgart:

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

Obligations from the guarantor's liability:

LBBW (Bank) is liable indefinitely for the liabilities of DekaBank Deutsche Girozentrale, Berlin and Frankfurt am Main, and of former LBS Landesbausparkasse Baden- Württemberg, Stuttgart and Karlsruhe created up to 18 July 2001.

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

### Other obligations

EUR million	31 Dec. 2018	31 Dec. 2017
<i>Other obligations</i>	28,372	25,055
Irrevocable loan commitments	28,372	25,055

The following matters within the item »Other obligations« are of material importance for total business activity: two special purpose entities that purchase and securitize trading, lease and bank receivables were provided with liquidity lines. These amounted to EUR 2,953 million and EUR 530 million, respectively, as at the reporting date. Furthermore, there are irrevocable loan commitments to a central counterparty of EUR 1,056 million and a commitment to a German company of EUR 600 million.

The item »Other obligations« comprises the amount of commitment granted not but yet drawn on that the Bank may not revoke. If a guarantee is drawn on, there is a risk for the LBBW (Bank) that its claim against the borrower less the collateral is not valuable. If there are valid reasons for an expected claim, LBBW (Bank) creates specific provisions at the level of individual transactions, provided that imminent loss is expected. Provisioning on a portfolio basis is created for latent risks.



## Notes on the income statement

### 25. Net interest income

Net interest income also reports current interest income and expense in the trading portfolio. This procedure is in line with the LBBW (Bank) internal controlling.

Capital provision and raising of capital resulted in differences that contributed EUR - 223 million (2017: EUR - 206 million) to interest income and EUR 213 million (2017: EUR 180 million) to interest expense in the past financial year.

Net interest income includes the effects of interest on other provisions with a term of more than 12 months amounting to EUR - 6 million (2017: EUR - 19 million) and discounting effects of EUR 4 million (2017: EUR 4 million).

### 26. Breakdown of income according to geographic markets

The total amount from the income statement items

- interest income,
- current income from shares and other non-fixed-income securities, equity investments and shares in affiliates,
- fee and commission income,
- net income from the trading portfolio and
- Other operating income

is distributed across the geographical markets below as follows:

EUR million	31 Dec. 2018	31 Dec. 2017
Federal Republic of Germany	12,810	11,486
Europe (EU states excluding Germany)	277	242
Asia	187	106
America	579	329
<b>Total</b>	<b>13,853</b>	<b>12,163</b>

### 27. Administrative and intermediary services

Services rendered for third parties relate in particular to the administration and intermediation of securities transactions, (trustee) loans, warranties and guarantees, payments and other bank services.

### 28. Other operating income and expenses

EUR 19 million (2017: EUR 89 million) of »Other operating income« is accounted for by capital gains on the sale of land and buildings and on the sale of equity investments and shares in affiliates. Income from renting and leasing land and buildings amounted to EUR 26 million (2017: EUR 30 million). Income from refunds of expenses from third parties amounted to EUR 23 million (2017: EUR 24 million) and reversals of provisions came to EUR 32 million (2017: EUR 28 million).

»Other operating expenses« largely comprised allocations to provisions of EUR - 37 million (2017: EUR - 82 million), comprising mainly allocations to provisions for litigation and recourse risks. Expenses for non-banking business essentially consist of operating expenses amounting to EUR - 12 million (2017: EUR - 11 million) and expenses for land and buildings held as long-term investments of EUR - 14 million (2017: EUR - 14 million). Cafeteria expenses amount to EUR - 8 million (2017: EUR - 9 million).

### 29. Auditors' fee

The following information relates to Landesbank Baden-Württemberg and the companies it controls.

Audit services relate e.g. to the audits of the annual financial statements and the consolidated financial statements of the parent company, as well as various audits of the annual financial statements of its subsidiaries including mandatory extensions of contracts and audit priorities agreed with the Supervisory Board. Audit reviews of interim financial statements and project-related audits of IT-supported accounting-related systems and project-related audits on the introduction of new accounting-related standards were integrated in the audit.

Other audit-related services concern the issue of a comfort letter and mandatory or contractually-agreed audits, such as the audit pursuant to section 16j (2) sentence 2 of the *Gesetz über die Bundesanstalt für Finanzdienstleistungsaufsicht* (FinDAG – German Act Establishing the Federal Financial Supervisory Authority), the audit pursuant to section 36 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) and section 68 (7) of the *Kapitalanlagegesetzbuch* (KAGB – German Capital Investment Code), and the audit for assessing the contribution for the bank-related guarantee system of the Sparkassen-Finanzgruppe, which is recognized as a deposit guarantee system under section 5 (1) of the *Einlagensicherungsgesetz* (EinSiG – German Deposit Guarantee Act).

Tax advisory services comprise services rendered in connection with the preparation of tax returns.

Other services include quality assurance activities and training seminars.

### 30. Extraordinary result

The negative extraordinary result of EUR – 35 million (2017: EUR – 65 million) comprises extraordinary income in the amount of EUR 6 million (2017: EUR 4 million) and extraordinary expenditure of EUR – 41 million (2017: EUR – 69 million).

Extraordinary income mainly includes reversals of provisions for restructuring expenses amounting to EUR 2 million (2017: EUR 3 million). Extraordinary expenditure comprises almost exclusively of additions of EUR – 26 million (2017: EUR – 26 million) to pension provisions from the BilMoG conversion and the addition of EUR – 15 million (2017: EUR – 42 million) to restructuring provisions.

### 31. Taxes on income

The periodic tax expense of EUR – 33 million (2017: EUR – 50 million) is essentially attributable to expenses from corporation tax and trade tax. The prior-period tax expense of EUR – 76 million for financial year 2018 (2017: expense of EUR – 13 million) is due in particular to an additional payment for potential tax expenses.

The total tax expense for taxes on income amounts to EUR – 110 million (2017: EUR – 63 million).

## Other information

### 32. Transactions and other financial obligations that do not appear on the balance sheet

There are other financial obligations of EUR 562 million (2017: EUR 567 million); of which EUR 383 million (2017: EUR 403 million) are obligations to make an additional contribution to central counterparties. Affiliates and associates account for EUR 32 million (2017: EUR 32 million) thereof.

Other financial obligations include payment obligations to the restructuring fund (>bank levy<) which shall be met in full or in part at first request in case of resolution measures and for which cash collateral has been provided.

The German Deposit Guarantee Act (Einlagensicherungsgesetz – EinSiG), which became effective on 3 July 2015, governs the future financial resources of statutory and bank-related guarantee systems, including the bank-related guarantee system of the Sparkassen-Finanzgruppe.

LBBW makes an irrevocable commitment to the owner of the bank-related guarantee system, German Savings Bank Association (Deutscher Sparkassen- und Giroverband – DSGV), to make further payments on first demand e. g. in the compensation case pursuant to section 10 EinSiG, in addition to the annual contribution. Other financial obligations include the guarantee payments made in this context.

In addition, pursuant to section 5 (10) of the bylaws of the German Deposit Protection Fund, LBBW undertook to indemnify Bundesverband Deutscher Banken e.V., Berlin, against any and all losses incurred by the latter as a result of assistance provided to credit institutions that are majority-owned by Landesbank Baden-Württemberg.

Annual payment obligations also arise from long-term rental, lease and IT service contracts. These amount to EUR 229 million (2017: EUR 223 million), with EUR 4 million (2017: EUR 2 million) relating to affiliates and associates.

### 33. Distribution block

Landesbank Baden-Württemberg reported a restriction on distribution of EUR 312 million (2017: EUR 266 million) on the balance sheet in the 2018 financial year, with the difference in accordance with section 253 (6) sentence 2 HGB accounting for EUR 279 million (2017: EUR 246 million) and internally generated intangible assets for EUR 33 million (2017: EUR 20 million). The restriction on distribution codified for such amounts in accordance with section 268 (8) HGB does not apply, as the freely available reserves remaining following a possible pay-out far exceed the restriction on distribution.

### 34. Appropriated funds

Deposits from banks and customers include appropriated funds of EUR 26,942 million (2017: EUR 25,604 million) from the development loan business (transmitted loans).

### 35. Coverage for the mortgage and public-sector lending business

The liabilities below are covered as follows:

EUR million	31 Dec. 2018	31 Dec. 2017
Public covered bonds issued pursuant to PfandBG	7,546	8,718
Assets serving as cover	12,822	12,876
Loans and advances to banks	1,222	1,196
Loans and advances to customers	11,104	11,132
Debentures and other fixed-income securities	496	546
Trust assets	0	2
<b>Depth of coverage</b>	<b>5,276</b>	<b>4,158</b>
Mortgage-backed covered bonds issued pursuant to ÖPG and PfandBG	11,011	10,577
Assets serving as cover	15,382	14,238
Loans and advances to banks	18	19
Loans and advances to customers	14,258	12,947
Debentures and other fixed-income securities	1,106	1,273
<b>Depth of coverage</b>	<b>4,371</b>	<b>3,661</b>

### 36. Transparency provisions for public covered bonds (öffentliche Pfandbriefe) and mortgage-backed covered bonds (Hypothekendarlehen) pursuant to section 28 PfandBG

#### A) Transparency provisions for public covered bonds (öffentliche Pfandbriefe) pursuant to section 28 PfandBG.

EUR million	31 Dec. 2018	31 Dec. 2017
<b>Cover fund for public covered bonds</b>		
Nominal value	12,822	12,876
Proportion of fixed-income cover funds in %	74	78
Present value	14,806	15,007
Present value of risk <sup>1</sup>	13,118	13,251
<b>Circulation of public covered bonds</b>		
Nominal value	7,546	8,718
Proportion of fixed-income covered bonds in %	94	93
Present value	8,460	9,767
Present value of risk <sup>1</sup>	7,682	8,831
<b>Depth of coverage</b>		
Nominal value	5,277	4,158
Present value	6,346	5,240
Net present value in CHF	18	0
Net present value in GBP	0	0
Net present value in JPY	0	-37
Net present value in USD	-584	-499
Present value of risk <sup>1</sup>	5,437	4,420
Depth of coverage/proportion of circulation – nominal value <sup>2</sup>	5,277	4,158
as a % of outstanding volume of public covered bonds	70	48
Depth of coverage/proportion of circulation – present value <sup>2</sup>	6,346	5,240
as a % of outstanding volume of public covered bonds	75	54
Additional cover assets	0	0
Proportion of derivatives in cover asset pool	0	0

1 Calculated using the static approach in accordance with section 5 (1) no. 1 and section 6 (2) PfandBarwertV.

2 Use of vdp credit quality differentiation model for EU and EEA countries.

Structure of outstanding public covered bonds and the cover funds.

EUR million	Up to 0.5 years	More than 0.5 years to 1 year	More than 1 year to 1.5 years	More than 1.5 years to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years to 10 years	More than 10 years	Total
<b>Cover fund<sup>1</sup></b>										
31 Dec. 2018	748	700	498	610	922	1,470	768	4,642	2,464	12,822
31 Dec. 2017	945	761	588	646	931	885	1,358	3,850	2,912	12,876
<b>Circulation of public covered bonds<sup>2</sup></b>										
31 Dec. 2018	764	259	847	235	860	928	332	2,470	852	7,546
31 Dec. 2017	436	756	813	259	1,051	860	917	2,476	1,150	8,718

1 The fixed-interest periods are specified for fixed rate loans and the margin commitment period for variable rate loans. 2 The terms of the covered bonds are specified.

Total nominal value of the ordinary cover for public covered bonds by amount.

EUR million	31 Dec. 2018	31 Dec. 2017
Up to EUR 10 million	2,886	2,983
More than EUR 10 million to EUR 100 million	3,372	3,267
Over EUR 100 million	6,565	6,626
<b>Total</b>	<b>12,823</b>	<b>12,876</b>

Total nominal value of the ordinary cover of public covered bonds according to country/type.

31 Dec. 2018 EUR million	Central state		Regional government		Local government		Other debtors <sup>1</sup>		Total	of which export credit receivables
	owed	guaranteed	owed	guaranteed	owed	guaranteed	owed	guaranteed		
Belgium	0	11	0	0	0	0	0	0	11	11
Germany	0	1,750	2,305	93	2,909	1,288	3,684	57	12,085	1,749
Denmark	0	131	0	0	0	0	0	0	131	131
EU institutions	0	110	0	0	0	0	0	0	110	0
Great Britain	0	15	0	0	0	0	0	0	15	15
Italy	0	0	0	0	22	0	0	0	22	0
Luxembourg	0	1	0	0	0	0	0	0	1	1
Austria	13	42	38	0	0	0	0	0	93	42
Poland	17	0	0	0	0	0	0	0	17	0
Sweden	0	100	0	0	0	0	0	0	100	100
Switzerland	0	95	0	0	0	0	0	0	95	95
Spain	0	0	77	0	0	0	0	0	77	0
Czech Republic	0	0	0	0	0	0	0	0	0	0
USA	0	45	21	0	0	0	0	0	66	45
<b>Total</b>	<b>30</b>	<b>2,300</b>	<b>2,441</b>	<b>93</b>	<b>2,931</b>	<b>1,288</b>	<b>3,684</b>	<b>57</b>	<b>12,823</b>	<b>2,189</b>

1 This item includes savings banks and Landesbanken with guarantor's liability in the amount of EUR 94 million and the development banks in the amount of EUR 894 million.

31 Dec. 2017	Central state		Regional government		Local government		Other debtors <sup>1</sup>		Total	of which export credit receivables
	owed	guaranteed	owed	guaranteed	owed	guaranteed	owed	guaranteed		
Belgium	0	0	0	0	0	0	0	0	0	0
Germany	0	1,332	2,858	17	2,998	1,282	3,802	105	12,394	1,331
Denmark	0	106	0	0	0	0	0	0	106	106
EU institutions	0	0	0	0	0	0	0	0	0	0
Great Britain	0	20	0	0	0	0	0	0	20	20
Italy	0	0	0	0	22	0	0	0	22	0
Luxembourg	0	3	0	0	0	0	0	0	3	3
Austria	13	43	41	0	0	0	0	0	97	43
Poland	17	0	0	0	0	0	0	0	17	0
Sweden	0	11	0	0	0	0	0	0	11	11
Switzerland	0	0	0	0	0	0	0	0	0	0
Spain	0	0	105	0	0	0	0	0	105	0
Czech Republic	15	0	0	0	0	0	0	0	15	0
USA	0	63	23	0	0	0	0	0	86	63
<b>Total</b>	<b>45</b>	<b>1,578</b>	<b>3,027</b>	<b>17</b>	<b>3,020</b>	<b>1,282</b>	<b>3,802</b>	<b>105</b>	<b>12,876</b>	<b>1,577</b>

<sup>1</sup> This item includes savings banks and Landesbanken with guarantor's liability in the amount of EUR 112 million and the development banks in the amount of EUR 899 million.

#### Further information

There were no payments outstanding by at least 90 days as at either 31 December 2018 or 31 December 2017.

## B) Transparency provisions for mortgage-backed covered bonds (Hypothekendarfbriefe) pursuant to section 28 PfandBG.

EUR million	31 Dec. 2018	31 Dec. 2017
<b>Cover fund for mortgage-backed covered bonds</b>		
Nominal value	15,382	14,238
Proportion of fixed-income cover funds in %	79	80
Present value	16,556	15,313
Present value of risk <sup>1</sup>	14,776	14,178
<b>Circulation of mortgage-backed covered bonds</b>		
Nominal value	11,011	10,577
Proportion of fixed-income covered bonds in %	90	97
Present value	11,190	10,759
Present value of risk <sup>1</sup>	10,215	10,247
<b>Depth of coverage</b>		
Nominal value	4,371	3,661
Present value	5,367	4,554
Net present value in CHF	28	30
Net present value in GBP	480	1,055
Net present value in JPY	1	1
Net present value in USD	587	-256
Present value of risk <sup>1</sup>	4,560	3,931
Depth of coverage/proportion of circulation - nominal value <sup>2</sup>	4,371	3,661
as a % of outstanding volume of mortgage-backed covered bonds	40	35
Depth of coverage/proportion of circulation - present value <sup>2</sup>	5,367	4,554
as a % of outstanding volume of mortgage-backed covered bonds	48	42
<b>Additional cover assets</b>		
Public sector bonds according to section 19 (1) no. 3 PfandBG	1,106	1,273
Germany	996	1,053
EU institutions	100	210
Italy	10	10
Proportion of derivatives in cover asset pool	0	0

1 Calculated using the static approach in accordance with section 5 (1) no. 1 and section 6 (2) PfandBarwertV.

2 Use of vdp credit quality differentiation model for EU and EEA countries

Structure of outstanding mortgage-backed covered bonds and cover funds.

EUR million	Up to 0.5 years	More than 0.5 years to 1 year	More than 1 year to 1.5 years	More than 1.5 years to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years to 10 years	More than 10 years	Total
<b>Cover fund<sup>1</sup></b>										
31 Dec. 2018	987	904	644	1,289	2,206	1,796	932	5,833	791	15,382
31 Dec. 2017	1,108	1,439	525	999	1,747	1,838	1,439	4,489	654	14,238
<b>Circulation of mortgage-backed covered bonds<sup>2</sup></b>										
31 Dec. 2018	1,515	149	818	918	2,232	1,333	717	3,297	32	11,011
31 Dec. 2017	1,730	428	1,492	149	1,735	1,169	1,333	2,510	31	10,577

1 The fixed-interest periods are specified for fixed rate loans and the margin commitment period for variable rate loans.

2 The terms of the covered bonds are specified.



Total nominal value of the ordinary cover of mortgage-backed covered bonds by amount.

EUR million	31 Dec. 2018	31 Dec. 2017
Up to EUR 300,000	3,127	3,574
More than EUR 300,000 to EUR 1 million	692	760
More than EUR 1 million to EUR 10 million	2,651	2,683
Over EUR 10 million	7,806	5,948
<b>Total</b>	<b>14,276</b>	<b>12,965</b>

Total nominal value of the ordinary cover of mortgage-backed covered bonds by type/country.

#### 31 Dec. 2018

EUR million	Germany	Netherlands	France	Belgium	USA	Great Britain	Total
Apartments	1,139	0	0	0	0	0	1,139
Single- and two-family houses	1,757	0	0	0	0	0	1,757
Apartment blocks	3,409	0	0	0	119	0	3,528
Office buildings	2,262	70	113	25	705	1,054	4,229
Trade buildings	1,195	0	0	0	90	15	1,300
Industrial buildings	809	0	0	0	0	19	828
Other commercially used buildings	1,053	0	0	0	181	212	1,447
Incomplete and not profitable new buildings	30	3	0	0	0	0	33
Building plots	15	0	0	0	0	0	15
<b>Total</b>	<b>11,669</b>	<b>73</b>	<b>113</b>	<b>25</b>	<b>1,095</b>	<b>1,300</b>	<b>14,276</b>

#### 31 Dec. 2017

EUR million	Germany	Netherlands	France	Belgium	USA	Great Britain	Total
Apartments	1,247	0	0	0	0	0	1,247
Single-family houses	2,006	0	0	0	0	0	2,006
Apartment blocks (including two-family houses)	3,052	0	0	0	0	0	3,052
Office buildings	1,864	33	70	25	544	811	3,347
Trade buildings	1,154	0	0	0	94	15	1,263
Industrial buildings	733	0	0	0	0	19	752
Other commercially used buildings	774	0	0	0	263	214	1,251
Incomplete and not profitable new buildings	21	0	0	0	0	0	21
Building plots	26	0	0	0	0	0	26
<b>Total</b>	<b>10,877</b>	<b>33</b>	<b>70</b>	<b>25</b>	<b>901</b>	<b>1,059</b>	<b>12,965</b>

### Further information

The average weighted term of the ordinary cover was 5.5 years (2017: 5.8 years), while the weighted loan-to-value ratio was 55% (2017: 54%).

There were no payments outstanding by at least 90 days as at either 31 December 2018 or 31 December 2017.

There were no foreclosures or compulsory administration procedures pending as at either 31 December 2018 or 31 December 2017. No foreclosures were carried out in the 2018 and 2017 financial year, nor was any land acquired to avoid losses.

There was no outstanding interest in either the 2018 or 2017 financial year.

### 37. Total remuneration of the corporate bodies

In 2018, total remuneration for the Board of Managing Directors came to EUR 6 million (2017: EUR 7 million). Former members of the Board of Managing Directors and their surviving dependents received EUR 13 million in 2018 (2017: EUR 11 million). The Supervisory Board received fixed remuneration (including fees per meeting) of EUR 1 million in 2018 (2017: EUR 1 million).

Provisions for pensions for former members of the Board of Managing Directors and their surviving dependants were formed for an amount of EUR 139 million (2017: EUR 124 million).

### 38. Advances and loans granted to and contingent liabilities assumed in favor of the corporate bodies of LBBW (Bank) and their predecessors.

As at 31 December 2018, loans granted to and contingent liabilities assumed in favor of members of the Board of Managing Directors and members of the Supervisory Board came to EUR 3 million (2017: EUR 3 million), of which EUR 2 million (2017: EUR 1 million) related to the Board of Managing Directors.

No advances were made to members of the Board of Managing Directors in 2018, as was also the case in 2017. No advances were made either to members of the Supervisory Board as at the balance sheet date.

### 39. Employees (annual averages)

	2018			2017		
	Male	Female	Total	Male	Female	Total
German headquarters/ regional offices	3,842	4,277	8,119	4,021	4,471	8,492
Company officers	231	34	265	231	28	259
Other staff	3,611	4,243	7,854	3,790	4,443	8,233
Foreign branches	104	80	184	103	78	181
Company officers	4	0	4	2	0	2
Other staff	100	80	180	101	78	179
Representative offices	16	17	32	18	15	33
Company officers	2	0	2	2	0	2
Other staff	14	17	31	17	15	31
<b>LBBW (Bank) total</b>	<b>3,962</b>	<b>4,373</b>	<b>8,335</b>	<b>4,142</b>	<b>4,564</b>	<b>8,706</b>
For information purposes:						
Trainees <sup>1</sup>	176	82	258	188	103	291

<sup>1</sup> Including students at universities of cooperative education.

#### 40. List of shareholdings

In the annual financial statements as at 31 December 2018 and pursuant to section 285 no. 11 HGB, Landesbank Baden-Württemberg lists the shareholdings with details pursuant to section 285 no. 11a HGB in the Notes:

No.	Name	Place of business	Share of capital	Non-prop. voting rights	Currency	Equity EUR th.	Result EUR th.
<b>I. Companies included in the consolidated financial statements</b>							
<b>1. Subsidiaries</b>							
<b>a. Consolidated subsidiaries (control through voting rights)</b>							
1	ALVG Anlagenvermietung GmbH <sup>1,6,21,32</sup>	Stuttgart	100.00		EUR	19,000.00	0.00
2	Austria Beteiligungsgesellschaft mbH <sup>21</sup>	Stuttgart	66.67		EUR	38,623.47	2,627.30
3	Bahnhofplatz-Gesellschaft Stuttgart Aktiengesellschaft <sup>1,6,21</sup>	Stuttgart	98.47		EUR	4,452.44	0.00
4	Bauwerk-Stuttgart GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	-599.66	-9.46
5	Berlin Lützowstraße GmbH & Co. KG <sup>1,21</sup>	Stuttgart	60.00		EUR	28.94	22.94
6	BW-Immobilien GmbH <sup>21</sup>	Stuttgart	100.00		EUR	4,002.59	1,281.46
7	Carnotstr. 5 - 7 Berlin GmbH & Co. KG <sup>1,21</sup>	Stuttgart	100.00		EUR	-0.48	-0.98
8	Carnotstr. 5 - 7 Berlin Verwaltungs GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	24.79	-0.21
9	Centro Alemán de Industria y Comercio de México S.de R.L.de C.V. <sup>2,21</sup>	México, Mexico	100.00		MXN	-13,207.90	2,289.20
10	Dritte Industriefabrik Objekt-GmbH <sup>1,6,21</sup>	Stuttgart	100.00		EUR	701.91	0.00
11	Dritte LBBW US Real Estate GmbH <sup>21</sup>	Stuttgart	100.00		EUR	16,734.50	-1,314.68
12	Eberhardstraße Stuttgart GmbH & Co. KG <sup>1,21</sup>	Stuttgart	100.00		EUR	-4,059.72	392.97
13	Employrion Komplementär GmbH <sup>1,18,31</sup>	Weil	100.00		EUR	31.48	1.11
14	Entwicklungsgesellschaft Grunewaldstraße 61 - 62 mbH & Co. KG <sup>1,21</sup>	Stuttgart	94.84	94.90	EUR	-3,391.68	-4.94
15	Entwicklungsgesellschaft Umlandstraße 187 GmbH & Co. KG <sup>1,21</sup>	Stuttgart	94.90		EUR	-2,197.73	-4.86
16	Erste IMBW Capital & Consulting Komplementär GmbH <sup>1,18,31</sup>	Weil	100.00		EUR	26.56	0.14
17	Erste Industriefabrik Objekt-GmbH <sup>1,6,21</sup>	Stuttgart	100.00		EUR	474.96	0.00
18	EuroCityCenterWest GmbH & Co. KG <sup>1,21</sup>	Stuttgart	100.00		EUR	-7,748.34	11,247.80
19	EuroCityCenterWest Verwaltungs-GmbH <sup>1,21</sup>	Stuttgart	94.80		EUR	35.18	-1.17
20	FLANTIR PROPERTIES LIMITED <sup>1,21</sup>	Nicosia, Cyprus	100.00		RUB	-4,078.97	822.82
21	FOM / LEG Verwaltungs GmbH <sup>1,21</sup>	Heidelberg	50.00		EUR	-17.40	-0.20
22	Fünfte Industriefabrik Objekt-GmbH <sup>1,6,21</sup>	Stuttgart	100.00		EUR	575.02	0.00
23	German Centre for Industry and Trade GmbH, Beteiligungsgesellschaft <sup>3,21</sup>	Stuttgart	100.00		EUR	7,720.60	0.00
24	German Centre for Industry and Trade Pte. Ltd. <sup>1,21</sup>	Singapore, Singapore	100.00		SGD	17,835.35	2,368.55
25	Grunewaldstraße 61 - 62 GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	28.24	-0.05
26	Heerdter Landstraße Düsseldorf GmbH & Co. KG <sup>1</sup>	Stuttgart	100.00			n/a	n/a
27	IMBW Capital & Consulting GmbH <sup>1,6,21</sup>	Stuttgart	100.00		EUR	250.00	0.00
28	Immobilienvermittlung BW GmbH <sup>21</sup>	Stuttgart	100.00		EUR	3,191.96	558.75
29	Industriefabrik-Aktiengesellschaft <sup>1,6,21</sup>	Stuttgart	93.63		EUR	23,281.64	0.00
30	Kiesel Finance Management GmbH <sup>1,21</sup>	Baienfurt	90.00		EUR	40.03	2.10

No.	Name	Place of business	Share of capital	Non-prop. voting rights	Currency	Equity EUR th.	Result EUR th.
31	Kommunalbau Rheinland-Pfalz GmbH <sup>1,21</sup>	Mainz	100.00		EUR	2,039.14	8.40
32	Landesbank Baden-Württemberg Capital Markets Plc <sup>3,21</sup>	London, Great Britain	100.00		EUR	950.00	- 23.00
33	LBBW Asset Management Investmentgesellschaft mbH <sup>3,21,32</sup>	Stuttgart	100.00		EUR	34,335.66	12,760.78
34	LBBW Immobilien Asset Management GmbH <sup>1,6,21</sup>	Stuttgart	100.00		EUR	1,305.03	0.00
35	LBBW Immobilien Capital Fischertor GmbH & Co. KG <sup>1,21</sup>	Munich	93.98	94.00	EUR	- 5,248.74	67.17
36	LBBW Immobilien Capital GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	- 2,210.13	- 7.41
37	LBBW Immobilien Development GmbH <sup>1,4,6,21</sup>	Stuttgart	94.90		EUR	15,394.95	0.00
38	LBBW Immobilien GmbH & Co. Beteiligung KG <sup>1,21</sup>	Stuttgart	100.00		EUR	32,701.53	945.86
39	LBBW Immobilien Investment Management GmbH <sup>1</sup>	Stuttgart	100.00			n/a	n/a
40	LBBW Immobilien Kommunalentwicklung GmbH <sup>1,4,6,21,32</sup>	Stuttgart	81.62		EUR	2,016.51	0.00
41	LBBW Immobilien Luxembourg S. A. <sup>1,21</sup>	Luxembourg, Luxembourg	100.00		EUR	- 76,252.36	- 13.05
42	LBBW Immobilien Management Gewerbe GmbH <sup>1,6,21</sup>	Stuttgart	94.90		EUR	3,303.97	0.00
43	LBBW Immobilien Management GmbH <sup>1,6,21</sup>	Stuttgart	100.00		EUR	375,694.37	0.00
44	LBBW Immobilien M_Eins Berlin GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	12.41	343.54
45	LBBW Immobilien Romania S.R.L. <sup>1,21</sup>	Bucharest, Romania	100.00		RON	- 35,044.29	- 925.85
46	LBBW Immobilien Süd GmbH & Co. KG <sup>1,4,21</sup>	Munich	100.00		EUR	- 42,712.15	1,607.69
47	LBBW Immobilien-Holding GmbH <sup>5,21</sup>	Stuttgart	100.00		EUR	402,050.54	0.00
48	LBBW Leasing GmbH i.L. <sup>21</sup>	Stuttgart	100.00		EUR	25,049.09	- 39.45
49	LBBW México <sup>2,21</sup>	México, Mexico	100.00		MXN	4,175.88	1,654.21
50	LBBW Service GmbH <sup>5,21</sup>	Stuttgart	100.00		EUR	224.67	0.00
51	LBBW US Real Estate Investment LLC <sup>10</sup>	Wilmington, USA	100.00		USD	61,567.19	3,015.38
52	LBBW Venture Capital Gesellschaft mit beschränkter Haftung <sup>21</sup>	Stuttgart	100.00		EUR	24,380.09	3,788.86
53	LEG Projektgesellschaft 2 GmbH & Co. KG <sup>1,21</sup>	Stuttgart	100.00		EUR	6,439.87	1,024.90
54	LEG Verwaltungsgesellschaft 2 mbH <sup>1,21</sup>	Stuttgart	100.00		EUR	28.80	0.23
55	LOOP GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	131.71	- 16.04
56	Löwentor Stuttgart Komplementär GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	25.62	0.62
57	Löwentor Stuttgart Projekt GmbH & Co. KG <sup>1,21</sup>	Stuttgart	70.00		EUR	4,235.00	- 233.88
58	LRP Capital GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	3,378.01	79.21
59	Lyoner Quartier GmbH & Co. KG <sup>1,21</sup>	Frankfurt am Main	100.00		EUR	- 171.49	- 172.49
60	MKB Mittelrheinische Bank Gesellschaft mit beschränkter Haftung <sup>21,32</sup>	Koblenz	100.00		EUR	52,507.11	11,361.41

No.	Name	Place of business	Share of capital	Non-prop. voting rights	Currency	Equity EUR th.	Result EUR th.
61	MKB Versicherungsdienst GmbH <sup>1,6,21</sup>	Koblenz	100.00		EUR	27.05	0.00
62	MMV Leasing Gesellschaft mit beschränkter Haftung <sup>1,6,21,32</sup>	Koblenz	100.00		EUR	21,000.00	0.00
63	MMV-Mobilien Verwaltungs- und Vermietungsgesellschaft mbH <sup>1,6,21,32</sup>	Koblenz	100.00		EUR	26.00	0.00
64	Nagatino Property S.à.r.l. <sup>1,21</sup>	Luxembourg, Luxembourg	100.00		EUR	-27,688.42	-5.64
65	Nymphenburger Straße München GmbH & Co. KG <sup>1,21</sup>	Stuttgart	100.00		EUR	-78.65	146.31
66	Nymphenburger Straße München Komplementär GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	21.69	-1.66
67	Pasing Projekt GmbH & Co. KG <sup>1,21</sup>	Stuttgart	100.00		EUR	-23,993.22	-4.52
68	Projekt 20 Verwaltungs GmbH <sup>1,21</sup>	Munich	100.00		EUR	40.32	1.24
69	Projektgesellschaft SMK 69 mbH <sup>1,21</sup>	Eschborn	94.90		EUR	-52.61	-77.61
70	Rheinallee V GmbH & Co. KG <sup>1,21</sup>	Stuttgart	100.00		EUR	-60.24	-56.84
71	Rheinallee V Komplementär GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	25.22	0.15
72	Schlossgartenbau Objekt-GmbH <sup>1,6,21</sup>	Stuttgart	100.00		EUR	18,560.61	0.00
73	Schlossgartenbau-Aktiengesellschaft <sup>1,6,21</sup>	Stuttgart	92.68		EUR	6,592.42	0.00
74	Schockenriedverwaltungs GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	27.63	0.35
75	SG Management GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	13,260.54	307.64
76	SGB - Hotel GmbH & Co. KG <sup>1,21</sup>	Stuttgart	100.00		EUR	-1,565.90	-95.50
77	Signaris GmbH <sup>1,21</sup>	Stuttgart	94.90		EUR	9,112.72	-67.65
78	SLN Maschinen-Leasing Verwaltungs-GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	575.54	386.44
79	SLP Mobilien-Leasing Verwaltungs GmbH <sup>1,21</sup>	Mannheim	100.00		EUR	1,979.41	138.43
80	Süd Beteiligungen GmbH <sup>21</sup>	Stuttgart	100.00		EUR	173,371.62	11,026.63
81	Süd KB Sachsen GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	30,450.12	-321.83
82	Süd KB Unternehmensbeteiligungsgesellschaft mbH <sup>1,21</sup>	Stuttgart	100.00		EUR	50,772.82	502.35
83	SüdFactoring GmbH <sup>3,5,21,32</sup>	Stuttgart	100.00		EUR	70,000.00	0.00
84	Süd-Kapitalbeteiligungs-Gesellschaft mbH <sup>1,6,21</sup>	Stuttgart	100.00		EUR	61,181.86	0.00
85	SüdLeasing Agrar GmbH <sup>1,21</sup>	Mannheim	100.00		EUR	1,156.38	965.20
86	SüdLeasing GmbH <sup>5,21,32</sup>	Stuttgart	100.00		EUR	35,520.81	0.00
87	targens GmbH <sup>21</sup>	Stuttgart	100.00		EUR	5,108.57	1,739.62
88	Turtle Portfolio GmbH & Co. KG <sup>1,4,21,31</sup>	Frankfurt am Main	100.00		EUR	41,819.70	3,542.51
89	Turtle 1. Verwaltungs-GmbH <sup>1,21,31</sup>	Frankfurt am Main	100.00		EUR	68.35	-1.26
90	Uhlandstraße 187 GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	30.52	0.95

No.	Name	Place of business	Share of capital	Non-prop. voting rights	Currency	Equity EUR th.	Result EUR th.
91	Vermietungs- und Verwaltungsgesellschaft Sendlinger Straße mbH <sup>1,4,21</sup>	Stuttgart	100.00		EUR	- 1.38	- 5.63
92	Vierte Industriefhof Objekt-GmbH <sup>1,6,21</sup>	Stuttgart	100.00		EUR	1,176.78	0.00
93	zob Esslingen Grundbesitz GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	15.84	- 4.79
94	Zweite IMBW Capital & Consulting Komplementär GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	20.81	- 0.56
95	Zweite Industriefhof Objekt-GmbH <sup>1,6,21</sup>	Stuttgart	100.00		EUR	19,825.72	0.00
96	Zweite LBBW US Real Estate GmbH <sup>21</sup>	Leipzig	100.00		EUR	48,195.85	3,158.37

#### b. Consolidated subsidiaries (control through contractual agreements)

97	Employrion Immobilien GmbH & Co. KG <sup>1,18</sup>	Weil	35.00	50.00	EUR	8.00	- 158.17
98	Erste IMBW Capital & Consulting Objektgesellschaft mbH & Co. KG <sup>1,18</sup>	Weil	40.00	50.00	EUR	- 34.14	0.00
99	FOM / LEG Generalübernehmer GmbH & Co. KG <sup>1,21</sup>	Heidelberg	50.00		EUR	- 8,941.54	- 9.37
100	Grundstücksgesellschaft Einkaufszentrum Kröpeliner-Tor-Center Rostock mbH & Co. KG <sup>1,21</sup>	Berlin	39.94	50.00	EUR	- 8,329.30	- 95.26
101	PALS Funding 2 LLC <sup>21,31</sup>	Dover, USA			USD	0.09	0.00
102	Turtle Vermögensverwaltungs-GmbH & Co. KG <sup>1,21</sup>	Frankfurt am Main	49.00	50.00	EUR	- 37,679.68	3,540.99
103	Weinberg Capital Designated Activity Company <sup>21,31</sup>	Dublin, Ireland			EUR	87.00	0.00
104	Weinberg Funding Ltd. <sup>21,31</sup>	St.Helier, Jersey, UK			EUR	3.60	0.00

#### 2. Joint ventures accounted for using the equity method

105	ARGE ParkQuartier Berg <sup>1,21</sup>	Stuttgart	50.00		EUR	234.94	238.05
106	Bad Kreuznacher Entwicklungsgesellschaft mbH (BKEG) <sup>1,21</sup>	Bad Kreuznach	50.00		EUR	3,794.12	1,015.84
107	GIZS GmbH & Co. KG <sup>21</sup>	Frankfurt am Main	33.33		EUR	14,923.96	- 12,039.23
108	OVG MK6 GmbH & Co. KG <sup>1,4,21</sup>	Berlin	49.60	50.00	EUR	4,658.75	17,542.49
109	OVG MK6 Komplementär GmbH <sup>1,21</sup>	Berlin	50.00		EUR	25.62	0.61
110	Parcul Banatului SRL <sup>1,21</sup>	Bucharest, Romania	50.00		RON	159.28	- 1,834.68
111	SGB - Hotel - Verwaltung GmbH <sup>1,21</sup>	Stuttgart	50.00		EUR	35.13	3.92

#### 3. Associates accounted for using the equity method

112	Altstadt-Palais Immobilien GmbH & Co. KG <sup>1,18</sup>	Weil	40.00	50.00	EUR	- 253.27	- 104.02
113	BWK GmbH Unternehmensbeteiligungsgesellschaft <sup>21</sup>	Stuttgart	40.00		EUR	252,343.47	7,150.61
114	BWK Holding GmbH Unternehmensbeteiligungsgesellschaft <sup>21</sup>	Stuttgart	40.00		EUR	9,713.79	845.31
115	EGH Entwicklungsgesellschaft Heidelberg GmbH & Co. KG <sup>1,21</sup>	Heidelberg	33.33		EUR	6,194.04	1,228.02
116	Hypo Vorarlberg Bank AG <sup>1,21,32</sup>	Bregenz, Austria	23.13		EUR	1,020,433.45	49,726.16

No.	Name	Place of business	Share of capital	Non-prop. voting rights	Currency	Equity EUR th.	Result EUR th.
<b>II. Companies not included in the consolidated financial statements due to being of minor influence</b>							
<b>1. Subsidiaries</b>							
<b>a. Subsidiaries not included (authority over the voting rights)</b>							
117	Baden-Württembergische Equity Gesellschaft mit beschränkter Haftung <sup>21</sup>	Stuttgart	100.00		EUR	2,048.93	1,099.85
118	Berlin Lützowstraße Komplementär GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	27.68	-1.21
119	DEBTVISION GmbH <sup>1</sup>	Stuttgart	80.00			n/a	n/a
120	German Centre for Industry and Trade Beijing Co., Ltd. <sup>21</sup>	Beijing, China	100.00		CNY	5,199.22	1,279.54
121	Gmeinder Lokomotivenfabrik GmbH i.L. <sup>1,11</sup>	Mosbach	90.00		EUR	306.00	-641.00
122	Heurika Mobilien-Leasing GmbH <sup>1,4,21</sup>	Mannheim	100.00		EUR	1,928.54	880.41
123	Karin Mobilien-Leasing GmbH i.L. <sup>1,21</sup>	Mannheim	100.00		EUR	884.31	0.00
124	KB Projekt GmbH <sup>1,21</sup>	Frankfurt am Main	100.00		EUR	46.44	-0.53
125	Kröpeliner-Tor-Center Rostock Verwaltungsgesellschaft mbH <sup>1,21,31</sup>	Berlin	100.00		EUR	26.63	1.53
126	Laurus Grundstücksverwaltungsgesellschaft mbH i.L. <sup>21</sup>	Stuttgart	100.00		EUR	1,066.08	162.82
127	LBBW Dublin Management GmbH i. L. <sup>21</sup>	Stuttgart	100.00		EUR	136.26	-9.65
128	LBBW Gastro Event GmbH <sup>5,21</sup>	Stuttgart	100.00		EUR	130.00	0.00
129	LBBW Pensionsmanagement GmbH <sup>5,21</sup>	Stuttgart	100.00		EUR	25.00	0.00
130	LBBW REPRESENTAÇÃO LTDA. <sup>2,21</sup>	Sao Paulo, Brazil	100.00		BRL	161.55	8.88
131	LBBW (Schweiz) AG <sup>21</sup>	Zurich, Switzerland	100.00		CHF	9,271.09	85.24
132	LEG Osiris 4 GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	29.20	-1.80
133	LGZ-Anlagen-Gesellschaft mit beschränkter Haftung i.L. <sup>21</sup>	Stuttgart	100.00		EUR	1,597.95	-44.77
134	LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Landesfunkhaus Erfurt KG <sup>21</sup>	Erfurt	99.77	24.00	EUR	-7,571.60	3,611.61
135	LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Polizei Nordhausen KG <sup>18</sup>	Erfurt	100.00	15.00	EUR	-5,209.73	614.84
136	LLC German Centre for Industry and Trade <sup>21</sup>	Moscow, Russia	100.00		RUB	1,791.03	91.12
137	LUTEA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Flöha KG <sup>21</sup>	Berlin	100.00	15.00	EUR	655.53	-1.68
138	MDL Mitteldeutsche Leasing GmbH i.L. <sup>1,13</sup>	Leipzig	100.00		EUR	-21,344.04	-268.81
139	MLP Verwaltungs GmbH <sup>1,21</sup>	Mannheim	100.00		EUR	107.20	-0.68
140	MMV-Mittelrheinische Leasing Gesellschaft mit beschränkter Haftung <sup>1,6,21</sup>	Koblenz	100.00		EUR	26.43	0.00
141	Pollux Vierte Beteiligungsgesellschaft mbH <sup>21</sup>	Stuttgart	100.00		EUR	4,318.93	-116.30
142	Sachsen V.C. GmbH & Co. KG <sup>1,21</sup>	Leipzig	75.19		EUR	976.59	-315.65
143	Sachsen V.C. Verwaltungsgesellschaft mbH <sup>1,21</sup>	Leipzig	100.00		EUR	11.11	4.96

No.	Name	Place of business	Share of capital	Non-prop. voting rights	Currency	Equity EUR th.	Result EUR th.
144	SachsenFonds International Equity Holding I GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	1,439.37	132.20
145	SachsenFonds International Equity I GmbH & Co. KG i.L. <sup>1,21</sup>	Leipzig	96.15		EUR	2,263.95	120.74
146	SBF Sächsische Beteiligungsfonds GmbH <sup>1,21</sup>	Leipzig	100.00		EUR	216.16	112.10
147	SDD Holding GmbH i.L. <sup>1,20</sup>	Stuttgart	100.00		EUR	-3,357.73	-5.09
148	SL Bayern Verwaltungs GmbH <sup>1,21</sup>	Mannheim	100.00		EUR	67.93	4.15
149	SL Bremen Verwaltungs GmbH <sup>1,21</sup>	Mannheim	100.00		EUR	1,988.32	276.97
150	SL BW Verwaltungs GmbH i.L. <sup>1,21</sup>	Mannheim	100.00		EUR	39.64	-0.08
151	SL Düsseldorf Verwaltungs GmbH <sup>1,21</sup>	Mannheim	100.00		EUR	607.46	3.31
152	SL Financial Services Corporation <sup>21</sup>	North Salem, USA	100.00		USD	92.44	-110.33
153	SL Mobilien-Leasing GmbH & Co. Hafis KG <sup>1,21,31</sup>	Mannheim	0.00	51.00	EUR	1,998.75	-6.32
154	SL Operating Services GmbH i.L. <sup>1,21</sup>	Mannheim	100.00		EUR	80.41	0.00
155	SL RheinMainSaar Verwaltungs GmbH <sup>1,21</sup>	Mannheim	100.00		EUR	509.04	-1.17
156	SL Schleswig-Holstein Verwaltungs GmbH i.L. <sup>1,21</sup>	Mannheim	100.00		EUR	91.56	0.00
157	SL Ventus GmbH & Co. KG <sup>1,21</sup>	Mannheim	100.00		EUR	502.30	5.39
158	Städtische Pfandleihanstalt Stuttgart Aktiengesellschaft <sup>21</sup>	Stuttgart	100.00		EUR	3,900.45	321.65
159	Süd Mobilien-Leasing GmbH <sup>1,21</sup>	Stuttgart	100.00		EUR	28.28	0.00
160	Süd Verwaltung Schweiz GmbH <sup>21</sup>	Zurich, Switzerland	100.00		CHF	51.05	6.50
161	SüdLeasing Finance-Holding GmbH i.L. <sup>1,21</sup>	Stuttgart	100.00		EUR	174.58	-0.43
162	Yankee Properties II LLC <sup>31</sup>	Wilmington, USA	0.00	100.00		n/a	n/a
163	Yankee Properties LLC <sup>16</sup>	New York, USA	100.00		USD	567.20	-23.02
164	Zenon Mobilien-Leasing GmbH i.L. <sup>1,21</sup>	Mannheim	100.00		EUR	35.32	1.92
165	Zorilla Mobilien-Leasing GmbH i.L. <sup>1,21</sup>	Mannheim	100.00		EUR	33.79	8.40
166	Zweite Karl-Scharnagl-Ring Immobilien Verwaltung GmbH <sup>1,18</sup>	Munich	100.00		EUR	39.65	1.78

**b. Subsidiaries not included (authority over contractual agreements)**

167	Germany Diversified Core+ <sup>31</sup>	Stuttgart	0.00			n/a	n/a
168	Humboldt Multi Invest B SICAV-FIS Sachsen LB Depot A i.L. <sup>14</sup>	Luxembourg, Luxembourg	100.00		EUR	5,897.89	-248.71
169	LBBW Global Equity <sup>19,31</sup>	Stuttgart			EUR	13,127.37	272.26
170	LBBW Multi Global Plus <sup>31</sup>	Stuttgart				n/a	n/a
171	Platino S.A. i.L. <sup>25,31</sup>	Luxembourg, Luxembourg			EUR	1.67	1.24
172	SSKM Invest <sup>31</sup>	Stuttgart				n/a	n/a
173	Weinberg Capital LLC <sup>31</sup>	Wilmington, USA				n/a	n/a



No.	Name	Place of business	Share of capital	Non-prop. voting rights	Currency	Equity EUR th.	Result EUR th.
<b>2. Joint ventures not accounted for using the equity method</b>							
174	addfinity testa GmbH <sup>1,18</sup>	Hartha	49.85		EUR	3,302.60	539.73
175	EPSa Holding GmbH <sup>1,21</sup>	Saalfeld	45.00		EUR	2,844.92	2,205.13
176	German Centre for Industry and Trade India Holding-GmbH <sup>1,21</sup>	Munich	50.00		EUR	919.89	-1,300.19
177	GIZS Verwaltungs-GmbH <sup>21</sup>	Frankfurt am Main	33.33		EUR	17.53	7.42
178	LBBW Immobilien Verwaltung GmbH <sup>1,21</sup>	Stuttgart	50.00		EUR	59.46	1.12
179	SEALINK FUNDING DESIGNATED ACTIVITY COMPANY <sup>18,31</sup>	Dublin, Ireland			EUR	-248,201.00	145,460.00
180	SHS Gesellschaft für Beteiligungen mbH & Co. Mittelstand KG <sup>1,21</sup>	Tübingen	75.02		EUR	3,728.67	-85.49
<b>3. Associates not accounted for using the equity method</b>							
181	AGVS Holding GmbH <sup>1,21</sup>	Villingen-Schwenningen	45.00		EUR	15,705.09	3,364.62
182	aiP Isarauen Verwaltungs GmbH i. L. <sup>1,21</sup>	Oberhaching	45.00		EUR	18.49	-11.80
183	Cäcilienpark am Neckar GbR <sup>1,21</sup>	Heilbronn	33.33		EUR	324.00	24.00
184	Deharde GmbH <sup>1,21</sup>	Varel	39.47		EUR	9,660.63	594.10
185	DUO PLAST Holding GmbH <sup>1,21</sup>	Lauterbach	49.18		EUR	20,131.80	3,209.36
186	EURAMCO Immobilien GmbH <sup>1,21</sup>	Aschheim-Dornach	49.00		EUR	28.85	-29.97
187	FABMATICS Holding GmbH <sup>1,21</sup>	Dresden	50.00		EUR	5,737.70	407.36
188	Grundstücks-, Vermögens- und Verwaltungs- GbR 34, Wolfstor 2, Esslingen i.L. <sup>1,16</sup>	Stuttgart	30.39		EUR	9,348.49	405.61
189	Grundstücks-, Vermögens- und Verwaltungs- GbR 36, Stuttgart/Leinfelden-Echterdingen <sup>1,21</sup>	Stuttgart	28.11		EUR	29,175.17	-217.73
190	Grundstücks-, Vermögens- und Verwaltungs- GbR 39, Stuttgart-Fellbach i.L. <sup>1,16</sup>	Stuttgart	42.03		EUR	25,472.67	-604.44
191	Grundstücks-, Vermögens- und Verwaltungs-GbR 40, Ludwigsburg "Am Schloßpark" i.L. <sup>1,16</sup>	Stuttgart	44.59		EUR	24,564.47	160.25
192	INULA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i.L. <sup>21,33</sup>	Grünwald	80.00	18.25	EUR	25.56	19,315.87
193	Janoschka AG <sup>1,21</sup>	Kippenheim	39.80		EUR	19,156.90	6.98
194	Kiesel Finance GmbH & Co. KG <sup>1,21,31</sup>	Baienfurt	0.00	75.00	EUR	166.79	131.79
195	KKL Holding GmbH <sup>1</sup>	Düsseldorf	48.27	47.20		n/a	n/a
196	Kreditgarantiegemeinschaft in Baden-Württemberg Verwaltungs-GmbH <sup>21</sup>	Stuttgart	20.00		EUR	1,022.58	0.00
197	M Cap Finance Deutsche Mezzanine Fonds Zweite GmbH & Co. KG i. L. <sup>1,21</sup>	Leipzig	49.75		EUR	1,205.92	764.32
198	Mittelständische Beteiligungsgesellschaft Sachsen mbH <sup>21</sup>	Dresden	25.27		EUR	46,694.14	1,965.20
199	MOLWANKUM Vermietungsgesellschaft mbH & Co. Objekt Landkreis Hildburghausen KG <sup>21</sup>	Düsseldorf	94.00	49.00	EUR	-1,582.79	452.29
200	Ritterwand Metall-Systembau Beteiligungs GmbH <sup>1,21</sup>	Nüfingen	49.97		EUR	9,833.37	603.99
201	Siedlungswerk GmbH Wohnungs- und Städtebau <sup>21,32</sup>	Stuttgart	25.00		EUR	243,494.09	24,521.53
202	SL Mobilien-Leasing GmbH & Co. ENERCON KG <sup>1,21,31</sup>	Mannheim	0.00	80.00	EUR	35,878.29	2,678.02
203	SLN Maschinen Leasing GmbH & Co. OHG <sup>1,21,31</sup>	Stuttgart	0.00	75.00	EUR	-1,769.92	-358.01
204	SLP Mobilien-Leasing GmbH & Co. OHG <sup>1,21,31</sup>	Mannheim	0.00	75.00	EUR	612.28	265.24
205	Stollmann Entwicklungs- und Vertriebs GmbH i.L. <sup>1,21</sup>	Schenefeld	34.00		EUR	1,075.61	-38.52
206	Xavin GmbH <sup>1</sup>	Stuttgart	24.50			n/a	n/a
207	1. yourTime Solutions AbwicklungsGmbH <sup>1,13</sup>	Potsdam	20.11		EUR	-478.00	-1,317.00

No.	Name	Place of business	Share of capital	Non-prop. voting rights	Currency	Equity EUR th.	Result EUR th.
<b>III. Equity investments within the meaning of section 271 (1) HGB <sup>30</sup></b>							
208	ABE Clearing S.A.S., à capital variable <sup>18</sup>	Paris, France	1.96		EUR	20,401.40	4,799.64
209	Abingworth Bioventures III L. P. <sup>1,21</sup>	London, Great Britain	0.44		USD	22,108.46	- 27.39
210	Accession Mezzanine Capital II L.P. <sup>1,21</sup>	Hamilton, Bermuda	1.91		EUR	34,093.00	- 724.00
211	Acousia Therapeutics GmbH <sup>1,21</sup>	Tübingen	12.35		EUR	395.10	- 1,117.40
212	ADLATUS Robotics GmbH <sup>1,21</sup>	Ulm	0.75		EUR	- 900.34	- 657.08
213	African Export-Import Bank <sup>21</sup>	Cairo, Egypt	0.05		USD	1,853,109.40	192,369.57
214	AKA Ausfuhrkredit-Gesellschaft mit beschränkter Haftung <sup>21</sup>	Frankfurt am Main	3.29		EUR	238,732.10	11,080.00
215	ALPHA CEE II L.P. <sup>1,21</sup>	Grand Cayman, Cayman Islands	2.41		EUR	78,515.00	4,563.00
216	amcure GmbH <sup>1,21</sup>	Eggenstein-Leopoldshafen	18.26		EUR	2,458.07	- 2,573.76
217	Bain Capital VIII L. P. <sup>1,21</sup>	Grand Cayman, Cayman Islands	0.32		USD	17,180.08	149.49
218	Biometrics GmbH <sup>1,21</sup>	Tübingen	17.47		EUR	- 508.59	- 1,218.76
219	BS Abwicklungs-GmbH <sup>16</sup>	Stuttgart	1.10		EUR	- 791.64	- 282.92
220	Bürgschaftsbank Sachsen GmbH <sup>21</sup>	Dresden	27.96	18.44	EUR	42,015.10	1,645.16
221	CCP Systems AG i.l. <sup>1,15</sup>	Stuttgart	0.96		EUR	9,182.77	- 10,654.37
222	Chargepartner GmbH i.l. <sup>1,15</sup>	Walldorf	0.75		EUR	538.00	- 493.17
223	CME Group Inc.	Wilmington, USA	0.00			n/a	n/a
224	Computomics GmbH <sup>1,21</sup>	Tübingen	0.75		EUR	- 945.93	- 460.51
225	CorTec GmbH <sup>1,21</sup>	Freiburg	0.59		EUR	2,590.52	- 1,604.69
226	crealytics GmbH <sup>1,21</sup>	Berlin	9.86		EUR	7,349.89	- 1,874.37
227	CVC European Equity Partners IV (A). L. P. <sup>1,21</sup>	Grand Cayman, Cayman Islands	0.29		EUR	1,820.61	3,164.29
228	Depository Trust & Clearing Corporation	New York, USA	0.00	0.02		n/a	n/a
229	Designwelt GmbH i.l. <sup>1,12</sup>	Munich	6.41		EUR	- 17.00	- 4,417.00
230	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung <sup>21,32</sup>	Stuttgart	8.11		EUR	174,462.04	17,791.38
231	Doughty Hanson & Co. IV Partnership 2 <sup>1,21</sup>	London, Great Britain	4.04		EUR	72,546.79	- 2,046.66
232	Dritte SHS Technologiefonds GmbH & Co. KG <sup>1,21</sup>	Tübingen	4.94		EUR	26,877.65	- 1,328.02
233	Erste IFD geschlossener Immobilienfonds für Deutschland GmbH & Co. KG i.l. <sup>1,21</sup>	Hamburg	0.18		EUR	6,542.72	- 189.00
234	FL FINANZ-LEASING GmbH <sup>21</sup>	Wiesbaden	17.00		EUR	- 460.44	- 101.87

No.	Name	Place of business	Share of capital	Non-prop. voting rights	Currency	Equity EUR th.	Result EUR th.
235	Fludicon GmbH i.L. <sup>1,15</sup>	Darmstadt	7.88		EUR	516.90	-2,184.41
236	GbR VÖB-ImmobilienAnalyse <sup>26</sup>	Bonn	25.00	20.00		n/a	n/a
237	GLB GmbH & Co. OHG <sup>21,27</sup>	Frankfurt am Main	30.05		EUR	5,658.17	453.35
238	GLB-Verwaltungs-GmbH <sup>21,27</sup>	Frankfurt am Main	30.00		EUR	53.71	1.96
239	Grundstücks-, Vermögens- und Verwaltungs- GbR 35, Sillenbacher Markt i.L. <sup>1,16</sup>	Stuttgart	0.02		EUR	45,833.47	408.40
240	Grundstücks-, Vermögens- und Verwaltungs- GbR 31, Esslingen/ Stuttgart i.L. <sup>1,16</sup>	Stuttgart	13.18		EUR	503.46	28.96
241	Grundstücks-Vermögens- und Verwaltungs- GbR Nr. 32, Leonberg/ Ditzingen i.L. <sup>1,13</sup>	Stuttgart	0.37		EUR	34,995.90	-951.56
242	Grundstücks-Vermögens- und Verwaltungs-GbR Nr. 27, Stuttgart-Mitte II i.L. <sup>1,16</sup>	Stuttgart	0.13		EUR	8,467.53	45.06
243	Grundstücksverwaltungsgesellschaft Sonnenberg mbH & Co. Betriebs-KG i.L. <sup>1</sup>	Wiesbaden	5.52			n/a	n/a
244	HANSA TREUHAND Dritter Beteiligungsfonds GmbH & Co. KG <sup>1,21</sup>	Hamburg	0.03		EUR	23,875.57	2,920.32
245	HANSA TREUHAND Zweiter Beteiligungsfonds GmbH & Co. KG i.L. <sup>1,18</sup>	Hamburg	0.16		EUR	-9,582.96	-129.00
246	Heidelberg Innovation BioScience Venture II GmbH & Co. KG i.L. <sup>1,21</sup>	Leimen	3.83		EUR	5,020.48	3,722.22
247	HGA Mitteleuropa V GmbH & Co. KG <sup>1,16</sup>	Hamburg	0.05		EUR	1,923.39	-547.69
248	HSBC Trinkaus & Burkhardt AG <sup>21,32</sup>	Düsseldorf	18.66		EUR	1,889,315.35	116,520.13
249	Humboldt Multi Invest B S.C.A., SICAV-FIS i.L. <sup>1,14,28</sup>	Luxembourg, Luxembourg	99.93		EUR	6,928.35	-165.43
250	Icon Brickell LLC <sup>1</sup>	Miami, USA	13.35			n/a	n/a
251	ImmerSight GmbH <sup>1,21</sup>	Ulm	0.85		EUR	-177.08	-280.13
252	KanAm USA XXII Limited Partnership <sup>1,21</sup>	Atlanta, USA	0.04		USD	38,239.25	-58.04
253	Kreditgarantiegemeinschaft der Freien Berufe Baden-Württemberg Verwaltungs-GmbH <sup>21</sup>	Stuttgart	4.76		EUR	153.39	0.00
254	Kreditgarantiegemeinschaft der Industrie, des Verkehrsgewerbes und des Gastgewerbes Baden-Württemberg Verwaltungs-GmbH <sup>21</sup>	Stuttgart	15.28		EUR	1,299.87	0.00
255	Kreditgarantiegemeinschaft des Gartenbaus Baden-Württemberg Verwaltungs-GmbH <sup>21</sup>	Stuttgart	4.50		EUR	138.31	0.00
256	Kreditgarantiegemeinschaft des Handels Baden-Württemberg Verwaltungs-GmbH <sup>21</sup>	Stuttgart	9.14		EUR	1,021.91	0.00
257	Kreditgarantiegemeinschaft des Handwerks Baden-Württemberg Verwaltungs-GmbH <sup>21</sup>	Stuttgart	9.76		EUR	1,001.05	0.00
258	Kunststiftung Baden-Württemberg gGmbH <sup>21</sup>	Stuttgart	2.00	0.61	EUR	10,461.97	7,562.60
259	Maehler & Kaegi AG i. I. <sup>1,7</sup>	Ingelheim	7.50	9.26	EUR	-2,041.59	67.06
260	MAT Movies & Television Productions GmbH & Co. Project IV i.L. <sup>1,21</sup>	Grünwald	0.22		EUR	530.25	-13.32
261	MBG Mittelständische Beteiligungsgesellschaft Baden-Württemberg Gesellschaft mit beschränkter Haftung <sup>21</sup>	Stuttgart	9.94		EUR	72,488.13	5,540.22
262	NAVALIA 11 MS "PORT MENIER" GmbH & Co. KG <sup>1,16</sup>	Bramstedt	0.15		EUR	590.33	-40.72
263	NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Villingen-Schwenningen KG <sup>18,33</sup>	Düsseldorf	5.00		EUR	-2,575.31	416.20

No.	Name	Place of business	Share of capital	Non-prop. voting rights	Currency	Equity EUR th.	Result EUR th.
264	Notion Systems GmbH <sup>1,21</sup>	Schwetzingen	0.75		EUR	521.10	-987.71
265	Novoplant Gesellschaft mit beschränkter Haftung <sup>1,8</sup>	Gatersleben	18.77		EUR	-5,574.00	-1,853.00
266	Otego GmbH i.l. <sup>1,21</sup>	Karlsruhe	6.25		EUR	375.85	-151.80
267	OXID eSales AG <sup>1,21</sup>	Freiburg	19.92		EUR	888.48	700.00
268	PARAMOUNT GROUP, INC. <sup>1,21</sup>	Baltimore, USA	0.50		USD	4,381,507.59	75,362.94
269	Paramount Group Operating Partnership LP <sup>1</sup>	Wilmington, USA	2.46	0.00		n/a	n/a
270	Phenex Pharmaceuticals AG <sup>1,21</sup>	Ludwigshafen	8.90		EUR	20,298.35	17,875.78
271	Poldergesellschaft Neumühlen-Westkai mbH <sup>1</sup>	Hamburg	16.67		EUR	106.96	n/a
272	PolyAn Gesellschaft zur Herstellung von Polymeren für spezielle Anwendungen und Analytik mbH <sup>1,21</sup>	Berlin	9.93		EUR	-5.46	-24.47
273	PressMatrix GmbH <sup>1,21</sup>	Berlin	14.08		EUR	-970.62	-188.16
274	Probiodrug AG <sup>1,21</sup>	Halle/Saale	2.38		EUR	9,246.00	-7,729.00
275	Reha-Klinik Aukammtal GmbH & Co. Betriebs-KG i.l. <sup>1</sup>	Wiesbaden	5.54			n/a	n/a
276	RSU Rating Service Unit GmbH & Co. KG <sup>21</sup>	Munich	18.80		EUR	14,030.22	909.36
277	RW Holding AG i. L. <sup>22</sup>	Düsseldorf	1.36		EUR	459,635.10	68,109.36
278	RWSO Grundstücksgesellschaft TBS der Württembergischen Sparkassenorganisation GbR <sup>21</sup>	Stuttgart	10.00	8.87	EUR	6,101.93	160.93
279	S CountryDesk GmbH <sup>21</sup>	Cologne	2.50		EUR	448.83	44.01
280	Schiffahrts-Gesellschaft "HS ALCINA" / "HS ONORE" / "HS OCEANO" mbH & Co. KG <sup>1,21</sup>	Hamburg	0.04		EUR	20,838.43	2,503.58
281	Schiffahrts-Gesellschaft "HS MEDEA" mbH & Co. KG i.l. <sup>1,21</sup>	Hamburg	0.16		EUR	15,202.91	1,249.09
282	SE.M.LABS GmbH i.l. <sup>1,18</sup>	Stuttgart	0.75		EUR	-143.25	-221.00
283	Sensitu GmbH <sup>1,21</sup>	Bendorf	14.29		EUR	344.14	-83.68
284	SI-BW Beteiligungsgesellschaft mbH & Co KG <sup>21</sup>	Stuttgart	4.00	3.96	EUR	43,756.63	1,209.93
285	SimuForm GmbH i.l. <sup>1,13</sup>	Dortmund	6.84		EUR	235.00	-300.00
286	Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T.) <sup>21</sup>	La Hulpe, Belgium	0.14		EUR	394,698.39	81,079.47
287	stimOS GmbH <sup>1,21</sup>	Konstanz	0.75		EUR	-132.04	-159.57
288	Synapticon GmbH <sup>1,21</sup>	Schönaich	0.77		EUR	1,244.40	-3,046.63
289	tado GmbH <sup>1,21</sup>	Munich	1.59		EUR	10,899.42	-32,941.34
290	Technologiegründerfonds Sachsen Plus GmbH & Co. KG <sup>1,21</sup>	Leipzig	8.48		EUR	7,242.57	-1,652.76
291	Technologiegründerfonds Sachsen Seed GmbH & Co. KG <sup>1,21</sup>	Leipzig	3.34		EUR	5,222.64	20.19
292	Technologiegründerfonds Sachsen Start up GmbH & Co. KG <sup>1,21</sup>	Leipzig	10.83		EUR	16,081.84	-1,806.05

No.	Name	Place of business	Share of capital	Non-prop. voting rights	Currency	Equity EUR th.	Result EUR th.
293	tocario GmbH <sup>1,21</sup>	Stuttgart	0.77		EUR	- 154.62	- 296.29
294	TuP 8 GmbH & Co. KG <sup>1</sup>	Berlin	0.43			n/a	n/a
295	TVM IV GmbH & Co. KG <sup>1,21</sup>	Munich	1.67		EUR	6,599.85	- 362.80
296	VCM Golding Mezzanine GmbH & Co. KG <sup>1,21</sup>	Munich	3.89		EUR	4,973.90	935.90
297	Verband der kommunalen RWE-Aktionäre Gesellschaft mit beschränkter Haftung <sup>24</sup>	Essen	0.48	1.32	EUR	219.42	- 242.52
298	Visa Inc. <sup>17</sup>	San Francisco, USA	0.00		USD	28,714,011.52	5,226,836.50
299	VRP Venture Capital Rheinland-Pfalz GmbH & Co. KG i. L. <sup>1,21</sup>	Mainz	16.65		EUR	1,344.98	5,776.37
300	VRP Venture Capital Rheinland-Pfalz Nr. 2 GmbH & Co. KG i. L. <sup>1,21</sup>	Mainz	16.65		EUR	686.61	1,532.11
301	Wachstumsfonds Mittelstand Sachsen GmbH & Co. KG <sup>1,21,29</sup>	Leipzig	27.55		EUR	17,405.30	2,444.26
302	Wachstumsfonds Mittelstand Sachsen Plus GmbH & Co. KG <sup>1,21</sup>	Leipzig	13.68	13.72	EUR	8,481.70	- 11.24
303	Wirtschaftsförderung Region Stuttgart GmbH <sup>1,21</sup>	Stuttgart	16.06		EUR	872.84	- 3,044.78
304	5Analytics GmbH <sup>1,21</sup>	Köngen	0.75		EUR	139.78	- 238.32

1 Held indirectly.

2 Including shares held indirectly.

3 A letter of comfort exists.

4 A letter of comfort exists on the part of a Group subsidiary.

5 A profit transfer and/or control agreement has been concluded with the company.

6 A profit transfer and/or control agreement has been concluded with another company.

7 Data available only as at 31 December 2004.

8 Data available only as at 31 December 2006.

9 Data available only as at 31 December 2007.

10 Data available only as at 31 December 2017, in accordance with IFRS.

11 Data available only as at 31 December 2011.

12 Data available only as at 31 December 2012.

13 Data available only as at 31 December 2013.

14 Data available only as at 31 July 2014.

15 Data available only as at 31 December 2014.

16 Data available only as at 31 December 2015.

17 Data available only as at 30 September 2016.

18 Data available only as at 31 December 2016.

19 Data available only as at 31 October 2017, Short financial year

20 Data available only as at 3 November 2017, Final balance sheet.

21 Data available only as at 31 December 2017.

22 Data available only as at 21 February 2018.

23 Data available only as at 31 March 2018.

24 Data available only as at 30 June 2018.

25 Data available only as at 4 December 2018, Final balance sheet.

26 Classification as equity investment, as the company does not generate any commercial activities.

27 Classification as equity investment, as no relevant decisions are made any longer and liquidation is expected.

28 Classification as equity investment, in liquidation: no relevant decisions are made any longer.

29 Classification as equity investment, because of contractual agreements, only 14.29% of the voting right is exercisable in the event of material decisions.

30 Financial instruments pursuant to IFRS.

31 No shareholdings within the meaning of section 285 no. 11 HGB.

32 Equity investment in a large corporation (Kapitalgesellschaft) with a share of at least 5% in voting rights (section 340a (4) no. 2 HGB).

33 Is a structured entity in accordance with IFRS 12 at the same time.

#### 41. Positions held

Offices held by legal representatives of LBBW (Bank) and members of the AidA<sup>1</sup> Board of Managing Directors on statutory supervisory boards and similar supervisory bodies of large companies and banks, as well as offices held by employees of LBBW (Bank) on statutory supervisory boards of large companies and banks are listed below:

Company	Position	Incumbent
Boerse Stuttgart GmbH, Stuttgart	Deputy Chairman of the Supervisory Board	Dr Christian Ricken
BS PAYONE GmbH, Frankfurt	Supervisory Board	Helmut Dohmen (until 31 December 2018)
Deutscher Sparkassenverlag GmbH, Stuttgart	Supervisory Board	Michael Horn
EUREX Clearing Aktiengesellschaft, Frankfurt/Main	Supervisory Board	Dr Thilo Roßberg (from 27 June 2018)
Euwax AG, Stuttgart	Deputy Chairman of the Supervisory Board	Dr Christian Ricken
Grieshaber Logistik GmbH, Weingarten	Supervisory Board	Michael Horn
Hypo Vorarlberg Bank AG, Bregenz	Supervisory Board	Michael Horn
LBBW Asset Management Investmentgesellschaft mbH, Stuttgart	Chairman of the Supervisory Board	Dr Christian Ricken
	Supervisory Board	Frank Hagenstein (until 13 April 2018)
	Supervisory Board	Michael Nagel
	Supervisory Board	Thomas Rosenfeld (from 1 August 2018)
LBBW (Schweiz) AG, Zurich	Chairman of the Board of Directors	Michael Horn (until 30 September 2018)
Mainzer Stadtwerke AG, Mainz	Supervisory Board	Hannsgeorg Schöning
MKB Mittelrheinische Bank GmbH, Koblenz	Chairman of the Supervisory Board	Karl Manfred Lochner
	Deputy Chairman of the Supervisory Board	Volker Wirth
	Supervisory Board	Peter Hähner
MMV Leasing GmbH, Koblenz	Chairman of the Advisory Board	Karl Manfred Lochner
	Deputy Chairman of the Advisory Board	Volker Wirth
	Advisory Board	Peter Hähner
Siedlungswerk GmbH Wohnungs- und Städtebau, Stuttgart	Deputy Chairman of the Supervisory Board	Michael Horn
	Supervisory Board	Thorsten Schönenberger
	Supervisory Board	Thomas Christian Schulz
SüdFactoring GmbH, Stuttgart	Chairman of the Supervisory Board	Karl Manfred Lochner
	Deputy Chairman of the Supervisory Board	Volker Wirth
	Supervisory Board	Norwin Graf Leutrum von Ertingen
SüdLeasing GmbH, Stuttgart	Chairman of the Supervisory Board	Karl Manfred Lochner
	Deputy Chairman of the Supervisory Board	Volker Wirth
	Supervisory Board	Norwin Graf Leutrum von Ertingen
VPV Lebensversicherungs-Aktiengesellschaft, Stuttgart	Supervisory Board	Claudia Diem

<sup>1</sup> Anstalt in der Anstalt (AidA - »institution within the institution«)

#### 42. Events after the balance sheet date

The following significant events have occurred since 1 January 2019 which LBBW expects to affect LBBW's net assets, financial position and results of operations in any material way: A property was transferred within the Group with an impact on the HGB earnings of LBBW (Bank) in the mid two-digit million-euro range.

### 43. LBBW (Bank) Board of Managing Directors and Supervisory Board

#### Board of Managing Directors

Chairman	Members	
<b>RAINER NESKE</b>	<b>KARL MANFRED LOCHNER</b>	<b>THORSTEN SCHÖNENBERGER</b>
Deputy Chairman		
<b>MICHAEL HORN</b>	<b>DR CHRISTIAN RICKEN</b>	<b>VOLKER WIRTH</b>

#### Supervisory Board

##### Chairman

<b>CHRISTIAN BRAND</b> Former chairman of the Board of Management of L-Bank	<b>MARC-OLIVER KIEFER</b> since 1 February 2019 Employee Representative of Landesbank Baden-Württemberg	<b>CLAUS SCHMIEDEL</b> CEO of Critalog GmbH
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##### Deputy Chairperson

<b>EDITH SITZMANN MDL</b> Minister of Finance and Economics of the State of Baden-Württemberg	<b>BETTINA KIES-HARTMANN</b> Employee Representative of Landesbank Baden-Württemberg	<b>B. JUTTA SCHNEIDER</b> Executive Vice President Global Services Delivery, SAP SE & Co. KG
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##### Members

<b>WOLFGANG DIETZ</b> Lord Mayor of the town of Weil am Rhein	<b>FRITZ KUHN</b> Lord Mayor of the State Capital Stuttgart	<b>PETER SCHNEIDER</b> President of the Sparkassenverband Baden-Württemberg (Savings Bank Association of Baden-Württemberg)
<b>UTA-MICAELA DÜRIG</b> Managing Director of Robert Bosch Stiftung GmbH	<b>SABINE LEHMANN</b> Employee Representative of Landesbank Baden-Württemberg	<b>DR JUTTA STUIBLE-TREDER</b> Managing Partner of EversheimStuible Treuberater GmbH
<b>WALTER FRÖSCHLE</b> Employee Representative of Landesbank Baden-Württemberg	<b>KLAUS-PETER MURAWSKI</b> State Secretary (retired)	<b>DR BRIGITTE THAMM</b> until 31 January 2019 Employee Representative of Landesbank Baden-Württemberg
<b>HELMUT HIMMELSBACH</b> Lord Mayor (retired)	<b>DR FRITZ OESTERLE</b> Attorney at law	<b>BURKHARD WITTMACHER</b> Chairman of the Board of Managing Directors of Kreissparkasse Böblingen
<b>CHRISTIAN HIRSCH</b> Employee Representative of Landesbank Baden-Württemberg	<b>MARTIN PETERS</b> Managing Partner of the Eberspächer group of companies	<b>NORBERT ZIPF</b> Employee Representative of Landesbank Baden-Württemberg
	<b>CHRISTIAN ROGG</b> Employee Representative of Landesbank Baden-Württemberg	



The background is a soft-focus photograph of a workspace. In the upper right, a portion of a silver laptop is visible, showing the keyboard and trackpad. Below it, a document with various charts and graphs is spread out. The charts include a pie chart with three segments (green, blue, and orange) and a bar chart with several green bars. The overall lighting is bright and natural, creating a clean and professional atmosphere.

# 03

Further information

# Responsibility statement

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

Stuttgart, Karlsruhe, Mannheim and Mainz, 28 February 2019

The Board of Managing Directors

**RAINER NESKE**

Chairman

**MICHAEL HORN**

Deputy Chairman

**KARL MANFRED LOCHNER**

**DR CHRISTIAN RICKEN**

**THORSTEN SCHÖNENBERGER**

**VOLKER WIRTH**

# Independent Auditor's Report

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

## Report on the audit of the annual financial statements and the combined management report

### Audit opinion

We audited the annual financial statements of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim and Mainz, comprising the balance sheet as at 31 December 2018 and the profit and loss statement for the financial year from 1 January to 31 December 2018 as well as the Notes, including the presentation of accounting and valuation methods. Furthermore, we audited the combined management report of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim and Mainz for the financial year from 1 January to 31 December 2018. In accordance with German statutory regulations, we have not audited the content of the combined non-financial statement included in the combined management report.

According to our assessment on the basis of the knowledge acquired in the course of the audit,

- the accompanying annual financial statements comply in all material respects with German commercial law regulations applicable to credit and financial institutions and give a true and fair view of the net assets and financial position of the Bank as at 31 December 2018 and its results of operations for the financial year from 1 January to 31 December 2018 in accordance with German generally accepted accounting principles; and
- the accompanying combined management report accurately represents the Bank's position. The combined management report is consistent in all material respects with the annual financial statements and in accordance with German statutory provisions, and accurately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not refer to the contents of the above-mentioned combined non-financial statement.

In accordance with Section 322 (3) Sentence 1 HGB we state that our audit has not led to any objections to the correctness of the annual financial statements and the combined management report.

### Basis for our audit opinions

We performed our audit of the annual financial statements and the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014) as well as the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibility in accordance with these provisions and principles is described in more detail in the section »Responsibility of the statutory auditor for the audit of the annual financial statements and the combined management report« of our auditor's report. We are independent from the Company in accordance with the provisions of European law and German commercial and professional law, and we have also met our other German professional obligations in accordance with these requirements. We furthermore state in accordance with Article 10 (2) (f) of the EU Audit Regulation that we have not provided any prohibited non-audit services as defined in Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements and the combined management report.

## Key audit matters in the audit of the annual financial statements

Key audit matters are such audit matters that, after due consideration, are the most significant for the audit of the annual financial statements for the financial year from 1 January to 31 December 2018. These matters were taken into account in our audit of the annual financial statements as a whole and in forming our audit opinion thereof. We are not issuing a separate audit opinion on these matters.

### Calculation of the fair values of financial instruments based on valuation models

With regard to the accounting and valuation methods applied by Landesbank Baden-Württemberg, please refer to section 2 of the Notes.

#### RISK TO THE FINANCIAL STATEMENTS

Assets and liabilities in the trading portfolio are measured at fair value in accordance with Section 340e HGB. For some of the derivative instruments (EUR 8,596 million and EUR 7,164 million) as well as debentures and other fixed-income securities (EUR 6,529 million) carried under these items, no market prices are observable. Their fair values must therefore be determined based on generally accepted valuation methods. The choice of valuation models and their parameterization are, in part, discretionary. It was therefore particularly important for our audit that the calculation of the fair values be based on appropriate valuation models and parameters.

#### APPROACH ADOPTED IN THE AUDIT

Based on our risk assessment and the assessment of the risk of error, we derived our audit opinion from both control-based audit procedures and substantive audit procedures. Accordingly, we performed the following audit procedures, amongst others:

As a first step, we obtained an insight into the development of the financial instruments in the trading portfolio, the associated risks and the internal control system with regard to the valuation of the financial instruments in the trading portfolio.

Moreover, we satisfied ourselves that LBBW had implemented appropriate and effective risk management. Our main goal was to determine whether the valuation is consistent with the written policy on the model-based calculation of the fair value.

The assessment of the appropriateness and effectiveness of the control system covered in particular that the valuation models implemented and the valuation parameters involved are validated independent of trading, both when they are introduced as well as regularly and on an ad hoc basis. On the basis of a random sample of transactions, we also examined if the model valuations were performed and documented appropriately, if the valuation models implemented were appropriate and if the valuation parameters involved were also validated on a regular basis. In addition, we audited the control of the revaluation of the trading transactions independently of trading by an organizational unit which is independent of trading.

In addition, our internal KPMG valuation specialists implemented a revaluation of products on the basis of a deliberate selection of materiality and risk aspects and compared the results with the values calculated by LBBW. In the revaluation, price and market information observed on the market were used.

For a representative random sample of all products, we examined the parameters relevant for the valuation on the reporting date.

## OUR CONCLUSIONS

The valuation models used to calculate the fair values of the trading portfolios for which no market prices are observable are appropriate. The valuation parameters underlying the valuation are derived appropriately.

### Calculation of specific loan loss provision for loans and advances to customers in the case of significant loans

With regard to the accounting and valuation methods applied by Landesbank Baden-Württemberg, please refer to section 2 of the Notes.

## RISK TO THE FINANCIAL STATEMENTS

Loans and advances to customers amounted to EUR 109,734 million as at 31 December 2018. The majority of the specific and portfolio loan loss provision (impaired) to account for acute default risks relate to specific loan loss provision for significant loans.

Under the principles of prudent valuation pursuant to Section 252 (1) no. 4 HGB, specific loan loss provision must be formed in order to take account of acute default risks. The determination of specific loan loss provision for loans and advances to customers is discretionary. It contains assumptions about the possible scenarios, their probabilities and contractual cash flows still expected per scenario and/or about the expected cash flows from the realization of the loan collateral provided per scenario. The assumptions are made depending on the selected restructuring and/or liquidation strategy.

It was therefore important for our audit that necessary specific loan loss provisions are recognized in a timely manner and that appropriate criteria are applied to identify receivables with the need to create specific loan loss provisions. In addition, it was important for our audit that appropriate assumptions were made when determining the specific loan loss provision. Incorrect assumptions mean that counterparty risks are not taken adequately into account and hence receivables are not measured in line with accounting principles.

## APPROACH ADOPTED IN THE AUDIT

Based on our risk assessment and the assessment of the risk of error, we derived our audit opinion from both control-based audit procedures and substantive audit procedures. Accordingly, we performed the following audit procedures, amongst others:

As a first step, we obtained an insight into the development of loans and advances to customers, the associated risks and the internal control system with regard to the management, monitoring and valuation of loans and advances to customers for significant loans.

To assess the appropriateness of the internal control system with regard to the identification, management, monitoring and evaluation of loans and advances to customers, we have audited the relevant organizational guidelines and conducted surveys. Moreover, we satisfied ourselves of the appropriateness, implementation and effectiveness of the relevant controls that the Bank has set up to identify exposures requiring specific loan loss provision and to comply with the system for determining specific loan loss provision. With regard to the IT systems used, we examined the effectiveness of the relevant IT application controls with the involvement of our IT specialists.

We examined the recoverability of loans and advances to customers on the basis of a specific item testing of individual exposures based on materiality and risk aspects. First, we investigated whether the selected exposures match the criteria indicating the need to create a specific loan loss provision. If the criteria indicating the need to create a specific loan loss provision were matched, we assured ourselves that they are correctly taken into account. In the case of impaired exposures, we subsequently assessed whether the restructuring or liquidation strategy on which the valuation was based and the consequent possible strategies determined is consistent with the actual circumstances, and plausibly explained. On this basis,

we examined in particular the assumptions about the contractual cash flows still expected per scenario and/or the expected cash flows per scenario from the realization of the loan collateral provided, and assessed whether the assumptions used in the past were correct. If loan collateral was provided for an exposure which is taken into account in the valuation, we assessed the legal validity and the fair value of this collateral. In this context, we used, where applicable, independent expert valuations as a basis for our opinion and assessed, on the basis of publicly available information, whether their assumptions were derived from suitable internal and external sources in an appropriate manner. To this end, we used information such as market studies, market prices and yield analyses. On this matter we involved our real estate valuation specialists for selected collateral objects. Finally, we verified whether the required specific loan loss provision was accurately calculated and recorded in the accounting system.

In addition, we examined a sample of individual commitments that had not been included in our specific item testing and checked whether the criteria for identifying exposures requiring specific loan loss provision were applied appropriately and, if necessary, led to the recognition of a specific loan loss provision.

#### **OUR CONCLUSIONS**

The criteria to identify exposures requiring specific loan loss provisions are appropriate. The assumptions about possible scenarios and their probabilities the amount of contractual cash flows still expected per scenario and/or the amount of cash flows expected from the realization of the loan collateral provided were derived appropriately and used in accordance with the accounting principles applicable for the measurement of specific loan loss provision.

#### **Other information**

The legal representatives are responsible for other information. Other information comprises:

- the combined non-financial statement and
- the other parts of the annual report, with the exception of the audited annual financial statements and combined management report as well as our auditor's report.

Our audit opinion on the annual financial statements and the combined management report does not include other information. We therefore do not offer an audit opinion nor any other form of audit conclusion regarding this.

In connection with our audit, it is our responsibility to read the other information and to assess whether the other information is free of

- material inconsistencies with the annual financial statements, the combined management report or our knowledge gained during the audit, or
- otherwise appears to be materially incorrect.

## **Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the combined management report**

The legal representatives are responsible for the preparation of the annual financial statements in accordance with the requirements of German commercial law applicable to credit and financial institutions in all material aspects and for the presentation of a true and fair view of the net assets, financial position and results of operations of the Bank in the annual financial statements in accordance with German generally accepted accounting principles. The legal representatives are also responsible for the internal controls they have identified as necessary in accordance with German generally accepted accounting principles in order to allow the preparation of the annual financial statements which are free from material misstatement, whether intentional or not.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Bank's ability to continue as a going concern. They are also responsible for disclosing, where relevant, matters relating to the going concern assumption for the Bank. In addition, they have responsibility for accounting on the basis of the going concern principle unless this is contrary to actual or legal circumstances.

The legal representatives are also responsible for the preparation of the combined management report, which as a whole provides an accurate picture of the Bank's position, is consistent in all material respects with the annual financial statements, complies with German law and adequately depicts the opportunities and risks presented in the future performance. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary to enable the preparation of a combined management report in accordance with the applicable German statutory requirements and to provide sufficient suitable evidence for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the Bank's accounting process for the preparation of the annual financial statements and the combined management report.

## **Responsibility of the statutory auditor for the audit of the annual financial statements and the combined management report**

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatements, whether intentional or not, and whether the combined management report as a whole provides an accurate picture of the Bank's position and, in all material respects, is in accordance with the annual financial statements and the findings of our audit as well as German statutory requirements and accurately depicts the opportunities and risks presented by the future performance, and to issue an audit certificate that includes our audit opinion on the annual financial statements and the combined management report.

Reasonable assurance represents a high degree of certainty, but no guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation as well as the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW) will always reveal a material misstatement. Misstatements may result from infringements or inaccuracies and are considered material if it could reasonably be expected that they will, individually or collectively, influence the economic decisions of addressees made on the basis of these annual financial statements and the combined management report.

During our audit we exercise professional judgement and due skepticism. Moreover,

- we identify and assess the risks of material misstatements, whether intentional or not, in the annual financial statements and the combined management report, plan and perform audit procedures in response to these risks, and obtain audit evidence which is sufficient and appropriate to form the basis for our audit opinion. The risk that material misrepresentations are not detected is higher in the case of violations than in the case of inaccuracies, since violations may involve fraudulent interaction, forgery, intentional incompleteness, misleading representations or the repeal of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the annual financial statements and the arrangements and measures relevant to the audit of the combined management report that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems applied by the Bank.
- we express an opinion on the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated amounts and related information presented by the legal representatives.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and assess, based on the audit evidence obtained, whether there is material uncertainty in connection with events or circumstances that could raise significant doubts about the Bank's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the annual financial statements and the combined management report in our audit certificate or, if this information is inadequate, to modify our respective audit opinion. We draw our conclusions based on audit evidence obtained by the date of our audit opinion. However, future events or circumstances may prevent the Bank from continuing its business activities in the future.
- we express an opinion on the overall presentation, structure and content of the annual financial statements, including the disclosures, and assess whether the annual financial statements present the underlying transactions and events such that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Bank in accordance with German generally accepted accounting principles.
- we assess the consistency of the combined management report with the annual financial statements, its compliance with the law and the picture it portrays of the Bank's position.
- we conduct audit procedures on the forward-looking statements presented by the legal representatives in the combined management report. Based on sufficient appropriate audit evidence, we retrace in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not issue a separate audit opinion on the forward-looking statements and the underlying assumptions. There is significant, unavoidable risk that future events could differ materially from the forward-looking statements.



We discuss with those responsible for governance issues such as the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We make a statement to those responsible for governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be expected to affect our independence, and the safeguarding measures taken in this respect.

From the matters that we discussed with those responsible for governance, we determine those matters that were most significant in the audit of the annual financial statements for the current reporting period and are therefore considered key audit matters. We describe these matters in the auditor's report, unless laws or other statutory provisions prohibit a public disclosure of such facts.

## Other statutory and regulatory requirements

### Other disclosures in accordance with Article 10 of the EU Audit Regulation

We were appointed statutory auditor of the annual financial statements by the annual general meeting on 4 June 2018. We received our mandate from the Audit Committee on 19 June 2018. We have been in continuous practice as statutory auditor of the annual financial statements of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim and Mainz since the 2010 financial year.

We state that the audit opinions contained in this audit certificate are consistent with the additional report to the Supervisory Board in accordance with Article 11 of the EU Audit Regulation (audit report).

## Responsible statutory auditor

The statutory auditor responsible for the audit is Klaus-Ulrich Pfeiffer.

Stuttgart, 8 March 2019

KPMG AG

Wirtschaftsprüfungsgesellschaft

Signed Pfeiffer

Responsible statutory auditor

Signed Kühn

Responsible statutory auditor

**Landesbank Baden-Württemberg**

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