Reliable performance.
The annual report 2015.

Landesbank Baden-Württemberg

LBBW

Key figures of the LBBW Group.

Income statement (EUR million)	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014[1]
Net interest income	1 654	1 878
Allowances for losses on loans and advances	– 55	– 104
Net fee and commission income	498	518
Net gains/losses from financial instruments measured at fair value through profit or loss	226	– 120
Net gains/losses from financial investments and net income/expenses from investments accounted for using the equity method	94	263
Other operating income/expenses	134	101
Total operating income/expenses (after allowances for losses on loans and advances)	**2 551**	**2 536**
Administrative expenses	– 1 782	– 1 770
Guarantee commission for the State of Baden-Württemberg	– 121	– 191
Expenses for bank levy and deposit guarantee system	– 73	– 82
Impairment of goodwill	0	– 16
Net income/expenses from restructuring	– 44	1
Consolidated profit/loss before tax	**531**	**477**
Income taxes	– 109	– 39
Net consolidated profit/loss	**422**	**438**
Key figures in %	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014[1]
Return on equity (RoE)	4.1	3.7
Cost/income ratio (CIR)	70.9	74.5
Balance sheet figures (EUR billion)	31 Dec. 2015	31 Dec. 2014
Total assets	234.0	266.3
Equity	13.6	13.2
Ratios in accordance with CRR/CRD IV (with transitional rules)	31 Dec. 2015	31 Dec. 2014
Risk weighted assets (EUR billion)	74.5	82.2
Common equity Tier 1 (CET 1) capital ratio (in %)	16.4	14.6
Total capital ratio (in %)	21.9	19.9
Ratios in accordance with CRR/CRD IV (Basel III after full implementation)	31 Dec. 2015	31 Dec. 2014
Risk weighted assets (EUR billion)	74.5	82.2
Common equity Tier 1 (CET 1) capital ratio (in %)	15.6	13.6
Total capital ratio (in %)	21.4	18.9
Employees	31 Dec. 2015	31 Dec. 2014
Group	11 120	11 117

Rating (4 March 2016)

Rating	Moody's Investors Service
Long-term rating (non-guaranteed obligations)	
Long-term bank deposits	Aa3, stable
Senior unsecured and long-term issuer ratings	A1, stable
Short-term rating	P–1
Financial strength	baa3
Public-sector covered bonds	Aaa
Mortgage-backed covered bonds	Aaa

Rating	Fitch Ratings
Long-term rating (non-guaranteed obligations)	A–, stable
Short-term rating	F1
Financial strength	bbb
Public-sector covered bonds	AAA
Mortgage-backed covered bonds	–

1) After taking into account adjustments pursuant to IAS 8 and IFRS 10.
Figures may be subject to rounding differences.

2015

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Foreword and Reports.

Foreword by the Board of Managing Directors.

Dear customers,
dear business partners of the LBBW Group,

In the past year we continued delivering good results despite challenging conditions. In 2015, we once again increased our consolidated profit before tax to EUR 531 million, an improvement on the previous year and a pleasing achievement, especially as the underlying conditions in the banking sector have remained tough. Net consolidated profit after tax totaled EUR 422 million, slightly below the prior year's figure, when we reported an exceptionally low tax rate, as previously reported. In 2015 net profit before tax amounted to EUR 385 million for LBBW (Bank).

Once again, the defining features of the year 2015 were increasing regulation, historically low interest rates and intense competition. In particular, the implementation of ever more complex regulatory and supervisory requirements by a range of players on the national, European and international level is having a major impact on cost development in the banking sector. Accordingly, costs attributable to regulatory issues rose to more than EUR 200 million for our Company in the year under review. The digitalization process is a further challenge to the capacity of our sector to adapt and be innovative.

LBBW is well-equipped to tackle the necessary changes. We have a balanced business model that has enabled us to generate reliable income for years, supported by economic stability in our core markets. With our long-term oriented business approach and our performance capacity in numerous sectors, we have carved ourselves a strong position in the markets, once again convincing many customers in the year under review. This applies for instance to bespoke financial solutions for corporate customers. We were able to successfully support a whole range of major transactions and again confirmed our leading position with debt certificates, which are being utilized more frequently.

Building on this solid basis, we have launched numerous initiatives and projects within the Bank aimed at sustainably securing the future of our Company in an environment undergoing dynamic change. One such measure is investing in a new core banking system that we plan to implement in 2017. It will create the foundation for greater digitalization, standardization and optimization of our business processes. Furthermore, we plan to realign our capital markets business activities to shift our customer advisory services to an over again stronger solution-oriented than product-oriented approach. We will also continue to develop our private customer business to take changes in customer behavior into account. Digital offerings will be expanded and our branch network will be adjusted. We expect these programs to yield cost savings and also sustainably strengthen our profitability and competitive position.

In view of stricter capitalization rules we continued to consolidate our capital resources in 2015. One of the measures was raising additional subordinated capital amounting to EUR 500 million. Another was a further reduction in risk weighted assets from EUR 82.2 billion to EUR 74.5 billion. At year close 2015 LBBW Group thus had a total capital ratio in accordance with CRR/CRD IV of 21.9% based on the transitional rules and 21.4% on a fully loaded basis. The common equity Tier 1 capital ratio of our Company was 16.4% based on the transitional rules and 15.6% fully loaded. The leverage ratio in accordance with CRR/CRD IV amounted to 4.7% at full application. Our Company is therefore one of the best capitalized banks in Germany. After massively reducing risk positions in the past years, the LBBW Group has a risk profile that is commensurate with our business model and regulatory requirements. At the same time, the good quality of our credit portfolio underscores the high risk awareness with which we will continue to operate.

We expect the underlying conditions in the German banking market to remain challenging in 2016. Pressure on costs and income is unlikely to go away. This is precisely why we plan to push systematically ahead with the change processes mentioned this year. A further focus will be on how the regulatory authorities' increasing requirements can be handled in an effective and forward-looking manner. In our customer business, we aim to continue operating as a reliable partner, delivering excellent performance and outstanding service, and thus keep selectively expanding our strong market position.

Despite modest growth in the operating customer business we expect consolidated profit before tax slightly below the previous year's level in 2016 due to greater investment in the future viability of the Bank, especially in the area of IT, and allowances for losses on loans and advances returning to a normal level.

We would like to take this opportunity to thank our customers for again, in the past year, making us the financial partner you trust in. We and all our staff are looking forward to assisting you with our expertise in all questions relating to the banking business in 2016. We would also like to thank our owners for continued collaboration based on mutual trust.

Yours sincerely,

The Board of Managing Directors

HANS-JÖRG VETTER
Chairman

MICHAEL HORN
Deputy Chairman

KARL MANFRED LOCHNER

INGO MANDT

ALEXANDER FREIHERR VON USLAR-GLEICHEN

VOLKER WIRTH

Report of the Supervisory Board.

Ladies and gentlemen,

In the past financial year we advised the Board of Managing Directors of LBBW on the management of the Company and regularly monitored its performance. The Board of Managing Directors provided us with regular, timely, and comprehensive information concerning key developments at the Bank and the Group in 2015. The economic situation of the individual business units and the business situation of the LBBW Group was intensely discussed. Moreover, we were kept abreast of the risk, liquidity and capital management of the Bank, as well as of transactions and events of considerable importance for the Bank, and advised the Board of Managing Directors on these matters. In addition to this, we exchanged ideas with the Board of Managing Directors on significant developments in the establishment of the European Banking Union while critically scrutinizing and monitoring LBBW's management and corporate planning. Between the meetings I, in my capacity as Chairman of the Supervisory Board, maintained regular contact with the Chairman of the Board of Managing Directors. The Supervisory Board was involved in decisions of major importance for LBBW and, when required, granted its approval after extensive consultation and examination. The Supervisory Board and its committees performed the duties entrusted to them in accordance with the law and the articles of association.

In the past financial year the entire financial sector was affected to a considerable degree by the historically low interest rates, demanding regulatory requirement and intense competition. LBBW's solid capitalization in a sector comparison underscores the viability of its customer-driven business model. The Bank is systematically pursuing its strategy of the risk-conscious development of optimum customer assistance and is seeking to further improve its internal processes and competitiveness.

Supervisory Board meetings.

In the year under review, the Supervisory Board held a total of five meetings, each of which was attended by representatives of the competent statutory or regulatory authorities.

All the ordinary meetings of the Supervisory Board dealt with the regular reports submitted by the Board of Managing Directors on the ongoing situation, in particular current income and expenditure trends, the development of risk and capital ratios and corresponding comparisons between actual figures and targets as well as the detailed reports from the committees drawn up by the respective committee chairpersons. We critically reviewed the reports of the Board of Managing Directors for the Supervisory Board and its committees and, in some cases, requested additional information, which was always provided promptly and to our satisfaction. Where necessary, we passed the requisite resolutions on matters relating to the Board of Managing Directors and in response to changes in the corporate bodies. In 2015, we again deliberated on numerous statutory and regulatory changes. Apart from the future requirements with regard to the joint liability scheme of the German Savings Banks Finance Group (DSGV), the guidelines of the EBA with regard to the Supervisory Review and Evaluation Process (SREP) and the individual capital requirements for each bank that are derived from this, it also includes potential additional requirements with regard to the availability of bail-ineligible liabilities.

Our first meeting of the year on 23 February 2015 was dominated by an examination of the preliminery results for the 2014 financial year and the discussion of supervisory-law issues, such as the new requirements for the structure of DSGV's joint liability scheme. In addition, we deliberated on the planned acquisition of NORD/LB's custodian business by LBBW. Moreover, we exchanged views with the Board of Managing Directors on the branch structure in private customer business.

The focus of our meeting on 26 March 2015 was the 2014 annual financial statements. The decisions were based on the recommendations of the Audit Committee and the detailed explanations on the results of the audit of the annual financial statements provided by statutory auditor KPMG. In the course of the meeting we acknowledged the report by the Board of Managing Directors on the 2014 financial year, approved the 2014 financial statements and acknowledged the consolidated financial statements for 2014. In addition to this we approved the proposal made by the Audit Committee and recommended to the annual general meeting that KPMG be appointed as statutory auditor in accordance with Section 36 of the German Securities Trading Act (WpHG) for the 2015 financial year. Moreover, we discussed the book value of selected equity investments and exchanged views on the proposed expansion of LBBW's international network to include the new representative offices in Istanbul and Tashkent. Another topic concerned an additional discussion on the further development of the joint liability scheme.

Based on previous discussions, at our extraordinary Supervisory Board meeting on 6 May 2015 we approved the consent of LBBW at the members' meeting of the German Savings Banks Finance Group to amend the articles of association of Sparkassen-Finanzgruppe's joint liability scheme.

On 9 June 2015 the constituent meeting of the Supervisory Board was held after the annual general meeting on 11 May 2015 had appointed the new members of the Supervisory Board of Landesbank Baden-Württemberg as scheduled. At our constituent meeting the Chairman of the Supervisory Board and his deputy were elected, the members of the four Supervisory Board committees were appointed and all members of the Supervisory Board informed of their duties.

At the meeting on 26 June 2015 we acknowledged the focus report of Finance/Controlling and adopted various changes to the Advisory Board of LBBW/BW-Bank and LBBW Rheinland-Pfalz Bank. We also acknowledged the business performance in the individual segments, exchanged views on the response received from the Federal Financial Supervisory Authority (BaFin) on the 2014 restructuring plan and discussed the bank-individual capital requirements as well as the impact of the review of LBBW's rating by agencies Fitch and Moody's.

As part of regular reporting to the Supervisory board the Board of Managing Directors outlined at our meeting on 5 October 2015 developments in the automotive sector against the backdrop of the discussions surrounding emission figures. In addition, we discussed with the Board of Managing Directors the valuation calculated for LBBW in the new Supervisory Review and Evaluation Process (SREP), the ECB's response to the 2014 restructuring plan and developments in the ongoing MaSan process. We approved the replacement purchase of subordinated capital in the form of an anticipatory resolution. We also took note of the remuneration report for the 2014 financial year and the report by the Remuneration Officer in addition, we gave our views on the reappointment of the Remuneration Officer. Another focus of the meeting was the discussion about the annual evaluation of the Board of Managing Directors and the Supervisory Board in accordance with Section 25d of the German Banking Act (KWG).

Our extraordinary meeting on 30 November 2015 focused on a discussion of the business strategy for 2016. The Board of Managing Director reported principally on the strategic further development of private customer business and capital markets business. In particular, the Bank's future alignment in branch business was discussed in view of the challenges presented by the changes in customer behavior and digitization.

At the last meeting of the year, on 14 December 2015, we approved the business plan for the 2016 financial year and took note of the medium-term planning for 2017 – 2020. We also dealt with the transformation of the systems landscape within LBBW and the update of the Bank's restructuring plan. In addition, we discussed the Bank's personnel strategy and the budget for variable remuneration in the 2016 financial year.

No resolutions were passed outside the meetings.

Supervisory Board committees.

The Supervisory Board established a total of four committees from among its members: the Risk Committee, Audit Committee, Remuneration Control Committee and Executive Committee, with the latter assuming the statutory duties of the Nomination Committee. The current membership of the committees is printed on page 16 of this Annual Report. Due to the reconstitution of the Supervisory Board and its committees, new chairmen and deputy chairmen were elected for the committees.

The Executive Committee met eight times in the period under review. Its deliberations dealt with the preparation of the meetings of the full Supervisory Board, especially personnel matters and legal issues as well as preparations for the election of the Supervisory Board members. Furthermore, the Executive Committee dealt with the evaluation of the 2015 Board of Managing Directors and Supervisory Board in accordance with the German Banking Act, the review of the principles for the appointment of senior management and the current status of the presence of the underrepresented gender in the Supervisory Board.

The Remuneration Control Committee fulfilled its statutory responsibilities in a total of five meetings. In particular it reviewed LBBW's remuneration systems according to the Remuneration Ordinance for Institutions (Institutsvergütungsverordnung). In this connection the committee maintained close contact with the Remuneration Officer. The committee also took note of the report on the remuneration system and the report by the Remuneration Officer. In its original responsibility the Remuneration Control Committee moreover deliberated on questions relating to the remuneration of the Board of Managing Directors and prepared decisions to be taken by the Supervisory Board.

The Audit Committee held a total of four meetings in 2015. In the presence of the statutory auditor KPMG, it discussed the annual financial statements and the consolidated financial statements of LBBW as well as the audit reports. It requested the auditor's declaration of independence and prepared the Supervisory Board's recommendation to the annual general meeting concerning the reappointment of KPMG. The Audit Committee also agreed on the main points of the audit and the fee with the statutory auditor. Furthermore, the Audit Committee discussed the half-yearly financial report with the Board of Managing Directors and the statutory auditor. In addition it discussed mandates for the statutory auditor for the provision of project-related services outside the scope of the statutory audit. The Audit Committee received regular reports on the current status and results of the audit of annual financial statements. As well as this, it satisfied itself of the efficacy of internal control, risk, auditing and compliance systems and monitored the accounting process. The Audit Committee oversaw the main activities of the Internal Auditing department and its material and staffing resources. Representatives of the Bank's Compliance, Risk Controlling and Group Auditing departments reported to the Committee regularly on matters of current relevance. In particular, the Audit Committee took note of the report on the efficacy of the risk management system, the annual report by the Anti Money Laundering Officer and the annual report on the design of the internal control system and the compliance report. Furthermore, the Audit Committee was kept informed of the progress of special audits and complaints by the regulatory authorities and acknowledged the report on the validation of algorithmic trading.

In a total of nine meetings, the Risk Committee held in-depth discussions on the Bank's risk situation and risk management as well as its exposure for which reporting duties apply in accordance with the law, the articles of association and the bylaws, granting its approval where this was required in individual cases. Specifically, the Committee dealt with the Bank's credit, market-price, liquidity and operational risks, which together with calculations of the Bank's risk-bearing capacity formed part of the regular risk reports of the Board of Managing Directors. Over and above this, the Committee confirmed that the incentives set by the remuneration system take account of the Bank's risk, capital and liquidity structure as well as of the probability and due dates of earnings. The Risk Committee discussed the Group risk strategy derived from the business strategy, including the market-price, liquidity, equity-investment and operational risk strategy, with the Board of Managing Directors. Various portfolios were examined in detail in the light of economic or regulatory developments. The Risk Committee also regularly dealt with the remaining holdings of a wind-down portfolio.

The members of the Supervisory Board were kept regularly informed of the work of the committees and the resolutions which they passed via the reports submitted by the respective chairpersons of the committees.

All members of the Supervisory Board attended the meetings of the Supervisory Board and the committees in 2015, with only a few exceptions (average attendance 90%).

Training and development measures.

The members of the Supervisory Board assumed responsibility for taking part in the training and development measures which they required to perform their duties. They were given appropriate support for this by LBBW. In addition to individual development measures, the Supervisory Board received training in a total of three sessions. These sessions dealt with the topics of »IT strategy – overview, trends, market«, »Key financials in accounting« and »Requirements for supervisory board members and corporate governance«. Moreover, the training event »New regulatory provisions« provided an outlook of the upcoming regulatory, accounting and legal issues for 2016.

Annual and consolidated financial statements.

The statutory auditor KPMG audited the annual financial statements and the consolidated financial statements of LBBW for 2015 including the management report, issuing an unqualified auditor's certificate. The annual financial statements were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The documentation relating to the financial statements and the principal auditor's reports were forwarded to all members of the Supervisory Board in good time. Furthermore, the members of the Audit Committee received all the relevant audit reports. The auditor attended the meetings of the Audit Committee and the Supervisory Board, elaborated on the main results of the audit and was available to answer any questions. At its balance sheet meeting on 4 April 2016 the Audit Committee discussed the documentation relating to the financial statements in detail with the Board of Managing Directors and the statutory auditor.

At its meeting on 7 April 2016, following an assessment of the reports and an in-depth discussion, the Supervisory Board accepted the recommendation of the Audit Committee that there were no objections to be made to the annual and consolidated financial statements. The Supervisory Board adopted the annual financial statements drawn up as of 31 December 2015 and approved the consolidated financial statements for 2015.

Conflicts of interest.

The Risk Committee dealt with the credit approvals stipulated by Section 15 of the German Banking Act and in accordance with its bylaws. Those members of the Supervisory Board who at the time at which the resolutions were passed were members of the decision-making bodies of the borrowers concerned or were exposed to a possible conflict of interests for any other reasons did not participate in the deliberations and voting.

Legal matters.

The Supervisory Board and the individual committees continuously obtained detailed information on any significant legal matters. Where necessary, we consulted with external specialists.

Personnel changes in the Board of Managing Directors and the Supervisory Board.

There were various changes within the Supervisory Board of LBBW due to its scheduled reconstitution.

At the suggestion of the owners Mr. Christian Brand, former chairman of the Board of Management of L-Bank, Ms. Uta-Micaela Dürig, Managing Director of Robert Bosch Stiftung GmbH, and Ms. B. Jutta Schneider, Cooperate Executive Vice President of Global Consulting Delivery SAP Deutschland SE & Co. KG, were elected as new members of LBBW's Supervisory Board.

The seven employee representatives were elected by the Bank's employees on 19 March 2015 and confirmed by the annual general meeting in line with the outcome of the vote. Mr. Christian Hirsch, Ms. Sabine Lehmann, Mr. Christian Rogg and Dr. Brigitte Thamm were elected as new member of Landesbank Baden-Württemberg's Supervisory Board on 9 June 2015.

At the suggestion of the annual general meeting the Supervisory Board at its meeting on 9 June 2015 elected the undersigned as Chairman of the Supervisory Board and Dr. Nils Schmid MdL, Minister of Finance and Economics, as deputy.

At its meeting on 14 December 2015 the Supervisory Board decided to reassign some of the responsibilities within the Board of Managing Directors. Dr. Martin Setzer, Chief Operating Officer, previously responsible principally for information technology, bank operations, payments, securities settlement and transformation management, left the Board of Managing Directors by mutual agreement on the most amicable of terms on 31 December 2015 in order to pursue fresh challenges. As of 1 January 2016 the number of members on the Board of Managing Directors was therefore reduced to six.

On behalf of the members of the Supervisory Board I would like to thank the Board of Managing Directors as well as the staff for their great personal dedication and hard work – especially against the backdrop of ever increasing competition and the pronounced regulatory challenges – in the 2015 financial year.

For the Supervisory Board

CHRISTIAN BRAND
Chairman

Supervisory Board of LBBW.

Chairman.

CHRISTIAN BRAND
from 9 June 2015
Former chairman of the Board of Management of L-Bank

HANS WAGENER
until 31 May 2015
Auditor, tax consultant

Deputy Chairman.

DR. NILS SCHMID MDL
Deputy Minister-President,
Minister of Finance and Economics of the State of Baden-Württemberg

Members.

HANS BAUER
until 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

CARSTEN CLAUS
Chairman of the Board of Managing Directors of Kreissparkasse Böblingen

HARALD COBLENZ
until 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

WOLFGANG DIETZ
Lord Mayor of the town of Weil am Rhein

UTA-MICAELA DÜRIG
from 9 June 2015
Managing Director of Robert Bosch Stiftung GmbH

WALTER FRÖSCHLE
Employee Representative of Landesbank Baden-Württemberg

HELMUT HIMMELSBACH
Member of the Supervisory Board of Württembergischen Gemeinde-Versicherung a.G.

CHRISTIAN HIRSCH
from 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

JENS JUNGBAUER
until 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

BETTINA KIES-HARTMANN
Employee Representative of Landesbank Baden-Württemberg

FRITZ KUHN
Lord Mayor of the State Capital Stuttgart

SABINE LEHMANN
from 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

KLAUS-PETER MURAWSKI
State Secretary in the State Ministry of Baden-Württemberg and Head of the State Chancellery

GÜNTHER NOLLERT
until 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

DR. FRITZ OESTERLE
Attorney at law, law firm Oesterle

MARTIN PETERS
Managing Partner of the Eberspächer Group

NORBERT H. QUACK
until 9 June 2015
Attorney at law, notary, law firm Quack Gutterer & Partner

CHRISTIAN ROGG
from 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

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

B. JUTTA SCHNEIDER
from 9 June 2015
Member of the Board of Managing Directors of Global Consulting Delivery SAP Deutschland SE & Co. KG

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

DR.-ING. HANS-JOCHEM STEIM
until 9 June 2015
Chairman of the Supervisory Board of Hugo Kern und Liebers GmbH & Co. KG

DR. JUTTA STUIBLE-TREDER
Managing Partner of EversheimStuible Treuberater GmbH

DR. BRIGITTE THAMM
from 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

NORBERT ZIPF
Employee Representative of Landesbank Baden-Württemberg

The annual general meeting of LBBW on 11 May 2015 appointed the members of the Supervisory Board for its second term of office. Until its constituent meeting on 9 June 2015 the previous members of the Supervisory Board continued its operations in accordance with section 12 (5) para. 6 of the articles of association of LBBW.

Executive Committee of LBBW.

Chairman.

CHRISTIAN BRAND
from 9 June 2015 Member
from 26 June 2015 Chairman
Former chairman of the Board of Management of L-Bank

HANS WAGENER
until 31 May 2015
Auditor, tax consultant

Deputy Chairman.

DR. NILS SCHMID MDL
Deputy Minister-President,
Minister of Finance and Economics of the State of Baden-Württemberg

Members.

FRITZ KUHN
Lord Mayor of the State Capital Stuttgart

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

NORBERT ZIPF
Employee Representative of Landesbank Baden-Württemberg

Remuneration Control Committee of LBBW.

Chairman.

CHRISTIAN BRAND
from 9 June 2015 Member
from 26 June 2015 Chairman
Former chairman of the Board of Management of L-Bank

HANS WAGENER
until 31 May 2015
Auditor, tax consultant

Deputy Chairman.

DR. NILS SCHMID MDL
Deputy Minister-President,
Minister of Finance and Economics of the State of Baden-Württemberg

Members.

FRITZ KUHN
Lord Mayor of the State Capital Stuttgart

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

NORBERT ZIPF
Employee Representative of Landesbank Baden-Württemberg

Audit Committee of LBBW.

Chairman.

CARSTEN CLAUS
Chairman of the Board of Managing Directors of Kreissparkasse Böblingen

Deputy Chairman.

KLAUS-PETER MURAWSKI
State Secretary in the State Ministry of Baden-Württemberg and Head of the State Chancellery

Members.

UTA-MICAELA DÜRIG
from 9 June 2015
Managing Director of Robert Bosch Stiftung GmbH

HELMUT HIMMELSBACH
Member of the Supervisory Board of Württembergischen Gemeinde-Versicherung a.G.

SABINE LEHMANN
from 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

GÜNTHER NOLLERT
until 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

NORBERT H. QUACK
until 9 June 2015
Attorney at law, notary, law firm Quack Gutterer & Partner

B. JUTTA SCHNEIDER
from 9 June 2015
Member of the Board of Managing Directors of Global Consulting Delivery SAP Deutschland SE & Co. KG

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

DR.-ING. HANS-JOCHEM STEIM
until 9 June 2015
Chairman of the Supervisory Board of Hugo Kern und Liebers GmbH & Co. KG

DR. JUTTA STUIBLE-TREDER
Managing Partner of EversheimStuible Treuberater GmbH

Guest.

CHRISTIAN BRAND
from 9 June 2015
Former chairman of the Board of Management of L-Bank

HANS WAGENER
until 31 May 2015
Auditor, tax consultant

Risk Committee of LBBW.

Chairman.

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

Deputy Chairman.

CHRISTIAN BRAND
from 9 June 2015 Member
from 12 June 2015 Deputy Chairman
Former chairman of the Board of Management of L-Bank

HANS WAGENER
until 31 May 2015
Auditor, tax consultant

Members.

CARSTEN CLAUS
Chairman of the Board of Managing Directors of Kreissparkasse Böblingen

WOLFGANG DIETZ
Lord Mayor of the town of Weil am Rhein

WALTER FRÖSCHLE
Employee Representative of Landesbank Baden-Württemberg

DR. FRITZ OESTERLE
Attorney at law, law firm Oesterle

NORBERT H. QUACK
until 9 June 2015
Attorney at law, notary, law firm Quack Gutterer & Partner

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

B. JUTTA SCHNEIDER
from 9 June 2015
Member of the Board of Managing Directors of Global Consulting Delivery SAP Deutschland SE & Co. KG

Corporate governance at LBBW.

LBBW takes account of key aspects of the German Corporate Governance Code. This is a set of essential legal regulations governing the management and monitoring of German listed companies and also contains nationally and internationally recognized standards for good and responsible corporate governance – in the form of recommendations.

As the Code is geared toward listed joint-stock companies, not all points of it are applicable to Landesbank Baden-Württemberg, since LBBW is not a listed bank but an institution incorporated under public law. The relevant supervisory law thus results in special provisions regarding the corporate governance of (listed) credit institutions which are not included in the Code. In addition, several provisions of the German Corporate Governance Code can only be applied analogously to Landesbank Baden-Württemberg. In terms of content, LBBW's corporate governance is oriented very closely to the spirit of the German Corporate Governance Code. For a large number of recommendations of the German Corporate Governance Code there are therefore special regulations in the legislation governing LBBW, in the articles of association and bylaws of the executive bodies and further committees.

At LBBW, management and supervisory rules applicable to corporations are practiced while at the same time it is ensured that independent expertise is drawn on. Although LBBW has the legal form of an institution under public law, its corporate governance is the same as that of a private company. For instance, the tasks of LBBW's annual general meeting and Supervisory Board are regulated as for a joint-stock company although this is not the legal form of LBBW. Furthermore, the members of the LBBW Board of Managing Directors make their decisions independently of any external instructions.

In the wake of the agreements achieved with the EU Commission on LBBW's governance structure, among other things, the independence of the Chairman of the Supervisory Board beyond his current term of office was guaranteed, as stipulated in the ruling of 15 December 2009. Furthermore, the number of independent members of the Supervisory Board was increased from seven to a total of eight, including the Supervisory Board chairman, at the beginning of the new period of office in May 2015. LBBW will be reporting on the observance of these requirements up to and including 2020. Accordingly, the percentage of independent members of the Supervisory Board of LBBW is now more than one third of the total number of members.

Corporate governance, as practiced at LBBW, is presented below. The structure of the report is based on the standards of the German Corporate Governance Code, which is voluntary and not mandatory for LBBW on account of its legal form, as amended on 5 May 2015.

Shareholders and annual general meeting.

Shareholders.

As an institution incorporated under public law, LBBW has not securitized any equities. The shareholders are therefore described as owners (Träger) and not as shareholders.

Landesbank Baden-Württemberg’s owners are:

- Sparkassenverband Baden-Württemberg (SVBW) (Savings Bank Association of Baden-Württemberg) with a 40.534118% stake in the share capital,
- the State of Baden-Württemberg (state) with a 24.988379% stake in the share capital,
- the State Capital of Stuttgart (city) with a 18.931764% stake in the share capital and
- Landesbeteiligungen Baden-Württemberg GmbH (Landesbeteiligungen BW) with a 15.545739% stake in the share capital.

The owners of LBBW assume their rights before or during the annual general meeting within the scope of the opportunities offered by the articles of association and thereby exercise their voting rights. The voting rights of the owners are based on the size of their stake in the share capital, with each euro granting one vote.

Annual general meeting.

At the annual general meeting, the owners exercise their rights over the affairs of LBBW in the absence of any stipulations to the contrary in the legislation governing Landesbank Baden-Württemberg or the articles of association of LBBW. The owners are represented at the annual general meeting by one or several people.

The powers of the annual general meeting encompass the typical tasks of an annual general meeting based on joint-stock companies legislation, for example, voting on the appropriation of net profit, or granting discharge to the members of the Supervisory Board and the Board of Managing Directors. The annual general meeting also makes decisions about the content of the articles of association and any changes thereto, and about key structural measures, such as corporate agreements, setting and changes to the share capital, the issue of profit participation rights and granting of silent partners' contributions. The Supervisory Board decides whether to change the principles of business policy.

The functions of supervising and monitoring the Board of Managing Directors, including the appointment and dismissal of members of this board, lie with the Supervisory Board. The Board of Managing Directors submits the audited annual financial statements to the Supervisory Board for approval in line with LBBW's articles of association.

LBBW's share capital can be increased or decreased by a resolution passed at the annual general meeting. LBBW can accept participatory capital, silent partners' contributions as well as subordinated guarantee capital, and other forms of capital as provided for in the German Banking Act (Kreditwesengesetz) from its owners and third parties.

Each owner with a share in the share capital is entitled to a share in the new share capital based on their shareholding in the event of increases. If one owner fails to exercise their subscription right, this right will accrue to the other owners for a corresponding consideration in a proportion to their share in the share capital, unless they have reached an agreement to the contrary among themselves.

The ordinary general meeting takes place within the first eight months of the year. Further general meetings are called if the good of LBBW so requires and also when the Supervisory Board or an owner makes an application detailing the agenda items. The internal regulations of the annual general meeting provide more details in this respect, particularly as regards the form and deadline for requests that a meeting be held and for the calling of a meeting.

In contrast to a joint-stock company, LBBW provides its owners with the documents required for the annual general meeting, such as the convocation documents for the annual general meeting, directly by e-mail or by mail rather than via its website, in view of the small number of owners.

Interoperation between the Board of Managing Directors and the Supervisory Board.

The Board of Managing Directors and the Supervisory Board work closely together for the good of the Company. The Board of Managing Directors agrees the strategic direction of the Company with the Supervisory Board and they discuss the status of strategy implementation at regular intervals. For business of fundamental importance, the articles of association or the Supervisory Board, the latter also in individual cases, stipulate that the consent of the Supervisory Board is required. Examples include decisions or measures that fundamentally change the Company's net assets, financial position or results of operations.

It is the duty of the Board of Managing Directors to supply the Supervisory Board with information although the Supervisory Board for its part needs to make sure that it is adequately informed. For this purpose, the Supervisory Board sets out the Board of Managing Director's duties of information and reporting in detail. The Board of Managing Directors provides the Supervisory Board with regular, prompt and comprehensive information about all relevant questions relating to planning, business performance, the risk situation, effectiveness of the internal control system, the internal auditing system and compliance. It examines deviations in the business development from the plans and targets drawn up and gives reasons for such deviations.

Reporting by the Board of Managing Directors to the Supervisory Board is generally carried out in written form. Documents required for a decision are generally forwarded to members of the Supervisory Board in good time before the meeting.

The Chairman of the Board of Managing Directors informs the Chairman of the Supervisory Board and the Deputy Chairman about important events, including between the individual meeting dates.

Based on LBBW's and its owners' understanding, good corporate governance requires open discussion between the Board of Managing Directors and the Supervisory Board and internally within the Board of Managing Directors and the Supervisory Board. Full and comprehensive confidentiality is of decisive importance. The members of the Supervisory Board and the Board of Managing Directors are therefore bound to secrecy. This obligation remains even after the end of their activity within the executive bodies of the Landesbank. All members of the executive bodies ensure that employees asked by them to provide support observe the same obligation to secrecy.

The Board of Managing Directors and the Supervisory Board observe the rules of proper corporate governance. Should they culpably breach the due diligence expected of a prudent and conscientious director or Supervisory Board member, they are liable to pay damages to LBBW. There is no breach of obligations for business decisions if the member of the Board of Managing Directors or Supervisory Board may reasonably have assumed that they were acting for the good of the Company on the basis of fair information (business judgment rule).

With regard to the D&O insurance taken out for the Board of Managing Directors, a deductible has been agreed of 10% of the loss up to one and a half times the Board member's annual fixed remuneration. A corresponding deductible was also agreed when the D&O insurance was taken out for the members of the Supervisory Board.

Decisions about granting loans to members of the Board of Managing Directors and the Supervisory Board and related parties are made by the Risk Committee in accordance with Section 15 of the German Banking Act (Kreditwesengesetz). The fact that the Risk Committee is a Supervisory Board committee ensures that the Supervisory Board is involved in the aforesaid lending decisions.

LBBW has been reporting on its corporate governance in a report on corporate governance forming part of the annual report since the 2010 financial year.

Board of Managing Directors.

Duties and responsibilities.

The Board of Managing Directors manages the business of LBBW under its own responsibility pursuant to the law and in the Company's interest, i.e. by taking the needs of the owners, its employees and other groups (stakeholders) affiliated to the Company into account, with the aim of achieving sustainable added value. In accordance with the legal principles of LBBW, it is responsible for any LBBW matters that do not fall within the remit of another authority based on the legislation governing Landesbank Baden-Württemberg or the articles of association of LBBW. In managing the business the members of the Board of Managing Directors exercise the due diligence of a prudent and conscientious business manager. In so doing, the Board of Managing Directors develops the strategic direction of the Company, agrees this with the Supervisory Board and ensures it is implemented. Furthermore, the Board of Managing Directors ensures compliance with the statutory regulations and the Company's internal rules and works toward ensuring that they are observed by LBBW Group companies. The Board of Managing Directors further ensures a reasonable risk management and risk control within the Group.

The Board of Managing Directors is the line superior for all employees of LBBW, including its subsidiaries, branches, stock market offices, representative offices and legally dependent institutions under public law. The Board of Managing Directors strives for diversity and therefore a reasonable inclusion of women, in particular, when filling management positions within the Bank.

Members of the Board of Managing Directors.

The Board of Managing Directors consists of several members. The members of the Board of Managing Directors, the Chairman and his deputy or deputies are determined and appointed by the Supervisory Board. In filling positions on the Board of Managing Directors, the Supervisory Board strives for diversity.

To ensure maximum flexibility, LBBW has refrained from fixing an allocation of competences for the members of the Board of Managing Directors in the bylaws. A schedule of responsibilities governs the departmental responsibilities of individual board members. The Supervisory Board makes decisions about the bylaws of the Board of Managing Directors and about the approval of the proposed allocation of responsibilities.

Remuneration.

Details on the remuneration of the Board of Managing Directors can be found in the remuneration report.

Conflicts of interest.

Members of the Board of Managing Directors are obliged to act in the interests of the Bank. Members of the Board must not pursue personal interests when making their decisions. They are bound by a comprehensive non-compete clause while working for LBBW and must not exploit business opportunities open to the Bank for their own ends. Members of the Board of Managing Directors must not seek or accept undue advantages from third parties in connection with their activities, neither for themselves nor for other persons, or grant undue advantages to third parties.

Every member of the board should disclose any possible conflicts of interest to the Supervisory Board immediately and inform the other board members. All business between LBBW, on the one hand, and the members of the Board of Managing Directors or persons or enterprises closely associated with them, on the other, must satisfy industry standards. Important business requires the consent of the Supervisory Board.

Members of the Board of Managing Directors may only accept secondary activities, in particular appointments to supervisory boards outside the LBBW Group, with the consent of the Executive Committee. The Executive Committee consists of the Chairman of the Supervisory Board, the Deputy Chairman and three members of the Supervisory Board. This ensures that the Supervisory Board is involved in the decision about secondary activities of the Board of Managing Directors.

In the event of a conflict of interests, the member concerned will not take part in the deliberations and voting on the item in question by the Board of Managing Directors. Section 18 paragraphs 1 – 3 and 5 of the Municipal Code for Baden-Württemberg applies accordingly to the members of the Board of Managing Directors in this regard.

Supervisory Board.

Duties and responsibilities.

It is the duty of the Supervisory Board to offer regular advice and oversee the Board of Managing Directors' management of LBBW. It is involved in decisions of key importance to the Company. It is responsible for the appointment and dismissal of the members of the Board of Managing Directors and of the Chairman and Deputy Chairmen of the Board and for setting the remuneration of the Board of Managing Directors. The Supervisory Board is able to appoint deputy board members, who have the same rights and obligations as the board members. The Supervisory Board has set itself its own bylaws. The Supervisory Board has a Chairman and a Deputy Chairman. The Chairman and Deputy Chairman of the Supervisory Board are elected from the Supervisory Board's own number on the basis of a proposal made by the shareholders' meeting in the absence of any requirements to the contrary in the Landesbank Baden-Württemberg Act.

Tasks and powers of the Supervisory Board Chairman.

The Chairman of the Supervisory Board calls a meeting of the Supervisory Board as required, but no less than four times a year, and chairs its meetings. The bylaws for the Supervisory Board set out further details, in particular, the format and deadlines for the calling of meetings. The Chairman coordinates the work in the Supervisory Board, chairs its meetings and attends to the affairs of the Supervisory Board in dealings with outside parties.

The Chairman of the Supervisory Board takes part in the meetings of the Audit Committee as a permanent guest.

The Chairman of the Supervisory Board is in regular contact with the Board of Managing Directors, in particular with its Chairman, and discusses with the latter strategy, business development and risk management at LBBW. The Chairman of the Supervisory Board is informed immediately by the Chairman of the Board of Managing Directors about important events that are of key importance in the assessment of the position and development of the Company and its management. The Chairman of the Supervisory Board then notifies the Supervisory Board and calls an extraordinary meeting of the Supervisory Board if required.

Formation of committees.

Due to the specific circumstances of LBBW and the number of its members, the Supervisory Board has formed four well-qualified committees in the shape of the Executive Committee, the Remuneration Control Committee, the Audit Committee and the Risk Committee. The respective committee chairpersons regularly report on the work of the committees to the Supervisory Board.

The Executive Committee performs the statutory duties of the Nomination Committee; in the absence of anything to the contrary in the legislation on Landesbank Baden-Württemberg, the proposals for the election of members of the Supervisory Board that are submitted to the annual general meeting are prepared solely by the representatives of the owners.

The Audit Committee deals, in particular, with the effectiveness of the internal control system and internal auditing, as well as issues relating to accounting, risk management and compliance. It also monitors the audit of the annual and consolidated financial statements and the required independence of the statutory auditor, and decides on the auditor's fee, in addition to issuing the audit assignment to the auditor; it may determine focal points of the audit. The Chairman of the Audit Committee has specific knowledge and experience of the application of accounting standards and internal control procedures. The Chairman of the Audit Committee is independent and is not a former member of LBBW's Board of Managing Directors.

Members of the Supervisory Board.

The members of the Supervisory Board are elected by the shareholders' meeting unless they are required to be elected by the employees and in the absence of any requirements to the contrary in the Landesbank Baden-Württemberg Act. Eight of the members of the Supervisory Board elected by the annual general meeting, including the Chairman, are independent. Each owner has the right to submit proposals for election.

The composition of the Supervisory Board is such that its members collectively possess the requisite knowledge, skills and technical experience to assume their tasks in due form.

The members of the Supervisory Board assume responsibility for taking part in the training and development measures which they require to perform their duties. They receive reasonable support for this from LBBW, e.g. through the designation of specific seminars and the availability of corresponding lectures. Three specialist seminars were organized in 2015 especially for the Supervisory Board.

To enable the Supervisory Board to provide independent advice and oversee the Board of Managing Directors independently, the Supervisory Board includes independent members, the number of which is set out in LBBW's rules and regulations. Supervisory Board members are seen as independent if they have no business or personal relationship with the Company, its Board of Managing Directors or the owners that could constitute the basis for a conflict of interest. There are no former members of the Board of Managing Directors on the Supervisory Board. Each Supervisory Board member takes care that they have sufficient time to fulfill their role.

If a member of the Supervisory Board has attended half or fewer than half of the meetings of the Supervisory Board or the committees of which he or she is a member in the course of a financial year, a note to that effect is included in the Supervisory Board's report. Attendance is also deemed to include participation via a conference call or video link although this should not be the rule.

Remuneration.

Details on the remuneration of the Supervisory Board can be found in the remuneration report.

Conflicts of interest.

Every member of the Supervisory Board is obliged to act in the interests of the Bank. They may not pursue any personal interests in their decisions, nor use any business opportunities open to the Company for their own advantage. Any conflicts of interest, in particular those that may arise because of an advisory or executive function exercised for customers, suppliers, lenders or other business partners must be disclosed to the Supervisory Board. In the event of a conflict of interests, the member concerned does not participate in the deliberations and voting of the Supervisory Board on the issue in question. Section 18 paragraphs 1 to 3 and 5 of the Municipal Code for Baden-Württemberg applies to the members of the Supervisory Board accordingly in this regard.

Any material conflicts of interest of a non-temporary nature existing in the person of a Supervisory Board member will lead to a member's appointment being terminated. Furthermore, any consulting, other service or employment contracts of a Supervisory Board member with the Company require the Supervisory Board's approval.

The Supervisory Board regularly checks the efficiency of its activities and at least once a year evaluates its structure, size, composition and performance as well as the knowledge, skills and experience both of individual members and of the executive body as a whole.

Transparency.

LBBW deals with its owners equally and without distinction in matters of information.

LBBW supports good contact with its owners. It is the view of LBBW that publication of a financial calendar would not offer any added value. Such a calendar is therefore not provided.

Accounting and audit of the annual accounts.

Accounting.

The owners and third parties are primarily provided with information via the consolidated financial statements. They also receive information during the financial year through the half-yearly financial report. The consolidated financial statements and the abbreviated consolidated financial statements of the half-yearly financial report are compiled in accordance with the relevant international accounting standards.

The consolidated financial statements are compiled by the Board of Managing Directors and audited by the auditor and the Supervisory Board. The Audit Committee, as a Supervisory Board committee, discusses the half-yearly financial reports with the Board of Managing Directors. In addition, the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung) is authorized to check that the consolidated financial statements comply with the applicable accounting standards (enforcement). As a company not listed on the stock market, LBBW publishes its consolidated financial statements and its half-yearly financial reports within the timescale required by the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG). The annual report is published four months after the end of each financial year at the latest (Section 37v WpHG) and the half-yearly financial report two months following the end of the reporting period at the latest (Section 37w WpHG).

In its consolidated financial statements LBBW explains the relationships with representatives of the owners who are considered as related parties within the meaning of the applicable accounting standards.

Audit of the annual accounts.

Prior to submitting the proposal to the annual general meeting for the appointment of the auditor, the Supervisory Board or the Audit Committee obtains a declaration from the proposed auditor stating whether any and, if applicable, which, business, financial and personal or other relationships exist between the auditor and its executive bodies and audit managers, on the one hand, and LBBW and the members of its executive bodies, on the other, which may give reason to doubt the auditor's independence. The declaration also states the extent to which other services were provided for LBBW over the past financial year, in particular in terms of consultancy, and have been contractually agreed for the following financial year.

The Supervisory Board or its Audit Committee commissions the auditor and reaches an agreement with the latter about the fee.

The auditor notifies the Chairman of the Supervisory Board and/or the Chairman of the Audit Committee immediately of any grounds for disqualification or partiality that may emerge during the course of an audit, unless they are rectified immediately.

The Supervisory Board has also stipulated that the auditor will immediately report on all events and findings of importance to the Supervisory Board's duties that may arise while carrying out the audit. The auditor takes part in the deliberations of the Supervisory Board and the Audit Committee relating to the annual financial statements and the consolidated financial statements and reports on the key results of its audit.

Remuneration report.

Board of Managing Directors.

Principles of the remuneration system.

Responsibility.

The Supervisory Board makes decisions on the remuneration system for the members of the Board of Managing Directors, and fixes the remuneration payable to them. The Remuneration Control Committee assumes an important advisory role in this respect and prepares the resolutions of the Supervisory Board.

Principles of the remuneration system.

The remuneration parameters that determine the performance-related variable remuneration are geared toward achieving the targets derived from the Bank's strategy on a sustained basis and support it in reaching its strategic company targets. The performance-related variable remuneration of members of the Board of Managing Directors in 2015 was guided by the Group's overall success; it was measured on the basis of the economic success[1)] over a three-year period, accounting for two-thirds, and the individual Board members' contribution to profit during the current year, accounting for one-third. The individual contribution to success is linked to target agreements that are guided by the business strategy and the business plan. The final decision on the size of the performance-related variable remuneration is made on the basis of the overall target achievement by way of a Supervisory Board decision in the following year.

Alongside sustainability in the decision on performance, sustainability in the payout of the variable remuneration constitutes a key element of the remuneration for members of the Board of Managing Directors. Significant portions of variable remuneration are dependent on sustained business success. For this reason, 60% of the annual variable remuneration are deferred over a four-year period and paid out on a pro rata temporis basis; negative performance contributions can reduce the deferral or lead to its expiry (malus). 50% of the deferred remuneration is subject to a blocking period of one year and guided by sustained performance (i.e. subject to an appreciation right). LBBW's sustained performance is measured by the change in the adjusted aggregate risk cover[2)]. To this end, the adjusted aggregate risk cover in the payout year is compared with that of the starting year (granting of performance-related variable remuneration). 20% of the variable remuneration calculated is paid out immediately. The same amount is frozen for one year and also tied during this period to any sustained changes in the sustained performance.

Following the expiry of the deferral period, the malus is checked using the criteria set out in the Board remuneration model at Group level and at individual level. Furthermore, adherence to additional conditions is ensured prior to payout (positive business success of the Group, no risk to adequate capitalization, sufficient liquidity of the Bank and fulfillment of combined capital cushion requirements).

The retirement benefits are essentially designed as defined-contribution benefits. Some members of

1) Economic success combines a profitability figure (net consolidated profit/loss after tax in accordance with IFRS) with the actual risk. In this process, the risks are taken into account in the form of cost of capital by including the minimum return on economic capital (Ökap).
2) Calculated from aggregate risk cover less hybrid capital measures and plus profit distribution.

the Board of Managing Directors have an arrangement taking the form of a final salary scheme, the amount of which is calculated according to the length of their service on the Board of Managing Directors.

Remuneration 2015.

In 2015, remuneration of the members of LBBW's Board of Managing Directors consisted of fixed, non-performance-based remuneration, variable remuneration and other benefits (essentially the use of a company car with driver). Moreover, the members of the Board of Managing Directors are eligible for inclusion in a company pension scheme.

In 2015, the members of the Board of Managing Directors received fixed remuneration of a total of EUR 5.6 million[1)] for the performance of their duties on the Board. In addition, variable remuneration totaling EUR 1.7 million was paid out. This amount also includes percentages of deferred variable remuneration from previous years.

As at 31 December 2015, pension obligations according to IFRS for serving LBBW Board members as at the balance sheet date totaled EUR 15.4 million.

Supervisory Board.

Principles of remuneration for Supervisory Board members.

The annual general meeting on 22 July 2011 decided on the remuneration of Supervisory Board members as follows:

- The members of the Supervisory Board receive a fixed remuneration of EUR 25,000 for the respective financial year. The Chairman of the Supervisory Board receives twice and the Deputy Chairman 1.5 times the fixed remuneration of a Supervisory Board member.
- Supervisory Board members who hold a seat on a committee receive further fixed remuneration of EUR 10,000 per committee. The Chairman of a committee receives 2.0 times and the Deputy Chairman 1.5 times the remaining fixed remuneration.
- Each Supervisory Board member receives an attendance allowance of EUR 200 to attend a meeting of the Supervisory Board or one of its committees.
- The Supervisory Board members are further reimbursed for the expenditure that they incur in connection with performing their duties as members of the Supervisory Board (travel expenses, individual bank-specific further training, etc.).
- The Supervisory Board members are reimbursed for the value-added tax incurred that they have to pay as a result of their activity as a member of the Supervisory Board or a committee.

The employee representatives on the Supervisory Board employed at LBBW also receive their salary as employees.

1) The total fixed remuneration includes the contractually approved salary as well as other fixed salary components such as use of a company car with driver.

The remuneration of Supervisory Board members who are not part of the Supervisory Board for a complete financial year is paid pro rata for their term in office.

Remuneration 2015.

For the 2015 financial year, a total of EUR 0.93 million was paid in salaries and EUR 0.06 million in attendance allowances to the members of the Supervisory Board.

Other notes.

There is also pecuniary loss liability insurance for members of the Board of Managing Directors and Supervisory Board (»D&O«). The deductible is 10% of the loss up to a maximum of 1.5 times the fixed annual remuneration.

Landesbank Baden-Württemberg

The Supervisory Board

The Board of Managing Directors

Compliance.

Responsible entrepreneurial activities are based on compliance with rules and laws. Effective compliance management creates long-term transparency with regard to risks and prevents criminal activities such as money laundering, financing of terrorism, fraud, corruption, insider trading or market manipulation. At the same time, compliance with data protection laws, financial sanctions and embargos is monitored.

In addition, LBBW has established an internal control system (ICS) for monitoring business processes throughout the Bank. This process as an integral part of the risk-oriented ICS monitoring, consists principally of the following elements:

- risk assessment and documentation of key controls,
- self-assessment by the specialist divisions for improving the bank-wide ICS during the year,
- evidence from the specialist divisions as to the effectiveness of the key controls,
- declaration on the status of the bank-wide ICS as a basis for ICS reporting to the Audit Committee and Board of Managing Directors,

and an ICS Center in the Compliance division for attending to the formal guidelines, as well as steering and assuring quality in the process steps.

Capital markets compliance.

One key focus of capital markets compliance in 2015 was on providing support and advice to the specialist divisions with regard to implementing new regulatory requirements, such as the European Markets in Financial Instruments Directive MiFID II and the Financial Market Regulation MiFIR. Here the focus is on issues relating to investor protection such as financial contributions and reporting obligations, to the same extent as market-related topics such as trading transparency. The regulatory authorities' product intervention right, as well as the new guidelines regarding the obligation to publish a prospectus, were adopted in the Securities Trading Act with the small savers protection law. Capital markets compliance supported the implementation of the relevant regulations within the Bank.

Training offerings were expanded to include web-based training on the basics of capital markets compliance. An improved use of the study management system helped to implement a uniform escalation process for web-based training and reduced documentation expenses. The induction event for new staff was given a new look. A new training offering on the topic of market abuse was launched for relevant organizational units in the Bank. An information day, »Compliance for trainees« is now held regularly and a new seminar »Compliance knowledge in practice« has been introduced.

Within the context of securities trading supervision, the unit expanded its on-site supervision, completely revised its risk analysis according to MaComp and transferred it to a new system. This will be applied in risk analysis for the first time in 2016.

The system and documentation of the supervision activities was further standardized by introducing the software tool »Audit Assist«.

Anti-money laundering.

The Group-wide implementation of duties under money laundering legislation which was started in the previous year in the branches and Group subsidiaries, was continued in 2015 and remained a focus of activity. The trend of voluntary reports of tax evasion by the taxpayer which started in 2014, and is a consequence of the tighter rules on voluntary reports of tax evasion from 2015, continued in the year under review with more cases requiring the evaluation of flowbacks of funds from outside Germany. Due to the continued importance, the money laundering prevention organizational unit set up two events for tax advisors on the topic of »Money laundering suspicion reports in the context of voluntary reports of tax evasion«. All employees involved in activities of relevance to customer due diligence requirements under money laundering legislation and internal safeguards continued to be trained on requirements and methods of preventing money laundering.

Financial sanctions/embargoes.

As a result of further work on the written policies and system adjustments, it has been possible to additionally raise the level of standardization in the handling of financial sanctions and embargo checks in the LBBW Group. LBBW checks its customers against national and international sanction lists on a daily basis. Similarly, all foreign transactions are reviewed. The Financial Sanctions/Embargoes unit within LBBW's Compliance division supports the specialist divisions on the implementation and monitoring of national and international sanction requirements and advises them on matters pertaining to foreign trade law. As in earlier years, this constituted the main thrust of the activities performed in 2015.

Prevention of fraud/other criminal offences.

The organizational unit's main focus concerned on the further developing preventative and supervisory measures relating to other criminal offences. Parameters such as the setting up of a reporting system for whistleblowing have been implemented Group-wide in the branches and subsidiaries. A guideline for the Bank regulates measures against other criminal offences, in particular corruption. Furthermore, the unit created stricter parameters and controls concerning the reliability testing of employees, and developed the technical monitoring of transactions and business relationships to detect fraud patterns. The extended training and heightened awareness of staff is gratifyingly reflected in the increased number of fraud cases which leads into the suspicious activity reports and a better rate of loss prevention.

Compliance according to MaRisk.

At the end of 2012 the Federal Financial Supervisory Authority (BaFin) published the 4th amendment of the Minimum Requirements for Risk Management (MaRisk). One major innovation included in this amendment is the requirement that a Compliance Function be set up pursuant to MaRisk, the purpose of which is to help ensure compliance with the main laws and parameters, to promote a bank-wide culture of compliance and thus to reduce compliance risks. The Compliance Function pursuant to MaRisk, in particular:

- identifies the main legal provisions and parameters of importance to the Bank,
- works toward implementing appropriate and effective procedures to comply with these,
- monitors the adequacy and efficacy of the procedures implemented and
- finally reports on these;
- furthermore, the Compliance Function pursuant to MaRisk must be directly involved into various procedures.

The Compliance Function pursuant to MaRisk as the »second line of defense« accordingly monitors the organizational implementation of the rules and parameters to be complied with by the Bank.

Data protection.

Collaboration with the responsible areas of the Bank was further intensified to effect great compliance with data protection guidelines. The number of consultations in the specialist departments and replies to inquiries from customers (complaints and requests for information) rose significantly compared to the previous year, due to a heightened awareness of the issues among customers and staff. A particular focus was on examining data breaches because of the possible risks they cause and possible necessary external reporting obligations.

Other topics of major importance were appraising the effects of a European Court of Justice (ECJ) decision on the so-called safe harbor topic of data exchange with USA and the greater incorporation in processes with Finanz Informatik as an external IT service provider.

Checks were also carried out to verify compliance with guidelines, as were training measures to raise awareness among staff.

Combined management report.

The LBBW (Bank) management report and the group management report are combined in accordance with Section 315 (3) HGB (Handelsgesetzbuch – German Commercial Code) in conjunction with Section 298 (3) HGB and published with the consolidated financial statements in the 2015 Annual Report of LBBW.

Group overview.

This annual report published by Landesbank Baden-Württemberg comprises the combined management report and the consolidated financial statements (IFRS). The management report of LBBW (Bank) and the group management report are combined in accordance with German Accounting Standard (DRS) 20. The report thus comprises both the Group and LBBW (Bank) as a single entity, with notes based on the German Commercial Code. The LBBW (Bank) annual financial statements according to the German Commercial Code (HGB) and the combined management report are published simultaneously in the German Federal Gazette (Bundesanzeiger).

Structure and business activities of the LBBW Group.

The Landesbank Baden-Württemberg (LBBW) Group for the most part comprises the single entity Landesbank Baden-Württemberg, which is referred to below as LBBW (Bank).

LBBW (Bank) is a public law institution (rechtsfähige Anstalt öffentlichen Rechts) with four registered offices in Stuttgart, Karlsruhe, Mannheim and Mainz. Effective 28 December 2015 Landeskreditbank Baden-Württemberg – Förderbank (L-Bank) transferred its share held directly in the share capital of LBBW (Bank) to Landesbeteiligungen Baden-Württemberg GmbH and thus no longer forms part of the group of owners. Its owners are therefore the Savings Bank Association of Baden-Württemberg (Sparkassenverband Baden-Württemberg) with 40.534%, the state capital, Stuttgart, with 18.932% and the State of Baden-Württemberg with 40.534% of the share capital. The State of Baden-Württemberg holds its share directly and indirectly through Landesbeteiligungen Baden-Württemberg GmbH.

As a universal bank, LBBW (Bank) combines the range of services of a large bank with the regional proximity of its retail banks. This gives LBBW (Bank) a presence in its core markets of Baden-Württemberg, Rhineland-Palatinate and Saxony as well as the economic regions bordering these, with dependent institutions using each institution's own brand:

- In Baden-Württemberg and Bavaria, the Baden-Württembergische Bank (BW-Bank) takes on this function. The areas of business are private and corporate customer business together with wealth management. The BW-Bank also assumes the role of a municipal savings bank within the state capital, Stuttgart.
- LBBW Rheinland-Pfalz Bank focuses on business with SMEs in Rhineland-Palatinate, North Rhine-Westphalia and the Hamburg economic area.
- LBBW bundles its small and medium-sized corporate customer and upper retail customer business in Saxony and the neighboring regions under the umbrella of LBBW Sachsen Bank.

LBBW (Bank) offers the full range of products and services of a modern commercial bank. The business with large corporates operating across Germany and internationally, real estate financing, capital markets business and the Bank's function as the central bank for the savings banks in Baden-Württemberg, Rhineland-Palatinate and Saxony are located within LBBW (Bank) itself.

Essential staff and service functions where no regional link to customers is required are also concentrated within LBBW (Bank).

LBBW (Bank) also supports the corporate customers of LBBW and of the savings banks with their activities abroad. A global network of branches and representative offices is in place to support customers with country expertise, market knowledge and financial solutions. To complement this, LBBW operates German Centers in Beijing, Singapore, Mexico City, Delhi.Gurgaon, and Moscow that make local offices and networks available to German corporate clients and advise them on their market entry.

Group companies for special products (leasing, factoring, asset management, real estate and equity finance) supplement the portfolio of LBBW (Bank)'s services within the Group.

Business model of the LBBW Group.

On the basis of its conservative risk policy LBBW particularly focuses on customer business in its core markets.

The LBBW business model rests on five pillars that are guided by its main customer groups. Its core markets are Baden-Württemberg, Rhineland-Palatinate and Saxony. Above all, LBBW is the partner for corporate and private customers in those regions as well as for the savings banks. This is accompanied by efficient real estate financing and capital market products, which are also targeted at institutional customers.

Corporate customers.

In corporate customer business the focus is on traditional SMEs, companies in the upper SME segment with a capital market connection and on groups with an increased capital market focus in the regional core markets and other attractive economic areas, such as North Rhine-Westphalia, Bavaria and the greater Hamburg area.

BW-Bank addresses corporate customers in Baden-Württemberg and Bavaria. In Rhineland-Palatinate, North Rhine-Westphalia, Hesse and Hamburg, this function is assumed by LBBW Rheinland-Pfalz Bank and in central Germany by LBBW Sachsen Bank. In addition, LBBW (Bank) supports large corporates in Germany, Austria and Switzerland.

LBBW implements its universal bank approach with a broad range of products and services, extending from international business to all forms of financing, payments, hedging transactions and asset management. In its core markets LBBW (Bank) is also a partner of municipalities. Various subsidiaries such as SüdLeasing, MKB Mittelrheinische Bank/MMV Leasing, SüdFactoring and Süd Beteiligungen supplement the offering by providing specialist products and the associated services. In this context, a particular focus is placed on providing comprehensive assistance and on ensuring long-term customer relationships wherever possible.

Private customers.

BW-Bank acts as the savings bank of the state capital, Stuttgart. The Bank offers its full range of services to all groups of customers, thereby providing citizens with the full array of basic banking services.

Outside Stuttgart, LBBW's business model in the private customer business is geared mainly to the segment of upper retail customers in Baden-Württemberg, Rhineland-Palatinate, Saxony and other economic areas. Wealth Management supports high-net-worth customers and those with complex asset structures.

In addition to bespoke advice aimed at creating long-term customer relationships, first-class products and services are at the core of the business philosophy. The comprehensive offering of products and services ranges from classic checking accounts and credit card business to complex securities and pension-savings products.

In order to take into account the many and varied challenges in private customer business, principally the trend towards increasing digitization, LBBW pursues the business model of an integrated multi-channel bank. First of all, it is stepping up the digitization of its offerings; at the same time, the branch network is focusing more on complex consulting. Nevertheless, LBBW continues to ensure a comprehensive area-wide advisory presence.

Savings banks.

In this business area, LBBW (Bank) primarily acts as a central bank to savings banks in the core markets of Baden-Württemberg, Saxony and Rhineland-Palatinate, providing them with a wide range of products and services, and forming a service partnership with them. Its aim is to implement its role as a central bank in operational terms while at the same time creating exclusive product partnerships. The voluntary nature of the collaboration offer means that it is taken up in accordance with institution-specific requirements. Customer relationships and the decision-making powers remain with the savings banks, thereby strengthening their independence.

The cooperation is based on three areas of business in particular:

- The savings banks' proprietary business. The range of services includes all of the savings bank's hedging and investment product categories.
- In market partner business, LBBW products in corporate and private customer business are offered for resale to the savings banks' own retail and corporate customers, in addition to joint loan extension.
- Services business includes research, securities clearing and management, international payment transactions, documentary payments etc.

In regional partnerships it collaborates closely with savings banks across all product areas; outside the core markets products and services are selectively offered to other savings banks as well (principally in the financial markets area).

Real estate financing.

At LBBW, real estate financing comprises the commercial real estate business. Its target customers are professional investors, special funds, real estate investment trusts and housing companies as well as open and closed-end real estate funds.

Finance is mostly provided for real estate held for leasing. Types of use include, in particular, residential, office, retail and logistics, principally on the target markets of Germany (nationwide), the USA and the UK.

For German special assets regulated by law (German open-end funds and special funds) financing can be arranged for all types of use in other countries.

In addition, LBBW (Bank) within real estate financing acts as a service provider in syndication business with a high level of competence when it comes to structuring and arranging of large-volume transactions.

The subsidiary LBBW Immobilien Management GmbH supplements the product range to include real estate development, real estate asset management and real estate services in the core regions of southern Germany (Baden-Württemberg and Bavaria), Rhineland-Palatinate, the Rhine-Mine region and in Berlin (selected individual cases).

Financial markets.

Within this business area, customer-oriented capital markets business, asset management and now foreign operations are pooled and closely interlinked. Accordingly, its range of offerings comprises capital market investments, (capital market) financing, risk management- products and financial services (including the custodian bank function).

The focus is on four customer groups in particular: savings banks, banks, corporate and institutional customers. Individual market development strategies are used to take into account the heterogeneity of customer requirements. Export-oriented customers are supported specifically through LBBW's foreign business and its international network.

All told, the product and service offerings are systematically aligned to customer requirements, in line with a comprehensive relationship approach. In order to actively address the many and varied challenges posed by current market trends (increase in regulations, growing digitization etc.) the cross-links within the range of services will be increased further.

LBBW's asset management business is pooled within group subsidiary LBBW Asset Management Investmentgesellschaft mbH. It primarily focuses on consulting for and management of security trust assets for institutional and private investors.

Credit investment.

In addition to the breakdown of the business model into five areas, LBBW's segment reporting additionally includes the credit investment segment. It pools inter alia the Group's credit substitute portfolio, which has now been largely run down through the sale of the securitization portfolio guaranteed by its owners: the federal state of Baden-Württemberg, the Savings Banks Association of Baden-Württemberg (Sparkassenverband Baden-Württemberg) and the state capital, Stuttgart.

Future investment as part of the business model.

The LBBW Group is facing the challenges of dynamic changes in the environment for the banking sector with comprehensive future investments. To this end, a large number of internal initiatives and projects have been launched as part of the existing business model. Where necessary, restructuring provisions were set aside for this purpose at the end of 2015.

These projects include the widespread modernization of the Bank's IT landscape. In this respect, the forward-looking further development of integrated performance and risk management that is guided by the rising regulatory requirements plays a particular role. Secondly, the modernization process lays the foundations for further gains in efficiency. The relevant measures include the introduction of a new core bank system in 2017 (OSPlus), which will create the basis for increased digitization, standardization and optimization of business processes. Moreover, processes and structures in the loan processing area are due to be streamlined and improved. Another important initiative is the realignment of private customer business and private banking. The key aspect of the project, which takes account of the changes in customer behavior and in the competitive setting, is an adjustment of the stationary distribution network and a further expansion of digital offerings. In view of the changed underlying legal and regulatory conditions the Bank is also seeking to realign its activities in the capital markets business. At the center of this project is the provision of advice to customers with an over again stronger focus on solutions. In view of this, the Bank will in future tailor its product portfolio and its processes and structures in its financial markets business area to customer requirements in an even more consistent manner. In addition, the LBBW Group continues to focus on a selective growth strategy in the corporate customer and wealth management business. Most recently, this has included an expansion of its presence in the northern German region and in Bavaria so that it can leverage its good position on the core markets to harness greater market potential in these regions.

Segment allocation and coordination.

The five pillars of the business model can be transferred to the presentation of the segment logic of LBBW's external reporting: The two pillars of **corporate customers** and **real estate financing** are assigned to the **Corporates** segment while **private customers** and **savings banks** form part of the **Retail/Savings Banks** segment. The **Financial Markets** segment is identical to the pillar presented; this means that from 2016 it will also include foreign business, which was previously allocated to the Corporates segment. Information on the segments can be found in the IFRS segment report included in the Notes.

Within this business model, LBBW's Board of Managing Directors manages the Bank as a whole by tracking a set of performance indicators along the strategic segments in the light of the Group's risk-bearing capacity. The information required for managing the Bank is provided through comprehensive, target-oriented monthly reports. The following financial performance indicators are of particular relevance to the management of the Group:

- the common equity Tier 1 capital ratio (in accordance with CRR/CRD IV after full implementation)
- total capital ratio (in accordance with CRR/CRD IV after full implementation)
- risk-weighted assets (in accordance with CRR/CRD IV after full implementation)
- leverage ratio (in accordance with CRR/CRD IV after full implementation)
- consolidated profit/loss before tax (IFRS)
- for information: net profit before tax (HGB) in the case of LBBW (Bank)
- the cost/income ratio (ratio of administrative expenses to total operating income/expenses (after allowances for losses on loans and advances) excluding allowances for losses on loans and advances and net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements)
- consolidated total assets (IFRS)
- utilization of the aggregate risk cover (Bank's own calculation pursuant to MaRisk)

Furthermore, the following financial performance indicators have increasingly gained in importance since the start of 2016 for integrated performance and risk management:

- return on equity (consolidated profit/loss before tax with reference to average equity tied up for supervisory purposes)
- liquidity coverage ratio (in accordance with CRR/ITS)

Social responsibility.
Employees.

Efficient and dedicated employees are central to the success of every company. LBBW invests in the health of its workforce, providing support in the form of targeted personnel development and offering extensive solutions for achieving a highly favorable work-life balance.

Employee numbers.

	LBBW (Bank)		LBBW	
	2015	2014	2015	2014
Employees	9 291	9 292	11 120	11 117
Proportion of women	52.4 %	52.3 %	52.5 %	52.6 %
Proportion of men	47.6 %	47.7 %	47.5 %	47.4 %
Part-time employees	26.8 %	25.6 %	25.2 %	24.2 %
Full-time employees	73.2 %	74.4 %	74.8 %	75.8 %
Apprentices (including students at universities of cooperative education)	449	442	471	462
Proportion of apprentices	4.8 %	4.8 %	4.2 %	4.2 %

As at 31 December 2015, the number of employees at LBBW was 11 120 and thus remained almost unchanged over the previous year (2014: 11 117). The staff fluctuation rate based on the Confederation of German Employers' Association's (BDA) formula stood at 3.4 % for LBBW (Bank) in 2015 and thus barely changed compared with the previous year. Adjusted for restructuring-related early retirement and severance agreements (0.3 %), the rate came to 3.1 % at LBBW (Bank), which is above the previous year's level (2014: 2.4 %).

At 43.4 years, the average age of employees at LBBW (Bank) in the year under review increased slightly over the previous year (2014: 42.8 years). The average length of service came to 17.5 years, a slight rise for the Bank (2014: 16.9 years). Women held a small majority over men at LBBW, accounting for 52.5 % (previous year 52.6 %) of total staff numbers in 2015. The proportion of part-time employment contracts, including reduced working hours due to partial retirement, rose slightly at LBBW from 24.2 % to 25.2 %.

In 2015, the main focus of the personnel development activities accompanying LBBW's strategic alignment entailed measures aimed at training and preparing employees for an increasingly competitive environment. The internal job market also played an important role in this respect. Proof of the excellent functioning of the internal job market and of the employees' willingness to pursue fresh professional challenges within LBBW can be seen in the almost 600 vacancy notices, nearly all of which were filled by means of internal transfers, re-entry following family leave and the permanent employment of apprentices and trainees.

The efforts taken in the last few years and investments made in employer and human resources marketing once again had a very positive impact on making the Bank an attractive employer in 2015. The Bank continued to attract greater interest in the jobs, internships and apprenticeship positions it offers across all target groups, from students and graduates to qualified employees and managers. LBBW remains a highly interesting employer to school-leavers. The number of applications for an apprenticeship/traineeship or place at a university of cooperative education recorded a further slight increase in 2015 from what was already a high level (2014: 3 316; 2015: 3 405). This is also reflected in the recruitment figures. The requirements of units were entirely met, as a result of which 199 apprentices and students (previous year: 185) embarked on their professional career at LBBW in August 2015.

At the end of the year, a total of 471 (previous year: 462) apprentices and students at universities of cooperative education were employed by the LBBW Group. At 4.2%, the proportion of apprentices was at the previous years' level, testifying to the high importance of training to recruit junior staff.

Personnel development.

LBBW (Bank) offers a wide range of training to ensure the focused qualification of its employees. Alongside the focus on technical qualifications, it also includes training in methodological and social competence. These offerings are supplemented by training to optimize foreign language skills together with subject-specific seminars run by external providers. Employees wishing to expand their business management skills have the option of attending part-time university courses while continuing their employment. At the same time, it includes specific offerings for executives on personnel management and the careful handling of resources. Due to heightened cost sensitivity within the Group, the number of participants in training events declined slightly overall compared with the previous year.

In order to successfully structure change processes within LBBW, a total of 152 change management workshops were held in 2015. A total of 2 129 employees (managers with their teams) participated. In addition, a number of managers took advantage of the LBBW management consulting team's coaching workshop to receive individual consulting and support relating to management and personality.

Work-life balance.

Attractive offerings to ensure a better work-life balance are a central element of a successful human resources policy for LBBW. For example, over the past few years more and more employees have been taking parental leave or time off to care for relatives more frequently and for longer periods. The conditions underlying HR policy that have been created at LBBW provide an important contribution to ensure that the constantly changing requirements regarding the work-life balance are met. In addition, LBBW provides a work timeframe which allows considerable flexibility: In addition to different kinds of working time models it offers various options for switching to part-time working or for extended periods of leave by means of working-time accounts.

Support in childcare is another important offering. For example, Bank employees can utilize childcare services at all head offices. Depending on individual requirements, custom-fit solutions are available, for example children's day care services, emergency childcare and special arrangements during the school holidays. Moreover, LBBW offers the advisory and search assistance program of external service provider pme Familienservice to all its employees.

LBBW (Bank) employees may apply for an additional six months of leave to look after a relative requiring care on top of the care period in accordance with the Care Leave Act.

Harnessing the potential of women.

According to the long-term median, the German population is ageing and shrinking. This constitutes a dual challenge for companies that rely on skilled staff. Another contribution is provided by sustained human resources work that identifies and uses the existing potential of employees. This also applies when it comes to filling executive positions. At the end of 2015 the proportion of female employees within LBBW was approx. 53%, the percentage of female managers came to 16.6%. A comprehensive concept adopted by the Board of Managing Directors is therefore specifically designed to encourage women to assume managerial responsibility. Thus, 22 women were selected and invited to participate in the »Mentoring« pilot project. The project was completed in October 2015 and received a positive evaluation from all participants. As a result, it has been decided to continue the program in 2016.

The »women's network« supported by the Board of Managing Directors is another visible sign that within LBBW high importance is attached to the promotion of women. The network, which now includes more than 350 women, has been in existence for over seven years and seeks to make an active contribution to issues of relevance. For example, in 2015 a workshop was held on the topic of »The Bank is changing. Women help shape it«. In this context, the topics of »flexibility in working time and place of work« and »making the implementation of desired measures more binding« are identified as major topics of the future.

Company health management.

Investment in company health management is a strategic success factor for LBBW (Bank). It seeks to evaluate and, as far as possible, optimize all material factors in the Bank impacting health, e.g. physical working conditions or work processes. When it comes to shaping the work environment, company medical officers and qualified personnel are called upon to ensure work safety in advance in order to make the workplace not only functional and efficient, but also as healthy as possible. This pertains to the stipulation of building and IT standards, for example, as well as individual measures such as construction and conversion. »Soft« factors such as the respect that employees perceive, the scope which they have for the performance of their duties, perceptions of fairness and social support also exert a particular impact on health. As managers play a decisive role in all these aspects, they undergo compulsory and systematic training in »health-oriented management« at LBBW (Bank).

Employees themselves are also given a wide range of incentives to maintain and improve their own health. Among other things, a healthy lifestyle is encouraged by a range of exercise and relaxation options close to the workplace, some of which are organized in conjunction with fitness studios; advice on preventive healthcare (»healthcare analysis«) and on strengthening resilience is also offered. Some of the canteens are certified in accordance with organic food standards, offering a wide range of healthy food. In addition to comprehensive medical care, the company medical service provides a wide variety of support measures to all employees at locations with a large workforce. The Bank offers support to those at decentralized locations for healthcare measures performed by qualified external professionals.

The social affairs office of LBBW (Bank) also provides advice to employees and managers on problems related to work or private life and mental and physical health. It also offers initial psychological help at times of acute crisis, such as an unexpected death, accident or threat situations. An important element of the offering is the office's ability to refer employees to suitable specialist bodies, clinics and therapists. The social affairs office was used by a total of 733 employees in 2015, including 133 managers and office holders.

In addition to providing advice in individual cases, prevention activities are increasingly gaining in importance. A large number of employees were addressed during information events and seminars on psychosocial issues, such as how to handle stress/mental health.

Remuneration report.

In accordance with the provisions of Section 16 of the Remuneration Ordinance for Institutions (InstitutsVergV) of 16 December 2013, LBBW (Bank) will be preparing a remuneration report for 2015, which it expects to publish at www.LBBW.de in mid-2016.

LBBW improvement process.

As an idea management model devised by the Group, the LBBW improvement process supports the further development of LBBW on the basis of suggestions for improving work processes, services and product designs submitted by employees.

The regulatory requirements and the market setting that is characterized by intense competition make constant innovation necessary. The LBBW improvement process motivates employees to participate in the Bank's constant further development through creativity and commitment. For this reason, the LBBW improvement process aims to promote entrepreneurial thinking and action as well as risk awareness and innovativeness on the part of employees.

In 2015, LBBW was once again highly successful with this tool. The suggestions for improvement that were implemented helped make numerous work processes more efficient while at the saving time saving costs, generating additional revenues and reducing risk. The number of suggestions submitted was increased by 9% to 4 255 in 2015, generating a benefit of EUR 14 million.

In 2016, employees are once again invited to participate actively in the Bank's sustained development by contributing their ideas. The managers support their employees in this process, and various process optimization methods are used to gather employees' knowledge. In 2016, a large number of suggestions are due to be implemented once again in order to further increase the quality of our work processes, services and products, thereby meeting the requirements of our customers.

Sustainability.

LBBW's commitment to sustainability is anchored in both its business strategy and its business. Sustainability policies and goals, the climate strategy and specific guidelines provide a binding framework for responsible activity on the part of each individual, thus creating the basis for systematically sustainable corporate governance in all business segments.

Sustainability strategy and management.

LBBW's sustainability policy consolidates LBBW's guiding principles on sustainable development in the areas of corporate governance, business operations, human resources, communication, and LBBW's commitment as a corporate citizen. It thus defines the framework for all sustainability activities within LBBW and forms the basis for integrating economic, ecological and social aspects in overall corporate activity.

LBBW has set itself appropriate goals in the definition of its sustainability policy. These are implemented on the basis of the »Sustainability Guidelines« (see below). In addition, the LBBW climate strategy describes the Bank's position on key climate-related issues.

The standards defined apply to LBBW (Bank) including BW-Bank, LBBW Rheinland-Pfalz Bank and LBBW Sachsen Bank as well as to the wholly-owned subsidiaries integrated in the sustainability management system of LBBW (Bank), namely GastroEvent GmbH, LBBW Immobilien Management GmbH and LBBW Asset Management Investmentgesellschaft mbH, all of which are based in Stuttgart.

LBBW's sustained commitment is described comprehensively at www.lbbw.de/sustainability. The next detailed sustainability report containing the figures as at 31 December 2016 is expected to be published in April 2017.

Sustainability Guidelines.

The Sustainability Guidelines define the corridor within which LBBW will be pursuing its sustainability goals in investment and lending business, in human resources policy and in the stewardship of resources, and therefore form the foundation for sustainable development.

Sustainability Guidelines in investment business.

LBBW takes account of sustainability-related factors in its investment business. In this connection, it follows the United Nations Principles for Responsible Investment.

LBBW offers private and institutional investors a broad range of sustainable investment products; asset-management customers are able to invest in accordance with their ethical principles.

Sustainability Guidelines in lending business.

In a targeted manner, we finance projects that support sustained development and also offer business opportunities for LBBW. Thus investment finance in energy infrastructure, such as power grids and storage, will gain in importance.

Identifying, avoiding, and managing risks that could arise from financing transactions are key elements in making lending decisions. Analyzing non-monetary risks, such as reputation risks, through an environmental or social lens is becoming increasingly important.

Sustainability Guidelines in relations with personnel.

LBBW is committed on an ongoing basis to being an attractive employer of and reliable partner to its employees. Aware as it is that capable and committed employees are the most important factor for the success of any company, LBBW is investing in its employees' health, furthering them with targeted personnel development measures, and helping them to achieve an optimum work-life balance. We support our employees in all life situations, whether they look after children or care for relatives. We want to gain outstanding talents and ensure that they remain with us; LBBW views the professional qualification of young people as an important social and business responsibility that it is very glad to address.

Sustainability Guidelines in business operations.

At LBBW, the procurement of products and services follows strict criteria which expressly also include environmental and social aspects. These criteria are considered in contract award decisions. The standards that LBBW applies to its own use of resources are equally as demanding.

Sustainability ratings.

Munich-based oekom research AG gave LBBW an overall grade of C+ on a scale of A+ to D-. This result puts LBBW in the top five 84 banks analyzed internationally in the »Financials/Public & Regional Banks« segment as at June 2015. LBBW meets the minimum standards for sustainability management defined by oekom research and is ranked »Prime«. This means that LBBW's market-traded securities have qualified to be selected as an investment from an environmental and social viewpoint.

In the Sustainalytics Sustainability Rating, LBBW received 79 of 100 possible points and therefore holds 11th place out of 411 in the international banks category. This is the second best ranking achieved by a German financial institution (as at November 2015).

In imug's 2014 Sustainability Rating of bank bonds, LBBW was evaluated favorably as an issuer of public-sector (BBB) and mortgage (B) covered bonds. As an issuer of unsecured bonds (CC) LBBW received an overall rating of neutral. The term »unsecured bonds« refers to all types of unsecured, fixed-interest securities, and time and savings deposits. LBBW was thus in the top quarter of the 113 national and international bank bond issuers evaluated (as at March 2015).

Data and facts.

Personnel policy (figures for LBBW (Bank)).

	2015		2014		2013	
	Men	Women	Men	Women	Men	Women
Breakdown of managers (Tier 1 to 4) in %[1]	83.4	16.6	83.5	16.5	83.7	16.3

	2015		2014		2013	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage
Number of severely disabled employees or equivalent status[2]	435	4.7	434	4.7	348	3.8

	2015	2014	2013
Average age	43.4	42.8	42.5

	2015	2014	2013
Average length of service in years	17.5	16.9	16.6

Investment business.

EUR million	2015	2014	2013
Volume of sustainable cash investments at LBBW Asset Management Investmentgesellschaft mbH [3]	682.9	597.5	515.9

Lending business.

EUR billion	2015	2014	2013
Volume of renewable energies project finance / loan drawdowns	2.47	2.54 [4]	2.62

1) The 2013 and 2014 figures differ by 0.1 % from those stated in the LBBW Sustainability Report for 2015. In the Management Report the members of the Board of Managing Directors were not included in the calculation; they were, however, included in the Sustainability Report. From 2015, the figures will be calculated uniformly (including members of the Board of Managing Directors) for both reports.
2) The number of severely disabled employees or equivalent status can vary depending on the date of compilation, due to the retroactive recognition of an employee's status as severely disabled. This may lead to discrepancies between the information contained in the Management Report and the LBBW Sustainability Report.
3) The figure stated includes the »LBBW Nachhaltigkeit Aktien« fund, the »LBBW Nachhaltigkeit Renten« bond fund and the Nachhaltigkeit special funds.
4) This figure deviates from that in the 2014 Management Report due to the correction of a rounding error.

Business report for the Group.

Overall economic development.

Global economy.

Economic conditions were generally stable in 2015. GDP in the euro area grew by 1.5%, while economic output in the USA rose by 2.4% and that in China by 6.9%. Economic growth was boosted by the low oil price. The price of Brent oil dropped from substantially above USD 60 per barrel in the middle of the second quarter to just under USD 36 at year-end. Inflation rates fell along with the oil price. The annualized average of living costs in the euro area and the USA remained virtually unchanged.

The perception of economic performance was marked by three topics, in particular. First of all, the reemergence of the Greece crisis. Fresh elections and a change in government were followed by protracted negotiations between Greece and the euro area about a further bailout package. For a time, the country's exit from the euro area also seemed a possibility. Finally, a third bailout package was agreed in August. The second topic was the extent of the slowdown in China's growth. In terms of economic power, China is now on a par with the USA, which is why it now occupies a similar position in the perception of the markets. Thirdly, a possible increase in interest rates USA moved the markets and economic expectations. Finally, in mid-December, it happened: After seven years during which it kept the target band for its key rate, the Fed funds target rate, at between 0% and 0.25%, the US Federal Reserve raised the target band to 0.25% to 0.50% on 16 December.

Germany.

All in all, Germany can look back on a stable economy. The growth rate for 2015 as a whole was 1.7%. Excluding the higher-than-average number of working days, growth came to 1.5%. The rate of inflation fell to 0.3%, mainly thanks to the declining oil price, and thus to a figure not undershot since Germany's reunification. The job market also benefited from the generally good environment. The unemployment rate fell to 6.1% at the end of 2015. At the same time, risks became apparent in the course of the year. Although the crisis in Greece ultimately did not produce any major threat to Germany's economic performance, developments in China need to kept under continued close scrutiny given the increased dependence of German companies on trading with the People's Republic. The situation of public-sector finances is favorable. The German federal budget closed out the 2015 budget year with a surplus of EUR 12 billion.

Central bank policy.

The central banks of the major currency areas had a different focus during the year under review. While the US Federal Reserve, as mentioned earlier, raised its key rates for the first time in seven years in December, the ECB opted for further steps to ease its monetary policy. The ECB explained its measures by reference to the existing deflation risks. Early in the year, on 21 January, the ECB's Governing Council decided on a purchase program for various asset classes with a volume of more than EUR 1 000 billion, which was implemented from March onward. The monthly purchase volume was set at EUR 60 billion. In December, the volume of the overall program was raised again by extending the program from September 2016 to March 2017 and by a decision to reinvest the maturities from existing purchases. At the same time, the deposit rate at which commercial banks are able to park surplus liquidity with the ECB was lowered from – 0.20% to – 0.30%. The main refinancing rate remained unchanged, as did the marginal lending rate (at 0.05% and 0.30%, respectively). Lowering the deposit rate is designed to encourage the commercial banks not to hoard the liquidity they receive from the ECB through the bond purchase program but to use it to expand their lending.

Bond market.

On the bond market the past year produced fresh records. Yields on 10-year Bunds fell to a low for the year of 0.08% in the second half of April. Current yields on Bunds with a remaining maturity of eight years or less were negative at that time. Subsequently, yields picked up substantially for a time. 10-year Bunds almost reached the 1% mark in early June. However, over the further course of the year they declined gradually. It was not least the persistent uncertainty surrounding the course of the US Federal Reserve and the prospect of the ECB additionally easing its monetary policy that prompted a decline in yields. At year-end 10-year Bunds yielded 0.63%. For bonds with a five-year term yields came to – 0.04% and were thus in negative territory. The same applied to bonds with a two-year residual term, whose yield on maturity at year-end came to – 0.34%. By comparison, the yield performance in the USA was at a substantially higher level. 10-year US Treasury yields moved within a range of 1.64% and 2.49% in the course of the year, with a low at the end of January and a high in mid-2015. At the end of 2015 10-year US Treasury yields were 2.27%.

Currency market.

A decisive event on the currency market took place early in the year when on 15 January the Swiss National Bank abandoned its CHF 1.20 cap on the euro, which it had previously defended with interventions on the currency market. As a result, the CHF appreciated suddenly and CHF temporarily dipped below CHF 1 per EUR. In the further course of the year the CHF settled at a slightly higher level of around 1.08 per EUR.

The EUR was mostly under devaluation pressure against the USD in 2015. At the start of the year, one EUR cost USD 1.21. The low for the year was USD 1.05 per EUR; this level was reached no less than three times in the course of the year (in March, April and November). Factors working against the EUR were the Greece crisis and the signals coming out of the ECB in favor of a more accommodative monetary policy as seen in December. Factors in favor of the USD included, in particular, the expectation of an increase in interest rates by the US Federal Reserve - although this kept on getting pushed further and further back as the year went on.

Stock market.

The German stock market closed the year as a whole with a positive performance. But the high for the year was reached early on in the year so that large phases of the year, especially the second half of the year, were dominated by declines. The German bluechip index, the DAX, initially saw substantial price gains, gaining more than 20% from 9 805 to 12 374 between the end of 2014 and early April (closing prices in each case). The crisis in Greece and, in particular, the uncertainty surrounding further developments in China prompted the index to slide to 9 427 points at the end of September. The DAX recovered slightly towards the end of the year, ending the stock market year with 10 743 index points. In the USA the index of large industrials, the Dow Jones Industrials, closed the year lower. Although it initially recorded significant gains and rose from 17 823 to 18 312 points, skepticism prevailed during the remainder of the year, similar to the situation in Germany, causing the index to slump to a low for the year of 15 666 points and a year-end closing price of 17 425 points.

Banking industry performance.

In view of the continuing accumulation of equity and reduction in the debt level, the risk-bearing capacity of the German banking industry continued to improve in 2015. By contrast, the results of operations on the German banking market remained tense. While the stable economic development in Germany was reflected in low allowances for losses on loans and advances of banks, the persistently low interest rates, which weighed on revenues from banks' deposit-taking business, and the persistently intense competition on the German banking market depressed earnings. Moreover, the industry faced rising expenses to meet regulatory requirements.

Business performance of the LBBW Group. Results of operations, net assets and financial position.

Business development in 2015.

In the context of a market setting that remains difficult with persistently low interest rates and a steady rise in regulatory complexity LBBW reported a satisfactory performance of its key performance indicators in the 2015 financial year, also thanks to its good positioning on regional core markets and the positive performance of the European economy. Following the almost fully completed run-off of risks in non-core business in 2014, the focus was on strengthening the proven customer-driven business model through selective and risk-conscious growth measures initiated by the Bank.

In 2015, the LBBW Group successfully continued the stable earnings trend of previous years. **Consolidated profit before tax** rose perceptibly to EUR 531 million (previous year: EUR 477 million). In particular, net gains from financial instruments measured at fair value through profit or loss showed a positive performance thanks to factors including the good development of new business in customer-oriented capital markets business. The income trend was additionally boosted by a further year-on-year decline in allowances for losses on loans and advances, primarily as a result of the good economic situation in LBBW's core markets and the good quality of the credit portfolios. Thanks to the sale of the guarantee portfolio in 2014, expenditure on the guarantee of the State of Baden-Württemberg reported a further considerable decline in the period under review. Net interest income, net gains/losses from financial investments and net income/expenses from investments accounted for using the equity method showed the opposite performance; last year's figure for the latter item had been boosted by divestment effects. In order to additionally strengthen the customer-driven business model, the Company pushed ahead with the realignment of the private customer business in the direction of a multi-channel bank. In its wake, restructuring provisions were set aside to flank these measures.

Compared with the previous year, **total assets** declined to EUR 234.0 billion in 2015 (previous year: EUR 266.3 billion) particularly as a result of the deliberate wind-down and expiry of business under guarantor's liability, equivalent to a decline of EUR 32.3 billion or 12.1 %. In the year under review a considerable portion of the securitized liabilities that come under guarantor's liability fell due. Correspondingly, the expiry of guarantor's liability was also reflected in higher maturities, especially in financial investments and in municipal loans reported under loans and advances to banks on the assets side. Furthermore, trading assets measured at fair value decreased as a result of maturities and of the general interest rate and credit spread developments.

All told, **consolidated profit before tax** slightly exceeded the planning for the 2015 financial year. The figure was boosted by considerably lower than planned expenses on allowances for losses on loans and advances. The lower need for net allocations was primarily attributable to the better-than-projected economic performance on LBBW's core markets. Net gains/losses from financial instruments measured at fair value through profit or loss were considerably higher than expected, due among other things to the volatile markets and to a substantial improvement in customer-driven new business in hedging products against foreign-currency and interest-rate fluctuations.

By contrast, net interest income in the past year under review recorded a marked decline. The performance of this item reflects the low interest rates, falling inventories and accounting effects. Administrative expenses were in line with expectations. They remained almost unchanged over the pre-year period despite comprehensive spending on the restructuring of the IT architecture and high regulatory requirements.

On balance, the **cost/income ratio (CIR)** came to 70.9% at the end of the year (previous year: 74.5%)[1)] and thus dropped slightly in line with expectations. **Return on equity (RoE)** rose by 0.4 percentage points to 4.1% (previous year: 3.7%) and was thus slightly higher than planned.

As mentioned above, **total assets** of the LBBW Group declined perceptibly in the course of the year. They fell substantially short of the forecast due to the sharp decline in holdings outside the original customer business.

The **financial position** of the Group throughout the entire year under review was satisfactory at all times given the good liquidity. The structural funding of the LBBW Group is supported by stable sales of a wide array of funding products thanks to the broad and well-established customer base. Corporate customers and institutional investors, both domestic and international, provided a sustained contribution to the diversification of LBBW's funding. All in all, the Group was always able to obtain funding on the market on the requisite scale.
The year under review was characterized by securitized liabilities, issued until 18 July 2005 under the protection of guarantor's liability, falling due at the end of the year. This entailed changes in the balance sheet compared with the previous year under review, some of which were major. Due to the substantially lower funding requirement resulting from the corresponding rundown of liabilities and financial investments with guarantor's liability, a large portion of these funds did not have to be substituted. Even after the expiry of the liabilities that are subject to guarantor's liability LBBW expects that it will be able to refinance itself on the market at rates that will remain comfortable. Last year, in addition to private placements successful benchmark issues were placed on the market in the form of covered bonds and uncollateralized bearer debentures. These issues met with interest not only from domestic but also from international investors.

LBBW's **liquidity coverage ratio (LCR)** in accordance with the Delegated Act (EU) No. 2015/61 on the liquidity coverage requirements stood at 81.8% at year-end 2015 and thus substantially exceeded the statutory minimum ratio of 60% applicable for 2015, both at the qualifying date and during the year.

LBBW's **leverage ratio** at the end of 2015 was 4.7% (fully loaded) and thus perceptibly below the previous year's figure and significantly above the minimum rate of 3.0% set by Basel III (CRR).

LBBW's good capitalization and solid business model were confirmed by a further increase in capital ratios during the year under review. With a **common equity Tier 1 capital ratio** of 15.6% (previous year: 13.6%) and a **total capital ratio** of 21.4% (previous year: 18.9%) LBBW substantially exceeds the increased regulatory capital requirements of the CRR based on full implementation of the transitional rules (fully loaded) as well as its own targets. Like all financial institutions under the ECB's supervision LBBW has had to fulfill bank-individual capital requirements since 2015. The individual requirements, which are above the statutory requirements of the CRR, are usually set

1) Adjustment of previous year's figure due to changed reporting of bank levy and deposit guarantee system in the income statement.

annually on the basis of the Supervisory Review and Evaluation Process (SREP). The ECB informed LBBW in November 2015 that it is required to hold a common equity Tier 1 ratio of 9.75 % at all times. The common equity Tier 1 capital to be held as capital conservation buffer in accordance with section 10c of the German Banking Act (KWG) since 1 January 2016 is included in this ratio. **Risk-weighted assets** (RWA) fell by EUR – 7.7 billion to EUR 74.5 billion due to the decline in volumes and the good risk situation in the operating segments in the period under review. As a result, RWA were substantially below the originally planned figures. The risk-bearing capacity situation, which was already comfortable, has slightly improved, including as part of economic capital management. With a ratio of 48.1 %, utilization of the **aggregate risk cover** for 2015 was 6.5 percentage points below the previous year's figure (54.6 %) and perceptibly below our own forecast.

Results of operations.

Performance figures:

	1 Jan. 2015 – 31 Dec. 2015 EUR million	1 Jan. 2014 – 31 Dec. 2014[1] EUR million	Change EUR million	in %
Net interest income	1 654	1 878	– 225	– 12.0
Allowances for losses on loans and advances	– 55	– 104	49	– 47.3
Net fee and commission income	498	518	– 20	– 3.9
Net gains/losses from financial instruments measured at fair value through profit or loss.	226	– 120	347	–
Net gains/losses from financial investments and net income/expenses from investments accounted for using the equity method	94	263	– 169	– 64.3
Other operating income/expenses	134	101	33	32.6
Total operating income/expenses (after allowances for losses on loans and advances)	**2 551**	**2 536**	**15**	**0.6**
Administrative expenses.	– 1 782	– 1 770	– 11	0.6
Guarantee commission for the State of Baden-Württemberg	– 121	– 191	70	– 36.6
Expenses for bank levy and deposit guarantee system	– 73	– 82	9	– 10.7
Impairment of goodwill	0	– 16	16	– 100.0
Net income/expenses from restructuring	– 44	1	– 44	–
Consolidated profit/loss before tax	**531**	**477**	**54**	**11.4**
Income taxes	– 109	– 39	– 70	> 100
Net consolidated profit/loss	**422**	**438**	**– 15**	**– 3.5**

Rounding differences may occur in this and subsequent tables for computational reasons.
1) Restatement of prior year amounts (see Note 2).

Net interest income decreased appreciably in the past financial year by EUR – 225 million to EUR 1 654 million. The decline was principally attributable to the generally low level of interest rates, which weighed on the earnings contribution from deposit-taking business with customers and the investment of LBBW's own funds. At the same time, the reduced volumes due to maturities together with selective lending in a competitive setting contributed to a drop in interest income and interest expense. Accounting effects, for instance in connection with the mapping of security derivatives, and a rise in interest expense from trading and hedging derivatives also exerted strain.

Expenses for **allowances for losses on loans and advances** once again fell substantially by EUR 49 million year on year to EUR – 55 million. This was primarily attributable to much lower net additions to specific valuation allowances. The allowance requirement thus remained significantly below the previous year's figure and below the long-term average due to a balanced risk policy and to the good economic situation in LBBW's core markets.

Net fee and commission income dropped moderately in the year under review by EUR – 20 million to EUR 498 million (previous year: EUR 518 million), with the individual types of fees and commissions showing disparate performance. A perceptible EUR 18 million increase in fees and commissions from securities and commissioning business and a rise of EUR 12 million in securities syndication business contrasted with lower fee and commission income from brokerage transactions. In addition, net fee and commission income from loans and guarantees solely from the services industry was lower due to higher deferrals, coming to EUR 120 million (previous year: EUR 149 million). These are offset by income that is recognized in net interest income pro rata temporis.

Net gains/losses from financial instruments measured at fair value through profit or loss rose sharply over the previous year, namely by EUR 347 million to EUR 226 million (previous year: EUR – 120 million). A markedly improved performance over the previous year was reported by gains/losses from hedging derivatives serving as economic hedges but which cannot be included in IFRS hedge accounting. In addition, the improvement was supported by factors including the more volatile markets in 2015, which boosted new business in hedging products against foreign currency and interest rate risks. Moreover, lower valuation discounts for financial instruments of EUR 33 million (essentially credit valuation adjustments) contributed to the positive performance (previous year: EUR – 10 million). In addition, the result was strongly influenced by measurement gains which, due to the IFRS reporting methodology, contrasted with corresponding losses in net interest income, in particular.

Net gains/losses from financial investments and net income/expenses from investments accounted for using the equity method declined sharply year on year by EUR – 169 million to EUR 94 million (previous year: EUR 263 million). The securities result fell by EUR – 80 million to a loss of EUR – 18 million (previous year: gain of EUR 62 million). Following the full wind-down of the guarantee portfolio in 2014 and a substantial reduction in the non-guaranteed portion of credit substitute business there were virtually no major measurement and realization effects in the year under review. The slight loss on securities essentially resulted from the liquidation of AfS financial investments in connection with the optimization of risk and liquidity positions in the Treasury environment. The valuation and sale of equity investments in the financial year produced a profit of EUR 93 million (previous year: EUR 84 million). The disposal of equity investments had a positive impact of EUR 105 million here (previous year: EUR 97 million). By contrast, as in the previous year measurement issues yielded a net burden of EUR – 13 million. Net income from investments accounted for using the equity method decreased by EUR – 98 million to EUR 19 million during the period under review (previous year: EUR 117 million). Among other things, the decline resulted from lower profit contributions from a venture capital company. In the previous year, a significant profit contribution from LBBW's profit share from the sale of an investment had exerted a positive effect.

Other operating income improved significantly by EUR 33 million year on year to EUR 134 million (previous year: EUR 101 million). This was characterized by a number of one-off effects. Net income from investment property increased to EUR 28 million (previous year: EUR 5 million) despite a slight rise in negative adjustments from the valuation of real estate. The increase was supported, among other factors, by a positive performance within LBBW Immobilien GmbH. The divestment of a subsidiary in the previous year provided earnings with EUR 20 million. The balance of allocations and reversals of provisions within other operating income/expenses was positive in the past financial year at EUR 31 million (previous year: EUR 41 million). Net reversals of EUR 17 million (previous year: EUR 34 million) related to provisions for legal and litigation risks, in particular.

At EUR – 1 782 million, **administrative expenses** remained virtually at the previous year's level (EUR – 1 770 million). The minor increase was caused mainly by pay-scale adjustments of wages and salaries. By contrast, other administrative expenses fell slightly by EUR 10 million to EUR – 656 million (previous year: EUR – 666 million). A large portion of the expenses was still connected to the restructuring of the IT architecture that had started in 2014 with the aim of accommodating the growing number of bank management requirements. Among other things, LBBW is investing in a new core bank system which will be introduced in 2017 according to plan and which forms the basis for increased digitization, standardization and optimization of business processes. In addition, the implementation of new regulatory requirements exerted considerable strain. By contrast, lower legal, consulting and audit expenses provided relief. The latter had caused increased strain in 2014, when a balance sheet assessment was conducted, before bank supervision passed on to the ECB. Amortization and write-downs of intangible assets and property and equipment rose by EUR – 5 million to EUR – 98 million during the year under review (previous year: EUR – 93 million).

Due to the sale of the remaining guarantee portfolio in the course of 2014, expenses for the **guarantee commission** for the State of Baden-Württemberg fell again considerably by EUR 70 million to EUR – 121 million. Under the guarantee shield of the State of Baden-Württemberg, which remains in place albeit at a substantially reduced level, LBBW continues to finance the special-purpose entity Sealink, which is not required to be consolidated within the Group. The State of Baden-Württemberg still offers a guarantee for certain loans to this special-purpose entity, for which fee and commission payments accrue.

Due to the great importance of **expenses for the bank levy and deposit guarantee system**, the items were reported separately in the income statement for the first time in the 2015 financial year. They include the contributions to the restructuring fund in accordance with European requirements (EUR bank levy) and on the deposit guarantee based on the EU Deposit Guarantee Act which came into effect on 3 July 2015. In the year under review, expenses overall fell by EUR 9 million to EUR – 73 million (previous year: EUR – 82 million).

The previous German bank levy was replaced with a fee which corresponds to the new European requirements. According to the European Bank Recovery and Resolution Directive, all EU member states have to set up a resolution fund. To this end, a target volume of EUR 55 billion until 2024 has been provided. The volume will be funded from the bank levies and will in exceptional cases be available to finance resolutions.

Under the new EU Deposit Guarantee Act, the Sparkassen-Finanzgruppe realigned its guarantee system in accordance with statutory requirements. Among other things, the system aims to increase the target volume of the guarantee mechanism to approx. EUR 4.9 billion, that is, 0.8% of covered deposits (customer deposits up to EUR 100 000 per customer) by the year 2024. The German Financial Supervisory Authority (BaFin) has recognized the realigned guarantee system of the Sparkassen-Finanzgruppe as a bank-related guarantee system.

In 2015 there was no impairment of **goodwill**. By contrast, the goodwill allocated to the Financial Markets segment had been written down in full in the previous year (previous year: EUR – 16 million).

In the past financial year **restructuring expenses** of EUR – 44 million accrued. Against the backdrop of increasing digitization, Baden-Württembergische Bank (BW-Bank), which forms part of Landesbank Baden-Württemberg, is realigning its private customer business to become a multi-channel bank. Provisions were set aside for the measures derived from this, which included the restructuring of the location network together with related personnel measures.

With **consolidated profit before tax** of EUR 531 million the previous year's figure was raised perceptibly by EUR 54 million (previous year: EUR 477 million).

Net profit before tax of the three **operating segments** Corporates, Financial Markets and Retail/Savings Banks totaled EUR 1 025 million for the 2015 financial year and was slightly below the previous year's level (previous year: EUR 1 067 million). This was offset by an improved, but still negative result in the credit investment segment. In the 2015 financial year it was weighed down, in particular, by the commission for the guarantee of the State of Baden-Württemberg, although this figure will continue to decrease steadily. Please refer to the Notes for details regarding the presentation of individual segment results.

Tax expense totaling EUR – 109 million was incurred in the period under review, compared with EUR – 39 million in the previous year. Current income taxes rose by EUR – 10 million in the 2015 financial year to EUR – 86 million (previous year: EUR – 76 million). Income taxes pertaining to previous years improved to EUR 12 million (previous year: EUR 31 million).
Deferred taxes worth EUR – 35 million (previous year: EUR 5 million) also accrued.
The EUR – 40 million improvement over the previous year is largely attributable to the reversal of deferred tax assets on loss carryforwards as a result of the use of loss carryforwards.

Net consolidated profit after tax declined slightly by EUR – 15 million to EUR 422 million (previous year: EUR 438 million).

Net assets and financial position.

Assets	31 Dec. 2015 EUR million	31 Dec. 2014[1] EUR million	Change EUR million	in %
Cash and cash equivalents	1 167	1 936	– 769	– 39.7
Loans and advances to banks	30 245	38 424	– 8 179	– 21.3
Loans and advances to customers	108 785	113 195	– 4 410	– 3.9
Allowances for losses on loans and advances	– 1 128	– 1 594	466	– 29.2
Financial assets at fair value through profit or loss	64 765	79 871	– 15 107	– 18.9
Financial investments and shares in investments accounted for using the equity method	25 469	29 352	– 3 883	– 13.2
Portfolio hedge adjustment attributable to assets	569	750	– 182	– 24.2
Non-current assets and disposal groups held for sale	153	93	60	64.0
Intangible assets	541	489	52	10.6
Investment property	649	705	– 55	– 7.9
Property and equipment	670	644	26	4.0
Current income tax assets	114	219	– 105	– 47.8
Deferred income tax assets	1 027	1 145	– 118	– 10.3
Other assets	989	1 038	– 49	– 4.7
Total assets	**234 015**	**266 268**	**– 32 253**	**– 12.1**

1) Restatement of prior year amounts (see Note 2).

Equity and liabilities	31 Dec. 2015 EUR million	31 Dec. 2014[1] EUR million	Change EUR million	in %
Deposits from banks	44 248	52 314	– 8 066	– 15.4
Deposits from customers	62 540	69 874	– 7 334	– 10.5
Securitized liabilities	29 424	44 231	– 14 808	– 33.5
Financial liabilities measured at fair value through profit or loss	74 063	75 244	– 1 181	– 1.6
Portfolio hedge adjustment attributable to liabilities	569	751	– 182	– 24.2
Provisions	3 401	3 455	– 54	– 1.6
Liabilities from disposal groups	0	0	0	-
Current income tax liabilities	62	69	– 6	– 9.2
Deferred income tax liabilities	27	74	– 48	– 64.2
Other liabilities	709	787	– 78	– 9.9
Subordinated capital	5 329	6 229	– 900	– 14.5
Equity	13 643	13 241	402	3.0
Share capital	3 484	3 484	0	0.0
Capital reserve	8 240	8 240	0	0.0
Retained earnings	1 062	949	114	12.0
Other income	413	111	301	> 100
Unappropriated profit/loss	425	438	– 13	– 2.9
Equity attributable to non-controlling interests	19	19	0	0.0
Total equity and liabilities	**234 015**	**266 268**	**– 32 253**	**– 12.1**
Guarantee and surety obligations	5 410	5 574	– 164	– 2.9
Irrevocable loan commitments	21 796	20 961	835	4.0
Business volume	**261 221**	**292 803**	**– 31 582**	**– 10.8**

1) Restatement of prior year amounts (see Note 2).

Consolidated total assets continue to decline.

Compared with the previous year **total assets** declined by EUR – 32.3 billion or – 12.1 % to EUR 234.0 billion in 2015, particularly as a result of the deliberate wind-down and expiry of business under guarantor's liability.

This development was characterized in particular by securitized liabilities, issued under the protection of guarantor's liability, falling due at the end of the year.

In 2001 the EU Commission and the Federal Republic of Germany had agreed on new provisions with regard to maintenance obligations and guarantor's liability. This was due to a decision by the EU Commission under which statutory guarantees for specialist credit institutions with a public-sector background are not in line with the EU's state aid guidelines. To this end, a transitional period was agreed during which maintenance obligations and guarantor's liability for liabilities established between 18 July 2001 and 18 July 2005 with an expiry date 31 December 2015 or earlier will continue to exist.

During the above-mentioned period LBBW not only made issues, it also acquired top-rated debentures that fell due on expiry of the guarantor's liability in 2015 and led to a corresponding reduction on the assets side. In this context, a decline was recorded in particular by public-sector loans reported under loans and advances to banks.

The LBBW Group covered its funding requirements for the year 2015 through targeted new issues. The benchmark issues realized on the basis of covered bonds and uncollateralized bearer debentures were not only sought on the German market but also met with strong demand from international investors.

The **business volume** of the LBBW Group declined by EUR – 31.6 billion or – 10.8% to EUR 261.2 billion. In addition to the substantial decline in total assets, another contributing factor was the slight reduction in guarantee and surety obligations. Irrevocable loan commitments showed the opposite trend with a EUR 0.8 billion increase.

Lending.

Cash and cash equivalents came to EUR 1.2 billion as at 31 December 2015 and were thus EUR – 0.8 billion below the previous year's figure.

Loans and advances to banks decreased by EUR – 8.2 billion, thus ending at a figure of EUR 30.2 billion. The EUR – 5.3 billion decline in public-sector loans was attributable, among other factors, to the expiry of transactions under guarantor's liability. The decrease in securities repurchase transactions of EUR – 1.6 billion, mainly from tri-party repo transactions with major credit institutions and central counterparties with international operations, was principally a result of the net presentation of securities repurchase transactions.

Loans and advances to customers fell slightly by EUR – 4.4 billion to EUR 108.8 billion at the end of 2015. This trend was essentially influenced by high maturities, as a result of which public-sector loans fell by EUR – 3.1 billion. In addition, current account claims from customers declined by EUR – 1.0 billion. By contrast, mortgage loans rose by EUR 1.1 billion.

Financial assets at fair value through profit or loss fell by EUR – 15.1 billion to EUR 64.8 billion, primarily as a result of the decline in trading assets. In addition to maturities, an increase in long-term interest rates was recorded at the end of the year, which had an impact on the valuation of the derivatives (particularly interest rate swaps, swaptions and currency swaps) held in the trading portfolio. In total, fair values in the past year fell by EUR – 6.8 billion. Maturities exceeding new business led to a decline in bonds and debentures of EUR – 4.5 billion. Maturing paper also included debentures that were repaid upon the expiry of guarantor's liability. A further reduction resulted from other money market transactions at EUR – 1.4 billion and from short-dated commercial papers and certificates of deposits at EUR – 1.0 billion. At the same time, holdings of debentures in the trading portfolio decreased by EUR – 0.9 billion.

Financial investments and shares in investments accounted for using the equity method fell by EUR – 3.9 billion to EUR 25.5 billion during the year under review. Due to the expiry of guarantor's liability, paper from other banks totaling a sizeable sum fell due. In the context of the targeted management of portfolios, including against the backdrop of the fulfillment of regulatory figures, bonds of federal and state governments were purchased, in particular.

Funding.

The portfolio of **deposits from banks** decreased by EUR – 8.1 billion to EUR 44.2 billion compared to 31 December 2014. High maturities of promissory note loans with a volume of EUR – 3.5 billion contributed to this trend. Moreover, the business volume from securities repurchase transactions declined by EUR – 3.2 billion. The largest portion of this change was accounted for by repo transactions settled via a central counterparty (EUR – 2.1 billion). At the same time, public-sector registered covered bonds fell by EUR – 0.8 billion while the volume of overnight and term money also declined by EUR – 0.5 billion.

Deposits from customers amounted to EUR 62.5 billion and were EUR – 7.3 billion below the previous year's figure. The business volume of securities repurchase transactions settled via central counterparties fell by EUR – 4.6 billion. High maturities of debentures in total prompted the volume to shrink by a further EUR – 4.5 billion. Public-sector registered covered bonds were also affected by maturities, falling by a total of EUR – 1.5 billion. This contrasted with an increase in current account claims of EUR 2.8 billion, most of which was accounted for by customers with a public-sector background.

In the 2015 financial year, **securitized liabilities** were mainly influenced by the expiry of guarantor's liability effective 31 December 2015. All told, a decline of EUR – 14.8 billion to EUR 29.4 billion was recorded. This was visible in the EUR – 18.5 billion reduction in other debentures, in particular. The decline in public-sector covered bond holdings of EUR – 1.6 billion contrasted with a rise in mortgage covered bonds due to substantial lending growth in the real estate sector of EUR 2.3 billion. In addition, the volume of money-market transactions rose by EUR 2.9 billion, essentially due to the issue of commercial papers.

In contrast to the item on the assets side, **financial liabilities measured at fair value through profit or loss** fell by EUR - 1.2 billion to EUR 74.1 billion, primarily as a result of the decline in trading liabilities. In addition to maturities, an increase in long-term interest rates was recorded at the end of the year, which had an impact on the valuation of the derivatives (particularly interest rate swaps, swaptions and currency swaps) held in the trading portfolio. All told, fair values decreased by EUR - 6.4 billion in the year under review. Furthermore, securitized liabilities declined by EUR - 2.3 billion at year-end. This trend resulted from maturities of certificates of deposit and commercial paper exceeding new business. Maturities of own paper led to a EUR - 1.7 billion decline in holdings of liabilities designated at fair value year on year. By contrast, the volume of other money-market transactions rose substantially by EUR 9.6 billion, driven by a high level of demand for money-market products.

In the year under review **subordinated capital** reported a fall of EUR - 0.9 billion to EUR 5.3 billion. Maturities of EUR - 1.5 billion were accompanied by a new issue volume of EUR 0.5 billion.

Equity.

At the end of 2015 LBBW had reported equity of EUR 13.6 billion. The increase essentially resulted from positive measurement effects, especially due to narrower spreads on securities, in the AfS reserve.

Financial position.

LBBW's funding strategy is determined by the Asset Liability Committee (ALCo). Here the Group generally focuses on ensuring a balanced structure in terms of groups of products and investors used. The financial position of the Group throughout the entire year under review was satisfactory given the good liquidity. LBBW was at all times able to obtain funding on the market on the requisite scale. The LiqV liquidity indicator is only determined at the level of the Bank and totaled 1.43 as at 31 December 2015 (previous year: 1.34).

Risk and opportunity report.

Basic principles.
Risk-oriented steering instruments.

LBBW defines risk management as the use of a comprehensive set of tools to address risks within the scope of the risk-bearing capacity and the strategy set out by the Board of Managing Directors. Risks should be taken within the scope of the internal control process, in a deliberate and controlled manner, and on the basis of the associated opportunities for income and growth potential.

The internal control process thus forms a core element of the Group-wide system for risk-oriented steering instruments and particularly comprises the organizational and operational structure, the risk management and control processes, and internal auditing.

Risk strategy.

The Board of Managing Directors and the Risk Committee stipulate the principles of the risk management system by defining risk strategies that are consistent with LBBW's business strategy.

Risk strategy guidelines are defined in the group risk strategy, which applies to the entire Group and across all risk types, in accordance with the Minimum Requirements for Risk Management (MaRisk). It is determined through the definition of basic risk-strategy principles, strategic limits, the liquidity risk tolerance and the principles of risk management and observed in all business activities.

The basic risk-strategy principles reflect the conservative risk policy defined in the business strategy:

- Sustainable observance of risk-bearing capacity even under stress conditions
- Solvency and observance of liquidity risk tolerance at all times, including under stress conditions
- Sustainable compliance with and fulfillment of the regulatory minimum ratios

The strategic limit system operationalizes the requirements and objectives defined in the business strategy for all material risk types covered by risk-bearing capacity. The upper risk limit for economic capital for 2015 was defined by the Group's Board of Managing Directors, taking into account the aforementioned fundamental risk strategy requirements and the economic capital forecast for the coming five years for 2016, and allocated to the material risk types. Further details can be found in the section on the risk situation of the LBBW Group.

The liquidity risk tolerance caps the liquidity risk in the narrower meaning (i.e. it limits the risk of not meeting payment obligations). Further information can be found in the section on liquidity risks.

The risk guidelines represent core principles for balancing opportunities and risks within LBBW. They contribute to the creation of a uniform risk culture and – in accordance with materiality principles – form the framework for the precise organization of processes and methods of risk management. They include both general risk guidelines on the topics of MaRisk, management, new products and markets, outsourcing and risk guidelines on specific risk types.

In addition, the specific risk strategies approved for each material risk type document the current and target risk profile of LBBW, specify customer-, product- and market-specific guidelines and thereby create the framework for medium-term planning together with the business strategy. Additional information on the specific risk strategies is provided in the sections on the respective risk type.

Operational implementation of these requirements is monitored by target/actual analyses, monthly analyses of results, as well as strategic and operational limit systems.

Risk management systems.

Risk capital management.

Capital management at LBBW is designed to ensure solid capitalization within the LBBW Group. In order to guarantee adequate capital from various perspectives, the capital ratios and structures are analyzed both from an economic as well as a regulatory capital perspective. Capital management at LBBW is embedded in the integrated performance and risk management, the strategies, regulations, monitoring processes and organizational structure of the LBBW Group.

LBBW's risk management procedures are always appropriately structured on the basis of the type, scope, complexity and risk content of the business activities. This structure takes account of MaRisk and other relevant statements by national and international regulatory authorities.

All the principal risks are included in the risk management procedures. The processes, procedures and methods are regularly reviewed to ensure their adequacy and permanently further developed. These reviews also take account of the findings of the audits and the SREP process of the European Central Bank (ECB), by the statutory auditor and the Group Auditing division and are implemented accordingly.

Risk types.

The overall risk profile of the LBBW Group is ascertained annually by Group Risk Control on the basis of the Group risk inventory and is presented to the Board of Managing Directors in the form of a risk map. Risk measurement of the principal subsidiaries from a risk point of view is based on the transparency principle; i.e. the types of risk identified as material in the respective companies are integrated in the Group-wide risk measurement of the respective type of risk. LBBW shows companies whose risks are regarded as immaterial in investment risk.

The following material risk types were identified:

Risk types.

Risk category	Describes possible...
Counterparty default risks	...Losses arising from the default or deterioration in the credit rating of business partners. ...Defaults by sovereign borrowers or restrictions on payments. ...Losses arising from shortfall in proceeds from the liquidation of collateral.
Market price risks	...Losses caused by changes in interest rates, credit spreads, equity prices, exchange rates, commodity prices, volatility. ...Problem of not being able to quickly close out larger positions at market value.
Liquidity risks	...Problems meeting payment obligations in the short term.
Operational risks	...Losses arising from the unsuitability or failure of internal processes and systems, people, or due to external events, including legal risks.
Investment risks	...Losses in the value of Group companies and equity investments not included in the above risk categories.
Reputation risks	...Losses caused by damage to the Bank's reputation.
Business risks	...Losses due to less favorable business performance than expected or from strategic errors, provided that they do not relate to other characteristic banking risks.
Pension risks	...Increase in provisions for pensions.
Real estate risks	...Losses in the value of the Group's real estate holdings.
Development risks	...Losses resulting especially from potential plan variances in the project development business of LBBW Immobilien Management GmbH.

Economic capital and aggregate risk cover.

A Group-wide compilation of risks across all material risk types and subsidiaries, and the comparison of these with the capital calculated from an economic perspective (aggregate risk cover), are carried out in the calculation of risk-bearing capacity (RBC) according to the so-called liquidation principle. Internal monitoring of this figure ensures the adequacy of the LBBW Group's economic capital resources.

At LBBW, aggregate risk cover (corresponds to risk coverage potential as per MaRisk) denotes the equity restricted according to economic criteria which is available to cover unexpected losses. In addition to equity (as per IFRS including AfS reserves), subordinated debt and income statement results in accordance with IFRS are considered components of aggregate risk cover. Extensive conservative deductible items are also included in aggregate risk cover due to regulatory requirements.

Economic capital is calculated as a uniform risk measure at the highest level. This is deemed to constitute the amount of capital necessary to cover the risk exposure resulting from LBBW's business activities. In contrast with the capital backing stipulated by regulatory bodies, it therefore represents the capital backing required from LBBW's point of view for economic purposes, which is calculated using its own risk models. It is quantified as value-at-risk (VaR) at a confidence level of 99.93% and a one-year holding period for counterparty, market price, real estate, development, investment and operational risks, and using simplified procedures for other risks.

By contrast, the liquidity risks are managed and limited in accordance with the quantitative and procedural rules defined in the liquidity risk tolerance.

The upper risk limit for economic capital (economic capital limit) represents the Group-wide overarching limit for all relevant quantified risk types. This limit reflects LBBW Group's maximum willingness to accept risk. In keeping with the conservative principle underlying risk tolerance it is substantially below the aggregate risk cover and thus provides scope for risks arising from unforeseeable stress situations. In addition, the economic capital limit is verified on the basis of target figures. On the basis of the upper economic capital limit, economic capital limits are defined for the various directly quantified risk types and for the other risks not quantified within a model approach. The risk-bearing capacity is monitored by Group Risk Control by means of a traffic light system. The respective traffic light thresholds are linked to the recovery plan pursuant to the German Recovery and Resolution Act (SAG) and tied to an escalation process. Risks within the framework of the LBBW Group's risk-bearing capacity are described before possible measures to limit risks (so-called gross presentation).

In addition to the economic perspective, LBBW's capital management also includes the management of regulatory capital. Current compliance with the minimum regulatory and the SREP requirements is monitored using the regulatory report, which at the same time ensures the long-term fulfillment within the scope of the regulatory and economic capital planning process, as well as the ongoing monitoring process. In addition, compliance with the minimum regulatory requirements in case of adverse developments is ensured by an analysis of stress scenarios. Further details on this can be found in the Notes.

Stress tests.

In addition to risk measurement tools and statistical indicators based on historical data, stress scenarios play an important part in risk assessment. They analyze in advance the impact of possible future economic volatility and market crises in order to establish whether LBBW is able to withstand extreme situations.

Stress tests are therefore an integral part of LBBW's risk management. The stress scenarios are arranged in such a way that the effects of extraordinary but plausible events of different degrees of severity can be considered in terms of their impact on economic and regulatory capital and on the liquidity situation. For this purpose, various methods ranging from a simple sensitivity analysis to complex macroeconomic scenarios addressing multiple risk types are applied. So-called inverse stress testing is also conducted regularly to examine which scenarios could threaten the existence of the LBBW Group.

In order to ensure risk-bearing capacity and regulatory capital ratios even in a stress case, so-called MaRisk stress scenarios are defined for the various risk types. These stress scenarios are economically geared to different types of risk, whose definition focuses in particular on LBBW's risk concentrations. In addition to the analysis of the economic and regulatory capital in the status quo, the Group's resistance to stress is also monitored on the basis of these scenarios. These also form the basis of the recovery plan pursuant to SAG. Overshoots are monitored and escalated by Group Risk Control using the traffic light method.

LBBW Group – risk situation.

To sum up, it can be stated that the risk-bearing capacity of the LBBW Group was maintained without restriction during the entire 2015 financial year. The aggregate risk cover increased by EUR + 0.4 billion at year-end 2015 compared with the end of 2014. Slightly higher ARC deductible items were overcompensated by new subordinated liabilities issues. At 48%, utilization of the aggregate risk cover was significantly lower compared to year-end 2014, due to the risk development. Furthermore, stress test resistance was maintained throughout the entire financial year.

LBBW Group – risk-bearing capacity.

EUR million	31 Dec. 2015 Absolute[1]	Utilization	31 Dec. 2014 Absolute[1]	Utilization
Aggregate risk cover	16 255	48 %	15 840	55 %
Economic capital limit[2])	12 800	61 %	12 800	68 %
Correlated total economic capital	7 813		8 645	
of which:				
interrisk correlations	– 435		– 475	
counterparty risk	3 837		4 274	
market price risk	2 009		2 118	
investment risk	134		175	
operational risk	775		885	
development risk	74		57	
real estate risk	205		258	
other risks [3]	1 214		1 353	

1) Confidence level of 99.93 %/1-year holding period.
2) The individual risk types are capped by means of economic capital limits.
3) Other risks (in particular, reputation, business and pension risks).

The marked decline in economic capital tied up in counterparty risk is significantly influenced by portfolio changes and the performance of market data. Market price risk is calculated as part of the risk-bearing capacity by scaling the maximum of VaR and long-term VaR. The latter is based on a longer observation period of five years. Accordingly, the decline in economic capital for the market price risk is attributable in particular to the shift in the observation period for the long-term VaR and the associated lower volatilities. The reduction in operational risk is a result of model adjustments as part of the annual model validation. Owing to the historically low interest rate level, the underlying scenario analysis for the pension risks was adjusted.

Opportunities.

The relevant aggregate risk cover (ARC) for calculating risk-bearing capacity is defined as the lowest ARC of the following twelve months. Opportunities therefore occur for the ARC when the actual ARC outstrips the projected development or when the ARC forecast improves in the wake of a positive trend. This is particularly the case for market trends with a positive effect on earnings and capital figures (above all credit spreads) with lower allowances for losses on loans and advances due to the economic trend or with a better-than-expected business performance. Apart from market- and business-driven improvements, the ARC can be proactively strengthened by measures such as issuing subordinated capital.

The risk-bearing capacity situation is shaped by economic capital in addition to the aggregate risk cover. The development of economic capital depends on a large number of factors. An upbeat market for credit spreads, interest rates and volatilities may likewise bring about a reduction of economic capital as may, for example, an economy-fueled improvement in the portfolio quality.

Risk management processes and reporting.

Risk management and monitoring.

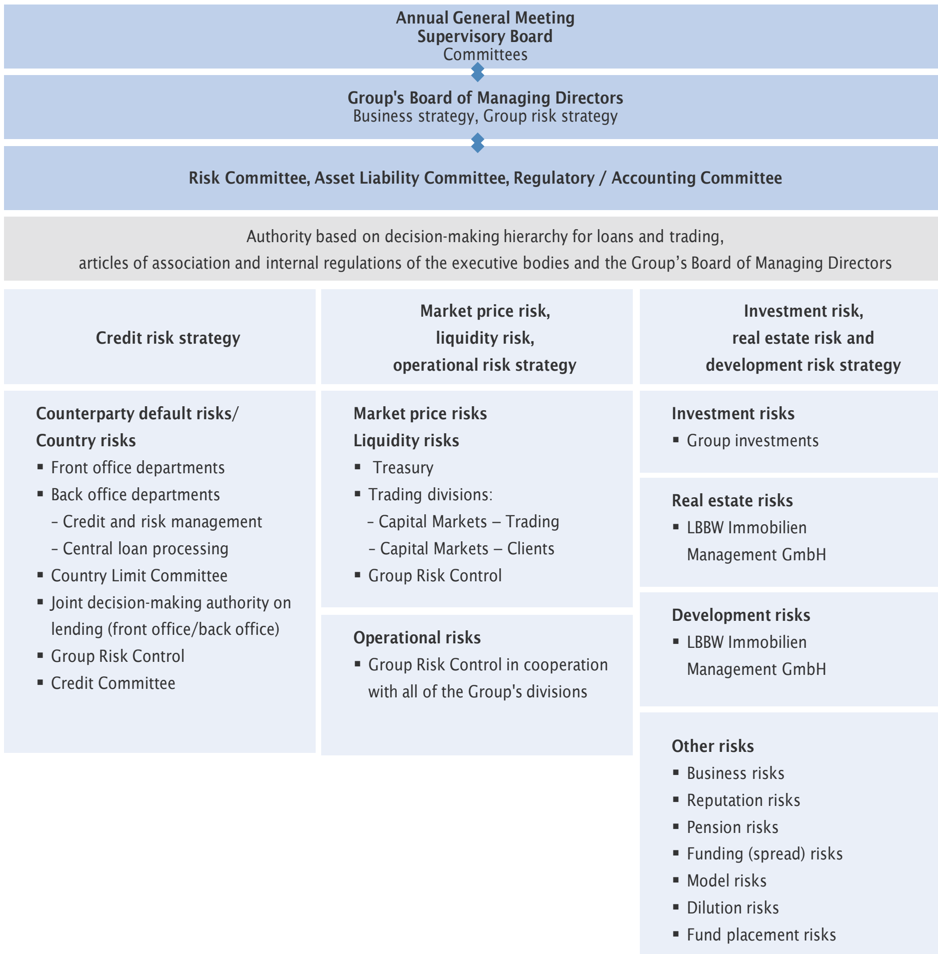
LBBW's risk management and monitoring is based on the guidelines of the risk strategy and the defined limits and approval powers.

At LBBW, transactions can only be entered into within clearly defined limits or approval powers and in accordance with the principles of the risk strategy. Within the defined framework, risk management decisions are made by the departments with portfolio responsibilities, maintaining the separation of functions; these decisions are monitored by central Group Risk Control. The risk control and risk management system set up for this purpose covers all material risks and the details specific to the risk types.

Potential concentration of risk receives particular attention. On the one hand, concentrations tend to arise as a result of the synchronization of risk positions within one risk type. On the other hand, they can also be produced as a result of common risk factors or interactions between various risk factors of different risk types. At LBBW, appropriate processes are used to identify and to deliberately manage risk concentration. Risks to the Group's going concern status must be excluded. Differentiated monitoring processes (e.g. report on risk concentrations, stress tests) and limits (e.g. sector and country limits) are available for the purpose of monitoring this strategic requirement. Additional information on this is provided in the sections on the respective risk type.

An overview of the structure and individual elements of the risk management system of LBBW is given in the following chart:

Risk management structure.



Committees and reporting.

The members of the Group's Board of Managing Directors with responsibility for managing risks are supported in their decision-making by corporate bodies and a comprehensive risk and subject-specific reporting system.

The Risk Committee comprises the board members with responsibility for financial markets/international business, finance/controlling and risk management/compliance and auditing, in addition to divisional managers from, among other areas, Group Risk Control, Financial Controlling and Treasury. As an advisory committee, it prepares decisions for the Board of Managing Directors and supports it in risk monitoring, risk methodology and risk strategy for the Group as a whole. The monthly overall risk report and other reports prepared on specific issues as required form the basis for this.

The Asset Liability Committee (ALCo) also has an advisory role and works on preparing decisions for the Group's Board of Managing Directors. The focus of the Asset Liability Committee is on strategic resource management for the Group as a whole. It supports the Board of Managing Directors, among other things in structuring the balance sheet, managing capital and liquidity as well as in funding and managing market price risks. The committee comprises the Chairman of the Board of Managing Directors, the board remembers responsible for financial markets/international business, risk management/compliance and auditing, as well as the board member responsible for finance/controlling in addition to specific divisional managers from Treasury, Group Risk Control, Financial Controlling and Finance, among other areas.

The coordinating Regulatory/Accounting Committee evaluates at an early stage the requirements of the large number of provisions of banking supervisory law and accounting that are relevant for management purposes, and to take the measures required. The committee comprises the Chairman of the Board of Managing Directors, the board members with responsibility for financial markets/international business, finance/controlling and risk management/compliance and auditing, as well as divisional heads from Finance, Group Risk Control, Treasury and Group Strategy/Legal, among other areas.

Processes of adjustment.

New types of trading and credit product at LBBW are subject to a New Product Process that ensures that the product is included in LBBW's various systems, such as accounting or Group risk control. Any potential legal consequences are also outlined.

The main focus is on trading products. If it is not possible to fully integrate the products into the model immediately, a step-by-step approach is taken in which the products are initially traded only under very strict supervision.

In the case of material changes in the set-up and procedural organization and in the IT systems LBBW analyzes the potential effects on control procedures and control intensity within the framework of a pre-defined standard process.

Process-independent monitoring.

The Group Auditing division is a process-independent department that monitors the operations and business workflows, risk management and control and the internal control system (ICS) with the aim of safeguarding LBBW’s assets and boosting its operating performance. The Group Auditing division exercises its duties autonomously. The Board of Managing Directors is informed of the results of audits in written audit reports, which are discussed with the audited operating units. The Group Auditing division also monitors the measures taken in response to the audit findings.

The auditing activities of the Group Auditing division are generally based on an audit schedule, approved annually by the Board of Managing Directors, on the basis of a long-term risk-oriented plan which records all the activities and processes of the LBBW Group, allowing for risk weighting, in a reasonable period, but always within three years.

Regulatory developments.

Takeover of supervision by the European Central Bank (ECB).

On 4 November 2014 the ECB took over supervision of LBBW within the framework of the Single Supervisory Mechanism (SSM). In this connection LBBW is assigned to Directorate General I within the ECB's bank supervision, which assumes responsibility for the 30 most important banks.

One of the core tasks of the ECB is to carry out an independent evaluation and review of the capital and liquidity situation of the institutions. The central tool used here is the so-called Supervisory

Review and Evaluation Process (SREP). In addition to workshops, data queries and requests for information on various focus areas, stress tests are also an important supervisory tool. Although the EBA Transparency Exercise replaced a stress test in 2015, an EBA stress test will be carried out again in 2016. For this purpose, the EBA already published the initial information on the methodology and templates on 5 November 2015.

On 6 January 2016, the ECB also stated its supervisory priorities in 2016 for all banks. The key issue will be the risks in connection with the banks' business models and profitability. The degree of consideration given to the other four topics (credit risk, capital adequacy, risk governance and data quality, as well as liquidity) depends on the specific risk profile of the respective bank and country-specific factors.

CRD IV/CRR.

On 1 January 2014 the European implementation of the Basel III regulations came into effect via the CRD IV/CRR legislative package.

CRD IV and CRR form the European framework for banks and financial services institutions. These are required to meet strict requirements concerning solvency, liquidity and special reporting obligations. CRD IV includes provisions on the authorization and supervision of banks and financial services institutions, fundamental rules on the banks' equity base, penalties in the event of breaches and rules on the institutions' executive bodies and their supervision. The CRR governs the guidelines for the level of regulatory capital to be held, as well as for large exposures and liquidity requirements.

This regulatory framework has implications for business strategy, the strategic direction of the business units, management metrics and technical reporting capacity. The interdependencies between the regulatory framework and business strategy are analyzed constantly on an integrated basis and taken account of accordingly.

EMIR.

In response to the crisis on the financial markets, at their summit in Pittsburgh in 2009 the G20 states approved a comprehensive reorganization of the market for derivatives traded over the counter (OTC derivatives). The changes envisaged are intended to bring about an improvement in market transparency, limit systemic risks and enhance protection against market abuse.

In the EU the G20 requirements were implemented when the »European Market Infrastructure Regulation« (EMIR) came into effect on 16 August 2012.

Detailed explanations were described in technical regulatory standards by the responsible market regulatory body, the European Securities and Markets Authority (ESMA), and approved by the EU bodies. LBBW met the requirements with respect to risk-mitigation techniques and the transaction register report on time.

The first detailed descriptions on clearing obligations for interest rate derivatives were passed in December 2015 and must be gradually observed from the first quarter of 2016 onwards. Further directives on the definition of credit and further interest rate derivatives subject to clearing are expected during 2016. In preparation for the clearing obligation for OTC derivatives, LBBW already began setting up a connection to a clearing house in 2010. LBBW has offered its customers a clearing service for interest rate derivatives since 2013.

Detailed comments by ESMA on the collateral standards for OTC derivatives not centrally cleared are expected at the start of 2016. ESMA has also revised the guidelines for the transaction register report that are likely to be implemented in 2016. Furthermore, the EU Commission has initiated a review of the directive, as planned, three years after EMIR came into effect.

LBBW ensures the regulatory compliance of the expected implementation issues by adjusting systems and processes in various projects.

Risk types.[1)]

Counterparty risk.

Definition.

The umbrella term counterparty risk describes the loss potential resulting from the fact that business partners may in future no longer be in a position to fulfill their contractually agreed payment obligations in full. A counterparty risk may occur both from direct contractual relationships (e.g. granting loans, buying a security) and indirectly, e.g. from hedging obligations (especially issuing guarantees, selling hedging via a credit derivative).

The main characteristics of this risk are defined and briefly explained below.

Credit risk.

Here the term credit risk, often used synonymously with counterparty risk, describes the counterparty risk from the lending operation, i.e. from granting loans and hedging lending by third parties (e.g. via guarantees).

Issuer risk.

The term issuer risk covers a counterparty risk resulting from securities. It covers both the direct securities portfolio and securities referenced via derivatives (especially via credit derivatives).

Counterparty credit risk.

Counterparty credit risk describes the counterparty risk from financial transactions (especially derivatives transactions), resulting from the fact that the contracting party (counterparty) is no longer in a position to meet their obligations. In this situation on the one hand the position that becomes open upon closing may entail costs (so-called replacement risk), while on the other there is a risk that advance payments have been made to the counterparty without the counterparty being able to provide the corresponding counter-performance (so-called advance payment, performance and/or settlement risk).

Country risk.

The term country risk designates a counterparty risk that arises because, due to critical political or economic developments in a country (or entire region), the transfer of foreign exchange is not possible or only possible to a limited extent.

Collateral risk.

Collateral risk is not direct counterparty risk, but describes the potential that collateral received to reduce the counterparty risk loses value, especially if this happens systematically (e.g. due to turmoil on real estate markets).

1) Information on economic capital tied up for the individual risk types can be found in the section on the risk management system/risk situation of the LBBW Group.

Counterparty risk management.

Management for limiting the counterparty risk is implemented as an integrated process at LBBW, and can be broken down into the three main components of risk measurement, risk monitoring and risk management:

Components of counterparty risk management.

Risk measurement	▪ Risk classification procedures (PD) ▪ Exposure at default (EaD) ▪ Evaluating collateral (LGD) ▪ Expected loss ▪ Credit Value-at-Risk (CVaR) ▪ Risk concentration ▪ Stress tests
Risk monitoring and reporting	▪ Individual transaction level, early warning indicators ▪ Intensive care of delinquent loans ▪ Portfolio level ▪ Write-downs ▪ Ad-hoc information on risk situation
Risk management	▪ Pricing in line with risk and equity ▪ Observance of the guidelines of the credit risk strategy at individual exposure level ▪ Measures to observe various portfolio limits ▪ Observance of the guidelines of the credit risk strategy at portfolio level ▪ Active management of credit risks

Risk measurement.

In order to measure risk, LBBW uses an extensive range of instruments involving quantitative measuring procedures. These are subject to ongoing quality control and undergo permanent development.

Risk classification procedures.

LBBW uses specific rating and risk classification procedures for all relevant business activities. These procedures quantify the probability of default of the individual investments. For this purpose, the counterparty risk is calculated both including and excluding the transfer risk.

The quality of the risk classification procedures in use is reviewed regularly and the procedures are refined if necessary. These procedures are maintained and updated by LBBW on its own initiative or in cooperation with Rating Service Unit GmbH & Co. KG (an associated company of the Landesbanken) or Sparkassen Rating und Risikosysteme GmbH (a subsidiary of Deutscher Sparkassen- und Giroverband – DSGV).

Most of the portfolio is valued using internal rating procedures which have been approved for the Internal Ratings Based Approach (IRBA) by the banking supervisor. The rating grades are therefore

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not only used for internal management purposes but also to measure the regulatory capital requirements.

Exposure.

Whereas exposure is tied to a specific date for reporting purposes, expected positive exposure is calculated to determine the CVaR and potential future exposure to calculate the utilization of internal limits, e.g. with derivatives. This is calculated for the most part on the basis of fair values and the corresponding add-ons. The add-on calculation takes account of the remaining maturity, product type and market factors (interest, currency etc.). Netting and collateral agreements are used for reducing risk. The capital charges for issuer risks held in the trading book take account of the settlement payments and actual fair value losses as a result of default (jump-to-default method). (Modified) nominals are used for issuer and reference debtor risks from securities and holdings in the banking book.

Evaluating collateral.

Collateral is evaluated on the basis of its market value, which is reviewed regularly and on an ad hoc basis and adjusted in the event of any change in the relevant factors. Loss given default is estimated on the basis of the valuation of the individual items of collateral. In this respect, differentiated estimates are calculated for liquidation rates (average proceeds expected from the liquidation of collateral) and for recovery rates (proportion of the proceeds from the unsecured portion of a receivable). The estimates are based on empirical values and pool data recorded by the Bank itself and in cooperation with savings banks and other Landesbanken.

Expected losses.

The expected loss – as an indicator that depends on customer creditworthiness, an estimation of the loss at default and the expected exposure at default – provides the basis for the level of the standard risk costs. In preliminary costing at the individual transaction level, these are included in the calculation of risk-adequate loan terms. In connection with the calculation of impairments, the concept of the expected loss is also resorted to for calculating general allowances for losses on loans and advances in order to estimate the incurred loss that has not yet been recognized because of delays in information.

The market price of the counterparty risk of OTC derivatives accounted for at fair value is measured using the so-called credit value adjustment (CVA). This is included in the income statement of LBBW as a valuation adjustment. The credit ratings of the counterparty and of LBBW are taken into consideration.

Credit value-at-risk.

At LBBW, unexpected loss or credit value-at-risk (CVaR) represents the potential present value loss of a portfolio above its expected loss. This determines the amount that will not be exceeded by losses with a probability (confidence level) defined by parameterizing the risk-bearing capacity within a time horizon of one year. LBBW uses a credit portfolio model based on the modeling of rating migration to calculate this value. The individual borrowers are assigned default and migration probabilities corresponding to their ratings. These are modeled with the help of internal and external data in such a way that correlations between borrowers can be adequately taken into account and borrower, sector and country concentration mapped. The credit portfolio model uses a

Monte Carlo simulation approach to calculate risk. CVaR is used as the parameter for economic capital used for credit risks in the risk-bearing capacity analysis and in LBBW's management.

LBBW's loan portfolio model is subjected continuously to a comprehensive validation program, in which the possible model risks are identified in the ratings stochastics (migration matrixes, correlations), the default times and recovery rates, as well as in the evaluation procedures and factors, and their materiality measured using tailor-made validation analyses. The validation analyses are conducted by the risk model valuation organizational unit within the Group Risk Control division; this unit is independent of the model development. Should the analyses indicate significant model risks, these are made transparent in Group Risk Control and in the Risk Committee, so that the measures necessary to optimize the model can be initiated efficiently.

Risk concentration and stress tests.

One of the main tasks of counterparty risk management is to avoid the concentration of risks from individual exposures and also at the portfolio level. For this purpose, there are specific limit systems restricting the acceptance of exposures at the borrower, sector and country level. Concentration risks in counterparty risk are clearly identified and recorded and monitored by including CVaR in the risk-bearing capacity.

In addition, extensive stress scenarios – particularly in the light of possible concentration risks – are calculated at LBBW Group level to analyze possible changes in LBBW's portfolio arising from potential developments (e.g. sector crises) or the market environment. Moreover, counterparty risks are included in scenarios covering multiple risk types.

Risk monitoring and reporting.

Individual transaction level.

A system is in place for the early detection of risks, comprising procedural regulations and system-generated signals, whose goal it is to detect any deterioration in credit ratings at an early stage.

As part of risk monitoring, the risk managers responsible continuously check compliance with the limits granted as well as any changes in information of relevance for credit ratings. This includes monitoring any irregularities in account behavior, evaluating company news and observing macro-economic and sector trends. In cases in which market data can be observed for a given company, a market data-based system is additionally used.

The early detection of any deterioration in credit ratings allows appropriate countermeasures, e.g. additional collateral or pre-emptive restructuring, to be taken in consultation with the customer. Depending on the level of risk, problem assets are classified as cases requiring intensified support, restructuring or liquidation and are dealt with by the departments responsible. LBBW aims to minimize losses through successful restructuring activities, in line with the Bank's own interests and those of its customers.

Portfolio level.

Counterparty risk is monitored at the portfolio level in the Group Risk Control division, which, from an organizational point of view, is separate from the front and operational back office divisions. This division is responsible for ensuring the suitability of rating procedures, measuring counterparty risk, monitoring counterparty credit, country and sector limits and drawing up risk reports. The respective utilization of the exposure and CVaR limits set is shown in the monthly overall risk report.

- Compliance with country limits is monitored on a daily basis with a special limit system.
- The portfolio of financials has both an overall limit and country-related limits, in addition to the country limit itself.
- Sector risks arising from the corporates portfolio are restricted and monitored through the stipulation of sector-specific limits. The limit system is based on a risk-oriented sector key designed specifically for this purpose, which combines sector segments with high dependence of losses along the value chain. For example, mechanical engineering companies whose products are sold predominantly to customers from the automotive industry are also assigned to the automotive industry.

Value adjustments to problem assets.

Allowances for losses on loans and advances necessary for counterparty risks are calculated in accordance with uniform Group-wide standards and their appropriateness monitored on an ongoing or ad hoc basis. Allowances for losses on loans and advances are set aside or increased if objective indications point to an (increased) impairment in financial assets. Objective evidence of impairment includes default events that have already occurred, such as:

- arrears/infringement > 90 days,
- unlikely repayment (doubts as to the credit rating),
- rating-induced restructuring/debt rescheduling or
- insolvency (petition).

In addition to this, forbearance (defined as concessions to the borrower for economic or legal reasons in connection with his financial difficulties that would otherwise not be granted) may indicate an impairment. Objective indications of impairment are checked on a case-by-case basis.

Reporting.

An ad hoc reporting process is implemented for significant and extraordinary events for specific reporting to the decision-makers in charge. The most important periodic reports are as follows:

- The overall risk report presented monthly in the Risk Committee, including details about the risk situation at the portfolio level and compliance with the material limits. Portfolio analyses additionally report on the risk situation of individual sectors and risk concentrations, for example.
- The comprehensive credit risk report, submitted on a quarterly basis as part of the overall risk report. This contains additional detailed information on the development of allowances for losses on loans and advances, compliance with the parameters of the credit risk strategy, rating distributions, size classes, product types, remaining maturities, new business, and risk concentration arising from individual commitments.
- Half-yearly in-depth sector report with detailed information on the sector situation, portfolio structure and the top customers in each sector.

Risk management.

Counterparty risks are managed, in particular, through the requirements of the credit risk strategy, through the economic capital allocation to sub-portfolios with the aid of the CVaR and the monitoring of concentration risks at the level of sectors, countries and individual counterparties.

Individual transaction level.

Risk management at the level of individual exposures is the duty of the credit back offices. As a rule, the upper limits are set individually by the respective authorized person responsible for the front or back office. This upper limit is taken into account for all risk-relevant transactions by a customer or borrower unit/group of associated customers (pursuant to CRR). A material part of managing individual transactions involves monitoring compliance with the requirements defined in the credit risk strategy. This determines the framework for LBBW's business strategy on the basis of the business strategy and in the light of the Group risk strategy. Particular attention is paid to avoiding concentration risks.

From an economic point of view, the question of whether a transaction will produce an adequate profit on a risk-adjusted basis is a key consideration before entering into business; for this reason, preliminary costing of all individual transactions is compulsory. In addition to the historical interest rate and the bank levy, the components in the preliminary costing comprise cover for expected loss (risk range), interest on equity to be held in case of unexpected losses (capital range) and cover for liquidity and processing costs. The results form the basis of business management at customer level.

Sub-portfolio level.

The risk management measures differ depending on the respective sub-portfolio level:

- Country limits are determined by the Board of Managing Directors, based on the proposals of the Country Limit Committee. If the country limit is almost fully utilized, the affected front and bank office units are notified and if the limit is exceeded a ban on business is imposed. If country credit ratings deteriorate, limits are reduced and/or bans on business issued. Wind-down targets also exist for countries that are the focus of particular attention.
- The limitation on the portfolios of financial institutions and corporates sectors triggers controlling measures such as hedging transactions to reduce risk or a ban on new business etc. if certain thresholds are exceeded.
- At the business area or sub-business area level, risks are limited through measures to ensure adherence to the portfolio guidelines of the credit risk strategy with regard to upper limits, rating structures and the portfolio quality, among others.

Total portfolio level.

In the management of the Group's credit portfolio, utilization of the limit on the economic capital for counterparty risks based on the CVaR is monitored particularly closely. A traffic light system recognizes at an early stage if limits are close to being fully utilized and corresponding measures are initiated. In addition, the results of the stress tests provide indications of potentially dangerous risk constellations which may necessitate measures.

Risk situation of the LBBW Group.

Preliminary note.

The quantitative information on the risk situation is based on the management approach. LBBW's risk situation is therefore reported on the basis of the figures used for the purpose of conducting internal risk management and reporting to the Board of Managing Directors and the corporate bodies. The management approach differs partially from balance sheet reporting. This can be put down to the presentation from risk aspects and deviations from the companies included for accounting purposes according to IFRS. In internal risk management the SüdLeasing Group is included as consolidated subsidiary.

The differences between the figures used for internal risk management on the one hand and external accounting on the other can be quantified as follows:

Reconciliation of accounting approach to management approach.

EUR million		Reconciliation			
31 Dec. 2015	Carrying amount	Basis of consolidation	Measurement	Other	Management approach
Cash and cash equivalents	1 167	– 11	0	– 31	1 125
Trading assets	61 678	262	39 618	50	101 608
Financial assets designated at fair value	913	– 5	– 122	0	786
Positive fair values from hedging derivatives	2 174	0	1 707	0	3 881
Financial investments (AfS)	19 170	1 777	– 2 485	– 99	18 363
Receivables	139 030	– 1 868	4 262	– 1 271	140 154
Financial investments (LaR)	6 060	15	0	– 2	6 073
Non-current assets and disposal groups held for sale	153	– 73	– 7	0	73

The primary parameter in the following comments is gross and/or net exposure. Gross exposure is defined here as the fair value or utilization plus open external loan commitments. The net exposure also takes account of risk-mitigating effects. These include netting and collateral agreements, the hedging effect of credit derivatives or the inclusion of classic credit collateral such as real estate liens, financial collateral, guarantees or bonds.

Exposure to counterparty risks in 2015 was always in accordance with the risk-bearing capacity of the LBBW Group.

Development of exposure.

The following table shows the performance of the two exposure variables and the risk-mitigating effects on the respective reporting date.

Development of exposure.

EUR million	31 Dec. 2015	31 Dec. 2014
Gross exposure	**319 179**	**363 047**
Netting/collateral	77 883	90 999
Credit derivatives (protection buy)	13 601	15 878
Classic credit collateral	44 031	43 886
Net exposure	**183 665**	**212 284**

As at the reporting date of 31 December 2015, gross exposure amounts to EUR 319 billion and is therefore EUR 44 billion or 12% less than at the end of 2014. Net exposure fell by around EUR 29 billion or 14% to EUR 184 billion. The marked decline is driven in particular by maturing transactions with guarantor's liability[1] in the Financials portfolio. The trend towards the core business of corporate customers, with largely stable exposure performance, remains formative.

The details given below on portfolio quality, sectors, regions and size classes provide an overview of the aspects which are relevant for LBBW's risk situation. Net exposure forms the principal basis.

Portfolio quality.

Presenting the portfolio by internal rating class depicts how the portfolio quality has developed compared to 31 December 2014.

Portfolio quality.

Net exposure	EUR million 31 Dec. 2015	in % 31 Dec. 2015	EUR million 31 Dec. 2014	in % 31 Dec. 2014
1(AAAA)	43 013	23.4%	46 911	22.1%
1(AAA) – 1(A–)	81 646	44.5%	102 164	48.1%
2 – 5	39 577	21.5%	39 664	18.7%
6 – 8	11 641	6.3%	11 130	5.2%
9 – 10	3 149	1.7%	5 513	2.6%
11 – 15	1 306	0.7%	2 311	1.1%
16 – 18 (Default)[2]	1 898	1.0%	2 531	1.2%
Other	1 436	0.8%	2 060	1.0%
Total	**183 665**	**100.0%**	**212 284**	**100.0%**

2) »Default« refers to exposure for which a default event as defined in art. 148 CRR has occurred, e.g. improbability of repayment or 90-day default. The exposure is presented before allowances for losses on loans and advances/impairments.

The quality of the portfolio has improved further. This is reflected in particular in the EUR 1.0 billion decline in critical ratings (rating classes 11 – 15) to EUR 1.3 billion. In addition, net exposure in the default rating classes (16 – 18) was reduced and at 1.0% (EUR 1.9 billion) accounts for a small share of the total portfolio at the end of the year. The decline in net exposure in the second-best rating cluster is largely induced by the guarantor's liability that was abolished at the end of 2015. Despite this decline, the relative share of investment grade ratings (rating 1(AAAA) to 5) in the overall portfolio remained broadly unchanged (89.4% after 88.9% in 2014). The top rating class 1(AAAA) particularly includes German non-central public-sector entities.

1) Subsidiary liability of the guarantor of savings banks and Landesbanken ended as at 31 December 2015 (understanding between the European Commission and the Federal Republic of Germany dated 17 July 2001). Transactions that were entered into before 18 July 2001 are also subject to guarantor's liability until they mature.

Sectors.

The presentation of the sectors by the dimensions of net exposure, credit value-at-risk (CVaR) and default portfolio likewise provides information on the scope of business activities and the risk situation in the respective sector. The sector classification is based on LBBW's internal risk-oriented sector key that corresponds with the organizational back office responsibilities in the corporates portfolio.

Sectors.

EUR million	Net exposure 31 Dec. 2015	CVaR 31 Dec. 2015	Default 31 Dec. 2015	Net exposure 31 Dec. 2014	CVaR 31 Dec. 2014	Default 31 Dec. 2014
Financials	**68 426**	**698**	**46**	**95 415**	**755**	**112**
of which transactions under specific state liability[1]	9 710	49	0	28 460	34	0
Companies	**70 865**	**2 483**	**1 757**	**70 267**	**2 589**	**2 271**
Automotive	11 061	404	101	10 381	325	195
Chemicals and pharmaceuticals	5 517	143	59	6 101	150	92
Commercial real estate (CRE)	7 357	509	384	6 621	442	592
Retail and consumer	9 181	261	182	8 830	286	223
Industry and construction	14 324	456	343	13 752	494	387
of which construction	5 690	234	125	5 534	233	180
Telecommunications and media	2 767	68	53	2 608	75	57
Transport and logistics	3 555	125	103	3 922	150	111
Utilities and energy	10 142	280	372	10 807	331	396
of which utilities and disposal companies	4 331	139	45	4 931	126	26
Housing	2 936	122	74	3 397	183	119
Other	4 025	116	86	3 849	153	100
Public sector	**39 320**	**517**	**1**	**41 042**	**699**	**1**
Private individuals	**5 054**	**139**	**95**	**5 560**	**230**	**146**
Total	**183 665**	**3 837**	**1 898**	**212 284**	**4 274**	**2 531**

1) This figure shows transactions with guarantor's liability and transactions for risk minimization covered by a guarantee provided by the State of Baden Württemberg. This also includes central banks and banks with a state background.

Financials contribute significantly to the decline in net exposure compared with the previous year. The decline of approx. EUR 27 billion in the financials portfolio to EUR 68 billion was particularly as a result of EUR 18 billion in maturing transactions under the guarantor's liability. Owing to the mostly good ratings, the CVaR decline was minimal.

The corporates portfolio is largely stable, and net exposure and CVaR is roughly unchanged from the previous year. As a consequence of the decline in financials, corporates now represent the largest of the four main sectors with a 39% share of net exposure (previous year: 33%) and a 65% share of CVaR (previous year: 61%). As in the previous year, automotive and commercial real estate sectors are the most important sectors in the portfolio. For this reason, they will continue to be monitored closely in the interests of managing sector concentrations.

Net exposure to the public sector is scarcely unchanged compared with the previous year. However, the CVaR is disproportionately lower, mainly due to the disposal of long-term Italian government bonds.

The net exposure and CVaR for private individuals declined slightly. This portfolio has a particularly high level of granularity.

Regions.

The share of German business in the net exposure was slightly lower compared to the previous year, amounting to 71.3% on the reporting date. The main reason for this was the high volume of maturing transactions with guarantor's liability concluded with German financial institutions at the end of the year. The focus on the stable and low-risk core markets in private, SME and large customer business, and the function as a clearing bank for the savings banks, will continue to secure a dominant German share in the future.

Foreign exposure is particularly spread across Western Europe and North America. The share in Western Europe (excluding Germany) increased relative to the total portfolio. Exposures in this region have fallen in absolute terms, mainly in the financials sector. Growth in North America is accounted for mainly by the public sector and the real estate sector. Exposure to Eastern Europe, Latin America and Africa is of subordinate importance and results principally from export finance.

Regions.

Net exposure in %	Share 31 Dec. 2015	Share 31 Dec. 2014
Germany	71.3%	75.8%
Western Europe (excluding Germany)	18.2%	15.6%
North America	7.2%	5.3%
Asia/Pacific	1.8%	1.7%
Eastern Europe	0.8%	0.8%
Latin America	0.7%	0.7%
Africa	0.0%	0.0%
Total	**100.0%**	**100.0%**

The performance in China in 2015 was defined mainly by stock market turbulence and a further declining growth rate, among other things. Direct exposure to counterparties in China amounts to EUR 0.6 billion and therefore does not represent a significant country concentration from a risk perspective. However, China has become a very important sales market for some of our borrowers. Certain corporate customers in the automotive and mechanical engineering sectors therefore have a certain indirect exposure to Chinese country risk. Nonetheless, the majority of these borrowers have an above-average rating.

Although the Southern and Southeastern European countries remained under observation in 2015 despite the market having calmed down to some extent. After the already known political risks were followed by economic uncertainties in 2015, the focus turned on the Ukrainian and Russian sovereign risks. Measures were approved for both countries to limit risks and/or measures already in place were reaffirmed. Exposure to the Ukraine was such that there was no noteworthy direct or indirect risk. Due to the negligible size of our exposure, Russia does not present any material hazards for the risk situation of the LBBW Group either.

Size classes.

The following breakdown by size class is based on the borrower unit level or, if part of the Group, on the customer level.

Size classes.

Net exposure	Number 31 Dec. 2015	Net exposure in % 31 Dec. 2015	Number 31 Dec. 2014	Net exposure in % 31 Dec. 2014
up to EUR 10 million	663 172	12.1 %	692 740	11.2 %
up to EUR 50 million	1 110	13.5 %	1 078	11.6 %
up to EUR 100 million	210	8.2 %	224	7.6 %
up to EUR 500 million	257	32.9 %	236	25.8 %
up to EUR 1 billion	29	11.3 %	52	17.4 %
over EUR 1 billion	18	22.0 %	23	26.4 %
Total	**664 796**	**100.0 %**	**694 353**	**100.0 %**

The size classes up to a net exposure of EUR 100 million account for 34 % of the net exposure (previous year 30 %). The large number of customers is due here in particular to the retail portfolio.

With shares of 95 % and 100 % respectively, very good to good credit ratings (1 (AAAA) to 5) dominate the two size classes of net exposure totaling EUR 100 million to EUR 500 million and EUR 500 million to EUR 1 billion.

The number of net exposures of more than EUR 1 billion was reduced compared to the previous year, from 23 to 18 names, with their share of the portfolio accordingly falling by approx. four percentage points to 22.0 %. The decline is as a result of the phase-out of the guarantor's liability. As at the reporting date on 31 December 2015, 61 % of this size class comprises public-sector bodies (particularly domestic public-sector entities), while the remaining 39 % are accounted for by financials and corporates with exclusively very good to good credit ratings (lowest rating class 1(A–)). The large exposures will continue to be monitored closely in terms of the management of cluster risks.

Opportunities.

LBBW's core business activity involves assuming counterparty risks. According to the principles of the credit risk strategy, credits are adjusted for risk when priced. Selecting transactions with a favorable risk/return ratio offers special opportunities for profit. Furthermore, a positive trend in the economic situation in Germany may offer an opportunity to improve the quality of the portfolio, thus resulting in persistently low write-down requirements. Business potential and higher margins could be achieved as part of optimizing the business model and with less intense competition on the German market.

Market price risks.
Definition.

LBBW defines market price risks as potential losses resulting from unfavorable changes in market prices or factors influencing prices. Market price risks are broken down into the categories equities, interest rates and currency/commodities.

The following characteristics of market price risks arise as a result of the nature of LBBW's business activities:

Equity risk.
The equity risk results from changes in share and/or index prices as well as from share or index volatilities.

Interest rate risk.
The interest rate risk is based on changes in market interest rates, interest spreads, credit spreads or interest rate volatility.

Currency/commodity risk.
Currency / commodity risks are summarized and reported under the FX risk type in the LBBW Group. The currency risk relates to the development of exchange rates. The commodity risk relates to changes in the price of precious metals and commodities.

Market price risk management.

Risk measurement	▪ Internal risk model approved by the regulatory authority ▪ Daily value-at-risk measurement ▪ Stress tests, calculation of stress VaR, backtesting analysis ▪ Sensitivities
Risk monitoring and reporting	▪ Monitoring and observance of the limits by persons who are responsible for the portfolios in Group Risk Control ▪ Daily, weekly and monthly reporting
Risk management	▪ Specifications on the basis of market price risk strategy and portfolio descriptions ▪ VaR limit down to portfolio level ▪ Loss limit per portfolio via a loss-warning trigger ▪ Limiting of sensitivities

Risk measurement.

Risk model.

In the financial sector, the market risk of the trading and banking portfolio is represented by value-at-risk forecasts. This value-at-risk (VaR) can be determined as part of a stochastic-mathematical model. Based on the dynamics of market data the portfolio constituents are valued. Subsequently – applying further approximations – the Profit & Loss distribution of the entire portfolio is estimated. The VaR is therefrom identified as the maximum potential loss at a given confidence level.

LBBW is using an in-house model based on a conventional Monte Carlo simulation. In this simulation, market-induced fluctuations in the value of complex transactions are partially approximated. In addition, historical time series for the last 250 days are weighted equally in the covariance matrix estimate. Backtesting analyses ensure the quality of the applied VaR estimation procedures.

The risk model is used for general interest rate and equity risks to determine the regulatory capital requirements for market risks of the trading book[1]. The overall risk is included in determining the economic capital.

LBBW calculates the value-at-risk (VaR) from market price risks at a confidence level of 99% and a holding period of ten days for regulatory purposes while a 95% confidence level and a one-day holding period are applied for internal bank management purposes. In order to map this within the framework of risk-bearing capacity, the maximum of standard VaR (covariance matrix over 250 trading days) and long-term VaR are scaled to an adjusted level to meet the requirements of economic capital in terms of confidence level and holding period. Due to regulatory requirements, a longer monitoring period of five years is taken with the long-term VaR in order to allow for more volatile market phases as well. Market price risk for the trading and banking book are calculated with the same method.

Trading portfolios and the strategic interest rate position of the banking book can be affected by potentially detrimental developments in market interest rates.

LBBW identifies credit spread risk as its significant part of the market price risk. The transactions of the trading book and the banking book that are sensitive to creditworthiness are mapped onto rating- and sector-dependent yield curves. In this way, general credit spread risks from bonds and ABS are also measured. In addition, the issuer-specific risk for securities is calculated using the spread of individual counterparties. Reference borrowers are allocated to CDS sector curves for credit spread risks from credit derivatives. A premium is added when calculating the economic capital for the credit spread risk from tradeable loans.

The calculations of VaR and sensitivities are completed with separate stress scenarios for the trading and the banking book on a weekly basis. Stress testing is used to examine how the value of the portfolio changes under extreme market conditions. LBBW uses both self-defined e.g. synthetic as well as historical market movements with a focus on altering specific movement of market price data i.e. curve trend or spread changes. Synthetic scenarios are based mostly on selected market factor groups such as individual and combined interest rate or credit spread shifts. Historical scenarios were generated from the data analyses of market shocks. All scenarios serve the purpose of modeling

1) Trading book excluding funds that cannot be represented transparently.

extreme events on the financial markets that are not specifically included in VaR as history-based indicator. The results are reported to the decision-makers both on a portfolio basis and with regard to their impact on the Group as a whole. These changes in value from the stress simulation are also integrated in the stress scenarios for multiple risk types and are therefore relevant for risk-bearing capacity.

In order to calculate the StressVaR, instead of the past 250 trading days a period of observation is assumed that covers a significant stress period. The Stress VaR is calculated on a weekly basis using the relevant observation period for the trading book portfolio required for the regulatory report. A second calculation simulates the increase in risk under stress during the relevant period for the Group. This value is also integrated in the MaRisk stress scenarios for multiple risk types and is therefore relevant for risk-bearing capacity. The relevant observation period is determined on a quarterly basis for the portfolio of relevance for CRR as well as for the Group.

New products and further development of the risk model.

The model was adapted in 2015 in line with market conditions. In addition, the product mapping was refined further.

Validation of the risk model.

LBBW's risk model is subject to an extensive validation program, in which the potential model risks are identified in the stochastics of the market factors (including distribution model, risk factor selection and mapping), in the implemented valuation procedures and in the relevant market data, and are measured in terms of their materiality using tailor-made validation analyses. The validation analyses are conducted within the Group Risk Control division by the risk model validation organizational unit, which is independent from the model development. The analyses are conducted on the basis of the materiality of the model risks at regular intervals (at least annually) and on an ad hoc basis in the case of significant structural changes being made in the model concept, on the market or to the portfolio composition.

Particular importance is attached to the backtesting analysis within the validation program. This statistical backward comparison of the actual changes to the portfolio not only focuses on the VaR forecast but is also based on the entire distribution forecast. According to regulatory requirements, it is based on the one hand on changes in portfolio value excluding new business and intraday results, net interest income and commissions and fees (so-called Clean P/L) and on the other on changes in portfolio value excluding commissions and fees (so-called Dirty P/L), which are derived directly from the economic P/L.

If the backtesting or validation analyses indicate material model risks, these are made transparent for all players integrated in the market risk management process, so that the necessary model optimization measures can be implemented efficiently.

In addition, LBBW addresses such model risks through more extensive analyses and limitations, as well as valuation discounts, if necessary. An amount is also taken into account in the risk-bearing capacity for model risks.

Risk monitoring and reporting.

The utilization of limits and compliance with the detailed risk strategy among other things defined in the portfolio descriptions, are monitored by the relevant persons with portfolio responsibilities in Group Risk Control and reported to the Group's Board of Managing Directors. Reporting comprises specifically:

- Daily report with overview of the P&L and risk development.
- Weekly stress test report comprising the effects of the stress scenarios.
- Overall risk report that is prepared monthly and contains detailed information about P&L and risk development, StressVaR, economic capital and monitoring of the economic capital limit.

Risk management.

The strategic framework for quantitative market price risk management in the LBBW Group is set by the Board of Managing Directors by fixing the limit for economic capital for market price risks within the framework of risk-bearing capacity. The loss-warning trigger acts as an indicator for losses of market value in the economic P&L and thus also entails a reduction of the aggregate risk cover. The loss-warning triggers at divisional and/or segment level are fixed by the Board of Managing Directors at least once a year allowing for risk tolerance. Distribution among the portfolios below this level is effected by the responsible person in Trading.

The relevant VaR amount is calculated for strategic management and monthly inclusion in the economic capital limit in the strategic limit system. If it is not possible to completely quantify the risks, appropriate cushions or reserves are formed.

Various VaR portfolio limits are associated to the economic capital limit. These limits plus the loss-warning triggers and the sub-strategies together compose the risk taking guidelines for the divisions, departments and groups of Financial Markets/International Business, the Credit Investment Portfolio division as well as the subsidiaries. The persons responsible for managing market price risks in the LBBW Group are defined via the escalation policy.

Operational controlling (intraday and end of day) in LBBW's trading books is conducted using sensitivity limits. The end-of-day portfolio limits monitored by Group Risk Control are to be observed. Furthermore, various special limits and restrictions, e.g. from the New Product Process, have been approved. These are monitored by Group Risk Control and if necessary escalated to the Risk Committee or the Board of Managing Directors.

Internal transactions are concluded between the trading units, which are included in the calculations of market price risk for detailed risk management.

The market price risk strategy documents the strategic framework for the risk strategy in the LBBW Group and is derived from the business strategy and the Group risk strategy. The Group risk strategy contains parameters for taking on market price risks which sets out the risk taking principles. The requirements for proactive management of the material LBBW portfolios are documented in the portfolio description, following from the market price risk strategy.

Risk situation of the LBBW Group.

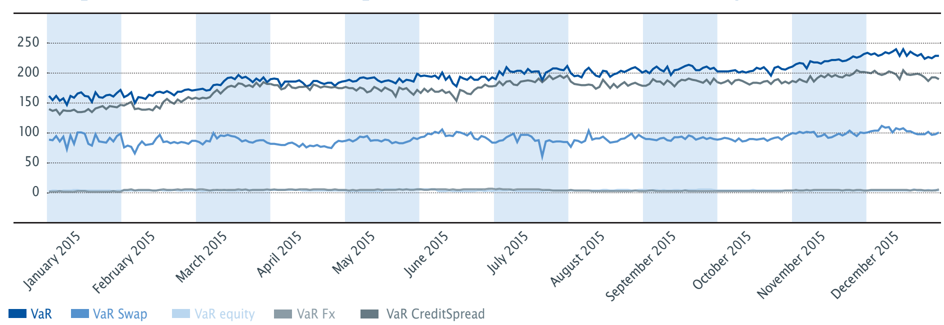
Development of market price risks.

Exposure to market price risks in 2015 was always in accordance with the risk-bearing capacity of the LBBW Group. The risk limit was not exceeded in 2015 for the individual Group entities either. The loss warning trigger was not breached for any material portfolio in 2015.

LBBW's market price risks are generally characterized by interest rate risk and the embedded credit spread risks. Here the overall risk is dominated by the positions in the banking book, which comprises largely the Treasury portfolio (interest-rate and liquidity management as well as cover pool). The basis risks in the interest area between individual European sovereign or financial curves and the swap curve, as well as the exposure to credit spreads including the risks from fixed-income securities and credit derivatives, play a decisive part in the overall risk. Equity risks, along with FX and commodity risks, are less significant for LBBW than interest rate and spread risks. Commodity risks also include risks from precious metals and notes and coins portfolios, which LBBW holds to only a limited degree.

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

Development of the LBBW Group risk in EUR million (99%/10 days).



VaR 99%/10 days.

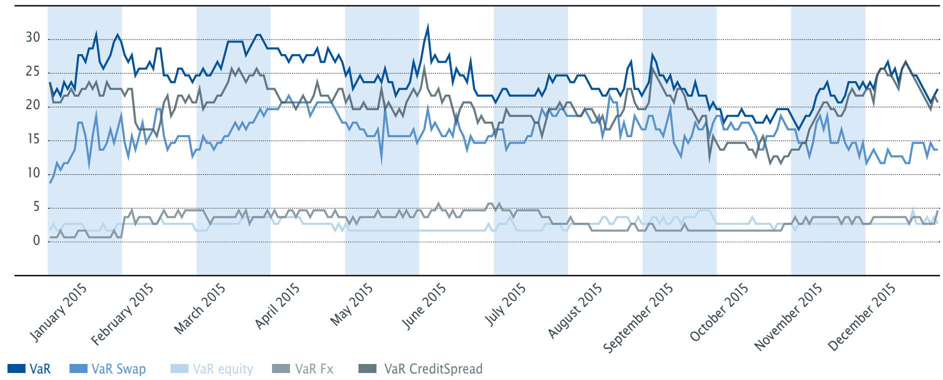
EUR million	Average	Maximum	Minimum	30 Dec. 2015[1]	30 Dec. 2014
LBBW Group	**194**	**239**	**146**	**228**	**165**
Swap risk	90	111	60	99	86
Credit spread risk	175	204	130	189	141
Equity risks	3	5	2	3	2
FX risks[2]	3	6	1	4	3

1) The last reporting date in the 2015 financial year was 30 December 2015.
2) Including commodity risks.

The VaR of the LBBW Group increased in 2015. This is largely attributable to the building up of positions in highly liquid securities for liquidity management in order to meet regulatory requirements.

For the trading book the VaR developed as follows in 2015:

Development of the trading book risk in EUR million (99%/10 days).



VaR 99%/10 days.

EUR million	Average	Maximum	Minimum	30 Dec. 2015[1)]	30 Dec. 2014
LBBW (Bank) trading book	**24**	**32**	**17**	**23**	**26**
Swap risk	17	22	9	14	13
Credit spread risk	20	27	12	21	25
Equity risks	3	5	2	3	2
FX risks[2)]	3	6	1	4	3

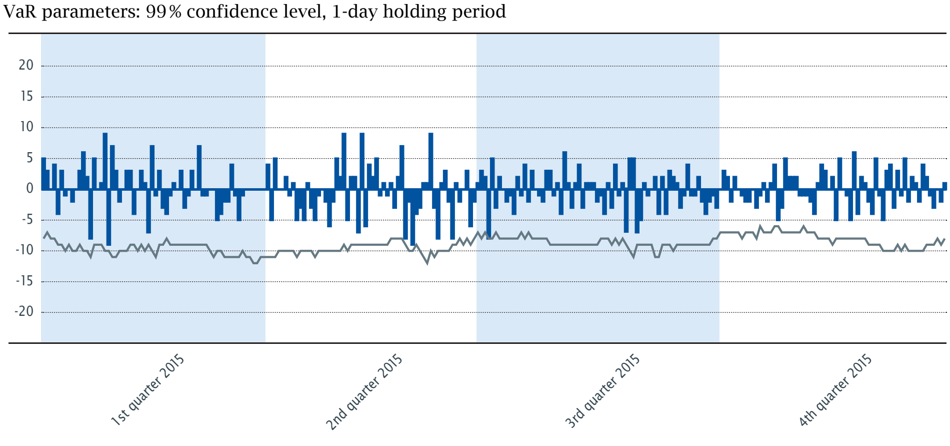
1) The last reporting date in the 2015 financial year was 30 December 2015.
2) Including commodity risks.

The LBBW trading book contains the positions of the Financial Markets segment and of Treasury, which are used for short-term liquidity management. The risk has declined slightly compared to the previous year.

Backtesting result.

Clean Backtesting CRR portfolio for the period 2 Jan. – 30 Dec. 2015 in EUR million.

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



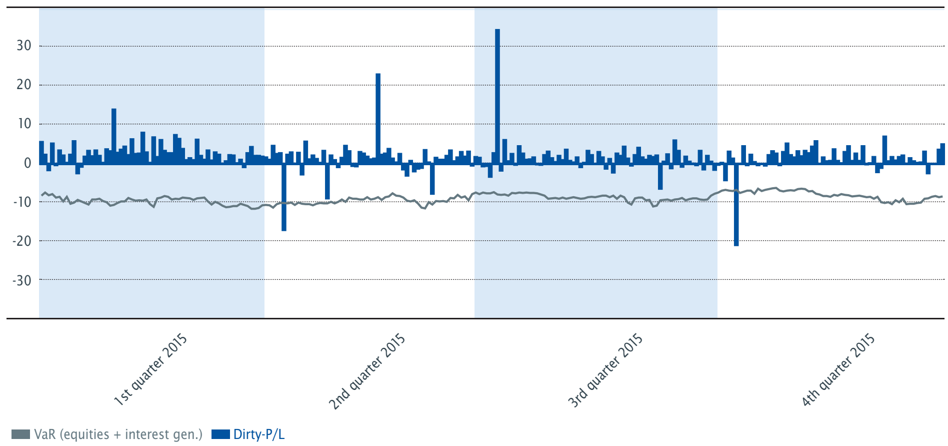
Up to and including the last reporting date of 30 December 2015, the internal risk model shows no outliers for the CleanP/L for the preceding 250 trading days in the CRR portfolio.

Due to strong movements on the market (widening of bond spreads and higher euro swap rates), two outliers were recorded for the last 250 trading days for both the LBBW Group and the banking book.

One outlier was recorded for the trading book, due to strong FX movement.

Dirty Backtesting CRR portfolio for the period 2 Jan. – 30 Dec. 2015 in EUR million.

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



On the basis of the Dirty P/L two outliers were recorded for 2015 both for the CRR-relevant portfolio and for the trading book. The outliers were each caused by an adaptation to the credit valuation adjustments that are calculated every quarter. No conclusions can therefore be drawn in terms of inadequate forecasting quality in the internal model.

Two outliers each were recorded for the LBBW Group and the banking book, both of which are attributable to strong market fluctuations (bond spreads and euro swap rates).

No additional equity is therefore required for model outliers for regulatory purposes. Since five outliers are necessary to impact on the weighting factor of the internal model, it remains unchanged.

Stress test.

In the adverse case scenario the stress test values fell sharply in 2015 for the LBBW Group, the banking book and the trading book. This is due to the fact that the previous main scenario, which featured an interest rate shift of up to 380 basis points, was no longer classified as realistic, particularly in light of the current interest rate environment.

The effects of an interest rate shock on the strategic bank position are calculated within the scope of conducting the stress test. For this purpose, the interest rate curves are shifted by +/– 200 bp. The regulatory requirements stipulate that the result may not exceed a 20% share of liable equity. This limit was never breached in 2015.

Market liquidity risks.

Market liquidity risk designates the risk that transactions cannot be closed out, or can only be closed out at a loss, due to inadequate market depth or market disruptions. For example, if a large volume were to be bought or sold quickly, then a corresponding market-price influence would be anticipated, potentially reducing the expected proceeds.

The market liquidity risk is calculated for bonds, credit derivatives, equities and swaps. It is broken down into exogenous and endogenous risks. The exogenous market liquidity risk results from the fact that the valuation of market risk positions is based on mid values but bid or ask prices are achieved when positions are closed out. When the exogenous risk is calculated, the volatility of the bid-ask spread is included. The endogenous market liquidity risk occurs in cases where the Bank's own position relative to market capacity can no longer be ignored. Here there is a risk that liquidation or closeout of the position will result in an additional change in the bid-ask spread that is unfavorable from LBBW's point of view.

The market liquidity risk is calculated using a model that includes bonds, credit derivatives, swaps and equities. As at 30 December 2015 the market liquidity risk calculated using this model stood at EUR 308 million and had decreased by EUR 40 million in the course of the financial year.

Opportunities.

The portfolios of the LBBW Group depend to a considerable extent on market development of credit spreads. A narrowing of the relevant credit spreads from today's perspective has a positive effect on the LBBW Group result. The extent of this effect depends on the performance of the LBBW Group's holdings. Moreover, the interest rate development has an effect on various portfolios. Risks but also opportunities can arise, depending on the positioning or orientation of the portfolio.

Liquidity risks.
Definition.

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

Liquidity risk management.

Risk measurement	▪ Daily calculation of the liquidity gap and funding potential via central banks ▪ Monthly preparation of a liquidity flow analysis to assess structural liquidity ▪ Regular quantification of all material call risks ▪ Stress tests ▪ Analysis of investor base via investor lists
Risk monitoring and reporting	▪ Detailed daily reports of the liquidity gaps per location and currency and of liquidity reserves ▪ Monthly reports on all aspects of the liquidity and funding risk in the Risk Committee and ALCO
Risk management	▪ Liquidity risk tolerance specifications in the form of gap limits and survival times ▪ Defined escalation routes in the event of a breach of the specifications ▪ Management of the asset and equity/liabilities side of the balance sheet via funds transfer pricing

Risk measurement.

The risk of not having sufficient funds available at all times is not an earnings risk. Hence, it cannot be quantified or analyzed appropriately as value-at-risk by calculating a potential financial loss. It is therefore managed in LBBW using quantitative requirements and limits which have been established by the Board of Managing Directors in accordance with liquidity risk tolerance.

Determining the liquidity risk position involves, among other factors:

- Creating liquidity gaps to the day in all currencies for LBBW (Bank) on a daily basis and to the day twice a week for the LBBW Group.
- Calculating the potential funding available from central banks on a daily basis on the target date and over time.
- Monthly preparation of a liquidity flow analysis to assess structural liquidity and as the basis for planning funding.
- Preparing investor lists on the basis of which possible concentrations and any changes with regard to the diversification of the investor base can be identified.
- Monitoring, analyzing and regular quantifying of all material call risks.
- Stress tests conducted on a weekly and monthly basis, and as required. Ongoing review and, if necessary, adjustment of assumptions and parameters used.
- Calculating figures on intraday liquidity.

Liquidity risk tolerance is largely defined by reference to a survival period concept, i.e. time frames are specified by senior management over which LBBW is expected to remain at least solvent, even in the event of severely limited opportunities to borrow on the market, subject to different combinations of assumptions (development paths).

The assumptions to be made in the regular check of adherence to these parameters, especially within the framework of stress tests, are regularly checked to determine whether they are still adequate under the ongoing market conditions. If they need to be adjusted due to current developments, this is reported to management via the Risk Committee and, if approved, results in timely adjustments.

In addition, there is a limit system for the maximum funding requirements based on maturities from the business portfolio across various time frames.

The following measures, amongst other things, are used for the early identification of new call risks or increased risk from known or previously immaterial call risks:

- Permanent analysis of the documented business operations (overall risk report, ALCo documents, New Product Processes) with regard to new or increasingly significant call risks.
- Monitoring the daily cash flows in the ECB account with regard to major cash flows that are not from transactions due or other familiar causes of payment flows.

All key subsidiaries as defined in the risk inventory and conduits are included in regular reporting of liquidity risks in accordance with LBBW guidelines. The liquidity risks for subsidiaries and affiliates are dealt with in the same way as at LBBW (Bank).

Risk monitoring and reporting.

The regular monitoring of liquidity risks is the responsibility of the LBBW Risk Committee at the management level, and prepares decisions for the Group's Board of Managing Directors, while Liquidity Risk Control within the Group Risk Control division is responsible for daily monitoring at the operational level. As part of the overall risk report, all material aspects of liquidity risk, such as liquidity needs, liquidity buffer and compliance with the specifications on liquidity risk tolerance including the results of the stress tests carried out, are reported in detail to the Risk Committee. Various reports are prepared daily as part of the continuous monitoring, which show the different partial aspects of liquidity and liquidity risk – such as disaggregation of the liquidity gaps by currency – in detail and are distributed in Group Risk Control and Treasury.

Risk management.

The Asset Liability Committee (ALCo), which meets on a monthly basis, is the central body for managing liquidity and funding. The ALCo draws up the liquidity and funding strategy on behalf of the Group's Board of Managing Directors, presents it to the Board for approval and monitors implementation of decisions.

Treasury implements all the decisions to be made by the Asset Liability Committee with the aim of active income and risk optimization while simultaneously ensuring solvency at all times and compliance with the requirements with respect to liquidity risk tolerance. The strategic parameters in terms of liquidity risk tolerance are designed in such a way that the Group's solvency in EUR and foreign currency is secured for a sufficiently long period even in extreme market situations and in the event of a marked deterioration of LBBW's credit rating as perceived by market players in order to survive temporary crises. This also ensures that in the event of temporary adverse developments an adequate time window is available for adapting the business strategy and considering alternative business policies.

The ALCo is responsible for the internal netting interest rates (opportunity interest rates) and for monitoring the steering effects of the opportunity interest rates and pricing models on the business units and liquidity and funding situation of the Group. Group Risk Control monitors the risk adequacy of methods to calculate the internal fund transfer pricing. The Risk Committee validates the methods once a year.

Treasury is responsible for the operational management of market- and risk-adequate internal transfer prices that have to be adjusted continuously to market conditions, and is a fundamental component of the management of the assets and liabilities sides of the balance sheet.

The purpose of LBBW's funding strategy is to diversify product and investor groups. In 2015, investments by savings banks and institutional investors within Germany again constituted the main sources of medium- and long-term funding in addition to retail business. Covered bonds continue to represent a material source of funding.

Treasury is responsible for securing intraday liquidity in trading. It plans daily payments and calculates liquidity requirements up to the end of the day, while continuously taking into account payment inflows and outflows that only become known during the course of the day as well as performing the central bank function for savings banks. Liquidity Risk Control evaluates the daily payments and monitors intraday liquidity, using calculated figures that are reported to the Risk Committee.

An emergency plan is in place for securing liquidity in acute crisis situations. The provisions made include the formation of a crisis response team bringing in members of the Board of Managing Directors. The emergency plan is reviewed annually and resolved anew by the Board of Managing Directors.

Risk situation of the LBBW Group.

The LBBW Group's liquidity situation was always comfortable during 2015. The customer deposit business showed the steady performance that was desired and capital market placements – both covered and uncovered – attracted lively interest among national and international investors. The LBBW Group's sources of funding are very stable in terms of volume and degree of diversification. LBBW did not utilize the ECB's long-term tender.

As at the reporting date of 31 December 2015 the funding needs and the counterbalancing capacity were as follows:

Overview of funding needs and counterbalancing capacity.

EUR billion as at 31 Dec. 2015	3 months	12 months
Funding requirement from the business portfolio (deterministic cash flow)	17.0	14.0
Material call risks (stochastic cash flow)	14.7	30.8
Free liquidity reserves	22.0	28.5
Funding potential in the market	37.8	45.7

All limits of the Board of Managing Directors for the maximum funding requirements based on maturities from the business portfolio were adhered to during the whole of 2015. The targeted stress resistance was also fulfilled. The liquidity risk stress scenarios rating downgrade, financial market crisis, and market crisis with downgrade, structured in accordance with the guidelines of MaRisk (BTR 3.2), show that the remaining funding potential via the market, plus the free liquidity buffer, always exceeds the potential funding needs under stress scenarios for this period.

Results of the economic stress scenarios.

Scenario EUR billion as at 31 Dec. 2015	Funding needs	Funding counterbalancing capacity (central banks and market)
Rating downgrade	33.5	41.3
Financial market crisis	34.1	50.8
Market crisis with downgrade	34.1	47.0

The liquidity buffer was adequate to compensate for any short-term, substantial liquidity outflows. However, with substantial maturities around year-end 2015 spilling over into the 3-month band, this led to a slight short-term breach at the start of October of the provisions that the funding needs from the business portfolio should be covered by the free liquidity buffer for this period.

The requirements of the standard approach of the Liquidity Regulation (KWG) were at all times exceeded significantly in the year under review. As at 31 December 2015, the liquidity ratio for LBBW was 1.43 (31 December 2014: 1.34). The prescribed minimum value of 0.6 for the new European »Liquidity Coverage Ratio« (LCR) that applies since October 2015 was observed. The ratio as at year-end 2015 was 0.82.

Opportunities.

We believe the LBBW Group's liquidity situation will be comfortable in 2016 as well. LBBW is offered more funds on the money and capital markets than currently required to fund the Group. The broad-based and well-diversified funding basis would make it possible for LBBW to raise much more in terms of funding resources. The ECB continues to pursue an expansionary monetary policy in 2016, thus providing the money and capital market with ample liquidity. Investors are currently still very interested in the LBBW Group's funding products. Thus there are no discernible restrictions on the funding side for the future performance of the LBBW Group.

Risk management system for covered bond (Pfandbrief) operations.

A differentiated limit system was put in place to monitor risks from covered bond (Pfandbrief) operations (section 27 of the German Covered Bond Act (Pfandbriefgesetz – PfandBG)). Regular stress tests are conducted with regard to NPV (net present value) overcollateralization. In the event that the fixed limits are reached, a process for then cutting the risk is implemented. The Board of Managing Directors and the Risk Committee are informed on a quarterly basis of compliance with the provisions of the PfandBG and the utilization of legal and internal limits. All requirements were met at all times in 2015. The risk management system is reviewed at least annually.

Operational risks.
Definition.

LBBW defines operational risks (OpRisk) as the risk of losses arising due to the unsuitability or failure of internal processes and systems, people, or due to external events. In each of the aforementioned risk categories legal risks can lead to losses. This is because in each category the LBBW Group may be subject to legal claims, lawsuits or legal proceedings due to failure to observe statutory regulations and underlying conditions.

Credit risks in connection with operational risks are likewise viewed in line with regulatory requirements. The effects of this are included in the information on counterparty risk.

Management of operational risks.

Risk measurement	▪ Pillar I: Standard approach ▪ Pillar II: OpVaR
Risk monitoring and reporting	▪ Dual overall approach ▪ Central parameters: strategy and rules and regulations ▪ Organizational model: roles and responsibilities ▪ Risk monitoring: OpRisk Controlling methods and instruments ▪ Internal reporting (quarterly to the Risk Committee, monthly to the Internal Risk Committee, ad-hoc reporting) ▪ External reporting ▪ Risk situation
Risk management	▪ Observing the specifications set for the operational risk strategy ▪ Determining the action strategies decentrally ▪ The management of measures for reducing risk

Risk measurement.

The standard approach is used to calculate regulatory capital requirements at the LBBW Group. In connection with LBBW Group's risk-bearing capacity (RBC), an operational value-at-risk (OpVaR) model is applied for the internal economic management.

The model is based on the loss distribution approach. Separate segment-specific modeling is carried out for the distribution of frequency and size of loss. Internal and external losses together with scenario analyses are included for the OpVaR calculation.

In line with the other types of risk, a time frame of one year and a confidence level of 99.93 % were used to calculate the OpVaR within the framework of risk-bearing capacity.

The OpVaR model used for internal controlling is integrated into the Group's strategic limit system. There are economic stress scenarios that vary the risk parameters of the OpVaR model (frequency or amount of loss in expected future loss events). This covers the main business lines and event types. The stress test results for operational risks are also incorporated in the overarching MaRisk stress scenarios.

A new OpVaR IT system was deployed in 2015 to automate processes and speed up the OpVaR calculation. This in-house development is based on the Wolfram Mathematica software combined with a web application.

Risk monitoring, reporting and risk management.

The LBBW Group has a comprehensive system for the management and controlling of operational risks. On the basis of a dual overall approach, firstly an independent, centralized organizational unit within the Group Risk Control division is tasked with further developing and implementing the methods and tools used by OpRisk Controlling. Secondly, in the LBBW Group, the execution of the processes implemented for the management of operational risks is mainly the responsibility of the individual divisions and subsidiaries.

The central parameters for handling operational risks are anchored in the risk strategy and policy for operational risks as well as in the work rules. Here the risk strategy and policy regulate the risk profile of the LBBW Group, the principles of the risk culture, the organizational structure as well as the risk management and controlling process with regard to operational risks.

Various methods and tools are used to identify and assess the risk situation. In addition to the internal and external incident database, a risk inventory is conducted annually with self-assessments and scenario analyses. The self-assessments record the individual risks of each division of the LBBW Group with the aim of conducting division-specific analyses and obtaining wide-ranging information of relevance to management. The most important risks detected in the course of the self-assessments are aggregated in the scenario analysis using standard scenarios; they are then analyzed extensively and measures for reducing the risks are collected. This forms the basis for drawing up and implementing measures to reduce these risks. This methodology has been rolled out in all business units and principal subsidiaries of the LBBW Group. The results of the scenario analyses are used in the OpVaR model. In addition, risk indicators are regularly recorded and reported.

One of the main goals of operational risk management and control activities is to identify operational risks at an early stage, presenting them in a transparent manner and managing them proactively. In addition to the methods and instruments described, the central link-up point is the functional organizational model, which comprehensively describes the roles and responsibilities of those involved in the process. In this context, the local operational risk managers play a very important role. They support division management and managing directors in the use of operational risk controlling tools and the reporting system, serve as contacts and multipliers for their respective employees on the topic of operational risks, and are in close contact with LBBW's centralized OpRisk Controlling unit.

OpRisk measure management plays a key role in managing operational risks. They are managed proactively by the divisions and subsidiaries on the basis of the risk strategy for operational risks. Four action strategy options are available for handling operational risks: avoid, transfer, reduce or accept risks. The measure management implemented, the internal control system and an open risk culture play an important role when it comes to determining which option is to be chosen. A key role in avoiding operational risks is played by the sensitivity to risks of all staff members and the handling of risks in an open manner. The objective is to minimize or avoid risks, taking cost/benefit aspects into consideration. If it is not possible to completely avoid possible losses the central Group Strategy/Legal division obtains insurance policies to cover potential losses – as far as this is possible and reasonable. Continuous improvement of business process, among other things, offers another possibility of reducing potential operational risks further. Emergency concepts and business continuation plans drawn up within the scope of Business Continuity Management are used to limit losses in the event of an emergency.

The centralized OpRisk Controlling unit provides decision-makers with relevant information as part of regular risk reporting. Ad hoc reports are also made depending on the amount of loss. The Risk Committee also supports the Board of Managing Directors in exercising its supervisory function. The operational risks as well as the risk-bearing capacity monitoring and stress analysis for all risk types are therefore incorporated and integrated in the overall risk management.

The focus of attention is shifting increasingly to the topic of operational risks due to the gradual increase in new regulatory requirements and data collection. The LBBW Group meets these requirements by employing the corresponding resources.

Risk situation of the LBBW Group.

Exposure to operational risks in 2015 was always in accordance with the risk-bearing capacity of the LBBW Group. Looking forward, LBBW does not expect any operational risks to its going-concern status. Despite the extensive precautionary measures taken, operational risks can never be entirely avoided.

The legal risks, IT risks and personnel risks are set out below as they are key areas of the operational risk.

Legal risks.

The definition of operational risks also includes legal risks. Legal risks comprise economic risks due to full or partial failure to comply with the framework of rules established by legal regulations and court rulings. These arise, for example, due to inadequate knowledge of the concrete legal position, insufficient application of the law or failure to react in a timely manner to changes in underlying legal conditions. This also applies if there is no fault or if the situation was unavoidable, for example as a consequence of changes in legislation, jurisdiction and administrative practice, especially at national and European level.

Legal risks are managed especially by the legal departments (as part of the Group Strategy/Legal division) of LBBW. These carry out a legal advisory role for the Group. In addition, their responsibilities include early identification of legal risks in business units and central divisions in cooperation with the latter, and efforts to limit these in a suitable manner. The legal departments have developed or examined and approved for use by the divisions of LBBW a variety of contract forms and sample contracts in order to minimize legal risks and simplify the business activities of the front office and trading divisions. In relation to this, LBBW is supported by the cooperation of the German Savings Banks Finance Group (DSGV) and the forms developed in the committees there and made available by the Sparkassenverlag publishing house. Approved, standardized contract materials are used for derivative transactions wherever possible. If legal questions arise in new areas of business or during the development of new banking products, the legal departments supervise and actively shape these processes.

Furthermore, the legal departments monitor all relevant planned legislation, developments in court rulings, and new standards stipulated by the supervisory authorities in the Group's key areas of activity in close cooperation with the Association of German Public Sector Banks (Bundesverband Öffentlicher Banken Deutschlands – VÖB), the German Savings Banks Finance Group (Deutscher Sparkassen- und Giroverband), and the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken – VdP) in particular.

To the extent that this results in LBBW having to take action with regard to legal matters or adapt its policies, the legal departments are instrumental in disseminating information quickly and implementing measures within the Group.

In view of recent rulings by the Supreme Court and higher courts, the banking landscape continues to face not inconsiderable legal risks from customer transactions in complex derivatives. The case law trend mentioned remains relevant for LBBW as well. Although the new rulings by the German Federal Court of Justice (Bundesgerichtshof –BGH) in 2015 have paved the way for further standardization of legislation, these have not yet been finalized.

Current trends in consumer law are also subject to ongoing case law developments. As an example of this, in the 2015 financial year once again new rulings by the German Federal Constitutional Court on loan agreements with consumers, lists of prices and services or rulings by the courts regarding the legal effectiveness of termination rights in the general terms and conditions had to be assessed for their relevance for LBBW.

It is to be expected that this development of the law on various topics will continue in the future. The continuous processes of legal analysis and risk processes initiated by LBBW's Board of Managing Directors in response to this also take account of these developments by continuously monitoring the law.

As far as is known today, adequate provision has been made to cover legal risks while at the same time the future development of legislation and legal disputes will continue to be of crucial importance for LBBW. Here the provisions formed relate, also against the backdrop of the unclear legislative situation, principally to covering legal risks from certain derivatives transactions as well as risks relating to consumer law.

IT risks.

Today the principal business processes of the Bank are to a large extent supported by IT or depend on IT solutions. As a result, IT security is also becoming increasingly important. In line with this increasing importance LBBW operates an Information Security Management System (ISMS) based on international standard ISO 27001 and is continuously further developing the ISMS. Threats and risks resulting are combated using a wide variety of security measures with a view to reducing them to an acceptable level.

IT risk management was also systematically further developed in a structured manner in 2015.

In line with an IT-related best practice approach, a new structure was designed for a part of the (risk) event types at the third level. Implementation of this structure will help provide better support for the systemic and standardized recording of technology risks in the LBBW Group in 2016.

The risk analysis instrument was consistently applied. Risk analyses were conducted, for example, in relation to cyber threats and in the context of harmonizing the operational processes for the data center.

The IT Risk and Production Board was established in the division in 2015. The new Board was implemented to inform and sensitize the IT management in an appropriate manner about current and potential disruptions, threats and weak points, and the associated IT risks for LBBW's IT systems and data. In addition, a debate on a holistic view of the IT risk situation and debate about possible measures to be taken at management level is to be promoted via the board.

With the start of the log and event management project in 2015, a technical link-up of key IT security systems and central directory services for user authentication and authorization to a SIEM system was created. The necessary governance structure was initiated in conjunction with this. This created the basis for effectively countering cyber attacks (security monitoring) or the improper use of privileged authorization (usage control) in an appropriate and effective manner, starting from 2016.

By outsourcing its IT production operations and part of its applications development to a professional service provider specializing in financial institutions, LBBW has created the basis for forward-looking IT operations. LBBW focuses on risk-reducing benefits, such as the systematic use of standardization, enhanced cost efficiency and maintaining its ability to innovate.

Controlling and monitoring processes have been established and further refined especially against the backdrop of services being supplied by outside providers. New and improved risk indicators were developed with the aim of identifying IT risks in the context of IT outsourcing faster and better with a view to introducing corresponding measures. The specialized divisions are then charged with evaluating the aforementioned IT risks in relation to their criticality and impact on the business processes.

LBBW has set up a special IT crisis response team to ensure that its business operations are maintained and that it can function if IT systems fail; in the event of an emergency, this team will coordinate all activities and provide centralized communications capabilities, also with the IT service providers, in accordance with defined procedures. The procedure and organizational measures to be taken in the event of a crisis are described in an IT crisis management manual. Since 2014, the IT crisis management manual, the IT crisis rooms and key positions have been reviewed on an annual basis.

Personnel risks.

LBBW's success depends materially on the commitment of its staff – and is also anchored in LBBW's mission statement: »We as employees drive the success of the Bank; with competence, knowledge and commitment«. LBBW's comprehensive personnel risk management aims to identify negative trends (risk monitoring) and evaluate suitable measures to prevent or minimize risks (risk management).

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

One focus here is on developing and promoting young employees within the company. In order to address the risk of a shortage of high-performance employees (bottleneck risk), employee potential is systematically documented and analyzed. Changes in LBBW's age structure are observed particularly closely against the backdrop of demographic changes.

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

Opportunities.

At LBBW Group the interfaces between the divisions are constantly adjusted in line with the current regulatory requirements and optimized with regard to operational risk (e.g. Information Technology, Compliance, Auditing, BCM). At the same time, the level of cooperation with the local OpRisk managers is high to ensure a coordinated and uniform approach to handling operational risks. There is a regular exchange of views with the interface contacts as well as with the OpRisk managers, for example, via various internal specialist committees. The extension of risk indicators and extensive reporting make it possible to react more rapidly to unwanted developments. The processes relating to legal risks, new products or outsourcing are regularly monitored and further developed. These measure help to constantly improve the risk situation.

Other material risks.
Investment risks.

LBBW invests within the Group in other companies or assigns functions to subsidiaries if this appears to be appropriate in the light of strategic aims or returns.

By investment risks in the narrower sense LBBW understands in particular the risk of a potential loss of value both as a result of default events and due to an insufficient return on investments in subsidiaries and equity investments.

In order to limit the investment risk material subsidiaries and equity investments are only taken on if adequate risk management and appropriate integration in the processes of LBBW are ensured.

Depending on LBBW's possibilities for exerting influence, management of the subsidiaries and equity investments is effected by means of defined measures and processes (including quarterly jour fixes with selected subsidiaries, plausibility checks of the multi-year plans, various reports to the Board of Managing directors and corporate bodies of LBBW and the corporate bodies of the subsidiaries).

The early identification of business and risk development in the subsidiaries and equity investments is particularly important to the management of equity investments. These serve the purpose of holding regular coordination meetings at the corresponding specialist levels of LBBW and the strategically important subsidiaries. The management and monitoring at the level of these subsidiaries are performed by institutionalized supervisory boards or comparable bodies. At Group level management and control is effected by involving the staff, operating and marketing divisions in the decision-making process, taking corporate governance into account.

From the point of view of risk a distinction is made between two categories of companies in the LBBW portfolio of equity investments (direct LBBW subsidiaries and equity investments and those held via holding companies):

- Material subsidiaries, i.e. companies whose risk potential is classified as material from a Group point of view.
- Non-material subsidiaries, i.e. companies whose risk potential is classified as immaterial from a Group point of view.

As far as possible, material subsidiaries are treated in line with the transparency principle. In accordance with the transparency principle, types of risk identified as material at the respective companies are measured according to the principles and parameters of LBBW, and included at the level of the LBBW Group in an aggregation assessment. This applies specifically to the risk types of credit, market price, real estate and development risk.

In the case of non-material and material subsidiaries, where only the liquidity and/or operational risks are material, the risk potential is quantified with the LBBW Group credit portfolio on the basis of the interest held and included as a whole in the Bank's risk management system, using an integrated simulation. This calculation is performed using a ratings-based CVaR approach including stress testing, which is prepared by Group Risk Control and serves as the basis for recognition in the risk-bearing capacity.

The business and risk trends in the portfolios of LBBW's non-material subsidiaries are generally reflected in the value of the investment as used to calculate the investment risk.

LBBW pursues a selective equity investment policy. When acquisitions of companies are planned, a comprehensive risk analysis (legal, financial etc.) is normally conducted in the form of a due diligence exercise with the involvement of specialized divisions of LBBW. Of particular importance here, among other things, is ensuring that inappropriate concentration of risk does not arise in the investment portfolio.

LBBW uses transaction agreements to contractually hedge risks as far as possible. In addition, the buying process includes the valuation of the company taking into account capital-market-oriented risk premiums.

Enterprise values for the subsidiaries and equity investments of LBBW are calculated in accordance with the guidelines issued by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e. V. – IDW) at least once a year as part of preparatory work for the annual financial statements. For the half-yearly report, an impairment test of the book values is performed, using the projections for the subsidiaries and equity investments to hand if necessary. A plausibility check of the valuations is performed on selected subsidiaries and equity investments as at 31 March and 30 September.

Besides the risk of a potential decline in value as the result of defaults, there is also a risk that LBBW will receive an insufficient return or no return at all on its investments. However, this risk corresponds to the above-mentioned general book value or fair value risk due to the focus on capitalized income value in the valuation of equity investments. The main drivers here are the large strategic subsidiaries and equity investments. LBBW's equity investment portfolio has a strong financial focus. Accordingly, a disruption in this market segment may lead to significant losses from equity investments.

Risks may also arise from the utilization of the personal liability assumed as shareholder (e.g. guarantor's liability, letter of comfort) for subsidiaries and investments; this also includes revoked letters of comfort or warranty declarations extended to subsidiaries and investments already disposed of. In addition, there is a risk of assuming current losses incurred by subsidiaries due to control and profit and loss transfer agreements.

Management and monitoring systems ensure that LBBW is continually informed about the situation at the subsidiaries and equity investments. In addition, the subsidiaries pursue a conservative risk policy synchronized with LBBW to the extent that LBBW can influence such policies.

LBBW continues to make good progress in reducing the investment portfolio: divestments include that of B+S Card Service GmbH was sold in 2015. In addition, LBBW Grundstücksverwaltungsgesellschaft mbH & Co. OHG Objekt Am Hauptbahnhof Stuttgart and LBBW Grundstücksverwaltungsgesellschaft mbH & Co. OHG Objekt Am Hauptbahnhof was transferred to LBBW by way of merger in July 2015. The number of smaller equity investments was reduced further in line with the business strategy. Further investments are to be sold off step by step in 2016 too as part of the realignment. To this effect, cellent AG was sold in January 2016.

Opportunities.

Generally speaking, LBBW's strategic equity investments and subsidiaries offer an opportunity to optimally exploit market potential and thereby strengthen LBBW's market position vis-a-vis target customers and core markets as well as an opportunity to optimally exploit existing value potential and an adequate return on capital (dividends/payouts). In cooperation with Landesbank Hesse-Thuringia and Deutscher Sparkassen Verlag GmbH, the founding of GIZS GmbH & Co. KG and GISZ Verwaltungs-GmbH formed the legal basis in 2015 for participating in the paydirekt payment system. The investment portfolio has been adjusted through the sale, merger or liquidation of further smaller subsidiaries and investments, thus lowering the degree of complexity in line with the business strategy.

Reputation risks, business risks and pension risks.

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

As regards reputation risks, a distinction is made between transaction-based and non-transaction-based management. In non-transaction-based management, Communications/Marketing/General Secretary is responsible in particular for ensuring controlled public and press relations.

In all business decisions the effect of the transaction on LBBW's reputation is to be considered. Transactions that might have a long-term negative impact on LBBW's reputation are avoided. The sustainability policy formulated in the LBBW Group must be observed. The LBBW Group acts in the best long-term interest of its customers and stakeholders.

In order to implement a policy of sustainability the Corporate Sustainability and Health department defines standards for all business areas. The transaction-based analysis of new transactions with regard to reputation risks is carried out on a decentralized basis by the front office particularly within the context of the New Product Process (NPP) and the credit application process. The Compliance division and the Corporate Sustainability and Health department support the relevant front office divisions in their day-to-day business in identifying and assessing reputation risks. In the case of OTC derivatives for interest-rate, currency and commodity management there is a product certification process upstream of the NPP.

Business risk is the risk of unexpected falls in earnings and negative plan variances not caused by other defined risk types. This is therefore shown in particular in lower commission income or net interest spreads as well as in increased costs.

Among other things, business risk may be caused by changes in customer behavior or changes to the economic environment that are not of a legal nature. Business performance risk can be caused by lower income due to possible strategic misjudgments. If LBBW does not adapt to changed conditions in a timely manner, these may have a negative effect on business results.

In order to create transparency for and minimize the business risk, the risk of failing to meet targets is to be included in the planning process by pointing out the risk factors. The front office divisions have to align their structural and procedural organization in such a way that the risks involved in business activities are minimized and targets can be met.

Furthermore, for strategic projects (e.g. the realignment of certain areas of business or acquisition) the opportunities and risks are comprehensively weighed up and disclosed. All the relevant divisions are involved in the decision-making process.

The front office is responsible for taking individual measures as part of ongoing operating activities aimed at managing risks associated with business activities. Financial Controlling carries out a central comparison of planning and actual business development. The implementation of and adherence to the business strategy decided on by the Board of Managing Directors and the division-specific plans in line with this, as well as the implementation of strategic decisions made by the committees, are monitored by the relevant divisions together with Financial Controlling.

The pension risk entails the possible need to increase pension provisions on account of heightened expected pension expense, and in particular, valuation effects. This may particularly be caused by changes in interest rates, pensions and salaries. Pension risks are quantified by means of scenario analyses on the basis of an actuarial report. In line with the low interest rate level and associated increase in pension provisions in previous years, the risk of further increases in provisions has fallen. Rising interest rates will provide LBBW with an opportunity of falling pension provisions with correspondingly lower pension risks.

The pension risk is currently accepted and passively monitored. At the moment the interest-rate component, for example, is not hedged. In the event of material changes the Board of Managing Directors makes a decision with regard to the risk strategy (accept or hedge the risk), taking account of income statement and equity volatility.

Reputation risks, business risks and pension risks are taken into account within the scope of the risk-bearing capacity. They are quantified by means of expert-based approximation procedures and scenario-based investigations.

Real estate risks.

Real estate risks are defined as potential negative changes in the value of the Bank's own real estate holdings due to deterioration in the general situation on the real estate markets or deterioration in the particular attributes of an individual property (possibilities of use, vacancies, reduced income, damage to buildings etc.). This does not include development risks from residential and commercial project development business, which form a separate risk category, or risks from service business. The latter are taken into consideration in the LBBW Group as part of business risk.

Real estate risks can arise in properties owned by the Group (office buildings) as well as in the commercial buildings used by third parties. The real estate portfolio is managed above all by the LBBW Immobilien Group and BW-Immobilien GmbH.

Conversely, in the event of a positive change in market conditions opportunities arise for positive changes in value and the generation of further income (higher rents, extensions of leases, possibility of leasing difficult space etc.).

The central principles for weighing up opportunities and risks when assessing investment and divestment decisions, material changes in property planning, concluding rental agreements and to avoid the risk of negative changes in the value of existing real estate holdings are defined in the risk strategy of the LBBW Group and of LBBW Immobilien.

LBBW uses a real estate value-at-risk (IVaR) model to measure real estate risk. The central Group Risk Control division calculates IVaR indicators for real estate risks quarterly and incorporates these into the Group's analysis of risk-bearing capacity. The input data in this model are the volatilities and correlations derived from market data histories assigned to the portfolio values.

The operating subsidiaries of LBBW Immobilien Group with operations in asset, property and facility management are also controlled using special real-estate-specific indicators such as rent increases, vacancy rates and amounts in arrears. The real estate portfolio is monitored and analyzed for risks in the course of quarterly portfolio valuation using the fair value approach. The goal is to identify at an early stage and analyze any adverse factors occurring as part of or relating to LBBW's activities. Proactive risk management ensures a balanced ratio of opportunities and risks within the portfolio.

The commercial portfolio is diversified by type of use, especially for office and retail property, as well as by size category. Diversification in terms of macro-location is limited as the remainder of the commercial portfolio is predominantly located in Stuttgart. However, this is a stable market with relatively low rent fluctuations overall. What is more, the real estate owned by LBBW Immobilien is mostly situated in prime locations with low rental risk and leased to tenants of good credit standing. The credit rating of potential tenants is examined carefully when new properties are let and attempts are always made to ensure that the lease is as long as possible. Depending on the underlying real estate strategy (i.e. project development), however, it makes sense and is possible in particular cases to conclude short-term rental agreements. Stuttgart's share of the total commercial real estate portfolio was reduced through the acquisition of a real estate portfolio in Munich and an office property in Frankfurt am Main. Overall, risks specific to macro locations are therefore considered to be manageable.

In the asset management segment, investment or divestment decisions at LBBW Immobilien are generally made on a case-by-case basis following an in-depth performance audit, given the manageable number of properties. In this process, a comprehensive set of real-estate-relevant criteria, such as the cost/income situation, the Group's strategy for use/growth, the ability of the location to develop, portfolio diversification or representative purposes for the Group are taken into account.

BW-Immobilien GmbH is responsible for LBBW's owner-occupied real estate. Most of the properties are used for office or bank purposes. The target portfolio is continually adapted to the uses required by the LBBW Group as well as aiming to optimize space utilization at the LBBW central offices. This is largely being achieved by concentrating on properties owned by LBBW, by avoiding rented space as much as possible and by optimizing occupancy. As a result, this is not expected to have a significant influence on the holdings LBBW uses itself or the real estate risk.

The German Centers support companies from German-speaking countries in expanding their operations abroad, by providing premises and a comprehensive range of services. The owner-occupied real estate of the German Centers is therefore determined by the strategic orientation and needs of the corporate customers. Business activity is not focused on generating profit from developing, selling or asset management of the German Centers' real estate.

Development risks.

Development risks are defined as the bundle of risks that typically arise when implementing commercial and residential project developments. The risks in this field mainly arise from planning and approval, the projected construction costs and deadline, and especially from letting and selling. Additional risks, such as the credit risk on the part of partners or the implementation of decisions regarding the partners, information flow or the quality of the partner also apply if project developments are implemented in partner projects. The occurrence of these risks may also result in the forecast return not being generated, the invested capital not being recovered in full – or not at all in extreme cases – or the need for further equity injections, provided it is not non-recourse financing.

Conversely, in the event of a positive change in market conditions opportunities arise for higher exit proceeds, driven by higher rental income as well as higher multiples. At the same time, however, a positive market trend makes it more difficult to purchase suitable development properties at favorable prices.

The central principles for weighing up opportunities and risks before commencement of a project and in all project phases with regard to factors relating to individual projects and the effects on the project portfolio are defined in the LBBW Group's Group risk strategy or that of LBBW Immobilien.

The regional focus is on the core markets of Southern Germany (Baden-Württemberg and Bavaria), Rhineland-Palatinate, the Rhine Main region and Berlin in selected individual cases. The LBBW Immobilien Group acts as an investor and service provider in commercial and residential real estate on these markets. Existing projects outside these target markets have largely been completed. The new projects are running on schedule and there is no evidence at present of any material risks.

The LBBW Immobilien Group uses a risk model that was validated with the assistance of an auditing company to measure development risks. The model is based on a risk driver tree that identifies risks and shows the ranges in which these can fluctuate even before a construction project begins. From this, mark-ups and mark-downs on all future costs and revenues are determined and applied to the so-called real case calculation. A normal and extreme risk is calculated on the basis of different fluctuation ranges of risk factors. Development risk is calculated quarterly by the Controlling division of the LBBW Immobilien Group. The central Group Risk Control division includes this in the LBBW Group’s analysis of risk-bearing capacity.

Events after the reporting date.

Under an agreement dated December 2015 LBBW sold its shares in cellent AG, Stuttgart. After all conditions precedent were discharged in January 2016, this generated sales proceeds totaling a mid-eight-digit figure.

ICS with regard to the accounting process.

The LBBW Group defines the internal control and risk management system (ICS) as a comprehensive system and applies the definitions of the German Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e. V., IDW) on the accounting-related internal control system (IDW PS 261 Item 19 f.) and the risk management system (IDW PS 340 Item 4). It entails principles, processes and measures that are aimed at the implementation, in organizational terms, of management decisions

- to ensure the efficacy and economic efficiency of the business activities (including the protection of assets as well as the prevention and detection of loss of assets)
- to safeguard the propriety and reliability of internal and external accounting, and
- to observe the statutory rules and regulations of relevance for LBBW.

The ICS for the accounting process and management reporting helps to provide a true and fair view of the net assets, financial position and results of operations of LBBW (Bank) and the LBBW Group.

A key aim is to ensure that all transactions are recorded, processed and documented in full and correctly in accordance with statutory provisions and standards, the provisions of the articles of association, and other guidelines.

It must also be ensured that companies included within the scope of consolidation are incorporated in the processes to ensure that the consolidated financial statements are prepared appropriately and in due time.

The accounting-related internal control and risk management system is an integral component of the ICS for integrated performance and risk management.

Control environment.

LBBW has a clear organizational, corporate, control and monitoring structure. Its Board of Managing Directors takes overall responsibility for proper business organization. All strategic units are involved in preparing the individual and consolidated financial statements as well as the management report by means of a clearly defined management and reporting organization. The departments of all Group companies involved in the accounting process conform to quantitative and qualitative requirements. The employees tasked with the accounting process are provided with regular training.

Risk assessment and control activities.

The controls are geared toward ensuring that the individual and consolidated financial statements as well as the management report are prepared in accordance with the applicable provisions of the German Commercial Code (Handelsgesetzbuch, HGB) and the International Financial Reporting Standards (IFRS) as well as proper and timely compliance with internal and external financial reporting requirements. Clear regulations are in place regarding the scope of the controls and responsibilities integrated into working processes.

In particular, the dual-control principle, the separation of functions and the assignment of authorities in line with existing decision-making regulations ought to be mentioned; these have also been included in the regulations met by the respective Group companies.

Control functions are exercised within each competent department throughout the Group. The control targets defined at LBBW map the identified risks in their entirety.

Both the individual financial statements for the Bank and the consolidated financial statements are prepared centrally by the Finance division at LBBW (Bank) with the involvement of the specialized divisions.

Detailed timetables and workflows are in place for the individual and consolidated financial statements (monthly, quarterly, half-yearly and annual financial statements), which are monitored and managed centrally. Responsibilities in all areas of the accounting process are clearly assigned. The relevant activities in terms of risk are distributed across several organizational units within the organization of business processes. The principle of dual control is applied to all processes relevant to accounting, the assignment of authorities complied with and the separation of functions taken into account.

The companies included in the consolidated financial statements have IT-based processes in place for preparing their financial statements (in accordance with local laws). This results in the delivery of the coordinated and, for the most part, audited reporting packages for the purposes of preparing the consolidated financial statements. The senior management of the respective Group company is responsible for the completeness and accuracy of the results transmitted to the Group Accounting group.

The consolidated financial statements are prepared in accordance with IFRS and take into account the standard accounting and measurement requirements set out in the Group Manual.

Financial instruments measured at fair value at LBBW (Bank and Group) are assessed either on the basis of quoted prices for active markets (stock exchanges, brokers, price service agencies etc.) or on the basis of recognized and standard measurement methods using publicly available input data (e.g. yield curves, volatilities, spreads). In cases where not all the input parameters can be observed directly on the market, fair values are calculated using realistic assumptions, based on market conditions. The prices used for accounting purposes are checked independently of trading and validated by the separate organizational unit, Independent Price Verification, within Group Risk Control.

Higher-level control and coordination of the interdivisional process of preparing the LBBW management report are carried out centrally by the Group Communication division under the overall responsibility of the Finance division. The preparation process is integrated in the timetables and workflows for the half-yearly and annual financial statements. Applying the principle of dual control, the sections of the management report are produced separately by the specialized departments and approved by the divisional managers. The Group Communication division (internal records office) checks the content of the entire management report for consistency.

Information and communication.

The risk principles of the LBBW Group, the organizational structure and procedures and the processes of the accounting-related ICS are set out in manuals and guidelines (e.g. HGB/IFRS accounting guidelines, operating procedures, specialist concepts etc.), which are regularly adjusted to current external and internal developments and published on the intranet of LBBW (Bank). This also applies to the Group Manual, which includes the measurement and accounting rules for preparing the consolidated financial statements. Taking the current IFRS rules into account, it is updated regularly and forwarded to the Group companies.

The Finance Principles & NPP group identifies and evaluates all legal changes that have an impact on the accounting process. It informs the specialized divisions and subsidiaries affected and initiates implementation.

New types of products are examined in detail in the Bank's New Product Process and in the Group companies with regard to their treatment according to statutory accounting rules. This process also defines the structures and embedded derivatives for each product type. In the case of new types of products, the correct mapping, analysis and recognition of transaction types is also checked in a test phase. If systems and/or processes of the Group head office are required for Group companies' new product types, the Finance Principles & NPP group determines how they should be treated according to statutory accounting rules.

The Group Accounting group prepares the figures for the consolidated financial statements using standardized consolidation software on the basis of the information provided by the companies included in the consolidated financial statements. The data consistency of the information provided by the Group companies is inspected again by checking rules implemented and comprehensive validation. The notes to the consolidated financial statements are also prepared using standardized software. The Group Accounting group guarantees the completeness and accuracy of the relevant explanatory notes on the basis of the information provided by the Group companies.

Financial reports created in connection with accounting and sent to external parties or readers are checked for consistency by an internal records office before being sent.

Furthermore, the Board of Managing Directors has issued rules stipulating that it must be informed immediately if doubts arise in individual divisions or Group companies as to proper business organization (ad hoc reporting requirement). The same also applies to accounting. If information is also significant in terms of risk aspects, the Group Board of Managing Directors must also forward it to the Risk Committee of the Supervisory Board.

Monitoring.

LBBW's current ICS is characterized by strongly decentralized responsibility of the specialized divisions for essential accounting-relevant processes. An ICS records office has been established in the Finance division to guarantee the central monitoring ability of the accounting-relevant ICS.

The effectiveness and suitability of the accounting-related internal control system and the risk management system are regularly monitored. This ensures that potential improvements are identified and processes are adjusted accordingly where required. Monitoring is conducted continuously while the consolidated financial statements / half-yearly financial statements are being prepared.

Bilateral and multilateral coordination talks are held at regular intervals between the employees involved in the preparation of the annual and consolidated financial statements to discuss and analyze any problems that arise. Adequate measures are derived and incorporated into ongoing processes.

Both the Audit Committee of the Supervisory Board and Group Auditing serve as senior monitoring bodies. Group Auditing is responsible for process-independent monitoring of business operations and, as such, is an instrument used by the entire management. The Audit Committee, as a committee of the Supervisory Board, deals with the analysis and preparation of the findings of the audit of the annual accounts and informs the Supervisory Board of these activities.

Outlook.

Anticipated economic performance.

There are a number of factors which suggest good economic performance in 2016. They include low interest rates, oil prices and signs of a recovery in some of the major euro area countries after the years of the debt crisis. Moreover, the performance of the US economy is so robust that it should be able to absorb the further rate hikes by the US Federal Reserve anticipated by LBBW Research without any major loss of momentum. From a German point of view, we could cite the fact that the euro's low valuation on the currency markets is likely to continue, which should at least partly offset the more rapid increase in unit labor costs in the country. All told, therefore, we are projecting GDP growth of 1.7% for Germany; due to the above-average number of working days; notional growth should even come to 1.8%. In the euro area we are projecting GDP growth of 1.5%, compared to 2.0% in the USA.

However, there are sizeable risks for this scenario of a robust economy in 2016. In particular, the slowdown in China's growth is difficult to assess at present. We are projecting GDP growth of 6.3% for 2016. The planned restructuring of China's economy from an investment-driven exporter to an economy that is more geared to domestic demand may, however, proceed less smoothly than planned. Moreover, the further consequences of declining oil prices for the global economy are uncertain. Although low energy prices benefit the importers of raw materials, the price level of almost USD 30 per barrel that has now been reached is threatening to jeopardize the fiscal stability of the main oil-producing countries. Where this threat coincides with geopolitical risks, as is the case in Russia or the Middle East for example, adverse effects may also drag down the global economy.

Furthermore, falling oil prices are leading to a decline in inflation. While this is to be welcomed in normal times, the inflation rates in the industrialized countries have now reached levels close to, or even below, zero percent. The ECB believes that permanently low inflation rates lead to falling inflation expectations, which in turn may result in rising deflation risks. This risk also has the potential to have an adverse impact on the financial markets and the economy in 2016. However, in our main scenario we do not expect this to be the case. Instead, oil prices should, in the wake of supply becoming scarcer by the end of 2016, return to a level of USD 45 per barrel because many producers are not able to cover their costs at current prices and are therefore likely to exit the market as suppliers.

In our main scenario, capital market returns should then gradually begin to rise again. Triggered by the US Federal Reserve, which according to the LBBW forecast will raise its key rates to 0.75% by the end of 2016, yields on 10-year US government bonds should climb to 2.40%. In the euro area the ECB will probably lower its key rates again. But the longer maturities are likely to be affected by the US markets. In LBBW's assessment yields on 10-year Bunds would in this setting come to 0.60% at the end of 2016, which compared with the past would still amount to a phase of very low yields. In view of the interest rate lead for the USD, the EUR's exchange rate on the currency market is likely to remain close to its current price of USD 1.10 per EUR until the end of 2016.

Industry and competitive situation.

For the German banking sector LBBW expects the sector and competitive setting to remain demanding in 2016. While the domestic banks should continue to benefit from the stable economic situation in their home country, the low interest rates lasts will have an increasingly noticeable impact on income from deposit-taking business and proprietary investments. Furthermore, heavy competition in private customer and corporate customer business will probably continue to weigh on margins. At the same time, we expect to see persistently high costs and operating expenses of banks due to higher and increasingly complex regulatory requirements. Alongside tighter requirements with regard to capitalization and capital composition, the liquidity requirements, in particular, of institutions will rise going forward. In addition, further strain resulting from legal risks for the industry cannot be ruled out. Against this backdrop, the pressure to increase efficiency especially through cost-cutting measures is unlikely to ease in the foreseeable future. In addition, the digital transformation of business models will probably become an increasingly important topic for banks, harboring both opportunities and risks for financial institutions.

Although the restructuring of the underlying regulatory and supervisory conditions is now well-advanced, new laws and regulatory requirements continue to pose major challenges to financial institutions and constitute a major source of uncertainty. This applies not only to the strain on costs but also to planning and management. Among other things, it remains to be seen how the ECB will in future implement the new Supervisory Review and Evaluation Process (SREP) for banks and the associated competencies with regard to the financial institutions under its supervision. Moreover, a final agreement on the planned EU dual banking system regulation is still outstanding. This may have an effect on the corresponding German requirements, which financial institutions need to meet from July 2016. Talks about the financial transaction tax that has been envisaged by a number of EU states for several years now are also continuing. Beyond the joint provisions on deposit guarantee that have been adopted, the discussion about the creation of a joint European deposit guarantee fund is also ongoing. Furthermore, resolution planning will keep German and European financial institutions busy and tie up further resources even though the concrete structure has not been finally clarified. Competition between banks for bail-in qualifying funds will intensify further. In addition, the project of a European Capital Markets Union being pursued by the EU Commission, which is designed to create an integrated market infrastructure together with, in particular, improved financing conditions for small and medium-sized enterprises cannot be fully envisaged in its full impact at present in view of the expected large number of individual measures. With a view to financial market regulation a number of EU requirements were transposed into German national law in early 2016. These provide for harsher penalties in the event of market abuse and for more comprehensive investor protection. It is only with regard to the amendment of the Markets in Financial Instruments Directive and Regulation (MIFID II/MIFIR) that it looks like the financial institutions will have more time for implementation. Instead of early 2017 this directive will probably not enter into force before the beginning of 2018.

Company forecast.
General conditions.

The following statements on LBBW's company forecast are based on the planning produced at the end of 2015. As in the previous year it assumes that interest rates will remain low during the forecasting period and that the economic situation will remain stable, with modest GDP growth in Germany. The growth projection for the euro area is more muted than for Germany. LBBW expects the regulatory setting to remain challenging, entailing not only rising requirements with regard to capital and liquidity but also increasing complexity due to the implementation of the many different regulations. Not least of all, this requires a fast response to rapidly changing general conditions.

Outlook for LBBW.

In 2016 LBBW will continue to focus on its customer-driven business model and push ahead with forward-looking projects in the interests of its customers, such as the restructuring of its private customer business to a multi-channel bank and the replacement of the core bank system. The focus will be on further efficiency improvements, on adapting to changing market and customer requirements and on establishing and expanding sustained customer relationships. Challenges result from the persistently low level of interest rates, the intense competitive situation and the large number of regulatory requirements. At the same time, the Group is well-prepared for the requirements that are foreseeable thanks to its solid capitalization and adequate risk structure.

The most significant financial performance indicators for LBBW will likely develop as follows in the 2016 financial year at the Group level, in comparison with the previous year:

Following a further reduction in risk weighted assets and continuing strengthening of its capital base both the common equity Tier 1 ratio and the total capital ratio (both on a fully loaded basis) were increased appreciably in 2015. For 2016, based on planned growth in the customer business and the accompanying noticeable rise in risk weighted assets a common equity Tier 1 ratio and a total capital ratio perceptibly below the previous year's level are assumed. Nevertheless, the common equity Tier 1 ratio will remain considerable above the CRR/CRD IV minimum requirements. The bank-specific requirement of the European Central Bank that was established as part of the SREP (Supervisory Review and Evaluation Process) and which totals 9.75% is also expected to be significantly exceeded at the end of 2016. In addition to the regulatory capital requirements, LBBW also focuses in particular on economic capital management. With regard to the utilization of the aggregate risk cover, the ratio is expected to rise perceptibly in 2016 compared with the previous year (2015: 48%) as a result of the envisaged market growth. LBBW's risk-bearing capacity thus remains comfortable, and LBBW should be able to meet its goal of ensuring solid capitalization at all times.

Compared with the previous year, total assets declined to around EUR – 234 billion in 2015, particularly as a result of the deliberate wind-down and expiry of business under guarantor's liability. In 2016, we are likely to see a return to modest growth of consolidated total assets, principally as a result of growth in the operating segments. With regard to the leverage ratio, a regulatory figure independent of risk, LBBW expects a value at the end of 2016 slightly below the previous year's level (2015: 4.7%). This remains substantially above the minimum 3% stipulated by the Basel Committee.

To evaluate the short-term liquidity risk, the liquidity coverage ratio has been established as part of Basel III and gradually introduced since October 2015. This key indicator is also at the focus of LBBW's management and, at round 82% at the end of 2015, is already perceptible above the minimum ratio of 70% that has applied since 2016. The ratio should also be at this level at the end of 2016.

Despite the challenging general conditions LBBW has reported a consolidated profit before tax for the past five years; at EUR 531 million at the end of 2015 it is noticeably above the previous year's figure (EUR 477 million). Given increased investment in the Bank's future viability, the normalization of allowances for losses on loans and advances, modest growth in operating customer business and the decline in the guarantee commission, among other factors, consolidated profit before tax in 2016 is expected to be only slightly below the previous year's figure. Despite the assumed economic growth, the plans are based on conservative expectations and therefore project a substantial rise in allowances for losses on loans and advances over the low pre-year figure. The relatively low figure of EUR – 55 million in 2015 resulted from the year-on-year increase in reversals of allowances for losses on loans and advances, reflecting the good quality of the credit portfolio.

Thanks to LBBW's stringent cost management, administrative expenses will probably climb only slightly in 2016 despite rising charges resulting from expenses on forward-looking investment, particularly in IT, and from the implementation of regulatory requirements. The cost/income ratio will probably be reduced marginally to less than 70% despite a slight increase in administrative expenses due to further planned growth in the core markets and the accompanying earnings growth in 2016. The return on equity should remain at the previous year's level.

Material risks for the forecast on LBBW's performance in the 2016 financial year include unexpected changes in market parameters, such as a further drop in interest rates. In addition, even more massive competitive pressure may lead to lower-than-planned margins or volumes and thus to lower income. Unforeseen regulatory and statutory tightening may also impact the anticipated development. Moreover, it should be remembered that, despite the expected stable economy, the increase in interest rates in the United States and the consequences of the slowdown in economic growth in China may have an impact on export-oriented companies from Baden-Württemberg. Geopolitical risks such as in Russia or in the Middle East may also have an effect on the global economy and thus on LBBW's customers. Because of its membership of the bank-related guarantee fund of the Landesbanks and due to the »European bank levy« special payments may also be demanded of LBBW in the event of indemnity and support measures, which could lead to unforeseen strain on LBBW's asset, financial, earnings and liquidity situation.

By contrast, LBBW has opportunities for exceeding its planned results in the 2016 financial year. Provided that the envisaged efficiency improvements as part of the adjustment of internal processes or the further expansion of the customer business and the accompanying improvement in its market position bear fruit earlier than expected, results may be boosted accordingly. Moreover, a better-than-expected performance of Baden-Württemberg companies, caught between the influence of the USA and of China, could lead to lower-than-expected allowances for losses on loans and advances and to lower-than-planned risk-weighted assets, which would have a correspondingly positive effect on LBBW's performance.

At the segment level, LBBW is forecasting the following developments for the 2016 financial year compared with the previous year. While the operating segments should, all told, generate a substantially positive earnings contribution, the credit investment segment is expected to record an improved but still negative result.

For the corporates segment LBBW forecasts a noticeable increase in reported assets due to the expected pick-up in demand for financing in 2016. This should lead to a perceptible rise in risk-weighted assets pursuant to CRR/CRD IV among risk-conscious selection of exposures. In 2015, the segment profited from the excellent quality of its credit portfolio and thus the lower-than-planned allowances for losses on loans and advances and from positive effects from capital investment companies. For the 2016 financial year a return to normal and thus a considerable year-on-year increase is expected on account of the exceptionally low allowances for losses on loans and advances in 2015. The forecast earnings before taxes should thus remain significantly below the previous year's figure in 2016 despite the increase in customer demand, due to considerably higher planned allowances for losses on loans and advances. The segment's cost/income ratio is expected to rise slightly in 2016.

The reported assets of the Retail/Savings Banks segment should remain virtually unchanged over the previous year. By contrast, risk-weighted assets pursuant to CRR/CRD IV will experience a significant decline compared with the previous year due to the planned admission of internal rating procedures. Earnings before taxes in 2016 are forecast to be considerably below the 2015 figure. Among other things, this is attributable to the expected modest rise in administrative expenses in connection with the restructuring of the private customer business to a multi-channel bank, forward-looking investments in the consolidation of IT systems and to interest-rate-related strain on income in the deposit-taking business. The cost/income ratio should, however, be only slightly above the previous year's figure.

The Financial Markets segment reported earnings before taxes significantly above the forecast in 2015. For the 2016 financial year LBBW is projecting substantially lower earnings before taxes, although they will be in line with the prevoius medium-term plan. Income in 2016 will probably be only slightly below the pre-year level thanks to the stringent alignment of the organizational set-up, management logic and product portfolio to customer interests. In tandem with the realignment, investments will be required, which will be reflected in a modest rise in administrative expenses in 2016. In line with this development, LBBW expects the cost/income ratio to rise slightly. This forecast takes account of the changed regulatory setting and the persistently flat yield curve. LBBW is projecting a noticeable rise in reported assets in 2016. Following the disappearance of offsetting effects in 2015, risk-weighted assets pursuant to CRR/CRD IV are expected to rise substantially in 2016.

For the Credit Investment segment a loss before taxes is still expected for the 2016 financial year, although it will be much improved on the previous year's figure thanks to the significant decline in the guarantee commission. Developments will moreover be marked by the planned further wind-down of the remaining Sealink portfolio, which has been refinanced by LBBW and is under the risk shield of the State of Baden-Württemberg, and by the accompanying perceptible decline in balance sheet assets.

In its single-entity statements pursuant to German GAAP (HGB), LBBW (Bank) is projecting net profit for the year before tax for the 2016 financial year that is slightly above the previous year. Essentially, this development is in line with the consolidated profit before tax. Moreover, the Bank anticipates lower strain from allocations to pension provisions that is attributable to an amendment to the German Commercial Code recently adopted by the Lower House of Parliament (Bundestag).

In a persistently difficult market setting with increasing regulation, enduring low interest rates and intense competition LBBW is well-positioned with its customer-oriented business model. Furthermore, the Group's capitalization is solid and its risk structure good. The coming years will be marked by forward-looking projects and major efforts such as the restructuring of the private customer business and the IT architecture while at the same time increasing efficiency and reducing costs. This will enable LBBW to assist its broad customer base, which is principally to be expanded regionally, as a reliable and secure partner.

Explanatory notes on the annual financial statements of LBBW (Bank).

Results of operations, net assets and financial position.

Business development in 2015.

The management of the LBBW Group is generally guided by the IFRS key figures. As a significant part of the Group, LBBW (Bank) is also managed in accordance with these figures.

The business performance of LBBW (Bank) in 2015 remained characterized by a difficult market setting for banks with persistently low interest rates and a steady increase in regulation complexity. Thanks to its good positioning on the regional core markets and the positive performance of the European economy, LBBW (Bank) generated very solid earnings in the past financial year.

At EUR 617 million, **operating income before allowances for losses on loans and advances and remeasurement gains/losses** substantially exceeded the previous year's figure by EUR 122 million. The main drivers were essentially an increase in income/expenses from financial transactions in the trading portfolio and a rise in other operating income/expenses, including as a result of lower provisioning requirements. By contrast, a year-on-year increase in administrative expenses and drop in net interest income put a brake on the positive overall performance. Diverging developments were recorded within **allowances for losses on loans and advances/remeasurement gains/losses**. While allowances for losses on loans and advances recorded a net reversal, particularly thanks to the good economic situation in LBBW's core markets and the good quality of its loan portfolios, remeasurement gains/losses for securities and equity investments including the transfer of losses were reduced perceptibly overall. After taking into account the extraordinary result, interest on silent partners' contributions and the tax expense, **net profit/loss before profit appropriation** came to EUR 322 million (previous year: EUR 313 million).

Compared with the **plan** a significantly lower net profit/loss before tax was generated in the 2015 financial year. The planned figures for operating income before allowances for losses on loans and advances and remeasurement gains/losses were substantially undershot overall, principally due to a marked rise in allocations to pension provisions. Significantly improved allowances for losses on loans and advances/remeasurement gains/losses partly made up for this effect but were not able to offset it entirely.

Compared with the previous year the **business volume** declined to around EUR 243.9 billion (previous year: EUR 283.1 billion) in 2015, particularly as a result of the deliberate wind-down and expiry of business under guarantor's liability, equivalent to a decline of EUR 39.1 billion or 13.8%. In the year under review a considerable portion of the securitized liabilities that come under guarantor's liability fell due. Correspondingly, the expiry of guarantor's liability was also reflected in higher maturities, especially in debentures and other fixed-income securities and in municipal loans reported under loans and advances to banks on the assets side. Furthermore, trading assets measured at fair value decreased as a result of maturities and general interest rate and credit spread developments.

In line with the currently applicable equity rules pursuant to CRR/CRD IV, the Bank's **common equity Tier 1 capital ratio** came to 19.2% (previous year: 17.6%) and the **total capital ratio** amounted to 25.6% (previous year: 23.8%) after taking into account the transitional provisions.

The **financial position** of LBBW (Bank) throughout the entire year under review was satisfactory at all times due to the good liquidity. The structural funding of LBBW (Bank) is supported by stable sales of a wide array of funding products thanks to the broad and well-established customer base. Corporate customers and institutional investors, both domestic and international, provided a sustained contribution to the diversification of LBBW's funding. All in all, LBBW (Bank) was able to obtain funding on the requisite scale via the market at all times.

The year under review was characterized by securitized liabilities, issued until 18 July 2005 under the protection of guarantor's liability, falling due at the end of the year. This entailed changes in the balance sheet when compared with the previous year under review, some of which were major. Due to the substantially lower funding requirements resulting from the corresponding rundown of liabilities and financial investments with guarantor's liability, a large portion of these funds did not have to be substituted. Even after the expiry of the liabilities that are subject to guarantor's liability LBBW expects that it will be able to fund itself on the market at rates that will remain comfortable. In addition to private placements, successful benchmark issues were placed on the market in the form of covered bonds and uncollateralized bearer debentures last year. These issues met with interest not only from domestic but also from international investors.

The **liquidity ratio** as per LiqV totaled 1.43 as at 31 December 2015 (previous year: 1.34) and therefore easily exceeded the minimum requirement of 1.0.

Results of operations.

Performance figures (including capital service for hybrids):

	1 Jan. 2015 – 31 Dec. 2015 EUR million	1 Jan. 2014 – 31 Dec. 2014 EUR million	Change EUR million	in %
Net interest income	1 705	1 754	– 50	– 2.8
of which current hybrid servicing	– 16	– 26	10	– 38.8
Net fee and commission income	281	224	57	25.4
Net fee and commission income without guarantee commission	402	415	– 13	– 3.2
Guarantee commission for the State of Baden-Württemberg	– 121	– 191	70	– 36.6
Total operating income/expenses from the trading portfolio	268	72	197	> 100
Administrative expenses[1]	– 1 755	– 1 604	– 151	9.4
Other operating income/expenses	119	50	69	> 100
Operating income before allowances for losses on loans and advances/remeasurement gain or loss	**617**	**496**	**122**	**24.6**
Allowances for losses on loans and advances/remeasurement gain or loss	– 132	– 72	– 60	82.6
Operating income/expenses (result from ordinary business activities)	**485**	**423**	**62**	**14.6**
Extraordinary result	– 45	– 25	– 20	79.1
Partial profit transfer	– 55	– 66	11	– 16.3
of which current hybrid servicing	– 55	– 66	11	– 16.7
Net profit/loss for the year before tax	**385**	**333**	**53**	**15.9**
Income taxes	– 63	– 20	– 43	> 100
Net profit/loss for the year after tax	**322**	**313**	**10**	**3.1**
Unappropriated profit/loss	**322**	**313**	**10**	**3.1**

Rounding differences may occur in this and subsequent tables for computational reasons.
1) In addition to staff costs and operating expenses, this item also includes amortization and write-downs of intangible assets and depreciation and write-downs of property and equipment.

Net interest income at LBBW (Bank) decreased marginally in the past financial year by EUR – 50 million to EUR 1 705 million. The decline was principally attributable to the generally lower level of interest rates, which weighed on the earnings contribution from deposit-taking business and LBBW's investment of its own funds. At the same time, the reduced volumes due to maturities together with selective lending in a competitive setting contributed to a drop in interest income and interest expense. A rise in interest expense from trading and hedging derivatives also exerted strain. Contrary to the overall trend, investment income recorded an extremely positive performance with an increase of EUR 118 million to EUR 270 million.

Net fee and commission income improved considerably year on year by EUR 57 million to EUR 281 million (previous year: EUR 224 million), with the individual types of fees and commissions showing a difference in performance. The earnings increase over the previous year was in large part aided by a further significant drop in expenditure for the guarantee commission of EUR – 121 million to be paid to the State of Baden-Württemberg (previous year: EUR – 191 million). This was due to the complete sale of the securitization portfolio guaranteed by the owners of LBBW in 2014. LBBW continues to finance the special-purpose entity Sealink, which is not required to be consolidated. The State of Baden-Württemberg still offers a guarantee for certain loans to this special-purpose entity, for which fee and commission payments will still have to be made in the future. A perceptible EUR 18 million increase in fees and commissions from the securities and commissioning business and a rise of EUR 12 million in the securities syndication business contrasted with lower fee and commission income from brokerage transactions. In addition, net fee and commission income from loans and sureties solely from the services industry was lower due to higher defferals, coming to

EUR 120 million (pervious year: EUR 149 million). Thes are offset by income that is recognized in net interest income pro rata temporis.

Total operating income from the trading portfolio recorded a substantial rise of EUR 197 million to EUR 268 million (previous year: EUR 72 million). The improvement was essentially influenced by measurement gains which, due to the German GAAP reporting methodology, contrasted with corresponding losses in net interest income, in particular. In addition, the improvement was supported by factors including the more volatile markets in 2015, which boosted new business in hedging products against foreign currency and interest rate risks. Moreover, lower valuation discounts for the trading portfolio of EUR 43 million (essentially credit valuation adjustments) contributed to the positive performance (previous year: EUR – 19 million). Given the development of the trading portfolio and of relevant market parameters, no risk premiums were set aside for statutory reasons in 2015 (previous year: reversal of EUR 24 million). Due to the increase in gains/losses on financial instruments in the trading portfolio, the reserve for general banking risks in accordance with section 340e (4) HGB in conjunction with section 340g increased to EUR – 30 million in the year under review (previous year: EUR – 8 million).

Administrative expenses rose by EUR – 151 million over the previous year's figure of EUR – 1 604 million to a total of EUR – 1 755 million, with staff costs increasing by EUR – 154 million to EUR – 974 million. This increase was mainly attributable to allocations to pension and state aid provisions amounting to EUR – 212 million (previous year: EUR – 95 million), essentially on account of the further decline in the discount interest rate. By contrast, other administrative expenses fell slightly overall by EUR 13 million to EUR – 702 million (previous year: EUR – 715 million). A large portion of the expenses was still connected to the restructuring of the IT architecture that started in 2014 with the aim of accommodating the growing number of bank management requirements. Among other things, LBBW is investing in a new core bank system which will be introduced in 2017 according to plan and which forms the basis for increased digitization, standardization and optimization of business processes. In addition, the implementation of new regulatory requirements exerted considerable strain. By contrast, lower legal, consulting and audit expenses provided relief. The latter had caused increased strain in 2014, when a balance sheet assessment was conducted, before supervision passed on to the ECB. Amortization and write-downs of intangible assets and property and equipment rose by EUR – 10 million to EUR – 79 million during the year under review (previous year: EUR – 69 million).

Other operating income/expenses improved by EUR 69 million to EUR 119 million thanks to a number of one-off effects (previous year: EUR 50 million). This development was supported by factors including higher income from the disposal of equity investments of EUR 44 million (previous year: EUR 7 million) and higher sales proceeds from the portfolio optimization of land and buildings held as long-term investments and used by third parties. The balance of allocations and reversals of provisions within other operating income/expenses was positive in the past financial year at EUR 20 million (previous year: EUR 23 million). Net reversals of EUR 16 million (previous year: EUR 23 million) related to provisions for legal and litigation risks, in particular.

Allowances for losses on loans and advances/remeasurement gain or loss deteriorated overall year on year by EUR – 60 million to EUR – 132 million (previous year: EUR – 72 million). A differentiated performance was recorded for the individual income items:

- The **remeasurement gain or loss on securities, borrower's note loans and derivatives from the liquidity reserve** declined by EUR – 67 million to EUR – 71 million (previous year: EUR – 4 million). The previous year's negative result was principally attributable to valuation effects from the currency and spread development.
- The **remeasurement gain or loss on securities held as long-term investments** also decreased by EUR – 62 million to EUR – 6 million (previous year: EUR 55 million). The negative overall figure resulted from targeted divestments to optimize the risk and liquidity position in the Treasury environment. In the previous year gains from the divestment of non-core banking operations (former guarantee portfolio and parts of the credit substitute business not covered by the guarantee) had provided a positive contribution.
- The **remeasurement gain or loss from equity investments and affiliated companies** decreased by EUR – 25 million to EUR – 9 million (previous year: EUR 16 million).
- **Gains/losses from the transfer of losses** deteriorated by EUR – 26 million to EUR – 50 million (previous year: EUR – 24 million). Among other factors, the deterioration was due to valuation effects in the real estate portfolio of a foreign subsidiary and the associated loss transfer of EUR – 48 million (previous year: EUR – 23 million).
- **Allowances for losses on loans and advances** improved by EUR 119 million year on year to EUR 4 million (previous year: EUR – 115 million) and were far above the previous year's figure overall and below the long-term average. In accordance with the economic trend, this figure was a reflection of the quality of LBBW's credit portfolio in each of its core markets.

The **extraordinary result** deteriorated by EUR – 20 million to EUR – 45 million (previous year: EUR – 25 million). The conversion of the allocation to provisions for pension plans pursuant to the Accounting Law Modernization Act (BilMoG) resulted in an extraordinary expense of EUR – 27 million in 2014, as in the previous years as well. One major reason for the year-on-year change in particular was a negative effect from the renewed recognition of restructuring provisions in the amount of EUR 40 million in the year under review. Against the backdrop of increasing digitization, Baden-Württembergische Bank (BW-Bank), which forms part of LBBW, is realigning its private customer business to become a multi-channel bank. Provisions were recognized for the measures derived from this, which included the restructuring of the location network together with the related personnel measures. A positive counter-effect of EUR 22 million resulted from the accretion of two real estate management companies designed to optimize group-internal processes in such a way that real estate used by LBBW itself will in future be held directly in non-current assets.

Net profit/loss before tax for the 2015 financial year amounted to EUR 385 million overall (previous year: EUR 333 million), which reaffirms the stable profit trend of the previous years.

The **income tax expense** stood at EUR – 63 million for the 2015 financial year (previous year: EUR – 20 million). Current income taxes rose by EUR – 27 million in the 2015 financial year to EUR – 73 million, largely as a result of the Bank's sound earnings performance in Germany. Income taxes pertaining to previous years dropped to EUR 10 million (previous year: EUR 27 million), especially as a result of lower extraordinary effects.

Net profit/loss for the year after tax rose slightly by EUR 10 million to EUR 322 million (previous year: EUR 313 million).

Net assets and financial position.

Assets	31 Dec. 2015 EUR million	31 Dec. 2014 EUR million	Change EUR million	in %
Cash and cash equivalents	1 156	1 927	– 771	– 40.0
Public-sector debt instruments and bills of exchange eligible for refinancing at central banks	0	0	0	
Loans and advances to banks	30 080	38 948	– 8 868	– 22.8
Loans and advances to customers	104 951	111 673	– 6 722	– 6.0
Debentures and other fixed-income securities	25 103	31 891	– 6 788	– 21.3
Equities and other non-fixed-income securities	117	250	– 133	– 53.1
Trading portfolio	43 439	58 314	– 14 874	– 25.5
Equity investments	594	649	– 55	– 8.5
Shares in affiliates	1 942	2 332	– 389	– 16.7
Trust assets	609	818	– 209	– 25.6
Intangible assets	148	98	50	50.7
Property and equipment	1 019	379	640	> 100
Other assets	1 159	1 778	– 619	– 34.8
Deferred income	2 583	1 368	1 216	88.9
Total assets	**212 901**	**250 425**	**– 37 524**	**– 15.0**

Equity and liabilities	31 Dec. 2015 EUR million	31 Dec. 2014 EUR million	Change EUR million	in %
Deposits from banks	43 594	53 043	– 9 449	– 17.8
Deposits from customers	63 211	74 549	– 11 338	– 15.2
Securitized liabilities	31 004	49 559	– 18 555	– 37.4
Trading portfolio	48 876	46 718	2 158	4.6
Trust liabilities	609	818	– 209	– 25.6
Other liabilities	555	1 552	– 997	– 64.2
Deferred items	3 365	1 449	1 916	> 100
Provisions	2 302	2 183	119	5.5
Subordinated liabilities	3 848	4 766	– 918	– 19.3
Capital generated from profit-participation rights	285	435	– 150	– 34.4
Fund for general banking risks	551	521	30	5.7
Equity	14 700	14 830	– 130	– 0.9
Total equity and liabilities	**212 901**	**250 425**	**– 37 524**	**– 15.0**
Contingent liabilities	7 400	8 284	– 885	– 10.7
Other liabilities	23 646	24 365	– 719	– 3.0
Business volume [1]	**243 946**	**283 073**	**– 39 127**	**– 13.8**

1) In addition to total assets, the business volume includes off-balance-sheet contingent liabilities and other liabilities.
Differences of +/– one unit are due to rounding up/down.

Decline in business volume.

Compared with the previous year **total assets** of LBBW (Bank) declined by EUR – 37.5 billion or – 15.0% to EUR 212.9 billion in 2015, particularly as a result of the deliberate wind-down and expiry of business under guarantor's liability.

Similar to this, the **business volume** also declined noticeably, namely by EUR – 39.1 billion to EUR 243.9 billion. In addition to the reduction in total assets, the development of off-balance-sheet items contributed to this drop.

This development was characterized in particular by securitized liabilities, issued under the protection of guarantor's liability, falling due at the end of the year. In 2001 the EU Commission and the Federal Republic of Germany had agreed on new provisions with regard to maintenance obligations and guarantor's liability. This was due to a decision by the EU Commission whereby statutory guarantees for specialist credit institutions with a public-sector background are not in line with the EU's state aid guidelines. To this end, a transitional period was agreed during which maintenance obligations and guarantor's liability for liabilities established between 18 July 2001 and 18 July 2005 with an expiry date 31 December 2015 or earlier will continue to exist.

During the above-mentioned period LBBW (Bank) not only made issues, it also acquired top-rated debentures that fell due on expiry of the guarantor's liability in 2015 and led to a corresponding reduction on the assets side. In this context, a decline was recorded in particular by public-sector loans reported under loans and advances to banks.

The Bank covered its funding requirements for the year 2015 through targeted new issues. The benchmark issues executed on the basis of covered bonds and uncollateralized bearer debentures were not only sought on the German market but also met with strong demand from international investors.

Lending.

At the end of the year under review **cash and cash equivalents** came to EUR 1.2 billion. The EUR – 0.8 billion drop was attributable almost exclusively to a lower credit balance at central banks.

As at 31 December 2015 **loans and advances to banks** fell by EUR – 8.9 billion to EUR 30.1 billion. The EUR – 5.2 billion decline in public-sector loans was attributable, among other factors, to the expiry of transactions under guarantor's liability. The decrease in securities repurchase transactions of EUR – 1.7 billion, mainly from tri-party repo transactions with major credit institutions and central counterparties with international operations, was principally a result of the first-time net presentation of securities repurchase transactions in the financial year.

Loans and advances to customers fell by EUR – 6.7 billion to EUR 105.0 billion at the end of 2015. Essentially, this is due to a drop in the holdings of securities repurchase transactions by EUR – 2.8 billion. This figure includes an effect of EUR – 2.3 billion for the first-time net presentation of securities repurchase transactions via central counterparties at year-end 2015. Moreover, the portfolio of public-sector loans declined by EUR – 2.5 billion due to maturities exceeding new business.

Debentures and other fixed-income securities overall decreased by EUR – 6.8 billion to EUR 25.1 billion. The volume of own debentures fell by EUR – 4.1 billion. The decline in bonds and debentures of non-public-sector issuers of EUR – 8.6 billion contrasted with a EUR 5.8 billion rise in bonds and debentures of public-sector issuers, mainly in the form of government and federal state bonds.

Trading assets over the course of the year fell noticeably by EUR – 14.9 billion to EUR 43.4 billion. Here, the net presentation of bilateral OTC derivatives and corresponding margin payments was applied, which was first used in the previous year. In the 2015 financial year the existing methodology was expanded to include currency-related transactions. The overall effect came to EUR – 19.6 billion and was thus at the previous year's level. The main drivers of the EUR – 6.7 billion decline in debentures and other fixed-income securities was maturities of bonds secured with maintenance obligation. In addition, the positive market values from derivative financial instruments fell by EUR – 6.1 billion. In addition to maturities, this was due to an increase in long-term interest rates at the end of the year, which had an impact on the valuation of the derivatives (particularly interest rate swaps, swaptions and currency swaps). At the same, loans and advances to customers reported as trading transactions, mostly money market transactions, fell by EUR – 2.0 billion, also including the effects from the net presentation of bilateral margin payments from OTC derivatives.

The item **shares in affiliates** declined in the year under review from EUR 2.3 billion to EUR 1.9 billion, particularly as a result of the accretion of real estate management companies to LBBW (Bank).

At the same time, **fixed assets** increased by EUR 0.6 billion due to the transfer of land and buildings to two special-purpose vehicles.

Funding.

Deposits from banks dropped by EUR – 9.4 billion versus the end of 2014 to EUR 43.6 billion. The EUR – 4.3 billion decline in the volume of other liabilities was mainly attributable to maturing borrower's note loans. Due to reduced business volumes, mainly in connection with central counterparties, holdings of securities repurchase transactions fell by EUR – 4.1 billion. The net presentation applied for the first time as at the end of 2015 of the securities repurchasing transactions executed via central counterparties contributed EUR – 1.6 billion to this development.

As at 31 December 2015 **deposits from customers** amounted to EUR 63.2 billion and were substantially below the previous year's figure, namely by EUR – 11.3 billion. This was principally due to a reduction in securities repurchase transactions of EUR – 6.2 billion, with the first-time net presentation of securities repurchase transactions via central counterparties in the financial year accounting for an amount of around EUR – 2.3 billion. In addition, the volume of other liabilities, particularly borrower's note loans, declined by EUR – 3.2 billion due to maturities. Holdings of public-sector registered covered bonds fell by a further EUR – 1.5 billion.

The noticeable EUR – 18.6 billion decline in **securitized liabilities** to EUR 31.0 billion was essentially attributable to maturities in the wake of the expiry of guarantor's liability at the end of 2015. High volumes of other debentures fell due and were repaid to investors, resulting in a EUR – 21.1 billion reduction. The decline in public-sector covered bond holdings of EUR – 1.7 billion contrasted with a rise in mortgage covered bonds due to substantial lending growth in the real estate sector of EUR 1.5 billion. Another counter-effect in securitized liabilities totaling EUR 2.7 billion essentially resulted from the issue of new commercial paper.

In contrast to the assets side, **trading** on the liabilities side rose slightly by EUR 2.2 billion to EUR 48.9 billion despite the first-time inclusion of currency-related transactions in the net presentation of bilateral OTC derivatives and corresponding margin payments during the 2015 financial year. Other financial liabilities rose by EUR 7.2 billion, particularly due to the rise in demand for money market trading transactions. By contrast, negative market values from derivative financial instruments declined by EUR – 5.3 billion. In addition to maturities, this was due to an increase in long-term interest rates at the end of the year, which had an impact on the valuation of the derivatives (particularly interest rate swaps, swaptions and currency swaps).

In the year under review, LBBW issued **subordinated liabilities** in the amount of EUR 0.5 billion. This figure contrasted with maturities of EUR - 1.5 billion, thus resulting in a level of EUR 3.8 billion as at year-end 2015.

Equity.

Subscribed capital was reduced by EUR - 0.1 billion to EUR 4.7 billion as a result of the repayment of silent partners' contributions. Including capital reserves and retained earnings as well as unappropriated profit, LBBW (Bank) had EUR 14.7 billion in equity on its balance sheet as at year-end 2015 (previous year: EUR 14.8 billion).

Financial position.

The funding strategy of LBBW (Bank) is determined by the Asset Liability Committee (ALCo). Here the Bank focuses on ensuring a balanced structure in terms of groups of products and investor groups used. The financial position of LBBW (Bank) throughout the entire year under review was satisfactory given the good liquidity. The Bank was always able to obtain funding on the market on the requisite scale. The liquidity indicator as per LiqV totaled 1.43 as at 31 December 2015 (previous year: 1.34).

Consolidated financial statements.

CONTENTS

The consolidated financial statements for the 2015 financial year were prepared in accordance with Section 315a (1) of the German Commercial Code (HGB) and Commission Regulation (EU) no. 1606/2002 of the European Parliament and of the Council dated 19 July 2002 (IAS regulation) in accordance with the regulations of the International Financial Reporting Standards (IFRS) as applicable in the European Union.

Income statement

for the period 1 January to 31 December 2015.

EUR million	Notes	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014 [1]
Interest income	22	16 059	17 423
Interest expense	22	– 14 405	– 15 545
Net interest income	22	1 654	1 878
Allowances for losses on loans and advances	23	– 55	– 104
Fee and commission income	24	621	634
Fee and commission expense	24	– 123	– 116
Net fee and commission income	24	498	518
Net gains/losses from financial instruments measured at fair value through profit or loss	25	226	– 120
Net gains/losses from financial investments	26	75	146
Net income/expenses from investments accounted for using the equity method	27	19	117
Other operating income/expenses	28	134	101
Administrative expenses	29	– 1 782	– 1 770
Guarantee commission for the State of Baden-Württemberg		– 121	– 191
Expenses for bank levy and deposit guarantee system		– 73	– 82
Impairment of goodwill	40	0	– 16
Net income/expenses from restructuring	30	– 44	1
Consolidated profit/loss before tax		**531**	**477**
Income taxes	31	– 109	– 39
Net consolidated profit/loss		**422**	**438**
of which attributable to non-controlling interests after tax		– 3	0
of which attributable to shareholders after tax		425	438

1) Restatement of prior year amounts (see Note 2).

Total comprehensive income

for the period 1 January to 31 December 2015.

EUR million	Notes	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014 [1)]
Net consolidated profit/loss		**422**	**438**
Net consolidated profit/loss in equity			
Items that will not be transferred subsequently to the income statement			
Retained earnings			
Actuarial gains/losses before tax	53	– 3	– 552
Income taxes	31	1	167
Items that will be transferred subsequently to the income statement when specific conditions are met			
Revaluation reserve			
Gains/losses on financial assets AfS before tax	21, 53	366	260
Transferred to income statement	21, 53	– 28	– 89
Income taxes	31	– 47	– 27
Changes in investments accounted for using the equity method			
Changes before tax	21, 53	5	– 58
Transferred to income statement	21, 53	– 15	0
Income taxes	31	1	– 1
Measurement gains/losses from cash flow hedges			
Changes in fair value before tax	21, 53	0	– 2
Transferred to income statement	21, 53	0	4
Currency translation differences			
Changes before tax	21, 53	16	18
Transferred to income statement	21, 53	0	10
Total net consolidated profit/loss in equity		**296**	**– 270**
of which from non-current assets or disposal groups held for sale		62	12
Consolidated total comprehensive income		**718**	**168**
of which attributable to non-controlling interests after tax		– 3	0
of which attributable to shareholders after tax		721	168

1) Restatement of prior year amounts (see Note 2).

Balance sheet

as at 31 December 2015.

Assets.

EUR million	Notes	31 Dec. 2015	31 Dec. 2014 [1]	1 Jan. 2014 [1]
Cash and cash equivalents	8, 32	1 167	1 936	2 156
Loans and advances to banks	9, 33, 35	30 245	38 424	47 625
Loans and advances to customers	9, 15, 34, 35, 70	108 785	113 195	111 453
Allowances for losses on loans and advances	9, 35	– 1 128	– 1 594	– 2 201
Financial assets at fair value through profit or loss	6, 36	64 765	79 871	70 094
Financial investments	6, 37	25 230	29 050	40 660
Shares in investments accounted for using the equity method	3, 10, 38	239	302	297
Portfolio hedge adjustment attributable to assets	6	569	750	355
Non-current assets and disposal groups held for sale	11, 39	153	93	727
Intangible assets	12, 40	541	489	494
Investment property	13, 41	649	705	481
Property and equipment	14, 15, 42, 70	670	644	646
Current income tax assets	16, 43	114	219	179
Deferred income tax assets	16, 43	1 027	1 145	1 062
Other assets	17, 18, 44	989	1 038	610
Total assets		**234 015**	**266 268**	**274 638**

1) Restatement of prior year amounts (see Note 2).

Equity and liabilities.

EUR million	Notes	31 Dec. 2015	31 Dec. 2014 [1]	1 Jan. 2014 [1]
Deposits from banks	6, 45	44 248	52 314	58 045
Deposits from customers	6, 46	62 540	69 874	82 053
Securitized liabilities	6, 47	29 424	44 231	50 693
Financial liabilities at fair value through profit or loss	6, 48	74 063	75 244	57 649
Portfolio hedge adjustment attributable to liabilities	6	569	751	685
Provisions	19, 49	3 401	3 455	3 133
Liabilities from disposal groups	11, 39	0	0	915
Current income tax liabilities	16, 50	62	69	58
Deferred income tax liabilities	16, 50	27	74	169
Other liabilities	17, 51	709	787	742
Subordinated capital	20, 52	5 329	6 229	7 103
Equity	**21, 53**	**13 643**	**13 241**	**13 392**
Share capital		3 484	3 484	3 484
Capital reserve		8 240	8 240	8 240
Retained earnings		1 062	949	1 207
Other income		413	111	104
Unappropriated profit/loss		425	438	339
Shareholders' equity		**13 624**	**13 222**	**13 374**
Equity attributable to non-controlling interests		19	19	18
Total equity and liabilities		**234 015**	**266 268**	**274 638**

1) Restatement of prior year amounts (see Note 2).

Statement of changes in equity

for the period 1 January to 31 December 2015.

EUR million	Share capital	Capital reserve	Retained earnings
Equity as at 31 December 2013	3 484	8 240	1 214
Adjustment of prior year values	0	0	– 7
Adjusted equity as at 1 January 2014	**3 484**	**8 240**	**1 207**
Allocation to retained earnings	0	0	339
Distribution to shareholders	0	0	– 72
Changes in the scope of consolidation	0	0	– 175
Actuarial gains/losses	0	0	– 385
Changes in AfS financial instruments	0	0	0
Changes in investments accounted for using the equity method	0	0	0
Gains/losses from the measurement of cash flow hedges	0	0	0
Currency translation differences	0	0	0
Net profit/loss in equity	**0**	**0**	**– 385**
Net consolidated profit/loss	0	0	0
Adjustment of net consolidated profit/loss	0	0	0
Adjusted net consolidated total comprehensive income	**0**	**0**	**– 385**
Adjustment of prior year values	0	0	36
Other changes in equity	0	0	– 1
Adjusted equity as at 31 December 2014	**3 484**	**8 240**	**949**
Equity as at 1 January 2015	3 484	8 240	949
Allocation to retained earnings	0	0	438
Distribution to shareholders	0	0	– 314
Changes in the scope of consolidation	0	0	0
Actuarial gains/losses	0	0	– 2
Changes in AfS financial instruments	0	0	0
Changes in investments accounted for using the equity method	0	0	0
Currency translation differences	0	0	0
Net profit/loss in equity	**0**	**0**	**– 2**
Net consolidated profit/loss	0	0	0
Consolidated total comprehensive income	**0**	**0**	**– 2**
Other changes in equity	0	0	– 9
Equity as at 31 December 2015	**3 484**	**8 240**	**1 062**

1) Restatement of prior year amounts (see Note 2).

The composition of equity is explained in Note 21 and Note 53.

Revaluation reserve	Net income/expenses from investments accounted for using the equity method	Gains/losses from the measurement of cash flow hedges	Currency translation reserve	Unappropriated profit/loss	Shareholders' equity	Equity attributable to non-controlling interests	Total[1)]
13	106	– 2	– 13	339	13 381	18	13 399
0	0	0	0	0	– 7	0	– 7
13	**106**	**– 2**	**– 13**	**339**	**13 374**	**18**	**13 392**
0	0	0	0	– 339	0	0	0
0	0	0	0	0	– 72	0	– 72
– 108	0	0	0	0	– 283	0	– 283
0	0	0	0	0	– 385	0	– 385
144	0	0	0	0	144	0	144
0	– 59	0	0	0	– 59	0	– 59
0	0	2	0	0	2	0	2
0	0	0	28	0	28	0	28
144	**– 59**	**2**	**28**	**0**	**– 270**	**0**	**– 270**
0	0	0	0	434	434	0	434
0	0	0	0	4	4	0	4
144	**– 59**	**2**	**28**	**438**	**168**	**0**	**168**
0	0	0	0	0	36	0	36
0	0	0	0	0	– 1	1	0
49	**47**	**0**	**15**	**438**	**13 222**	**19**	**13 241**
49	47	0	15	438	13 222	19	13 241
0	0	0	0	– 438	0	0	0
0	0	0	0	0	– 314	0	– 314
4	0	0	0	0	4	0	4
0	0	0	0	0	– 2	0	– 2
291	0	0	0	0	291	0	291
0	– 9	0	0	0	– 9	0	– 9
0	0	0	16	0	16	0	16
291	**– 9**	**0**	**16**	**0**	**296**	**0**	**296**
0	0	0	0	425	425	– 3	422
291	**– 9**	**0**	**16**	**425**	**721**	**– 3**	**718**
0	0	0	0	0	– 9	3	– 6
344	**38**	**0**	**31**	**425**	**13 624**	**19**	**13 643**

Cash flow statement

for the period 1 January to 31 December 2015.

EUR million	Notes	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014 [1]
Net consolidated profit/loss		**422**	**438**
Non-cash items in net consolidated profit or loss and reconciliation to cash flow from operating activities			
Depreciation, write-downs and reversals of impairment losses on receivables, property and equipment, and financial investments		139	185
Increase in/reversal of provisions		199	148
Other non-cash expenses/income		– 159	625
Gains/losses on the sale of financial investments and property and equipment		– 116	– 76
Other adjustments		– 1 554	– 1 834
		– 1 069	**– 514**
Changes in assets and liabilities from operating activities			
Loans and advances to banks		8 091	9 104
Loans and advances to customers		4 095	– 2 203
Financial assets at fair value through profit or loss		14 142	6 345
Financial investments		5 209	11 296
Other assets from operating activities		– 268	– 930
Deposits from banks		– 7 980	– 5 957
Deposits from customers		– 7 187	– 12 024
Securitized liabilities		– 14 675	– 6 303
Financial liabilities at fair value through profit or loss		– 1 517	982
Other liabilities from operating activities		– 328	– 546
Dividends received		69	88
Interest received		16 516	17 902
Interest paid		– 15 026	– 16 317
Income taxes paid		25	– 78
Cash flow from operating activities		**95**	**845**
Proceeds from the sale of			
Equity investments		327	176
Property and equipment		13	5
Payments for the acquisition of			
Equity investments		– 27	– 188
Property and equipment		– 28	– 20
Intangible assets		– 91	– 52
Proceeds from the sale of consolidated companies [2]		0	61
Cash flow from investing activities		**194**	**– 18**
Dividends paid		– 314	– 72
Other payments	52	– 51	– 1 000
Net change in cash and cash equivalents from other capital		– 725	– 10
Cash flow from financing activities		**– 1 089**	**– 1 082**

1) Restatement of prior year amounts (see Note 2).
2) The consideration comprises entirely of cash and cash equivalents.

EUR million	Notes	1 Jan. – 31 Dec. 2015	01 Jan. – 31 Dec. 2014
Cash and cash equivalents at the beginning of the period	**32**	**1 936**	**2 156**
Cash flow from operating activities		95	845
Cash flow from investing activities		194	– 18
Cash flow from financing activities		– 1 089	– 1 082
Changes in cash and cash equivalents owing to the basis of consolidation		0	2
Changes in cash and cash equivalents owing to exchange rates		32	33
Cash and cash equivalents at the end of the period	**32**	**1 167**	**1 936**

The cash flow statement shows the change in cash and cash equivalents resulting from cash flows from operating, investing and financing activities during the financial year.

Cash and cash equivalents correspond to the LBBW Group's cash reserve and include cash, balances with central banks, public-sector debt instruments eligible for refinancing operations and bills.

Cash flow from operating activities is determined indirectly from net consolidated profit/loss. Cash flows that are primarily connected with the revenue-producing activities of the LBBW Group or cash flows resulting from activities that cannot be allocated to investing or financing activities are allocated to cash flow from operating activities.

Cash flow from investing activities shows proceeds and payments relating to the disposal or acquisition of non-current assets.

All proceeds and payments from transactions relating to equity, subordinated capital, capital generated by profit participation certificates and typical silent partners' contributions are included in cash flow from financing activities.

Notes

for the 2015 financial year.

Basis of group accounting.

Landesbank Baden-Baden-Württemberg (LBBW (Bank)), as the parent company of the Group, is a public law institution (rechtsfähige Anstalt des öffentlichen Rechts) with registered offices in Stuttgart, Karlsruhe, Mannheim and Mainz.

The consolidated financial statements for the 2015 financial year were prepared in accordance with Section 315a (1) of the German Commercial Code (HGB) and Commission Regulation (EU) no. 1606/2002 of the European Parliament and of the Council dated 19 July 2002 (IAS regulation) in accordance with the regulations of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The standards and interpretations published at the time of preparation of the financial statements, adopted by the European Union and relevant and binding for the Group, are authoritative.

The consolidated financial statements of LBBW were approved by the Board of Managing Directors for publication on 15 March 2016.

Accounting policies.

1. Accounting principles.

The consolidated financial statements are based on the going concern principle.

In accordance with IFRS 10.19 and IAS 28.35, financial statements in the LBBW Group are prepared using uniform accounting policies. These were applied consistently to the reporting periods shown, unless stated otherwise. As a rule, the annual financial statements of the consolidated companies or investments accounted for using the equity method are prepared on the balance sheet date of the consolidated financial statements of LBBW. Different reporting dates exist only in one case. In this case too, the figures as at 31 December 2015 are taken into consideration in these consolidated financial statements.

The functional currency and the reporting currency of LBBW is the euro (EUR). The amounts in these consolidated financial statements are generally rounded commercially to EUR millions. This may result in minor aggregation differences; however, these do not have any adverse effect on the reporting quality. The reporting year is the calendar year.

The consolidated financial statements are prepared on the basis of historical and amortized cost as well as fair value. The fair value is used in the case of investment property, investment securities classified as available-for-sale, and financial assets and liabilities measured at fair value through profit or loss.

Income and expenses are accrued. Interest income and expense are presented using an approach that corresponds to the effective interest method.

Borrowing costs for qualifying assets (inventories, non-current assets) are capitalized. A qualified asset is a non-financial asset that requires a considerable amount of time to prepare it for its intended use or state of sale.

Long-term construction orders exist within the Group. Given the immateriality of these transactions for the consolidated financial statements, no further details were provided.

2. Changes and estimates.

IFRS applied for the first time.

The following IFRS were applied for the first time in the 2015 financial year:

Annual Improvements to IFRS 2011 – 2013 Cycle.

This standard contains minor revisions to IFRS 1 »First-time Adoption of international Financial Reporting Standards«, to IFRS 3 »Business Combinations«, to IFRS 13 »Fair Value Measurement« and to IAS 40 »Investment Property«. The first-time application had no material impact on the consolidated financial statements of LBBW.

IFRS to be applied in future.

The following IFRS had not yet taken effect by the date of release for publication these financial statements. Unless otherwise stated, these IFRS are already recognized in European law and LBBW does not intend to apply them earlier on a voluntary basis:

Annual Improvements to IFRS 2010 – 2012 Cycle, Annual Improvements to IFRS 2012 – 2014 Cycle.

This collective standard that was approved within the scope of the annual improvement projects is an IASB tool for implementing necessary but not otherwise urgent amendments to the existing IFRS framework. The changes may be of a purely editorial nature but they may also have an impact on the recognition, measurement and reporting of assets and liabilities as well as on the extent of the reporting obligations.

These changes from both collective standards are applicable for the first time in the 2016 financial year. The first-time application is not expected to have any material effect on the consolidated financial statements.

Defined Benefit Plans: Employee Contributions – Amendments to IAS 19.

This standard clarifies how contributions that the employees (or third parties) make themselves to defined benefit plans must be reported by the company providing the benefit.

The changes will be effective for the first time in the 2016 financial year. The first-time application had no material impact on the consolidated financial statements of LBBW.

IFRS 14 Regulatory Deferral Accounts.

This standard allows companies subject to price regulation to maintain national (local) accounting rules on regulatory deferral account balances when transferring to IFRS.

The European Commission has decided against adopting this standard in European law.

Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41.

This standard allows fruit-bearing plants, such as grape vines, to be recognized as assets in the balance sheet under certain circumstances.

The changes will be effective for the first time in the 2016 financial year. The first-time application is not expected to have any impact on the consolidated financial statements of LBBW.

Clarification of Acceptable Methods of Depreciation and Amortization – Amendments to IAS 16 and IAS 38.

This standard clarifies that revenue-based methods to calculate depreciation generally do not appropriately reflect the use of fixed assets or intangible assets. The revised provisions permit such a method of depreciation to be only for intangible assets subject to certain conditions.

The changes will be effective for the first time in the 2016 financial year. The first-time application is not expected to have any impact on the consolidated financial statements of LBBW.

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11.

This standard clarifies that interests acquired in a combined operation that represents a business operation within the meaning of IFRS 3 fundamentally meet the requirements of IFRS 3 as well.

The changes will be effective for the first time in the 2016 financial year. The first-time application is not expected to have any impact on the consolidated financial statements of LBBW.

Equity Method in Separate Financial Statements – Amendments to IAS 27.

This standard permits the equity method to be used as an additional accounting option for shares in subsidiaries, joint ventures and associates in separate financial statements, provided the reporting company prepares the separate financial statements in compliance with IFRS.

The changes shall become effective for the first time in the 2016 financial year and do not impact on the consolidated financial statements.

Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28.

This standard contains clarification concerning the application of the consolidation exemption of subsidiaries in accordance with IFRS 10 and concerning the corresponding disclosure requirements in accordance with IFRS 12. This affects parent companies that meet the requirements of an investment entity within the meaning of this standard.

The changes are expected to be effective for the first time in the 2017 financial year. The first-time application is not expected to have any impact on the consolidated financial statements of LBBW. The standard had not yet been recognized in European law prior to the date on which these financial statements were released for publication.

Disclosure Initiative – Amendments to IAS 1.

This standard comprises various clarifications on evaluating the materiality of disclosure requirements and on disclosure and structure issues.

The changes will be effective for the first time in the 2016 financial year. The first-time application had no material impact on the consolidated financial statements of LBBW.

Disclosure Initiative – Amendments to IAS 7.

This standard supplements the existing disclosure requirements concerning the cash flow statement in order to present the change in borrowing from a company's funding activities in a more transparent manner.

The changes are expected to be effective for the first time in the 2017 financial year. The impact of first-time application of this standard is still being reviewed. The standard had not yet been recognized in European law prior to the date on which these financial statements were released for publication.

Recognition of Deferred Tax Assets for Unrealized Losses - Amendments to IAS 12.

This standard clarifies that deferred tax assets relating to deductible temporary differences must also be capitalized; these arise from unrealized losses on debt instruments from the »available for sale (AfS)« category.

The changes are expected to be effective for the first time in the 2017 financial year. The impact of first-time application of this standard is still being reviewed. The standard had not yet been recognized in European law prior to the date on which these financial statements were released for publication.

IFRS 15 Revenue from Contracts with Customers, Effective Date of IFRS 15.

This standard contains the new guidance on the realization of revenue and supersedes IAS 18 »Revenue« and IAS 11 »Construction Contracts« and some related interpretations. It comprises contracts with customers on the sale of goods or provision of services. Exceptions apply to financial instruments and lease agreements, among other things.

The changes are expected to be effective for the first time in the 2018 financial year. The first-time application is not expected to have any material effect on the consolidated financial statements. The standard had not yet been recognized in European law prior to the date on which these financial statements were released for publication.

IFRS 9 Financial Instruments (2014).

This standard contains the accounting rules for financial instruments to be applied in the future and therefore replaces the earlier versions of IFRS 9 and large parts of IAS 39. For the classification and measurement of financial assets, the underlying business model and the product characteristics will be decisive in future in relation to cash flows. Allowances for losses on loans and advances will no longer be restricted to losses already incurred but will also comprise expected losses, and hedge accounting will be oriented more closely to risk management. The new guidance on macro hedge accounting is still being coordinated and therefore not part of this standard.

The changes are expected to be effective for the first time in the 2018 financial year. The standard had not yet been recognized in European law prior to the date on which these financial statements were released for publication.

LBBW implements the provisions of IFRS 9 within the scope of an independent project that was launched in the current financial year. The project started on schedule in 2015 with the identification of the bank-specific need for action. The focus will shift increasingly in 2016 to complexity-driven adjustments to the process and IT landscape. In view of the new parameters set for write-downs on financial assets, the transition from »incurred loss-model« to »expected loss-model« is associated with an increase overall in allowances for losses on loans and advances. The plan is to continue applying the rules from IAS 39 in relation to hedge accounting.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28, Effective Date of Amendments to IFRS 10 and IAS 28.

This standard determines that the amount of recognition of gains or losses resulting from a transaction with an associate or joint venture depends on whether the assets disposed of or acquired constitute a business.

However, after publication of these amended standard, it emerged that it was not completely consistent with the existing IFRS framework. For this reason the IASB deferred the date of initial application indefinitely, to enable it to concern itself again with these types of transactions within the scope of a research project on the equity method. The process for adopting this standard into European law was also deferred until further notice.

Therefore no statement on the date of initial application or on the effects of the first-time application of the future standard can be made at present. However, on the basis of the current standards, this would have had no material impact on the consolidated financial statements.

IFRS 16 Leases.

This standards contains new parameters for the recognition of leases and replaces the previous IAS 17 and the associated interpretations IFRIC 4, SIC 15 and SIC 27. While the rules for the lessors are still strongly aligned to IAS 17, the parameters for the lessees follow a completely new approach, which provides for the capitalization of the right to use and the present value recognition of future lease payments as a leasing liability.

These changes are expected to be effective for the first time in the 2019 financial year. The impact of first-time application of this standard is still being reviewed. The standard had not yet been recognized in European law prior to the date on which these financial statements were released for publication.

Changes in recognition.

As at 31 December 2015, LBBW adjusted the Group's profit and loss offset, so as to enhance the clarity and transparency of the scheme. On the one hand, the expenses from the bank levy and for the deposit guarantee fund were removed from administrative expenses and shown as a separate line item in the income statement. On the other hand, net income/expenses from investment property and other operating income were combined. The information and their level of detail in the Notes and hence the depth of information therefore remain unchanged.

Changes.

Estimates and assumptions were made in accordance with the accounting standards concerned for determining the assets, liabilities, income and expenses recognized in the consolidated financial statements. These are based on historical experiences and other factors such as plans and – as far as can be currently judged – probable expectations and forecasts of future events. Such significant estimates can change from time to time and significantly affect the net assets and financial position, as well as the results of operations.

In addition, discretionary decisions were reached when preparing the financial statements regarding the determination of the scope of consolidation, the classification of the financial instruments, investment property, the leasing relationships and the allocation to the levels pursuant to IFRS 13.

Estimates and assumptions mainly relate to the calculation of the fair value of financial instruments and investment property, the value of assets and the calculation of the allowances for losses on loans and advances, as well as the recognition and measurement of subordinated capital, provisions and deferred taxes. Moreover, estimates and assumptions are made regarding specific cash flows. Where significant estimates and/or complex judgements were required, the assumptions made are explained in detail in the Notes to the corresponding item.

The estimates and assumptions are each based on the level of knowledge currently available about the expected future business performance and trends in the global and sector-specific environment. Where actual values differ from the estimates made, the underlying assumptions and – if necessary – the carrying amounts of the relevant assets and liabilities are adjusted accordingly on a prospective basis.

The following changes in estimates were applied prospectively in accordance with IAS 8.39 in the financial year:

- Changes in estimates were applied to positive and negative exposure profiles used when calculating the bilateral credit valuation adjustment (CVA). Since the year under review, the exposure profiles for interest rate and FX derivatives that are not included in a collateral agreement are determined as an adjustment to the market standard using a Monte Carlo simulation. This amendment yielded income of approx. EUR 26 million.

The impact of the changes in estimates on future reporting periods that were implemented in the year under review are in particular dependent on the development of market parameters and expectations in the future. A quantitative determination of the effects on future reporting periods is therefore only possible on the basis of models and to a limited extent.

In the financial year the following facts were corrected retrospectively in accordance with IAS 8.42:

- In previous years, the OTC interest rate derivatives with savings banks had been measured using a yield curve that applies only to derivatives with collateral agreements, even though such agreements were not available for this counterparty. The effect of the retroactive adjustment reduced equity as at 1 January 2014 by EUR – 7 million, trading assets by EUR – 12 million and trading liabilities by EUR – 2 million. Deferred income tax assets rose by EUR 3 million. Due to the effect of retroactive adjustment, equity as at 31 December 2014 declined by EUR – 7 million, trading liabilities by EUR – 2 million and trading assets by EUR – 12 million. Deferred income tax assets rose by EUR 3 million.
- Following the first-time inclusion of an unincorporated entity effective 1 July 2014 in the consolidated financial statements the previous method for calculating deferred taxes was retained, i.e. the deferred tax liabilities set aside for the equity investments at the parent company were not reversed but replaced with the deferred income taxes on the assets and debt of the consolidated entity. The retroactive correction resulted in an increase of EUR 40 million in equity as at 31 December 2014 and led to an increase of EUR 48 million in deferred tax assets and of EUR 8 million in deferred tax liabilities due to the netting of deferred taxes at the single-company level. Deferred income tax liabilities declined by EUR 4 million.

EUR million	31 Dec. 2014	1 Jan. 2014
Financial assets at fair value through profit or loss	– 12	– 12
Trading assets	– 12	– 12
Deferred tax assets	50	3
Total assets	**38**	**– 9**

EUR million	31 Dec. 2014	1 Jan. 2014
Financial liabilities at fair value through profit or loss	– 2	– 2
Trading liabilities	– 2	– 2
Deferred tax liabilities	8	0
Equity	**32**	**– 7**
Total equity and liabilities	**38**	**– 9**

EUR million	31 Dec. 2014
Consolidated profit/loss before tax	**0**
Income taxes	4
Net consolidated profit/loss	**4**

Due to technical improvements, some disclosures in the Notes could be determined more precisely or for the first time; this applies in particular to the details in Notes 69 and 72. The relevant prior year amounts were adjusted accordingly to provide greater transparency and clarity. The said changes impact only on the disclosures in the Notes and have no effect on the balance sheet and the income statement.

3. Scope of consolidation.

In addition to LBBW (Bank) as the parent company, 121 subsidiaries, including 13 structured entities (previous year: 130 subsidiaries including 14 structured entities), were included in the consolidated financial statements.

A subsidiary is an entity that is controlled by another entity (known as the parent). Control is assumed to exist, if the company (I) has direct or indirect authority over the relevant activities of a company, (II) obtains variable benefits from a company or has rights to variable benefits, (III) can use its authority to draw on the account of the company to influence the amount of its variable benefits. In assessing whether LBBW exercises a controlling influence, the purpose and structure as well as the company's relevant activities must be taken into consideration.

If the voting rights are material for the management of the relevant activities, control by LBBW is assumed if it holds more than half of the voting rights in the company, either directly or indirectly, unless there are signs that at least one other investor (for example, due to statutory provisions or agreements) has the practical capability to unilaterally determine the relevant activities.

In cases in which LBBW does not hold a majority of the voting rights but has the practical capability to unilaterally control the relevant activities, power of control is also assumed. This is particularly relevant in relation to structured entities (includes securitization platforms initiated by LBBW or funds launched by LBBW), where voting or comparable rights are not the dominant factor when determining control. The following additional factors are therefore also taken into consideration when assessing the possibility of control:

- The voting rights relate solely to administrative duties; the relevant activities, on the other hand, are governed by contractual agreements.
- By performing various functions and given the rights it is granted from these, LBBW is given power of control together with the rights of other parties.
- LBBW also carries a burden of risk or rights to variable benefits from liquidity lines provided and from interest and fees paid, among other things.

With the securitization platforms controlled by LBBW, the voting rights relate solely to administrative duties; the relevant activities, on the other hand, are governed by contractual agreements. By performing various functions and given the rights it is granted from these, LBBW is given power of control together with the rights of other parties. It also carries a burden of risk or rights to variable benefits from liquidity lines provided and from collection of fees. It was concluded in an overall view that LBBW has power of control over this securitization vehicle.

With regard to some project companies in which LBBW does not hold a majority of the voting rights, LBBW is given power of control together with the rights of other parties because of the financing structure. It also bears a burden of risk or has rights to variable benefits from financing these companies. It was concluded in an overall view that LBBW controls these companies.

Other factors such as a principal-agent relationship can also lead to the assumption of control. If another party with decision-making rights operates as an agent for LBBW, it does not control the company, as it merely exercises decision-making rights that were delegated by LBBW as the principal and are therefore allocated to LBBW. If LBBW operates merely as an agent for another party, LBBW does not assume control over the company.

Subsidiaries are consolidated from the time when the Group acquires a controlling influence and the subsidiary meets quantitative or qualitative materiality criteria. The consolidation ends at the time when there is no longer any possibility for exercising a controlling influence or the subsidiary no longer meets quantitative or qualitative materiality criteria.

The appropriateness of the consolidation decisions met previously is reviewed regularly or on a case-by-case basis. Changes to the shareholder and capital structure, as well as changes to contractual agreements in relation to influencing rights result in a reappraisal of the possibility of control. Other motives for a reappraisal are events that lead to a change in the control factors.

The following companies were newly established in the 2015 financial year and are included in the financial statements by way of full consolidation (all are sub-groups of LBBW Immobilien Management GmbH):

- LBBW Immobilien Westend Carree II GmbH & Co. KG
- LBBW Immobilien Westend Carree II Komplementär GmbH

The following subsidiary was deconsolidated in the period under review:

- LBBW Dublin Management GmbH

The following subsidiaries passed to LBBW during the financial year by way of succession and are no longer included in the financial statements by way of full consolidation:

- LBBW Grundstücksverwaltungsgesellschaft mbH & Co. OHG Objekt Am Hauptbahnhof Stuttgart
- LBBW Grundstücksverwaltungsgesellschaft mbH & Co. KG Objekt am Pariser Platz Stuttgart

The following structured entity was deconsolidated as at 30 September 2015.

- Spencerview Asset Management Ltd.

The following subsidiaries within the subgroup LBBW Immobilien Management GmbH were merged with fully-consolidated subsidiaries within the subgroup LBBW Immobilien Management GmbH and deconsolidated during the period under review:

- Château de Beggen Participations S.A.
- Parc Helfent Participations S.A.
- Alpha Real Estate (Luxembourg) S.à.r.l.
- BETA REAL ESTATE (Luxembourg) S.à.r.l.
- Schlossgartenbau Objektverwaltungs-GmbH
- Industriehof Objektverwaltungs-GmbH

Eight joint ventures (previous year: eight joint ventures) and six associates (previous year: six associates) were accounted for using the equity method in the consolidated financial statements.

Joint ventures are joint agreements whereby LBBW and other parties exercise joint control over the agreement and have rights to the net assets of the agreement.

A joint agreement is an agreement where two or more contractual parties (I) are linked by means of a contractual agreement and (II) exercise joint control over the participating interest. A joint agreement can be a joint venture or a jointly controlled operation. The LBBW Group only has joint ventures.

Joints ventures are included in the consolidated financial statements using the equity method from the time when the Group obtains joint control with at least one other party and the joint venture meets quantitative or qualitative materiality criteria. The inclusion using the equity method ends at the time when there is no longer any possibility for exercising a controlling influence or the joint venture no longer meets quantitative or qualitative materiality criteria.

The following joint venture was accounted for the first time in 2015 using the equity method in the consolidated financial statements:

- GIZS GmbH & Co. KG

LBBW sold its shares in the following joint venture as at 30 April 2015 and no longer accounts for them using the equity method:

- LHI Leasing GmbH

An associate is a company over which LBBW Group exercises significant influence but no controlling influence over the financial and operating policy decisions. Associates are companies in which LBBW holds a voting interest of between 20% and 50% (rebuttable presumption of association) or an unambiguous proof of association and an LBBW voting interest of less than 20%. The presumption of association of a minimum 20% voting right held by LBBW may be rebutted by limitations of the influence.

Existing exercisable or convertible potential voting rights, representation in managerial or supervisory bodies, participation in decision-making processes, including participation in decisions about dividends or other distributions as well as material business transactions with the (potential) associate are taken into consideration as proof of association or to rebut the presumption of association.

Associates are included in the consolidated financial statements using the equity method from the time when the Group exercises a material influence and the associate meets quantitative or qualitative materiality criteria. The inclusion using the equity method ends at the time when there is longer any possibility for exercising a controlling influence or the associate no longer meets quantitative or qualitative materiality criteria.

The following associate that emerged from the spin-off of an equity investment from a company incorporated using the equity method was accounted for the first time in 2015 using the equity method.

- BWK Holding GmbH Unternehmensbeteiligungsgesellschaft

The following associates within the subgroup LBBW Immobilien Management GmbH are no longer accounted for using the equity method:

- EGH Projektgesellschaft Heidelberg GmbH

A total of 123 subsidiaries (previous year: 143 subsidiaries) were not included in the consolidated interim financial statements because their individual and aggregate influence on the net assets, financial position and results of operations of the LBBW Group is not significant. These comprise mainly real estate and shelf companies, as well as start-up financing in the area of equity investments. The interests in these entities are either measured at fair value or carried at amortized cost.

4. Principles of consolidation.

The subsidiaries and SPEs are consolidated according to the purchase method in accordance with IFRS 10.B86 in conjunction with IFRS 3. Accordingly, all of the subsidiaries' assets and liabilities recognized from the acquirer's perspective at the time of acquisition or at the time when controlling influence is acquired are recognized at their fair value. The remeasured assets and liabilities are taken over into the consolidated balance sheet, taking deferred taxes into account, and are treated according to the standards to be applied in the subsequent periods.

Where the cost for the business combination exceeds the fair value of the assets and liabilities at initial acquisition, goodwill (goodwill in proportion with the investment) is recorded under intangible assets. The share of the equity or in the net gain/loss of the fully consolidated companies of LBBW Group not attributable to shareholders is reported separately in »Equity attributable to non-controlling interest« or »Net income/loss of which attributable to non-controlling interest after tax« in the income statement.

Intra-group receivables and liabilities, as well as income, expenses and profits and losses resulting from intra-group transactions, were adjusted by adjusting debt and profit or the elimination of the interim result.

Joint ventures and associates are accounted for using the equity method provided they are not of minor significance for the presentation of the LBBW Group's net assets, financial position and results of operations. The pro rata share in profit or loss of investments accounted for using the equity method is recorded in the consolidated financial statements at the same time. Investments accounted for using the equity method are measured on the basis of the Group's share in equity plus goodwill and historical undisclosed reserves.

5. Currency translation.

The foreign currency translation in the Group is conducted in accordance with IAS 21. Each LBBW Group company determines its functional currency. The items included in the financial statements of the relevant group company are measured using this functional currency and translated into the reporting currency (euro).

A foreign currency transaction must be initially recognized at the spot rate between the functional currency and the foreign currency at the transaction date. Monetary assets and liabilities denominated in foreign currency and unsettled foreign currency spot transactions are always translated into euros at the prevailing closing rate. Non-monetary items measured at amortized cost are translated at the historical rate at the transaction date. Non-monetary items measured at fair value are translated at prevailing exchange rates on the date of the fair value measurement (closing rate).

Exchange differences are generally recognized in profit or loss in the period in which they occur. Exceptions are non-monetary items for which fair value adjustments are recognized in »Other income«. Resulting translation differences are recognized in the »Revaluation reserve«.

In the consolidated financial statements, the balance sheet items of consolidated companies whose reporting currency is not the euro are translated at the exchange rate on the balance sheet date. Average annual rates are used to translate the expenses and income of these companies. Equity is translated at historic prices. All the resulting translation differences are recognized in »Other income« (currency translation reserve).

The exchange rates used for the most important currencies in the LBBW Group at the closing date are as follows:

Amount per 1 euro in the respective currency	31 Dec. 2015	31 Dec. 2014
USD	1.0914	1.2166
GBP	0.7358	0.7819
SGD	1.5446	1.6074
JPY	131.55	145.24
CZK	27.0160	27.737
MXN	18.9315	17.9235
RUB	79.8531	67.7521
CHF	1.0808	1.2024

6. Financial instruments.

Spot transactions of non-derivative financial instruments are recognized on the settlement date and spot transactions of derivative financial instruments on the trade date. Financial assets and financial liabilities are initially recognized when the entity becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the financial assets expire or these are transferred to third parties and no substantial risks and rewards are retained from the financial assets.

In the case of transactions where all significant risks and rewards associated with ownership of the financial asset are neither retained nor transferred, the transferred asset is derecognized if control over this asset – i.e. the capacity to sell it – is given up. The claims and obligations retained in the context of the transfer are recognized separately as assets and liabilities. If control over the asset in question is retained, the asset continues to be reported in accordance with the scope of the continued involvement. This scope is defined according to the extent of the value fluctuations of the transferred asset to which the Group remains exposed.

Financial liabilities are derecognized upon termination of the liability (generally though repayment).

In addition to the following information about the general accounting and valuation methods, further explanations, particularly in relation to IFRS 13, can be found in Notes 54 et seq.

Financial assets or financial liabilities at fair value through profit or loss.

This category in IAS 39 makes a distinction between financial instruments classified as held for trading (HfT) and financial instruments irrevocably designated at fair value through profit or loss at the time of acquisition (designated at fair value/fair value option (FVO)). Financial assets and liabilities in this category are measured at fair value through profit or loss.

Derivatives, money market transactions, securities and borrower's note loans acquired for the purpose of generating a profit from short-term fluctuations in market prices or realizing dealing margins are classified as held for trading. This subcategory includes those derivative financial instruments (broken down into trading derivatives and economic hedging derivatives) that are used for trading purposes or are part of an economic hedge and do not satisfy IAS 39 requirements for hedge accounting. Financial instruments held for trading are reported in the balance sheet under »Financial assets at fair value through profit or loss« or »Financial liabilities at fair value through profit or loss«. Unrealized measurement gains/losses as well as realized gains and losses are recognized under »Net gains/losses from financial instruments measured at fair value through profit or loss«.

The »Financial instruments designated at fair value« subcategory includes financial instruments that were not acquired nor are held for trading purposes, but are measured at fair value through profit or loss. Financial instruments with embedded derivatives which are required to be separated but are not spun off are assigned to the fair value option. Additionally, the fair value option is applied to eliminate or significantly reduce inconsistencies in the measurement or recognition of financial instruments. Compound financial instruments mainly include LBBW's own bearer bonds and borrower's note loans issued, which are structured with interest rate, credit, equities and/or currency derivatives. When eliminating measurement inconsistencies for financial instruments designated at fair value, this concerns securities and associated liabilities which would otherwise have been subject to different measurement conventions than the associated derivatives. Financial instruments that qualify for the fair value option on initial recognition are reported in the balance sheet under »Financial assets at fair value through profit or loss« or »Financial liabilities at fair value through profit or loss«. The effects of changes in the fair value of the designated financial instruments are carried in »Net gains/losses of financial instruments measured at fair value through profit or loss«.

Current income from financial instruments held for trading and designated at fair value is reported in »Net interest income«.

Available-for-sale financial assets.

Available-for-sale financial assets include all non-derivative financial instruments that have not already been assigned to other categories. Financial instruments designated as available-for-sale financial assets are reported under »Financial investments«. Measurement is at fair value. The remeasurement gain or loss is reported in »Other income« under the subitem »Revaluation reserve« of AfS financial instruments. Impairment losses and realized remeasurement gains/losses are reported in the income statement. Reversals of impairment losses on debt instruments are recognized through profit or loss (up to amortized cost), while reversals of impairment losses on equity instruments are reported in »Other income«.

In the case of debt instruments, a test is performed at each balance sheet date or when specific events arise in order to assess whether there is any objective evidence that individual financial assets are impaired. Objective evidence of impairment includes, in particular, significant financial difficulty for the borrower, a breach of contract, a strong likelihood that the borrower will enter bankruptcy or other financial reorganization. Impairments for securities that do not represent securitizations are identified through rating classes (default rating).

An equity instrument is impaired if there is a significant or prolonged decline in its fair value to below its cost. For available-for-sale assets, a significant impairment is assumed if the fair value at the measurement date is at least 20% below the cost of the asset. Permanent impairment exists if the fair value is permanently more than 5% below the cost of the asset over a period of twelve months.

Income or expenses from currency translation are reported for debt instruments (e.g. bonds and debentures) under currency gains/losses, while income and expenses from currency translation are reported for equity instruments (e.g. equities, equity investments, interests in companies) in »Other income« in the subitem »Revaluation reserve«. When a financial instrument is sold or in the event of impairment, the change in value accrued in the revaluation reserve is recorded under Net gains/losses from financial investments.

Silent partners' contributions with participation in losses are also categorized as financial investments (AfS) and are measured accordingly at fair value.

Derivatives.

At LBBW Group, derivatives are used to hedge balance sheet and/or off-balance-sheet items within the scope of its asset/liability management, to hedge value fluctuations in, for example, fixed-income securities against changes in the market interest rate and to hedge credit spreads for corporate bonds. Derivatives are also used to hedge fluctuations in interest rates or other market prices for trading transactions. Furthermore, derivative financial instruments are performed as trading transactions.

As at the balance sheet date, the LBBW Group has the following types of derivatives in its balance sheet portfolio:

- Forwards and futures are contractual agreements for the purchase or sale of a specific financial instrument at a specified price and at a specified time in the future. Forwards are non-standardized contracts traded on the OTC market. Futures are contracts for standardized volumes and are traded on stock exchanges.
- Swaps are contractual agreements between two parties where one stream of interest payments and/or currencies is exchanged for another based on a specified nominal value in the case of certain events arising.
- Credit derivatives are contractual agreements between two parties where compensation payments are made by the protection seller subject to rating-related events. The protection buyer pays a premium.
- Options are contractual agreements that give the buyer the right to buy or sell a specific amount of a financial instrument at a specified price on a specified date or during a specified period of time.

Hedging transactions within the meaning of IAS 39 (hedge accounting) are reported under »Financial assets at fair value through profit or loss« (positive fair values on the assets side) or under »Financial liabilities at fair value through profit or loss« (negative fair values on the liabilities side).

Embedded derivatives.

Structured instruments are financial instruments that are composed of a host contract and one or more derivatives, where the embedded derivatives are a component of a contract and therefore not traded separately. In accordance with IAS 39, embedded derivatives are separated from the host contract and accounted for as standalone derivatives if all of the conditions below are satisfied:

- the structured instrument is not already measured at fair value through profit or loss,
- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract and
- the terms of the embedded derivative would meet the definition of a derivative.

If a structured product is separated for accounting purposes, the host contract must be accounted for in accordance with its category and the embedded derivative accounted for separately in the held-for-trading category. The host contract is measured subject to the category to which this host contract would be assigned. Embedded derivatives that are separated from their host contract are measured at fair value with changes in value recognized in profit or loss. If the criteria for separation of the embedded derivatives are not met, the host contract and the embedded derivative must be recognized and measured as one asset or one liability.

Hedge accounting.

The hedge relationship is documented at the inception of the hedge. The documentation clearly identifies the hedged item and the hedging transaction, it encompasses the definition of the risk being hedged, the description of the hedging strategy and the risk management objective, and defines the method used to assess the hedging instrument's effectiveness. In accordance with the provisions of IAS 39, the hedge relationship must be expected to be highly effective at its inception and throughout the entire term. In addition, effectiveness must also regularly be reviewed retrospectively. A hedge relationship is considered to be effective if the ratio of the changes in value from the hedging transaction to the hedged part of the hedged item is between 80% and 125%. An ineffective hedge relationship must be reversed. A reversed hedge relationship can be redesignated for the remaining term provided it is assumed to be effective for the remaining term (prospective test).

If the requirements for hedge accounting in accordance with IAS 39.71 et seq. are met, a decision is made as to whether the hedge relationship will be accounted for as a fair value hedge or as a cash flow hedge. Fair value hedges serve to hedge the exposure to market price risk and therefore the related changes in fair value. They exist in the form of micro fair value hedges and portfolio fair value hedges.

In a micro fair value hedge the carrying amount of the hedged item is adjusted for the change in the fair value of the hedged risk and recognized in profit or loss. This applies to the financial instruments valued at amortized cost as well as to the hedged item measured at fair value, whose changes in value are recorded in »Other income«. Changes in the fair value of the hedged item not attributable to the hedged risk are accounted for in accordance with the guidance applicable to the relevant category.

LBBW uses the portfolio fair value hedge to hedge interest rate risks within the meaning of IAS 39. The rules applicable to portfolio fair value hedges on interest rate risks enable LBBW to reproduce internal Bank management of interest rate risks. The portfolios contain both receivables and liabilities that are subject at regular intervals to prospective and retrospective measurement of effectiveness in a dynamic hedge accounting cycle. The cash flow is allocated to the appropriate time interval for each financial instrument according to the expected maturity.

In the case of portfolio fair value hedges, a separate line item (portfolio hedge adjustment attributable to assets/liabilities) is carried on the face of the balance sheet to record the valuation effect on the hedged items as regards the hedged risk.

The measurement gains and losses resulting from the measurement of the hedging transaction generally offset the measurement effect of the hedged items attributable to the hedged risk. These are recognized under »Net gains/loss from financial instruments measured at fair value through profit or loss«.

The cash flow hedge used to a limited extent in the Group hedges the risks arising from future cash flows. The hedging transaction is recognized in the balance sheet at fair value. The changes in fair value that are deemed as the effective portion are recognized in »Other income« in the subitem »Revaluation reserve«. The ineffective portion is recognized under »Net gains/losses from hedge accounting« through profit or loss.

A hedging relationship ends when the hedged item or the hedging transaction expires, is sold, is terminated before maturity or is designated for other purposes, or if the hedge no longer meets the criteria to qualify for hedge accounting. If a financial instrument used to hedge changes in the fair value of a hedged item is terminated before maturity or designated for other purposes, the interest-related fair value adjustment included in the carrying amount of the hedged item is amortized over its remaining maturity and netted against interest income or expenses. In the event of disposal or early repayment of the hedged assets or liabilities, the adjustments in the fair value of the hedged item are recognized along with the realized gains/ losses from the disposal or repayment.

Securities repurchase and lending agreements.

The LBBW Group enters into both securities repurchase and lending agreements.

Only genuine repurchase agreements are currently made in the LBBW Group. Genuine repurchase agreements are contracts providing for the transfer of securities against payment of a specified amount in which the return of the securities to the pledgor at a later date for a price agreed in advance is also agreed.

As the pledgor, the LBBW Group continues to carry the assets pledged on the balance sheet in accordance with the provisions of the respective IAS 39 category and also recognizes the proceeds received as a loan to the pledgee. As the pledgee, the LBBW Group only recognizes a corresponding receivable from the pledgor as an asset.

Interest payments on repurchase agreements are recorded as interest income or interest expense. The collection of interest or dividends from the securities depends on the form of the contract and can favor either the pledgee or the pledgor. The interest and dividends are reported accordingly under »Net interest income«.

Lending agreements are non-cash lending transactions in which ownership of securities or other tangible assets (commodities) is transferred with an obligation on the borrower to retransfer securities or tangible assets of the same type, quality and quantity on expiration of the agreed period of time and pay a fee for the duration of the loan.

As the lender, the LBBW Group continues to report the securities and tangible assets in accordance with the rules applicable to the relevant category in IAS 39. As the borrower, the LBBW Group does not report the borrowed securities/tangible assets. If the borrowed securities/tangible assets are sold on to another party, a gain on disposal is recognized as an asset and an obligation to return the securities is recognized under »Trading liabilities« at the same time.

The consideration paid by the borrower is reported under »Net interest income« depending on the category to which the security/tangibles asset is assigned in accordance with IAS 39. The collection of interest or dividends depends on the form of the contract and can favor either the borrower or the lender. The interest and dividends are reported accordingly under »Net interest income«.

Financial guarantee contracts.

Obligations arising from guarantees provided by Group companies relate to contracts that require the Group to make specified payments to reimburse the holder for a loss which incurs because a specified borrower fails to make payment when due in accordance with the terms of a debt instrument. These contracts meet the requirements for a financial guarantee within the meaning of IAS 39.9 and are therefore not to be measured as a derivative.

The recognition of financial guarantees by the **assignee** is excluded from the scope of IAS 39 (IAS 39.IN6). The assignee of a financial guarantee may be subject to a contingent claim in accordance with IAS 37, which may not be capitalized (IAS 37.31). The premium paid (one off or in installments) for the financial guarantee contract must be recognized by the assignee as a commission expense in the relevant period in accordance with IAS 18.20. In the case of a guarantee event, a claim is recognized against the assignor.

The initial recognition by the **assignor** is at fair value as deposits from banks/customers, as soon as the assignor becomes a contractual party (irrespective of the maturity of the premium payments). The fair value comprises the present value of the anticipated benefits and the current present value of the future premium payments. Financial guarantees concluded at market conditions have a fair value of zero. For subsequent remeasurement, the higher of the two amounts from a measurement recognized in accordance with IAS 37 and the amount originally recognized are used less, where appropriate, the cumulative amortization recognized in accordance with IAS 18.

Measurement at amortized cost.

The amortized cost of a financial asset or liability is calculated on the basis of the cost of the asset at the time of acquisition, taking into account any principal repayments, plus or minus accumulated amortization of any difference between the original amount and the amount repayable at maturity using the effective interest rate method less any write-down for impairment losses incurred.

Loans and receivables.

Loans and receivables (LaR) are all non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market, unless they are designated at fair value through profit and loss (aFV) at the date of initial recognition. Loans and receivables are carried at amortized cost. Loans and receivables are tested for impairment at each closing date or whenever there are objective indications of potential impairment. Accordingly, write-downs must also be charged through profit or loss if necessary (see Note 6). Impairment losses are reversed in the income statement. Reversals are limited to the amortized cost that would have been recorded at the measurement date without impairment losses.

Loans and receivables include loans and advances to banks, loans and advances to customers and financial investments not classified as available for sale. Loans and advances to banks and loans and advances to customers primarily comprise originated loans, borrower's note loans, overnight and term money as well as pledgee transactions.

Other liabilities.
These financial liabilities include all financial liabilities under the scope of application of IAS 39 that are measured at amortized cost.

In accordance with IAS 39, own bonds held by LBBW are deducted from issued debentures. Own bonds held in the Group are offset at their respective redemption value against the amortized cost of the issued debentures. The difference between the redemption value and the amortized cost of the Group's own debentures is recognized in »Net interest income«.

Held-to-maturity financial investments.
Currently, LBBW Group does not use the category of held-to-maturity financial investments.

7. Offset arrangements.

Financial assets and financial liabilities are mutually offset in balance sheet terms if the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to liquidate the respective asset and settle the associated liability simultaneously. In all other cases, they are recorded by way of gross disclosure.

If asset and liabilities, such as own issues repurchased, are reported as offset in the balance sheet, the associated income and expenditure in the income statement must also be offset, unless offsetting is expressly prohibited by an applicable accounting standard.

8. Cash and cash equivalents.

In addition to cash and balances with central banks due on demand, cash and cash equivalents include public-sector debt instruments and bills due in up to three months. All items are reported at their nominal value.

9. Allowances for losses on loans and advances.

The item »Allowances for losses on loans and advances« comprises write-downs on financial instruments reported as loans and advances. This includes all loans that are not subject to fair value measurement. Undrawn loan commitments and contingent liabilities are not taken into account here.

In the case of the write-downs, a difference is made between specific valuation allowances, collective valuation allowances and portfolio valuation allowances. A write-down is generally created where there are objective indications of impairment. If this is the case, specific valuation allowances are recognized for significant receivables and collective valuation allowances for insignificant receivables. For this a test is performed daily to assess whether there is any objective evidence that individual financial assets or a group of financial assets are impaired. Objective evidence of impairment includes, in particular, significant financial difficulty for the borrower (e.g. possible where forbearance measures were taken), breach of contract (default or delinquency in interest or principal payments), increased likelihood that the borrower will enter bankruptcy or other financial reorganization. If there are no indications, portfolio valuation allowances are created, since it can be assumed that certain risks have already occurred but were not yet recognized. If objective evidence of impairment exists in the case of significant receivables but no specific valuation allowance has to be recognized because the present value of the estimated cash flows at least equals its carrying amount, these significant receivables are also included in the portfolio valuation allowances.

The impairment loss is measured as the carrying amount of the loan less the present value of the estimated cash flows. To calculate estimated future cash flows, the amounts and accrual date of all anticipated proceeds from the loan (interest and repayments) as well as any payments from the liquidation of collaterals are estimated.

Interest income from impaired receivables does not include the contractually agreed interest income or the accrual of any discounts; rather, it is calculated in accordance with IFRS on the basis of the change in the present value of estimated future cash flows at the next balance sheet date (so-called unwinding). Expected incoming payments reduce both the carrying amount of the receivables as well as the estimated cash flows, while unexpected payments reduce the allowances for losses on loans and advances recognized in profit or loss.

Collective valuation allowances and portfolio valuation allowances are calculated as the product of the carrying amount (capital balance, arrears and pro rata interest), the probability that the exposure will default within one year (PD), the individual loss ratio taking collateral into account (LGD), and a factor that values the duration of arrears in the flow of information (LIP) for the portfolio valuation allowances reported on the assets side of the balance sheet.

The non-recoverability of loans or parts of loans not subject to impairment leads to a direct write-off (IAS 39.63). Recoveries on loans and advances already written off are recognized through profit or loss.

Loans are derecognized if they are uncollectible, where no surrogate substitutes the defaulted receivable. This is the case, for example, with:

- insolvency, when the collateral is realized or no insolvency ratio is expected,
- terminated exposures where the residual receivables are uncollectible,
- the claim is waived fully or partially, and
- sale of receivables with a loss.

To the extent that it relates to receivables reported on the face of the balance sheet, the total amount of allowances for losses on loans and advances is deducted as a separate item from loans and advances to banks and customers on the face of the balance sheet. On the other hand, allowances for losses on loans and advances for off-balance-sheet transactions are shown in the item »Provisions for credit risks«. Provisions for credit risks are recognized when current obligations exist and the settlement of these obligations can be expected to be associated with an outflow of resources. These obligations are recognized at the amount that LBBW would reasonably have to pay to settle the obligation or to transfer it to a third party according to the circumstances as of the reporting date.

10. Shares in investments accounted for using the equity method.

Investments in associates or joint ventures accounted for using the equity method are carried at cost in the consolidated balance sheet once a significant influence is obtained or on formation of the company. This also comprises goodwill from the acquisition of an associate or a joint venture. In subsequent years, the figure accounted for using the equity method is adjusted by the Group's share in the associate's equity. The proportion of profit or loss generated by the investment is reported in the income statement as »Net income/expenses from investments accounted for using the equity method«. Changes in the investment's revaluation reserve are recognized directly and proportionately in »Other income«.

Because of the valuation of the equity investment, the equity value must be adjusted if necessary. The impairment test is conducted on the basis of IAS 39 and IAS 36.

Investments in associates that are not incorporated in the consolidated financial statements on account of their immaterial importance, are carried under »Financial investments«.

11. Non-current assets and disposal groups held for sale.

The carrying amount of long-term assets or groups of assets and debt (disposal groups), whose disposal is planned, is realized largely through the disposal business and not through continued use.

\With regard to the cumulative fulfillment of the conditions stated below, the assets or disposal groups in question should be classified as held for sale and shown separately from the other assets or debt in the balance sheet. The criteria for classification as held for sale is that the assets or disposal groups can be disposed of in their present condition at prevailing conditions and that the disposal is highly likely. The disposal is highly probable if the plan to sell the asset is completed, an active program to find a buyer and to complete the plan has been initiated to actively offer the asset or the disposal group at a price that is appropriate relative to the current fair value and the disposal is likely to be within one year from the date of classification.

Assets classified as held for sale are measured at the lower value comprising carrying amount and fair value less the cost of disposal. The depreciation of the assets is suspended from the date they are classified as held for sale. Assets and liabilities and disposal groups held for sale are generally measured in accordance with of IFRS 5. Assets that are subject to the exemptions specified in IFRS 5.5 are measured according to the provisions of the respective standard. Accordingly, the fair value measurement of the relevant assets of this balance sheet item uses the same methods, parameters and approaches as all other assets of the LBBW Group that are measured at fair value. Assets or disposal groups classified as held for sale are recognized separately in the balance sheet item »Non-current assets and disposal groups held for sale« and »Liabilities from disposal groups«.

Gains/losses from the measurement and gains/losses from the disposal of these assets or disposal groups that are not included in a discontinued operation are contained in the income statement or in the revaluation reserve in equity and are not separated. The total profit or loss from discontinued business divisions must be shown separately in the item »Profit or loss from discontinued operations«.

12. Intangible assets.

Goodwill, capitalized customer relations and software acquired or developed inhouse are mainly recognized under »Intangible assets«.

Goodwill is calculated as the excess of the cost of the acquisition over the acquirer's interest in the fair value of the net assets of the purchased company, net of deferred taxes and is allocated to the appropriate cash-generating units (CGUs). The Corporates segment is the only cash-generating unit in the LBBW Group in which goodwill is recognized.

When preparing the consolidated financial statements, goodwill is tested for impairment at least once a year, or during the year, if there are indications of potential impairment (triggering events, such as changes in the relevant market environment, legal conditions, the technical environment or the capitalization rate, or if results are expected to be negative or significantly lower than planned in the longer term).

The recoverable amount of the CGU, which recognizes goodwill, is compared with the carrying amount. The carrying amount is determined through the equity assigned to the CGU. The recoverable amount is the higher of the fair value less sales costs and the value in use. The Group calculates the achievable amount on the basis of the value in use. If the value in use exceeds the carrying amount of the cash-generating unit, the asset is not impaired and it is not necessary to estimate the fair value less selling costs. In addition to the profit forecasts, the fair value of a cash-generating unit is largely determined by the capitalization rate on which the profit forecasts are based and, to a much lesser extent, by the long-term growth discount. If the recoverable amount of the cash-generating unit is below its carrying amount, an impairment loss is recognized and reported in the income statement under the item »Impairment of goodwill«.

In order to determine the recoverable amount, the Group initially calculates the value in use as the present value of the future cash flows that are likely to be derived from the Corporates segment. The Group's own income valuation model is used to calculate the value in use. The special conditions of the banking business and regulatory requirements are taken into account. The model is used to calculate the present value of estimated future income that can be distributed to shareholders after the relevant regulatory capital requirements have been fulfilled.

Key parameters for the valuation model are profit forecasts on the basis of business plans agreed by management for a five-year period. The earnings components that are relevant to forecasts are determined using a top-down process followed by bottom-up validation, taking into account underlying macroeconomic data and market and competition analyses specific to the business field.

The profit forecasts form the basis for the derivation of a sustainable profit level. As a result of its strategic realignment, the Bank had not yet reached the level of sustainable cash flow at the end of the five-year period. This fact is reflected by an adjustment to the cash flow at the end of the planning period. The earnings level is discounted to the date of calculation using the capitalization rate.

The capitalization rates applied are calculated on the basis of the Capital Asset Pricing Model, which includes a risk-free basic interest rate, a market risk premium and a systematic risk factor (beta factor). The following external information sources are used: the values for the risk-free basic interest rate are calculated from historical market data using the Svensson method. The market risk premium is determined using empirical data. For each cash-generating unit, the beta factors for presenting risks specific to LBBW are derived from beta factors of comparable peer groups specific to the sector.

In validating the achievable amount calculated, the important value drivers of the cash-generating unit are reviewed regularly. As a test of the resilience of the achievable amounts calculated, the major parameters of the profit forecasts are subjected to a sensitivity test.

Purchased intangible assets are carried at amortized cost, i.e. less their cumulative write-downs and impairment. Internally developed software is capitalized at cost if the recognition criteria in accordance with IAS 38 are met. The capitalized costs mainly include staff costs and expenses incurred for external services during development. As in the previous year, the internally developed or purchased software is amortized over three to ten years on a straight line basis.

Amortization, write-downs and impairment losses on intangible assets, excluding goodwill, are recognized under »Administrative expenses« in the income statement. Income from reversals of impairment losses on intangible assets, excluding goodwill due to prohibition of reversal, is recognized under »Other operating income«.

Intangible assets are derecognized when sold. Gains and losses on disposal are the difference between the net proceeds from the disposal of the asset, if any, and its carrying amount. The profit or loss on the disposal of the asset is recognized through profit or loss at the date of derecognition. This is shown for goodwill in a separate item in the income statement; other intangible assets are recognized under »Other operating income/expenses«.

13. Investment property.

Property leased out to third parties for purposes of generating profit is reported separately in the balance sheet as investment property according to IAS 40 as long as it is held to earn rental income and/or for capital appreciation. Where mixed-use properties exist and the non-owner-occupied parts can be sold separately or leased out separately, these parts are accounted separately. Mixed-use properties with a leased portion of over 80% of the total area are derecognized from property and equipment and classified in their entirety as investment property.

Investment property is measured initially at cost including acquisition costs. These can also include direct borrowing costs if the respective properties are so-called qualifying assets. Remeasurement is at fair value on the closing date. This is determined primarily from model-based valuations. Regular actuarial reports are obtained for material investment properties to validate the fair value from the model-based valuations.

In the measurement of investment property, the estimating uncertainties are based on the assumptions used to calculate future cash flows. Changes in parameters such as the inflation rate, interest rate, anticipated cost trends and leasing, market conditions and vacancy rates affect future cash flows and, consequently, the fair value.

The value of investment property is assessed based on cash surplus calculated per property on the basis of the discounted cash flow method. The contributions to earnings determined by this method are checked for plausibility and verified by means of reference figures from broker associations, experience from LBBW's own disposals and appraisals by external experts. In order to ensure that the appraisals are available at the time the financial statements are drawn up, the responsible management team decides for which properties external appraisals are to be commissioned in the last quarter of each year. In line with internal provisions, it must be ensured that an appraisal of the main properties is conducted at least once every three years by an independent expert.

Fair value is calculated using the discounted cash flow method based on the following assumption. For valuation purposes, a property (building) is defined as an independent strategic cash-generating unit. The expected cash flows generated per cash-generating unit are calculated assuming income from property management. For a detailed planning period of ten years, the cash generated is calculated as the net amount of payments received and payments made in connection with management of the property. A residual value for the cash-generating unit is forecast for the end of the planning period by capitalizing the cash generated in the tenth year as a perpetual annuity.

In the case of commercial real estate, future income during the planning period is forecast based on the contractually agreed target rent or, after the contract period has expired, the property-specific market rent. The calculation is made on the basis of a valuation tool that is based on the discounted cash flow method.

Future expenditures are determined by means of a differentiated system, with administrative expenses based on standard market rates. Costs associated with loss of rental income are calculated at a flat rate on the basis of the target rents, depending on the sales cost and the credit standing of the tenant. Costs associated with vacancies, new rental costs, maintenance costs and maintenance backlogs are calculated for each specific property, supplemented by the Group's own experience if applicable. If ground rent (Erbbauzins) is to be taken into account, this will be calculated individually on the basis of existing contracts.

The cash surpluses generated in each period are discounted to the valuation date by applying a property-specific market discount rate. The discount rate is derived from the capitalization rate plus a percentage-based risk premium. The capitalization rate takes into account facts including the quality of the property, the type of property and the macro- and micro-location.

All other things being equal, an increase in the underlying market rents would lead to an increase in the fair value, while a decrease in the underlying market rents would lead to a decline in the fair value. All things being equal, an increase in the underlying future expenditures would lead to a decline in the fair value, while a decline in the underlying future expenditures would lead to an increase in the fair value. Higher discount rates would, all other things being equal, lead to lower fair values, while lower discount rates would lead to correspondingly higher fair values.

A change in the assumptions on expected market rents generally leads to a corresponding change in the discount rate and to a reverse change in the vacancy ratios and therefore the vacancy costs.

14. Property and equipment.

Property and equipment includes commercially used land and buildings, technical equipment and machinery, operating and office equipment, advance payments and assets under construction as well as leased assets.

Property and equipment is initially carried at cost and subsequently at amortized cost. Subsequent expenditures for property and equipment are capitalized provided that it is deemed to increase the future potential benefit. All other subsequent expenditures are recognized as expenses. Property and equipment is depreciated over its expected economic life, mainly on a straight line basis and sometimes on a diminishing basis. Determination of the economic life reflects expected physical wear and tear, technical obsolescence and legal and contractual constraints.

	Estimated useful life in years	
	31 Dec. 2015	31 Dec. 2014
Buildings	25 – 50	25 – 50
Technical equipment and machinery	5 – 10	5 – 10
Operating and office equipment	1 – 20	1 – 20
Purchased IT systems	3 – 7	3 – 7

The determination of the useful life and depreciation method is reviewed at a minimum at the end of each financial year. After scheduled depreciation including the review of the depreciation method used, the underlying useful life and the residual value (recoverable amount of a comparable asset) of the asset in question, a check is performed at each balance sheet date as a minimum to ascertain whether there are any indications of impairment. Consequently, any impairments resulting from technical or economic obsolescence, wear and tear or a decline in market prices are taken into account. If indications of impairment exist, the recoverable amount (the higher of the fair value minus sales costs or the value in use) will be calculated and compared with the carrying amount. Impairment losses are charged to profit or loss as unscheduled write-downs.

Impairment losses must be reversed if the calculation of the recoverable amount has increased since the last time an impairment was recorded. Impairment losses are only reversed up to the amount by which the asset would have been depreciated until this date. Reversed impairment losses are recorded under »Other operating income/expenses«. If the carrying amount is increased by the reversal of impairment losses or reduced by impairment, the depreciation will be adjusted over the remaining useful life of the asset.

The gain or loss on the disposal of property or equipment is calculated as the difference between the net proceeds from the disposal of the asset, if any, and its carrying amount.

Scheduled and unscheduled depreciation and impairment losses on intangible assets are recognized under »Administrative expenses«. Gains and losses on the disposal of property and equipment are recorded under »Other operating income/expenses«.

15. Leasing business.

Leases are recognized in accordance with IAS 17 on the basis of their classification as a finance or operating lease. This classification takes place at the beginning of a lease and is based on the overall assessment of which risks and rewards lie with the lessor and the lessee. The underlying criteria are reviewed regularly. If a change to the overall assessment takes place, a reclassification will be necessary.

A finance lease is when essentially all risks and rewards incidental to ownership of an asset are transferred from the lessor to the lessee. In accordance with the economic approach, beneficial ownership, not legal ownership, is the key factor here. An operating lease is referred to in all other constellations.

The lessor and lessee must classify a lease separately and independently of each other. This may lead to diverging representations of the lease by the lessor and lessee.

The finance lease contracts of the LBBW Group include full amortization, partial amortization and hire purchase agreements. Depending on its form, a finance lease can be a cancelable agreement or an agreement with an option to sell. The lease payments must generally be made in advance.

The LBBW Group as the lessor.

In the case of operating lease transactions concluded in the LBBW Group, the economic ownership of the leased asset remains with the Group company. The leased assets – mainly buildings and land – are recognized as assets and reported in the consolidated balance sheet under »Property and equipment« or »Investment property«. The leased assets are recognized in accordance with IAS 16 at (amortized) acquisition or production cost or are measured at fair value in accordance with IAS 40. Both the lease income and received special payments and prepayments are recognized over the lease term. All depreciation, write-downs and impairment losses and the income earned are reported under »Other operating income/expenses«.

With a finance lease, the leased asset is derecognized and a receivable due from the lessee equivalent to the net investment value on the date on which the contract is concluded is shown under the item »Loans and advances to customers« or »Loans and advances to banks«. Lease payments received are broken down into an interest component recognized in income and a repayment component. While income is recognized on an accrual basis as interest income and is reported in net interest income, the repayment part reduces the receivables carried on the balance sheet.

The direct costs incurred by the lessor on the date on which the contract is concluded are assigned to the leasing contract. The internal interest rate underlying the lease term is determined in such a way that the initial direct costs are included automatically in the lease receivables.

The LBBW Group as the lessee.

With a lease that is classified as operating lease, the lease payments are recorded as »Administrative expenses« over the lease term. The breakdown of the lease payments corresponds to the time pattern of the user's benefit from the perspective of the LBBW Group. If the time pattern of the user's benefit differs from the actual payments of the expense to be recognized, the difference is recognized or deferred on the assets or the liabilities side of the balance sheet as appropriate.

If a lease term is classified as finance lease, the LBBW Group is the beneficial owner of the leased property and records this as an asset in the consolidated balance sheet. At the time of acquisition, the leased property is recognized at the fair value or at the present value of minimum lease payments, whichever is lower, and a payable in the corresponding amount is recognized as a liability. In subsequent remeasurement, the asset recognized is depreciated in accordance with IAS 16 or measured at fair value in accordance with IAS 40. If there is no reasonable certainty with property and equipment that LBBW or a consolidated subsidiary (lessee) will obtain ownership by the end of the lease term, the asset is depreciated over the (shorter) lease term (and not its economic life). If the lessee benefits from part of the residual value of the leased asset – essentially, buildings, operating and office equipment – the asset is depreciated to this value. The finance lease installments are apportioned into an interest component and a repayment component using the effective interest rate method. The repayment component is recognized against the liability, not affecting profit or loss while the interest component is recognized as interest expense.

As IAS 17 includes no special requirements for recognition of impairments, the general regulations on impairment (IAS 36) also apply to leases.

16. Income taxes.

IAS 12 governs the recognition and measurement of income taxes.

LBBW operates in several tax jurisdictions. The tax items shown in the financial statements are calculated taking into account the respective taxation laws and the relevant administrative interpretations. Due to their complexity, their interpretation by taxpayers may differ from that of the local tax authorities. As different interpretations of taxation laws as a result of company audits can lead to subsequent tax payments for past years, these are included in the analysis on the basis of the management's assessment.

Current income tax liabilities and assets are calculated at current tax rates and carried at the expected payment or refund amount. Current income tax assets and liabilities are offset under the requirements of IAS 12.71.

Deferred income tax assets and liabilities are recognized in respect of temporary differences. Taxable and deductible temporary differences are calculated as the difference between the IFRS carrying amount of an asset or liability and its local tax base (adjusted for permanent differences). The tax base is determined based on the tax regulations of the country in which the taxation occurs. Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply when the asset is realized or the liability is settled. The effect of tax rate changes on deferred taxes is recognized in the tax result during the period in which the changes were approved by legislative bodies.

Deferred tax liabilities are carried for temporary differences that will result in a tax expense when settled. Deferred tax assets are recognized if tax relief is expected and likely to be utilized when temporary differences are reversed. Deferred tax assets on temporary differences in equity are recognized in total comprehensive income in the subitem »Revaluation reserve« or »Retained earnings«, depending on the underlying situation.

A deferred tax asset is recognized for a tax loss carryforward if it is probable that the carryforward will be used in a future period by reference to budget accounts. The tax planning is derived from current corporate planning approved by the Board of Managing Directors, which regularly covers a planning period of five years. The tax planning takes into account historical insights into profitability and taxable income. In recognizing deferred income tax assets owing to interest carryforwards, the same accounting policies and valuation methods are applied as for deferred income tax assets from tax loss carryforwards. Deferred tax assets arising from temporary differences and loss carryforwards are reviewed for impairment at each balance sheet date.

Deferred tax assets are set off against deferred tax liabilities in accordance with IAS 12.74.

17. Other assets and other liabilities.

»Other assets« includes assets which, considered separately, are not significant for the disclosure of balance sheet assets and cannot be allocated to any other balance sheet item. This also includes inventories, which are described in the following Note.

»Other liabilities« includes accruals and obligations which, considered separately, are not significant for the disclosure of balance sheet liabilities and cannot be allocated to any other balance sheet item.

Assets and liabilities in these items are measured at amortized cost.

18. Inventories.

The activities that are related to the real estate business of LBBW Immobilien Management GmbH are shown in »Inventories«. These include mainly specific land and similar rights with finished and/or unfinished buildings as well as project finance earmarked for sale in the course of ordinary business activities.

In accordance with IAS 2.9, inventories are measured at the lower of cost of inventories and net realizable value. The cost of inventories is calculated in accordance with IAS 2.10 et seq. using the weighted average cost formula, while the net realizable value is calculated in accordance with IAS 2.28 et seq. The cost of inventories that cannot be exchanged and of goods and products or services created and separated for special projects is calculated through allocation of their individual cost of purchase or production. The costs include the directly allocable costs of acquisitions and provision, the production costs include all directly allocable costs plus production and material costs. The expected, individually realizable sales proceeds less estimated completion costs and additional costs incurred until the sale are recognized as the net realizable value. The results of these operating activities are recognized under the »Other operating income/expenses« item, which also includes the changes in value.

The capitalization of borrowing costs on the basis of IAS 23 is conditional upon the property being a qualifying asset. These interest costs are largely incurred in connection with commercial project development, which can be attributed to the acquisition of land or the construction of buildings during the production period. Individual interest rates of between 1.18% p.a. and 2.07% p.a. (previous year: 1.73% and 2.54% p.a.) were applied.

19. Provisions.

Provisions for pensions and other post-employment benefit obligations.

General information.

Provisions for pensions and similar obligations primarily consist of provisions for the obligation to pay company pensions, on the occurrence of biometric risks (old age, invalidity, death) based on direct pension commitments. The nature and amount of the pension payable to employees entitled to pension benefits are governed by the applicable pension rules (including total commitments and company agreements), which depend largely on the date that employment commenced. Due to other commitments, further indirect entitlements or claims exist against LBBW's supplementary pension fund (Zusatzversorgungskasse - ZVK) and the benevolent fund (Unterstützungskasse LBBW e.V); both facilities are closed for new policies. All of the aforementioned pension commitments are defined benefit plans within the meaning of IAS 19.

As a result of indirect pension commitments that are entered as defined contribution plans within the meaning of IAS 19, pension benefits from predecessor institutions are taken over and continued. To finance this, the relevant Group company contributes set amounts to external pension funds with individual participation by employees.

Employer-funded pension plans within Germany.

For the LBBW merger in 1999, all existing pension arrangements were closed for new policies and a standard pension fund was introduced for new entrants in the form of a service contract; this is the so-called LBBW capital account plant that is classified and entered as a defined benefit plan within the meaning of IAS 19. The company pensions will be disbursed primarily in the form of a one-off payment or in installments. The lump-sum benefits comprise annual components that are arrived at by multiplying a salary-related contribution with an age-related factors, which takes into account risk and biometric risks. The obligation to extend contributions applies for a limited period of time and features a dynamization proviso.

Following the integration of Landesbank Sachsen, its pension arrangements from 2006 was also closed for new policies as at 31 December 2008 and the active employees were transferred to the LBBW capital account plan with an unlimited period of contribution. The entitlements accrued until the time of integration were credited to the Basiskonto of the LBBW capital account plan as an initial benefit module.

As at 1 January 2002, the persons with compulsory ZVK insurance were transferred to the LBBW capital account plan by way of a service agreement. To protect the vested rights, the contribution payable to the Basiskonto (retirement account financed by the employer) for this group of employees equates to the minimum contribution payable by the Bank as an apportionment contribution when applying the collective labor agreement on the additional pension provision for public-sector employees in the respective calendar year (minimum contribution).

Employer-financed commitments within Germany from predecessor institutions, acquired institutions and integrated institutions.

Various pension arrangements - closed to new entrants - exist from different predecessor, acquired and integrated institutions. These range from period of service and salary-dependent, total benefit commitments that sometimes relate to individual contractual provisions (retirement pension guidelines), limitation commitment and commitments with a split pension formula, through to pension component plans. Defined benefit plans should therefore be understood as commitments to grant a defined level of benefit in relation to the active salaries, taking into account additional pension payments (e.g. statutory pension), whereby a limitation commitment sets a defined level of benefit that may be not exceeded by the pension payments plus qualifying pension benefits.

Some current and former employees are entitled to aid (medical support). This was entered as defined benefit plans and the corresponding provisions pursuant to IAS 19 were created for employees that are still entitled to post-employment aid.

Employer-financed commitments within Germany.

In order to establish further entitlements and to implement the legal claim to salary conversion, LBBW offers the so-called Aufbaukonto (retirement account to which contributions are made by the employee) of the LBBW capital account plan as a direct pension commitment. A standard model exists throughout the Group since January 2012, where the employees' individual gross conversion amount is converted into a benefit module by multiplying it by a market interest-related age factor. The age factors are set each year.

There are also employer-financed entitlements from earlier conversions of earnings into pension contributions, whose structures are largely similar. Reinsurance agreements are also concluded in some cases to fund the pension benefits. There are no provisioning requirements for the deferred compensation option that is also offered, as this is entered as a defined benefit plan within the meaning of IAS 19. Direct insurance agreements are concluded with a provider from the savings banks' environment to secure long-term performance.

Commitments outside of Germany.

The employees of Landesbank Baden-Württemberg's London Branch were offered a direct final salary pension plan that is based on the number of years in service, which is closed for new policies and was replaced by a defined contribution plan within the meaning of IAS 19 for new employees. The pension plan's pension obligations are backed by plan assets managed by a pension trust. The pension plan as well as the pension trust are subject to UK regulations, according to which the Bank and the trustees responsible for the trust have to develop a funding strategy and plan contributions to the trust. The Bank bears the risks from the pension plan, including investment and demographic risks (longevity risk, in particular). Annuity contracts were concluded in the past to hedge risk when retirement began for those entitled to a pension. Term life insurance policies to cover mortality risk during active service exist for some beneficiaries. The pension plan bears the remaining risk.

The Bank and the trustees review the investment strategy every three years and adjust it if necessary. If there is a shortfall in cover, a contribution plan is agreed to reach the desired degree of cover. Some of the plan assets, such as the annuity contracts, are covered by the expected payment obligations with matching maturities (asset-liability matching).

For reasons of materiality, the information in Note 49 is not differentiated for the foreign plans.

Valuation and recognition in the balance sheet.

According to the provisions of IAS 19, the total obligations for the defined benefit plans are calculated annually by independent actuaries. In this process, the present value of the defined benefit obligation is calculated at each reporting date using the projected unit credit method. This calculation takes into consideration not only the pensions and entitlements known at the balance sheet date, but also the future expected rates of increase of pensionable salaries and pensions, the expected benefit cases (old age, invalidity, death) as well as fluctuation rates. In addition to the benefits trend, it is assumed in the measurement of the pension obligations that the active employees' benefit trend will be slightly higher than the average trend up to their 50th year, on account of career development. The present value of the pension obligations is based on a calculatory interest rate derived from the Towers Watson's RATE:Link methodology. The data basis for determining the interest rate is the AA-rated corporate bonds compiled in Bloomberg for the eurozone by at least half of the rating agencies. Using actuarial methods, a yield curve is derived from this data, and from this a calculatory interest rate of similar maturity to the obligations is established. The probabilities of death, invalidity and probabilities of marriage are found in the mortality tables compiled by Prof. Klaus Heubeck. The earliest age for the start of retirement in the statutory pension scheme is generally used (mainly 64 years). The premises described above are reviewed annually and adjusted if necessary.

Deviations from the expected development of the pension obligations as well as changes to the calculation parameters (employee turnover rate, salary increase, pension increase or discount rate) lead to so-called actuarial gains or losses. These are recognized directly in retained earnings or »Other income« in their full amount in the year they arise, resulting in corresponding changes in equity.

The amount to be recorded as an asset or liability is calculated from the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets (if any) at the balance sheet date. The past service cost arises due to changes in the defined benefit plan that impact on the pension entitlements accrued. Interest expense is the share of the increase in the present value of the defined benefit obligation, or the existing plan assets of the pension provisions, that arise because the benefits are closer to settlement. The staff costs equate to the present value of the annual increase in the pension entitlements accrued plus unrecognized past service costs.

The income expected from the plan assets is offset against the interest expense, so that only net interest expense is recognized. The calculatory interest rate is used for calculating net interest income. Service cost and net interest income are reported under »Administrative expenses«.

Risks and management.

In the case of defined benefit plans, the relevant Group company is obligated to grant benefits pledged to former employees and their dependants. The associated risks are carried by the Group company in question, the parent having relieved individual Group companies of some obligations.

Material risks are balance sheet, liquidity and investment risks. In accordance with IAS 19, balance sheet risks arise especially in relation to the impact of pension obligations on equity, as the difference between expected and actual pension obligations is recognized under »Other income« and leads to changes in equity. The basis and amount of balance sheet risk determine the aforementioned actuarial gains or losses. They can therefore provide relief or be a burden. The main factor in relation to balance sheet risks are the calculatory interest rate, the yield of the plan assets, as well as the other economic and demographic measurement factors.

The calculatory interest rate plays a key role in determining the scope of obligations, not least on account of its volatility. The general lowering of interest rates in the last two years resulted in a markedly lower calculatory interest rate and therefore to a sharp increase in the pension obligations. Furthermore, portfolio and market developments that deviate from the measurement assumptions impact on the obligation amount and therefore on the corresponding balance sheet items. Actual salary and pension increases that are higher or lower than assumed are reflected accordingly in losses or gains. With the general contribution and limit systems, the performance of the entitlements and claims in the event of external providers, such as BVV or the statutory pension scheme, impact on the level of provision to be made by the Group company, which can have a relatively strong impact on the pension obligations, especially with lasting trend changes. Besides the economic risks stated, so-called biometric risks also exist. Since a large proportion of the pension obligations is attributable to lifelong benefit entitlements, the risk of longevity in particular must be stated. Deviations in the actual mortality rates observed from the mortality tables also result in gains or losses.

Sensitivity analyses were carried out for the material parameters. In addition to the calculatory interest rate, the most influential parameters examined were the impact of the salary, pension and career trend, as well as the staff turnover probability. The mortality, salary and pension trend impact on the obligations arising from the capital accounts open to new entrants (Basiskonto and Aufbaukonto) and the fluctuation have comparatively little impact, since life-long benefits are generally not granted and the pension entitlements for active employees do not grow dynamically with the salaries. This will gradually reduce the balance sheet risk for the Group companies over time.

Meeting pension obligations entails the payment of pensions and therefore a capital outflow. Save for the calculatory interest rate, which does not impact on the amount of benefit payments, the balance sheet risk factors described above also affect the liquidity requirements. Since no plan assets were separated for the direct pension obligations, the benefit payments must be met from the assets of the Group companies. Plan assets that can be produced from the pension payments are available for the indirect obligations of LBBW's benevolent fund and supplementary pension fund. If sufficient cover is not available, the sponsoring undertakings are required to make additional contributions. The plan assets are subject to investment risk that is countered by careful asset management.

The mandatory protection against the insolvency of LBBW pension obligations applies to commitments given before the elimination of the guarantor's liability in 2005, via the pension insurance association. All pension commitments dating from before this date are insolvency-protected through the guarantor's liability and maintenance obligation.

Other provisions.

Provisions are recognized for uncertain obligations to third parties and anticipated losses from onerous contracts. Provisions are carried at the best estimate. This is the amount required to settle the present obligation at the balance sheet date (amount that LBBW or a consolidated subsidiary would rationally pay to settle the obligation or to transfer it to a third party) and which is most likely to occur. In doing so, management included empirical values from similar transactions and may have drawn on opinions by independent experts.

The other personnel-related provisions include provisions for staff anniversaries and provisions for early retirement and partial retirement.

According to the provisions governing long service awards, an anniversary bonus is awarded to employees who have been with the Company for 10, 25, 40 and 50 years, the amount of which is guided by company or collective bargaining agreements. The corresponding anniversary provisions are calculated and set aside.

Provisions are also created for concluded partial retirement agreements. The legally required capital preservation of accrued benefits in the case of partial retirement is covered by a two-sided trustee agreement. The appropriated assets held in the custodian accounts is investment in the money market and offset against the corresponding provisions.

Similarly, provisions are created for concluded early retirement agreements.

LBBW offers its employees in the Bank and some subsidiaries a long-term account, the so-called LBBW FlexiWertkonto. It offers employees the opportunity to pay in part of their remuneration in the FlexiWertkonto, which they can use again in the form of time (withdrawal time). A two-sided trustee agreement was drawn up to secure these accrued retirement benefits as prescribed by law. Provisions are created for obligations arising from these accounts and offset against the accrued retirement benefits.

As a rule, the same risks apply to all other provisions as for the post-retirement obligations, albeit to a much lesser extent owing to the shorter obligation period.

Provisions for off-balance-sheet credit risks as well as other provisions that include provisions for restructuring and legal disputes are carried where the LBBW Group has a legal or constructive obligation from a past event where fulfilling the obligation is likely to lead to an outflow of resources embodying economic benefits and a reliable estimate of the amount of the obligation can be made. Further information about the legal risks can be found in the risk report.

Non-current provisions are discounted where the effect is material.

20. Subordinated capital.

The LBBW Group reports subordinated liabilities (e. g. borrower's note loans or issues), profit participation rights and typical silent partners' contributions under »Subordinated capital«. Subordinated capital constitutes both equity and debt for commercial law and banking regulatory purposes. In view of the contractually agreed repayment of capital, the subordinated liabilities and profit-participation rights are classified as debt in accordance with the provisions of IAS 32. The silent partners' contributions are also recognized as debt, on account of the existence of a contractual right of termination or repayment to the investor. This also applies to the silent partners contributions, which can also be eligible as own funds in accordance with the regulations of the CRR.

Subordinated capital is carried at amortized cost.

The amortized costs are adjusted for effects from hedge accounting. Explanations on hedge accounting can be found in the general accounting and valuation methods for the financial instruments (see Note 6).

21. Equity.

The share capital is the capital paid in by the owners of Landesbank Baden-Württemberg pursuant to Section 5 of the Landesbank Baden-Württemberg Act (Gesetz über die Landesbank Baden-Württemberg) in conjunction with Section 3 of the articles of association of Landesbank Baden-Württemberg. The following entities are holders of the share capital of LBBW:

- Sparkassenverband Baden-Württemberg (Savings Bank Association of Baden-Württemberg) with 40.534%
- State of Baden-Württemberg (state) with 24.988%
- State Capital of Stuttgart (city) with 18.932%
- Landesbeteiligungen Baden-Württemberg GmbH (Landesbeteiligungen BW) with 15.546%.

Effective 28 December 2015 Landeskreditbank Baden-Württemberg – Förderbank (L–Bank) transferred its share held directly in the share capital of LBBW (Bank) to Landesbeteiligungen Baden-Württemberg GmbH and thus no longer forms part of the group of owners.

The capital reserve includes the amount in excess of the (theoretical) nominal value that is achieved when issuing units (offering premium).

In addition to transfers from the net consolidated profit/loss, retained earnings include the Group's share in the unappropriated profit/loss of the consolidated subsidiaries to the extent that these profits were generated since their affiliation to the Group. In addition, the other retained earnings include the effects of the first-time adoption of IFRS (with the exception of those reported in »Other income«) as well as actuarial gains/losses and the associated deferred taxes in connection with the recognition of provisions for pensions.

The effects of the fair value measurement of the AfS securities and equity investments, as well as valuation changes recognized directly in equity from investments accounted for using the equity method, are reported in »Other income« under the »Revaluation reserve«, if necessary after deduction of any deferred taxes. These gains or losses are not recognized through profit or loss until the asset is sold or written off because of an impairment. The revaluation reserve also includes the offsetting item from the recognition of deferred tax assets or liabilities on measurement differences in equity. In addition, gains/losses from the measurement of cash flow hedges include the portion of the profit or loss with no effect on the income statement, and the offsetting item from the recognition of deferred tax assets and liabilities on cash flow hedges is also reported in this item. The currency translation reserve is also included in this balance sheet item. The balance of currency translation differences arising due to capital consolidation is allocated to the currency translation reserve. These amounts arise from the translation of the annual financial statements of an economically independent entity into the Group's reporting currency.

Non-controlling interests are stated as a separate subitem in equity; besides the shareholders of the parent company, other shareholders hold a stake in the equity of individual subsidiaries.

Segment reporting.

The segment reporting of the LBBW Group for the 2015 financial year is also drawn up in accordance with the provisions of IFRS 8. Following the management approach, segment reporting is therefore based on internal management reporting to the Group's Board of Managing Directors, which, in its function as the chief operating decision-maker, regularly makes decisions about the allocation of resources and the assessment of the performance of the segments on this basis.

Classification of segments.

The business segments presented below are defined as product and customer groups in accordance with the Group's internal organizational structures, in accordance with the internal management report. Subsidiaries and equity investments are assigned to the individual segments according to their business orientation.

Segment reporting at the LBBW Group is divided into the following segments:

- The **Corporates** segment comprises business with SMEs, with a focus on the core markets of Baden-Württemberg, Saxony and Rhineland-Palatinate, key accounts and business with the public sector. On the financing side, the solutions offered range from classic through structured to off-balance-sheet financing. Services are also offered in the areas of international business, cash management, interest rate, currency and commodities management, asset and pension management. Products relating to the primary capital markets business for our customers in the Corporates segment and commercial real estate financing are also included here. The segment includes the following material subsidiaries: LBBW Immobilien Management GmbH, Süd-Kapitalbeteiligungs-Gesellschaft mbH, SüdLeasing GmbH, MKB Mittelrheinische Bank GmbH and SüdFactoring GmbH.
- The **Financial Markets** segment offers products for managing interest rate, currency and credit risk and liquidity management for the institutional, banks and savings banks customer groups. The segment also includes trading activities in connection with the customer business. Financing solutions are also offered on the primary market in the field of equity and debt, along with asset management services and custodian bank services. Besides all sales activities with banks, sovereigns, insurance companies and pension funds, the segment also includes trading activities in connection with the customer business. The **Corporates** segment includes all results from financial market transactions with corporate customers. As a significant subsidiary, LBBW Asset Management Investmentgesellschaft mbH is allocated to the Financial Markets segment.
- The **Retail/Savings Banks** segment includes all activities in the private customer business involving retail, private banking and wealth management customers. The product range covers classic checking accounts, real estate financing, investment advice, and specialized services – particularly for wealth management customers – such as financial planning, asset management, securities account management and foundation management. Business activities connected with the Bank's function as the central bank for savings banks are also included in this segment.
- The **Credit Investment** segment essentially pools the Group's credit substitute business. Following the sale of the guarantee portfolio in 2014, these comprise in particular only the funding of the special-purpose vehicle Sealink Funding and the guarantee provided by the State of Baden Württemberg.
- The **Corporate Items** segment comprises all business activities not included in the segments mentioned above. In addition to treasury activities (especially the central investment of own funds, lending/deposit-taking operations, IFRS specifics in relation to the refinancing and the management of strategic investments and cover funds), this notably consists of equity investments not included in the consolidated financial statements, the management of the Bank's building portfolio and costs incurred in association with the regulatory requirements and strategic projects for the Bank as a whole.
- The Reconciliation/Consolidation column includes matters related solely to consolidation. In addition, this segment reconciles internal financial control data with external financial reporting.

Valuation methods.

Segment information is based on the internal financial control data documented by Financial Controlling, which combine external financial reporting methods and economic valuation methods. The resulting differences in valuation and reporting compared with the IFRS Group figures are presented in the reconciliation statement.

As a rule, the income and expenses of the LBBW Group are allocated to the individual segments in which they arise. There is therefore no significant income resulting from transactions between the segments.

Net interest income is calculated using the market interest method. Interest income and expense are netted and shown as net interest income. This also includes the capital benefit, i.e. investment income from equity.

Allowances for losses on loans and advances correspond to the carrying amounts in the income statement and are allocated to the segments in which they arise.

Net gains/losses from financial instruments measured at fair value through profit or loss include net trading gains/losses, net gains/losses from hedge accounting, and net gains/losses from financial instruments designated at fair value.

Net gains/losses from financial investments are reported in a single item along with net income/expenses from investments accounted for using the equity method and net gains/losses from profit or loss transfer agreements, and allocated to the segments in which they arise.

Net income/expenses from investment property are recognized as part of other operating income/expenses.

Besides direct personnel and material expenses, the administrative expenses of a segment include expenses assigned on the basis of intragroup cost allocation. Overheads are allocated on a pro rata basis.

The expenses for the bank levy and deposit guarantee system are recognized in a separate income item for the first time and therefore allocated to the segments in which they arise. The previous year's figures was adjusted to preserve comparability.

The assets on the balance sheet are reported as segment assets. They are allocated to the segments on the basis of internal management reporting.

The average tied-up capital in the segments is calculated on the basis of the risk weighted assets calculated and imputed Tier 1 capital backing.

A segment’s return on equity (RoE) is calculated based on the ratio of consolidated profit/loss before tax to the maximum planned average tied-up equity or to average tied-up equity in the current reporting period. For the Group, RoE is calculated from the ratio of consolidated profit/loss before tax to average equity on the balance sheet, adjusted for the effects on earnings reported directly in equity. The cost/income ratio (CIR) is calculated based on the ratio of administrative expenses to total operating income/ expenses (after allowances for losses) excluding allowances for losses on loans and advances and net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements.

In the 2015 financial year, marginal methodological improvements and more differentiated offsetting procedures further refined the income, cost and volume allocation to segments. The prior-year amounts were adjusted to the new reporting to preserve comparability.

Furthermore, the segment reporting took into consideration the retrospective adjustments to the income statement and the balance sheet in accordance with IAS 8.42.

Segment results by business area.

1 Jan. – 31 Dec. 2015 EUR million	Corporates	Financial Markets	Retail/ Savings Banks	Credit Investment	Corporate Items/ Reconciliation/ Consolidation	LBBW Group
Net interest income	1 166	408	321	– 34	– 207	1 654
Allowances for losses on loans and advances	– 50	0	– 2	2	– 5	– 55
Net fee and commission income	244	78	210	– 2	– 33	498
Net gains/losses from financial instruments measured at fair value through profit or loss	14	147	1	14	50	226
Net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements[1]	74	0	0	0	20	94
Other operating income/expenses	136	4	17	0	– 22	134
Total operating income/expenses (after allowances for losses on loans & advances)	**1 584**	**636**	**548**	**– 20**	**– 197**	**2 551**
Administrative expenses	– 762	– 382	– 504	– 24	– 110	– 1 782
Guarantee commission for the State of Baden-Württemberg	0	0	0	– 121	0	– 121
Expenses for bank levy and deposit guarantee system	– 28	– 23	– 7	– 7	– 8	– 73
Net income/expenses from restructuring	– 3	0	– 35	0	– 6	– 44
Consolidated profit/loss before tax	**791**	**232**	**2**	**– 173**	**– 321**	**531**
Income taxes						– 109
Net consolidated profit/loss						**422**
Segment assets (EUR billion)[2]	75.4	78.6	31.7	13.7	34.6	234.0
Risk weighted assets (EUR billion)[3]	44.0	11.8	8.3	0.7	9.7	74.5
Tied-up equity (EUR billion)[3]	4.2	1.3	0.8	0.1	6.5	12.8
RoE (in %)[3]	17.8	13.5	0.3			4.1
CIR (in %)	48.8	60.0	91.6			70.9

1) The net income/investments from investments accounted for using the equity method allocated to the segments and results from the disposal of such companies amount to EUR 73 million for the Corporates segment and to EUR – 2 million for Corporate Items.
2) The shares of investments accounted for using the equity method allocated to both segments amount to EUR 233 million for Corporates and EUR 6 million for Corporate Items.
3) Information in accordance with CRR/CRD IV following full implementation.

1 Jan. – 31 Dec. 2014 EUR million	Corporates	Financial Markets	Retail/ Savings Banks	Credit Investment	Corporate Items/ Reconciliation/ Consolidation	LBBW Group [1]
Net interest income	1 198	312	340	– 81	110	1 878
Allowances for losses on loans and advances	– 105	1	– 6	3	3	– 104
Net fee and commission income	259	73	213	– 4	– 23	518
Net gains/losses from financial instruments measured at fair value through profit or loss	– 5	115	– 1	66	– 295	– 120
Net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements[2]	195	0	0	59	10	263
Other operating income/expenses	122	17	12	0	– 49	101
Total operating income/expenses (after allowances for losses on loans & advances)	**1 664**	**518**	**557**	**43**	**– 245**	**2 536**
Administrative expenses	– 740	– 388	– 488	– 36	– 118	– 1 770
Guarantee commission for the State of Baden-Württemberg	0	0	0	– 191	0	– 191
Expenses for bank levy and deposit guarantee system	– 15	– 23	1	– 5	– 41	– 82
Impairment of goodwill	0	– 16	0	0	0	– 16
Net income/expenses from restructuring	– 3	0	0	0	3	1
Consolidated profit/loss before tax	**906**	**90**	**70**	**– 190**	**– 401**	**477**
Income taxes						– 39
Net consolidated profit/loss						**438**
Segment assets (EUR billion)[3]	75.2	101.6	32.5	14.9	42.1	266.3
Risk weighted assets (EUR billion)[4]	47.4	15.3	9.4	1.3	8.8	82.2
Tied-up equity (EUR billion)[4]	4.4	1.5	0.9	0.2	6.0	13.0
RoE (in %)[4]	20.8	6.1	7.9			3.7
CIR (in %)	47.0	75.1	86.6			74.5

1) Restatement of prior year amounts (see Note 2).
2) The net income/expenses from investments accounted for using the equity method allocated to the segments and the disposal gains/losses from such investments amount to EUR 117 million in the Corporates segment and to EUR 0 in Corporate Items.
3) The shares of investments accounted for using the equity method allocated to the two segments amount to EUR 302 million for the Corporates segment and EUR 0 for Corporate Items.
4) Information in accordance with CRR/CRD IV following full implementation.

Details on Corporate Items, Reconciliation and Consolidation.

	Corporate Items		Reconciliation/Consolidation		Corporate Items/ Reconciliation/ Consolidation	
EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014 1)
Net interest income	3	154	– 210	– 45	– 207	110
Allowances for losses on loans and advances	– 5	3	0	0	– 5	3
Net fee and commission income	0	1	– 33	– 24	– 33	– 23
Net gains/losses from financial instruments measured at fair value through profit or loss	– 30	9	80	– 305	50	– 295
Net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements 2)	9	11	11	– 1	20	10
Other operating income/expenses	– 22	– 49	0	0	– 22	– 49
Total operating income/expenses (after allowances for losses on loans and advances)	**– 45**	**130**	**– 152**	**– 375**	**– 197**	**– 245**
Administrative expenses	– 110	– 118	0	0	– 110	– 118
Expenses for bank levy and deposit guarantee system	– 8	– 41	0	0	– 8	– 41
Net income/expenses from restructuring	– 6	3	0	0	– 6	3
Consolidated profit/loss before tax	**– 169**	**– 26**	**– 153**	**– 375**	**– 321**	**– 401**
Segment assets (EUR billion) 3)	35.3	42.0	– 0.7	0.0	34.6	42.1
Risk weighted assets (EUR billion) 4)	11.1	10.7	– 1.4	– 2.0	9.7	8.8
Tied-up equity (EUR billion) 4)	6.6	6.2	– 0.2	– 0.2	6.5	6.0

1) Restatement of prior year amounts (see Note 2).
2) The net income/expenses from investments accounted for using the equity method allocated to the segments and the disposal gains/losses from such investments amount to EUR 73 million (previous year: EUR 117 million) in the Corporates segment and to EUR – 2 million (previous year: EUR 0) in Corporate Items.
3) The shares of investments accounted for using the equity method allocated to the segments amount to EUR 233 million for the Corporates segment (previous year: EUR 302 million) and to EUR 6 million for Corporate Items (previous year: EUR 0).
4) Information in accordance with CRR/CRD IV following full implementation.

Consolidated profit/loss before tax at the LBBW Group amounted to EUR 531 million in the 2015 financial year, a marked EUR 54 million improvement over the previous year. There were differentiated developments in the segments. Totaling EUR 1 025 million, consolidated profit/loss before tax of the three operating segments Corporates, Financial Markets and Retail/Savings Banks was down slightly on the previous year's figure of EUR 1 067 million and war burdened by the creation of restructuring provisions. Following the complete wind-down of the guarantee portfolio in 2014, the Credit Investment segment improved over the previous year but still continued to report a net consolidated loss of EUR – 173 million (previous year: EUR – 190 million). The Corporate Items segment developed counter to this, from EUR – 26 million to EUR – 169 million in the 2015 financial year. This was largely due to the burden on results within the scope of low interest rates in general for treasury activities.

Due to the good performance especially in new business in the customer-oriented capital markets business, gains/losses from financial instruments measured at fair value developed favorably, thus overcompensating for the markedly lower interest income in the year under review. Taking into account administrative expenses that are in line with the previous year's level, a slightly better cost/income ratio (CIR) of 70.9% was achieved in the LBBW Group (previous year: 74.5%). LBBW Group's total assets declined by EUR 32.3 billion year-on-year to EUR 234.0 billion, especially owing to the conscious reduction and wind-down of transactions with guarantor's liability on both the assets side and with own liabilities, as well as through interest and spread development of trading assets measured at fair value. LBBW Group's risk weighted assets (CRR/CRD IV) fell accordingly to EUR 74.5 billion in the 2015 financial year (previous year: EUR 82.2 billion).

The performance of the Corporates segment was defined by high income from the disposals/valuations of equity investments, net gains/losses from financial investments and net income/expenses from investments accounted for using the equity method in the previous year and therefore reported lower consolidated profit/loss before tax of EUR 791 million in 2015 (previous year: EUR 906 million). The sustained low interest rate environment and intense competition among key accounts moreover had a negative impact. Thanks to the good position in the core markets and the high quality of the loan portfolio, allowances for losses on loans and advances declined significantly to EUR – 50 million (previous year: EUR – 105 million). The segment continued to benefit from positive measurement effects (mainly credit valuation adjustments) and disposals of real estate investments by LBBW Immobilien Management GmbH. Administrative expenses increased slightly from EUR – 740 million to EUR – 762 million, due to expenses from the overall bank projects that were started in 2014 and the restructuring of the IT architecture, as well as investments in growth markets, among other things. Despite the higher cost trend, the CIR changed only marginally to 48.8% (previous year: 47%). At EUR 75.4 billion, the segment assets were maintained at the previous year's level (EUR 75.2 billion), despite strong competition. Because of the improved portfolio quality, risk weighted assets (CRR/CRD IV) fell to EUR 44.0 billion (previous year: EUR 47.4 billion).

The Financial Markets segment improved significantly in consolidated profit/loss before tax by EUR 141 million compared to the previous year to EUR 232 million. The higher revenues were supported mainly by the more volatile markets in 2015, which benefited new business in hedging products against foreign currency and interest rate risks. In addition, lower valuation discounts for financial instruments (mainly credit valuation adjustments) supported the segment's positive trend. As a result of the strong revenue trend and administrative expenses of EUR – 382 million at the previous year's level, the CIR improved markedly to 60.0% in 2015 (previous year: 75.1%). At EUR 78.6 billion, the segment assets are significantly lower than the previous year (EUR 101.6 billion), due to the conscious wind-down and interest-related decline in fair value assets. In line with this development, risk weighted assets (CRR/CRD IV) fell significantly in the 2015 financial year to EUR 11.8 billion (previous year: EUR 15.3 billion).

At EUR 2 million, consolidated profit/loss before tax in the Retail/Savings Banks segment in 2015 fell short of the previous year (EUR 70 million). Despite the higher volume, a fall in earnings was recorded in the deposit-taking business owing to the persistently low interest rate level. In addition, the expenses for the bank levy and deposit guarantee system burdened the result. As in the previous year, higher expenses for overall bank projects and the restructuring of the IT architecture drove up the administrative expenses. The new core banking system accounted for EUR 24 million of expenses in 2015 alone. In line with the trend, the CIR was 91.6% (previous year: 86.6%). The realignment of the retail customer business to a multi-channel bank was expedited to further strengthen the customer oriented-business model. This, a corresponding restructuring provision of EUR – 35 million was created, which also impacted materially on net consolidated profit/loss. The segment assets fell marginally by EUR – 0.8 billion to EUR 31.7 billion. Risk weighted assets (CRR/CRD IV) for the segment amounted to EUR 8.3 billion in 2015 (previous year: EUR 9.4 billion).

The Credit Investment segment was defined in the previous year by the full sale of the guarantee portfolio and large parts of the unguaranteed loan portfolio. This lowered the guarantee provision for the risk shield considerably by EUR 70 million to EUR – 121 million in the 2015 financial year. The segment comprises mainly only the funding of the special-purpose vehicle Sealink Funding, which is still covered by a guarantee provided by the State of Baden Württemberg. Administrative expenses continue to fall, declining to EUR – 24 million (previous year: EUR – 36 million), resulting in a slightly improved consolidated profit/loss before tax of EUR – 173 million (previous year: EUR – 190 million). Segment assets fell moderately to EUR 13.7 billion (previous year: EUR 14.9 billion). Accordingly, risk weighted assets (CRR/CRD IV) fell by EUR – 0.7 billion in the 2015 financial year to EUR 0.7 billion.

Consolidated profit/loss before tax in the Corporate Items segment was strongly shaped in 2015 by the low market interest rate level and deteriorated to EUR – 169 million (previous year: EUR – 26 million). This was largely due to lower income from investments of own funds and higher expenses to meet regulatory liquidity requirements. In addition, the result was burdened in connection with the optimization of the risk and liquidity positions within the treasury activities. The segment assets were reduced by EUR – 6.8 billion to EUR 35.3 billion, mainly because of the maturing transactions under the guarantor's liability, particularly in the public cover pool. Thanks to the low risk of the maturing transactions under the guarantor's liability, risk weighted assets (CRR/CRD IV) amounted to EUR 11.1 billion in the 2015 financial year (previous year: EUR 10.7 billion).

Reconciliation of segment results to the consolidated income statement.

In the 2015 financial year, the total of »Reconciliation/Consolidation« on the consolidated profit/loss before tax declined to EUR – 153 million (previous year: EUR – 375 million) and is essentially due to the following factors:

- In internal management reporting, the net interest income is calculated on the basis of the market interest method. Differences compared with the income statement are therefore the result of net interest income for prior periods and IFRS-specific measurements not included in internal management reporting (e.g. net result from the repurchase of own issues and effects from the purchase price allocation in connection with the takeover of Sachsen LB).
- The valuation methods used in internal management reporting for part of the trading book holdings differ from those of IFRS accounting.
- Effects arise resulting from IFRS-specific matters connected with hedge accounting and the fair value option. These are largely derivative financial instruments serving as economic hedges but that cannot be included in the IFRS accounting of hedging transactions.

Disclosures at the company level.

Information on products and services.

With regard to the allocation of income to products and services required under IFRS 8.32, please refer to the explanations entitled »Notes to the income statement« in the Notes.

Segmentation according to geographical region.

The allocation of results to geographical regions is based on the head office of the branch or Group company and is as follows for the LBBW Group:

1 Jan.– 31 Dec. 2015 EUR million	Germany	Europe (excl. Germany)	America	Asia	Reconciliation/ consolidation	LBBW Group
Total operating income/ expenses (after allowances for losses on loans & advances)	2 418	4	108	26	– 4	2 551
Consolidated profit/loss before tax	494	– 39	72	7	– 2	531

1 Jan.– 31 Dec. 2014 EUR million	Germany	Europe (excl. Germany)	America	Asia	Reconciliation/ consolidation	LBBW Group
Total operating income/ expenses (after allowances for losses on loans & advances)	2 398	32	131	17	– 41	2 536
Consolidated profit/loss before tax	439	– 21	98	0	– 41	477

Notes to the income statement.

22. Net interest income.

The items Interest income and Interest expense also include the interest and dividend income and the associated refinancing expenses of financial instruments held for trading and designated at fair value. In addition, the payments to typical silent partners are reported under »Interest expense« due to the classification of silent partners' contributions as debt in accordance with IAS 32.

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Trading derivatives	10 062	10 063
Lending and money market transactions	3 115	3 734
Hedging derivatives	1 499	1 435
Fixed-income securities and debentures	455	1 059
Early termination fees	76	83
Other	404	510
Interest income	**15 611**	**16 884**
Leasing business	378	450
Equities and other non-fixed-income securities	32	43
Equity investments and affiliates	30	38
Profit transfer agreements	7	8
Current income	**448**	**539**
Interest and current income	**16 059**	**17 423**
Trading derivatives	– 9 918	– 9 740
Hedging derivatives	– 1 619	– 1 624
Deposits	– 1 480	– 2 475
Securitized liabilities	– 696	– 920
Leasing business	– 84	– 105
Subordinated capital	– 257	– 279
Transfer of losses	– 2	– 2
Other	– 350	– 400
Interest expense	**– 14 405**	**– 15 545**
Total	**1 654**	**1 878**

The decline was mainly a result of the generally low interest rate, which had a negative effect on the contribution to profit in the deposit-taking business with customers and on LBBW's investment of own funds. At the same time, the reduced volumes due to maturities together with selective lending in a competitive setting contributed to a drop in interest income and interest expense.

Accounting-specific effects, for instance in connection with the mapping of hedging derivatives, and a rise in interest expense for trading derivatives also exerted strain.

In the case of financial assets in the LaR category on which valuation allowances were charged, interest of EUR 26 million (previous year: EUR 44 million) was calculated in the year under review from the increase in the present value of the receivables (unwinding in accordance with IAS 39.AG93).

Netting of treasury debentures in accordance with IAS 39.39 et seq. resulted in interest income of EUR 9 million in the financial year (previous year: expense of EUR – 6 million).

Capital provision also resulted in differences that contributed EUR – 21 million to interest income and EUR 28 million to interest expense. Negative and positive effects of EUR – 171 million on interest income and EUR 156 million on interest expense also arose in the same period in conjunction with derivative financial instruments; these were immaterial taken in context of total net interest of EUR 11 561 million and expense of EUR – 11 537 from derivative financial instruments. The effects described above were of subordinate importance in the previous year.

Net interest income from financial assets and financial liabilities not measured at fair value through profit or loss comprised the following items:

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Interest income	3 454	4 520
Interest expense	– 2 215	– 3 445
Total	**1 239**	**1 075**

23. Allowances for losses on loans and advances.

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Reversal of allowances for losses on loans and advances	321	477
Net gains/losses from provisions for lending business	7	– 4
Recoveries on loans and advances already written off	18	16
Direct loan write-offs	– 107	– 97
Additions to allowances for losses on loans and advances	– 289	– 489
Other expenses for the lending business	– 5	– 7
Total	**– 55**	**– 104**

The reduction in allowances for losses on loans and advances was largely due to reduced net additions to specific valuation allowances.

24. Net fee and commission income.

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Securities and custody business	212	189
Payments business	104	104
Brokerage business	92	110
Loans and guarantees[1]	132	159
Leasing business	1	0
Other	80	72
Fee and commission income	**621**	**634**
Securities and custody business	– 71	– 68
Payments business	– 22	– 24
Loans and guarantees[1]	– 12	– 10
Brokerage business	– 8	– 7
Leasing business	– 3	– 3
Other	– 7	– 4
Fee and commission expenses	**– 123**	**– 116**
Total	**498**	**518**

1) Includes lending, trustee, guarantee and credit business.

The higher result in the securities and custody business, and in the securities syndication business was partially compensated by reduced fee and commission income in the brokerage business. In addition, net fee and commission income from loans and guarantees solely from the services industry was lower due to higher deferrals. These are offset by income that is recognized in net interest income *pro rata temporis*.

Other net fee and commission income mainly comprises income and expenses from asset management.

Net fee and commission income from financial assets and financial liabilities not measured at fair value through profit or loss totaled EUR 75 million (previous year: EUR 73 million).

25. Net gains/losses from financial instruments measured at fair value through profit or loss.

Net gains/losses from financial instruments measured at fair value through profit or loss are comprised of the following:

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Net trading gains/losses	177	45
Net gains/losses from financial instruments designated at fair value	55	– 155
Net gains/losses from hedge accounting	– 6	– 10
Total	**226**	**– 120**

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Net trading gains/losses.

All net gains/losses on the disposal and remeasurement of financial instruments in the held-for-trading category are reported under »Net trading gains/losses«. In addition, the income/loss from the foreign currency translation of items denominated in foreign currency and the remeasurement gains/losses from economic hedging derivatives are presented under this item. The interest and dividend income and the associated refinancing expenses of financial instruments are reported under »Net interest income«.

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Lending business	– 730	664
Equity transactions	16	83
Foreign exchange transactions	28	– 6
Economic hedging derivatives	– 104	– 1
Interest rate transactions	972	– 726
Gains/losses from foreign exchange/commodity products	– 5	31
Total	**177**	**45**

The improvement in net trading gains/losses was due to, among other things, increased market volatility and the new business in hedging products that benefited from it, particularly in foreign currency and interest rate risk. In addition, there was a shift in earnings between lending and interest rate transactions due to the capital-guaranteed products executed at the end of the previous year.

Gains/losses from foreign exchange/commodity products include gains and losses from foreign exchange spot, futures and options transactions, currency options and currency futures. Gains/losses from foreign exchange transactions represent the effects from the conversion of foreign currency assets or foreign currency liabilities. Currency translation differences recognized in net gains/losses from financial instruments not measured at fair value through profit or loss amounted to EUR 2 772 million (previous year: EUR 2 582 million). These were offset by currency translation differences of EUR – 2 743 million (previous year: EUR – 2 588 million) for financial instruments measured at fair value through profit or loss.

Net gains/losses from financial instruments designated at fair value.

Net gains/losses from financial instruments designated at fair value include all realized and unrealized gains and losses from assets and liabilities designated at fair value. Dividends and the interest income/interest expense from assets designated at fair value are reported under »Net interest income«. The fee and commission payments associated with purchases and sales are reported under »Net fee and commission income«.

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Realized gains/losses	– 355	– 23
Unrealized gains/losses	410	– 132
Total	**55**	**– 155**

In addition to the improvement of LBBW's own credit quality, the financial liabilities designated to unrealized gains/losses included a valuation effect of EUR 1 million (previous year: EUR – 15 million).

Net gains/losses from hedge accounting.

The net gains/losses from hedge accounting include the remeasurement gains/losses from effective hedging transactions as part of hedge accounting. The effect on profit or loss of hedging transactions not satisfying the effectiveness requirements of IAS 39 is reported under »Net trading gains/losses«.

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Portfolio fair value hedge	– 4	– 7
of which hedged items	– 144	273
of which hedging instruments	140	– 280
Micro fair value hedge	– 2	1
of which hedged items	– 113	318
of which hedging instruments	111	– 317
Cash flow hedge	0	– 4
of which hedged items	0	– 4
Total	**– 6**	**– 10**

26. Net gains/losses from financial investments.

Net gains/losses from financial investments include disposal and remeasurement (including impairment) results on securities from the loans and receivables (LaR) and available for sale (AfS) categories, as well as on equity investments (AfS) and shares in non-consolidated companies. This item also includes net gains/losses on the disposal of investments accounted for using the equity method. As well as this, it includes reversals of impairment losses on debt instruments following rating-based write-downs to amortized cost.

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Net gains/losses on disposal	39	102
of which securities	– 15	5
of which equity investments	54	97
Impairment	– 13	– 13
Reversals of impairment losses	0	1
Net gains/losses from financial investments (AfS)	**26**	**90**
Net gains/losses on disposal	– 2	62
of which securities	– 2	62
Reversals of impairment losses	0	1
Net gains/losses from reimbursement rights (guarantee)	0	– 7
Net gains/losses from financial investments (LaR)	**– 3**	**56**
Net income/expenses from the disposal of investments accounted for using the equity method	**52**	**0**
Total	**75**	**146**

Lower net gains/losses from financial investments were largely due to the absence of larger measurement and realization effects in the year under review, compared with the positive effects in the previous year from the complete wind-down of the guarantee portfolio and a significant reduction in the unguaranteed portion of the credit substitute business.

The full sale of the guarantee portfolio in the previous year means that net gains/losses from reimbursement rights (guarantee) will no longer arise in future.

On the other hand, the earnings items were boosted by the sale of LHI Leasing GmbH and of a share in an associate.

27. Net income/expenses from investments accounted for using the equity method.

Net income/expenses from investments accounted for using the equity method comprise the contributions to profit from joint ventures recognized through profit or loss and associates accounted for using the equity method. In addition to the pro rata profits/losses for the period, contributions to profits attributable to the updating of the hidden reserves and charges disclosed within the scope of the purchase price allocation, are recognized in this item. Changes recognized directly in equity investments accounted for using the equity method are recognized directly in equity.

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Current income	37	108
Impairment	– 24	– 26
Reversals of impairment losses	6	31
Net gains/losses from investments in associates	**19**	**113**
Current expenses	– 2	0
Current income	3	5
Impairment	0	– 1
Net gains/losses from shares in joint ventures	**0**	**4**
Total	**19**	**117**

The decline in the earnings item was the result in particular of lower contributions to profit of a venture capital company. In the previous year, a significant profit contribution from LBBW's share in profit from the sale of an investment had a positive effect.

28. Other operating income/expenses.

The key components of other operating income/expenses are income or expenses from investment property, leasing business and provisions.

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Disposal of inventories	128	255
Reversal of other provisions	64	137
Revenues from property services	20	21
Income from cost refunds by third parties	31	34
Management of other property portfolios	2	4
Operating leases	24	25
Fixed assets and intangible assets	15	3
Rental income from investment property	56	47
Income from the disposal of investment property	20	0
Income from foreign currency translation on investment property	5	4
Miscellaneous operating income	87	105
Other operating income	**451**	**635**
Disposal of inventories	– 114	– 226
Additions to other provisions	– 33	– 96
Impairment of inventories	0	– 1
Management of other property portfolios	– 1	– 2
Operating leases	– 6	– 5
Operating expenses for leased properties	– 13	– 10
Expenses from the fair value measurement of investment property	– 39	– 37
Miscellaneous operating expenses	– 112	– 157
Other operating expenses	**– 317**	**– 534**
Total	**134**	**101**

Overall, the performance of the earnings item was characterized by a number of one-off effects. Nonetheless, net income/expenses from investment property increased despite the slight rise in negative value adjustments from the valuation of real estate. Furthermore, contributions to profit in »Other operating income/expenses« could be realized through successfully concluded project developments, even though these contributions were lower than in 2014. The disposal of a subsidiary in 2014 had a positive year-on-year impact on net income/expenses. Other operating income also got substantial relief from necessary net reversals of provisions being made possible in connection with legal and litigation risks.

The income and expenses from the disposal of inventories primarily resulted from the sale of land and buildings, as well as development measures.

29. Administrative expenses.

The LBBW Group's administrative expenses comprise staff costs and other administrative expenses, as well as depreciation, amortization and write-downs of intangible assets and property and equipment.

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Wages and salaries	– 725	– 712
Expenses for pensions and benefits	– 131	– 131
Social security contributions	– 116	– 113
Other staff costs	– 57	– 56
Staff costs	**– 1 029**	**– 1 012**
IT costs	– 299	– 279
Legal and consulting expenses	– 101	– 117
Expenses from operating leases	– 29	– 31
Cost of premises	– 51	– 43
Association and other contributions	– 33	– 30
Advertising, public relations and representation costs	– 23	– 25
Audit costs	– 13	– 14
Miscellaneous administrative expenses	– 107	– 127
Other administrative expenses	**– 656**	**– 666**
Amortization and write-downs of intangible assets[1)]	– 39	– 42
Depreciation and write-downs of property and equipment[1)]	– 59	– 51
Depreciation, amortization and write-downs	**– 98**	**– 93**
Total	**– 1 782**	**– 1 770**

1) This includes scheduled and unscheduled write-downs. The partial amount of the unscheduled write-downs can be found in Notes 41 and 43.

The marginal increase in staff costs was caused in particular by pay-scale adjustments to wages and salaries.

Other administrative expenses continued to be influenced by expenses incurred for compliance with regulatory requirements and project expenses in connection with the restructuring of the IT architecture. This was offset by lower expenses for legal and advisory costs and for audit costs.

Miscellaneous administrative expenses also included postage, transportation and communication costs of EUR – 17 million (previous year: EUR – 17 million) as well as office and motor vehicle expenses of EUR – 15 million (previous year: EUR – 16 million).

For further explanations on leasing business, please see Note 70.

Expenses for pensions and other benefits include:

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Expenses for defined benefit obligations	**– 124**	**– 123**
Net interest income from defined benefit plans	– 61	– 79
Current service cost	– 63	– 44
Other expenses for pensions and benefits	**– 5**	**– 5**
Expenses for defined contribution obligations	**– 2**	**– 3**
Total	**– 131**	**– 131**

In addition to the expenses for pensions, LBBW Group paid EUR – 61 million in the financial year (previous year: EUR – 71 million) into the German pension fund for employees and recorded this as an expense under »Social security contributions«.

The fee of EUR – 13 million (previous year: EUR – 14 million) for audit costs comprised the following items:

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Audit services	– 9	– 9
Audit-related services	– 1	– 1
Other services	– 3	– 4
Total	**– 13**	**– 14**

30. Net income/expenses from restructuring.

Expenses for restructuring measures are reported in this item. Provisions are only recognized if the general criteria for creating provisions in accordance with IAS 37 are fulfilled.

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Reversal of provisions for restructuring measures	0	4
Additions to restructuring provisions	– 44	– 3
Total	**– 44**	**1**

The corresponding provisions had to be created for physical operations and personnel measures as part of the realignment of the private customer business.

31. Income taxes.

Income and expenses from income taxes are broken down as follows:

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Current income taxes in the reporting period	– 86	– 75
Current income taxes from previous years	12	31
Current income taxes	**– 74**	**– 44**
of which decrease in actual income tax expense from temporary differences from earlier periods not taken into consideration	11	0
Deferred income taxes	**– 35**	**5**
of which deferred income tax expense/income from change in temporary differences	35	137
of which deferred tax expense/income from change in tax rates	1	0
of which deferred tax expense/income from change in write-downs	– 2	– 22
of which decrease in deferred income tax expense from previously unrecognized prior period temporary differences	7	20
of which decrease in deferred income tax expense from previously unrecognized loss carryforwards and tax credits	29	1
Total	**– 109**	**– 39**

The following reconciliation shows the relationship between reported and expected income taxes:

EUR million	1 Jan.– 31 Dec. 2015	1 Jan.– 31 Dec. 2014
Consolidated profit/loss before tax	**531**	**477**
Applicable tax rate	30.42 %	30.42 %
Expected income taxes	**– 162**	**– 145**
Tax effects		
from non-deductible operating expenses	– 52	– 107
from value adjustments	17	– 18
from taxes from the previous year recorded in the financial year	– 1	8
from permanent tax effects	– 12	188
from changes in tax rates	– 8	2
from differing tax rates affecting on deferred taxes as shown in profit or loss	– 14	– 4
from other differences	8	– 4
from tax-free income	115	41
Total	**– 109**	**– 39**

The applicable tax rate for the reconciliation is calculated as the corporate income tax rate of 15.0% applicable in Germany at the reporting date (previous year: 15.0%), plus the solidarity surcharge of 5.5% (previous year: 5.5%) and the trade tax rate (average: 14.59%, previous year: 14.59%) depending on the relevant multiplier (Hebesatz). This results in a total domestic tax rate of 30.42% for the Group (previous year: 30.42%).

The impact of non-deductible operating expenses include, in particular, tax effects arising from the disposal of equity investments, from the bank levy and from »Interbranch expenses«.

The tax effects of value adjustments position comprises largely EUR 24 million (previous year: EUR – 20 million) from the effects from the change in deferred tax assets not recognized against valuation allowances on deferred tax assets and adjustments to tax losses carryforwards of EUR – 7 million (previous year: EUR 3 million).

Tax-free income includes, among other things, effects from the disposal of Group companies and from tax provisions for interest expenses/income from the New York branch and tax-free dividend income.

The financial year's permanent (on-balance-sheet) tax effects arise in particular income from equity investments in companies accounted for using the equity method.

The volume of tax loss and interest carryforwards as well as the installments for which deferred tax assets are not recognized or for which value adjustments were made are shown in the following table. It is stated whether the loss and interest carryforwards not recognized can still be used in subsequent years according to the relevant tax law. Loss and interest carryforwards in companies subject to tax in Germany can be used for an indefinite period.

EUR million	31 Dec. 2015	31 Dec. 2014
Loss and interest carryforwards (total)	6 642	7 252
of which loss and interest carryforwards for which deferred tax assets were created	2 673	3 222
of which loss and interest carryforwards for which provisions were created	122	166
of which loss and interest carryforwards for which no deferred tax assets were recognized	3 847	3 864
of which expire in 2016 and thereafter	96	94
of which non-forfeitable	3 751	3 770
Unrecognized temporary differences at the balance sheet date	86	89

Deferred tax assets of EUR 1 million (previous year: EUR 1 million) were recognized for Group companies that incurred a tax loss in the current or previous financial years that depends on the realization of future taxable results that are higher than the impact on earnings from the reversal of existing to taxable temporary differences. The approach is based on a tax planning calculation for the respective company or for the consolidated group.

Deferred tax assets are potential tax benefits arising from temporary differences between the carrying amounts of the assets and liabilities in the IFRS consolidated balance sheet and the national tax base. Deferred income tax liabilities are potential income taxes payable arising from temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the national tax base.

Deferred tax assets and liabilities were recognized in connection with the following items:

	Deferred tax assets		Deferred tax liabilities	
EUR million	2015	2014	2015	2014
Assets				
Loans and advances (including allowances for losses on loans and advances)	550	504	– 29	– 119
Financial assets measured at fair value through profit or loss	3 916	4 929	– 2 135	– 1 744
Financial investments	142	1 362	– 50	– 61
Intangible assets	4	4	– 9	– 2
Property and equipment/investment property	23	28	– 88	– 106
Other assets	1	2	– 33	– 201
Equity and liabilities				
Liabilities	39	48	– 860	– 2 460
Financial liabilities measured at fair value through profit or loss	0	1	– 1 369	– 2 326
Provisions	513	506	– 2	– 2
Other liabilities	77	215	– 107	– 15
Loss and interest carryforwards	420	510	0	0
Outside basis differences	0	0	– 3	– 2
Net amount	– 4 658	– 6 964	4 658	6 964
Total	**1 027**	**1 145**	**– 27**	**– 74**
Change in the balance from deferred taxes	**– 71**	**134**		
of which changes recognized in profit or loss	– 35	5		
of which from revaluation reserve (financial investments – gains/losses on financial assets (AfS))	– 36	– 27		
of which gains/losses from the measurement of cash flow hedges (fair value changes)	0	– 1		
of which retained earnings (provisions – actuarial gains/losses)	2	168		
of which other changes recognized directly in equity	– 2	– 11		

In the 2015 financial year, the revaluation reserve (financial investments, gains/losses on financial assets AfS) recognized tax effects totaling EUR – 48 million, which include deferred taxes of EUR – 36 million and actual taxes of EUR – 12 million.

No deferred tax liabilities were recognized for taxable temporary differences of EUR 14 million (previous year: EUR 5 million) from shares in subsidiaries and joint ventures, since a reversal of the temporary differences is not expected in the near future.

Notes to the balance sheet.

32. Cash and cash equivalents.

EUR million	31 Dec. 2015	31 Dec. 2014
Balances with central banks	1 026	1 803
Cash	141	133
Total	**1 167**	**1 936**

Balances with central banks included balances with Deutsche Bundesbank of EUR 663 million (previous year: EUR 1 525 million).

33. Loans and advances to banks.

Breakdown by business type.

EUR million	31 Dec. 2015	31 Dec. 2014
Public-sector loans	22 782	28 058
Current account claims	939	982
Securities repurchase transactions	2 662	4 277
Other loans	2 793	3 072
Borrower's note loans	110	764
Overnight and term money	128	195
Mortgage loans	114	109
Other receivables	716	967
Total	**30 245**	**38 424**
of which to central counterparties	729	780

Breakdown by region.

EUR million	31 Dec. 2015	31 Dec. 2014
Banks within Germany	25 879	31 333
Banks outside Germany	4 366	7 091
Total	**30 245**	**38 424**

The decline in public-sector loans was characterized by maturing transactions with guarantor's liability, among other things.

The decrease in securities repurchase transactions, mainly from tri-party repo transactions with major credit institutions and central counterparties with international operations, was principally a result of the net presentation of securities repurchase transactions.

34. Loans and advances to customers.

Breakdown by business type.

EUR million	31 Dec. 2015	31 Dec. 2014
Other loans	28 296	29 336
Mortgage loans	31 092	30 030
Public-sector loans	17 282	20 332
Receivables from finance leases	4 616	4 991
Transmitted loans	3 213	3 396
Securities repurchase transactions	11 318	11 513
Current account claims	2 701	3 688
Overnight and term money	4 038	3 804
Borrower's note loans	2 777	2 428
Other receivables	3 452	3 677
Total	**108 785**	**113 195**
of which to central counterparties	2 728	2 778

Breakdown by region.

EUR million	31 Dec. 2015	31 Dec. 2014
Customers within Germany	72 794	79 066
Customers outside Germany	35 991	34 129
Total	**108 785**	**113 195**

This trend was essentially influenced by high maturities, as a result of which public-sector loans declined.

The item »Other loans« contains mainly syndicated loans in the amount of EUR 8 847 million (previous year: EUR 10 132 million) and corporate finance not secured by mortgages.

For explanations on leasing business, see Note 70.

35. Allowances for losses on loans and advances.

The allowances for losses on loans and advances deducted from assets changed as follows in the financial year:

	Specific/collective valuation allowance			Portfolio valuation allowance		
EUR million	Loans and advances to banks	Loans and advances to customers	of which from finance leases	Loans and advances to banks	Loans and advances to customers	of which from finance leases
Balance as at 1 January 2015	**2**	**1 453**	**119**	**7**	**132**	**16**
Utilization	0	– 407	– 31	0	0	0
Additions	0	226	24	4	59	4
Reversals	– 2	– 231	– 19	– 5	– 83	– 8
Change in present value brought about by the change in remaining lifetime (unwinding)	0	– 26	– 1	0	0	0
Changes resulting from exchange rate fluctuations and other changes	2	– 3	– 3	0	0	0
Balance as at 31 December 2015	**2**	**1 013**	**91**	**6**	**108**	**13**

	Specific/collective valuation allowance			Portfolio valuation allowance		
EUR million	Loans and advances to banks	Loans and advances to customers	of which from finance leases	Loans and advances to banks	Loans and advances to customers	of which from finance leases
Balance as at 31 December 2013	2	2 017	148	7	175	27
Restatement of prior year amounts	0	0	1	0	0	0
Balance as at 1 January 2014	**2**	**2 017**	**149**	**7**	**175**	**27**
Utilization	0	– 576	– 47	0	0	0
Additions	1	407	33	5	74	4
Reversals	– 1	– 350	– 17	– 5	– 115	– 13
Changes in the scope of consolidation	0	– 4	0	0	0	0
Change in present value brought about by the change in remaining lifetime (unwinding)	0	– 44	– 1	0	0	0
Changes resulting from exchange rate fluctuations and other changes	0	3	1	0	– 2	– 2
Balance as at 31 December 2014	**2**	**1 453**	**119**	**7**	**132**	**16**

Please refer to Note 49 for explanations on provisions for credit risks. For explanations on leasing business, see Note 70.

36. Financial assets at fair value through profit or loss.

EUR million	31 Dec. 2015	31 Dec. 2014
Trading assets	61 678	76 031
Financial assets designated at fair value	913	1 001
Positive fair values from hedging derivatives	2 174	2 839
Total	**64 765**	**79 871**

Trading assets and financial assets designated at fair value.

EUR million	Trading assets		Financial assets designated at fair value	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Debentures and other fixed-income securities	14 460	19 999	278	288
Money market instruments	648	1 675	0	0
Bonds and debentures	13 812	18 324	278	288
Equities and other non-fixed-income securities	750	808	185	223
Equities	310	199	0	10
Investment units	440	609	182	200
Other securities	0	0	3	13
Others	22 351	24 317	450	490
Borrower's note loans	3 945	4 883	426	442
Other money market transactions	16 892	18 323	0	21
Other loans and receivables			24	27
Miscellaneous	1 515	1 111	0	0
Positive fair values from derivative financial instruments	24 117	30 907		
Total	**61 678**	**76 031**	**913**	**1 001**

The decline in trading assets resulted, first of all, from maturities in bonds and debentures. This reduction in the portfolio could be offset only partially by new business. In addition, the declining trend in the derivatives valuation because of the slight increase in long-term interest rates contributed to the reduction.

The item contained EUR 4 636 million (previous year: EUR 3 141 million) in total collateral provided with the protection buyer's right to resell or pledge.

Trading assets and money market instruments, bonds and debentures designated at fair value were divided between public-sector and other issuers as follows:

EUR million	Trading assets		Financial assets designated at fair value	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Marketable and listed securities	12 492	17 675	116	82
Marketable and unlisted securities	2 718	3 132	345	425
Non-marketable securities	0	0	2	4
Total	**15 210**	**20 807**	**463**	**511**

Trading assets and money market instruments, bonds and debentures designated at fair value were divided between public-sector and other issuers as follows:

EUR million	Trading assets		Financial assets designated at fair value	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Public-sector issuers	3 843	5 676	27	28
Other issuers	10 616	14 323	251	260
Total	**14 460**	**19 999**	**278**	**288**

Positive fair values from hedging derivatives.

The positive fair values from derivatives which are used to secure hedged items against the interest rate risk are included in this item. Interest rate swaps and cross-currency interest rate swaps were designated as hedging instruments.

EUR million	31 Dec. 2015	31 Dec. 2014
Positive fair values from portfolio fair value hedges	1 610	2 121
Positive fair values from micro fair value hedges	564	719
Total	**2 174**	**2 839**

The drop in positive fair values from hedging derivatives was due to the reduction in the volume of the designated underlying transaction as well as the slight increase in long-term interest rates, among other things.

The positive fair values from hedging derivatives were broken down by hedged items as follows:

EUR million	31 Dec. 2015	31 Dec. 2014
Assets		
Derivative hedges on financial investments	0	1
AfS category	0	1
Equity and liabilities		
Derivative hedges on deposits from banks	26	41
Derivative hedges on deposits from customers	153	169
Derivative hedges on securitized liabilities	50	156
Derivative hedges on subordinated liabilities	334	352
Derivative hedges on portfolio fair value hedges	1 610	2 121
Total	**2 174**	**2 839**

37. Financial investments.

EUR million	31 Dec. 2015	31 Dec. 2014
Debentures and other fixed-income securities	24 181	27 924
Money market instruments	192	479
Bonds and debentures	23 988	27 445
Equities and other non-fixed-income securities	26	1
Equities	0	1
Other securities	26	0
Equity investments	859	908
Shares in affiliates	164	217
Total	**25 230**	**29 050**

The decrease in financial investments in the financial year under review resulted in particular from maturities of securities due to the expiry of the guarantor's liability, which exceeded new business in sovereign and Länder bonds.

Financial investments included EUR 2 537 million (previous year: EUR 4 757 million) in total collateral provided where the protection buyer has the right to resell or pledge.

The securities held as financial investments were classified as follows by marketability and stock exchange listing items:

EUR million	31 Dec. 2015	31 Dec. 2014
Marketable and listed securities	18 346	19 781
Marketable and unlisted securities	5 828	8 125
Non-marketable securities	32	19
Total	**24 207**	**27 925**

Money market instruments, bonds and debentures in financial investments were divided between public-sector and other issuers as follows:

EUR million	31 Dec. 2015	31 Dec. 2014
Public-sector issuers	18 891	14 022
Other issuers	5 290	13 902
Total	**24 181**	**27 924**

Changes in non-current financial investments in the 2015 and 2014 financial years are shown in the table below:

EUR million	Equity investments	Shares in affiliates	Total
Historical cost			
Balance as at 1 January 2015	774	312	1 086
Additions	7	12	18
Disposals	– 72	– 77	– 149
Changes from foreign currency translation	6	0	6
Reclassifications	2	– 2	0
Changes in the scope of consolidation	0	21	21
Transfer to non-current assets and disposal groups held for sale	– 12	– 37	– 49
Balance as at 31 December 2015	**706**	**228**	**934**
Depreciation, amortization and write-downs			
Balance as at 1 January 2015	– 210	– 130	– 340
Write-downs in the financial year	– 4	– 6	– 10
Disposals	21	3	24
Changes from foreign currency translation	– 1	0	– 1
Reclassifications	– 2	2	0
Transfer to non-current assets and disposal groups held for sale	2	8	9
Balance as at 31 December 2015	**– 195**	**– 122**	**– 318**
Changes in fair value			
Balance as at 1 January 2015	344	35	379
Changes in fair value	72	64	136
Changes from foreign currency translation	1	1	2
Transfers to income statement	– 6	6	– 1
Changes in the scope of consolidation	0	4	4
Transfer to non-current assets and disposal groups held for sale	– 62	– 50	– 113
Balance as at 31 December 2015	**348**	**59**	**407**
Carrying amount as at 31 December 2015	**859**	**164**	**1 023**

EUR million	Equity investments	Shares in affiliates	Total
Historical cost			
Balance as at 1 January 2014	726	537	1 263
Additions	186	2	188
Disposals	– 164	– 18	– 182
Changes from foreign currency translation	11	0	11
Reclassifications	– 3	0	– 3
Changes in the scope of consolidation	18	– 209	– 191
Balance as at 31 December 2014	**774**	**312**	**1 086**
Depreciation, amortization and write-downs			
Balance as at 1 January 2014	– 286	– 158	– 444
Write-downs in the financial year	– 11	– 2	– 13
Disposals	101	1	102
Changes from foreign currency translation	– 10	0	– 10
Reclassifications	2	0	2
Changes in the scope of consolidation	– 6	29	23
Balance as at 31 December 2014	**– 210**	**– 130**	**– 340**
Changes in fair value			
Balance as at 1 January 2014	448	144	592
Changes in fair value	– 24	2	– 22
Changes from foreign currency translation	2	– 2	0
Transfers to income statement	– 85	1	– 84
Changes in the scope of consolidation	3	– 110	– 107
Balance as at 31 December 2014	**344**	**35**	**379**
Carrying amount as at 31 December 2014	**908**	**217**	**1 125**

38. Shares in investments accounted for using the equity method.

EUR million	31 Dec. 2015	31 Dec. 2014
Associates	227	296
Joint ventures	12	6
Total	**239**	**302**

39. Non-current assets and disposal groups held for sale.

Following the realignment of the LBBW Croup and the further portfolio adjustments it is aiming for in this process, LBBW conducted or concluded negotiations on the sale of non-current assets and disposal groups in the period under review.

Compared with the previous year, the following changes arose in relation to the non-current assets and disposal groups classified as held for sale:

- In the 2014 financial year, LBBW entered into negotiations for the sale of an investment accounted for using the equity method and a share in an investment accounted for using the equity method. The assets were disposed of in the second quarter of 2015. This affected the Corporate Items reporting segment.
- In addition, negotiations were entered into in the 2014 financial year about the sale of individual properties. These properties were disposed of gradually in the 2015 financial year. This affected the Corporates reporting segment.
- In the year under review LBBW opened negotiations on the sale of two unconsolidated equity investments. One equity investment that was allocated to the Corporate Items reporting segment was disposed of already in January 2016. Another equity investment allocated to the Retail/Savings Banks reporting segment is due to be disposed of during 2016.
- LBBW opened negotiations about a property at the end of the 2015 financial year. The sale is expected to be concluded during 2016. This affected the Corporates reporting segment

The reclassification of non-current assets in accordance with IFRS 5 did not result in any impairments in the period under review.

The main groups of assets and liabilities held for sale were as follows:

EUR million	31 Dec. 2015	31 Dec. 2014
Assets		
Financial investments	104	0
Shares in investments accounted for using the equity method	0	76
Investment property	49	16
Property and equipment	0	1
Total	**153**	**93**

40. Intangible assets.

The changes in intangible assets are shown in the following tables for 2015 and 2014:

EUR million	Software acquired	Goodwill	Advance payments and acquisition costs for development and preparation	Other intangible assets	Intangible assets developed inhouse	Total
Historical cost						
Balance as at 1 January 2015	683	933	28	31	9	1 684
Currency translation differences	1	0	0	0	0	1
Additions	34	0	36	18	3	91
Transfers	10	0	– 14	0	4	0
Disposals	– 2	0	0	– 1	– 1	– 4
Balance as at 31 December 2015	**725**	**933**	**51**	**49**	**15**	**1 773**
Amortization and impairment losses/ reversals of impairment losses						
Balance as at 1 January 2015	– 610	– 553	0	– 27	– 5	– 1 195
Scheduled amortization	– 32	0	0	– 1	– 2	– 36
Unscheduled write-downs	0	0	0	– 4	0	– 4
Transfers	1	0	0	0	– 1	0
Disposals	2	0	0	1	1	4
Balance as at 31 December 2015	**– 640**	**– 553**	**0**	**– 31**	**– 8**	**– 1 231**
Carrying amounts						
Balance as at 1 January 2015	73	380	28	4	4	489
Balance as at 31 December 2015	85	380	51	18	8	541

EUR million	Software acquired	Goodwill	Advance payments and acquisition costs for development and preparation	Other intangible assets	Intangible assets developed inhouse	Total
Historical cost						
Balance as at 1 January 2014	633	933	33	31	6	1 636
Changes in the scope of consolidation	17	0	0	0	0	17
Additions	33	0	17	0	2	52
Transfers	22	0	– 22	0	1	1
Disposals	– 22	0	0	0	0	– 22
Balance as at 31 December 2014	**683**	**933**	**28**	**31**	**9**	**1 684**
Amortization and impairment losses/ reversals of impairment losses						
Balance as at 1 January 2014	– 575	– 537	0	– 26	– 4	– 1 142
Changes in the scope of consolidation	– 17	0	0	0	0	– 17
Scheduled amortization	– 40	0	0	– 1	– 1	– 42
Unscheduled write-downs	0	– 16	0	0	0	– 16
Disposals	22	0	0	0	0	22
Balance as at 31 December 2014	**– 610**	**– 553**	**0**	**– 27**	**– 5**	**– 1 195**
Carrying amounts						
Balance as at 1 January 2014	58	396	33	5	2	494
Balance as at 31 December 2014	73	380	28	4	4	489

Amortization and write-downs of intangible assets, both scheduled and unscheduled – with the exception of goodwill (separate item in the income statement) – are recognized in the »Amortization and write-downs of intangible assets« item under »Administrative expenses«.

Customer relationships activated as part of a company acquisition were completely written down at year-end 2015 in the amount of EUR – 4 million on a non-scheduled basis.

Intangible assets of EUR 62 million (previous year: EUR 84 million) had a remaining useful life of more than 12 months as at the reporting date.

Goodwill.

Please refer to the explanations in the General Accounting and Valuation Methods with regard to the procedure for conducting an impairment test in accordance with IAS 36. The carrying amount of goodwill and the gross amounts and cumulative impairments developed as following in the segments in the financial year:

	Corporates		Financial markets		Total	
EUR million	2015	2014	2015	2014	2015	2014
Balance as at 1 January	380	380	0	16	380	396
Impairment	0	0	0	– 16	0	– 16
Balance as at 31 December	**380**	**380**	**0**	**0**	**380**	**380**
Gross amount of goodwill	917	917	16	16	933	933
Cumulative impairment	– 537	– 537	– 16	– 16	– 553	– 553

There is no goodwill in segments other than those presented above.

A capitalization rate of 9.67 % or 7.92 % is used in the impairment tests for the Corporates I segment as a perpetual annuity. The capitalization rates shown are post-tax interest rates.

In validating the value in use determined for the cash-generating unit, specific external factors and important value drivers are reviewed regularly. Sensitivity considerations were initiated in relation to the goodwill allocated to the cash-generating unit. The main assumptions, comprising the discounting rate and profit forecasts, were subject to a sensitivity review.

The recoverable amount is higher than the carrying amount, so that realistic changes to important assumptions for calculating the recoverable amount of the goodwill-bearing Corporates segment do not result in any impairment.

The cash flow forecast of the cash-generating unit is based on the planning drawn up by LBBW at the end of 2015. The key assumptions of the planning are a historically low interest rate environment and a stable economic situation with moderate GDP growth in Germany. Growth is also assumed for the eurozone, albeit more subdued than in Germany. The economic market parameters are prepared by LBBW Research. The years after 2016 will also be defined by the implementation of rising regulatory requirements and the reaction of the banking sector to the resultant change in general conditions.

41. Investment property.

The carrying amounts of the investment property measured at fair value developed as follows in the year under review.

EUR million	2015	2014
Carrying amount as at 1 January	**705**	**481**
Additions	158	4
Disposals	- 90	- 4
Changes in the scope of consolidation	0	148
Transfer to non-current assets or disposal groups held for sale	- 49	- 16
Currency translation differences	24	53
Changes in fair value from assets	- 34	- 37
Transfers out of/into inventories and property and equipment	- 65	80
Other reclassifications	2	- 4
Carrying amount as at 31 December	**649**	**705**

Investment property of EUR 649 million (previous year: EUR 701 million) had a remaining useful life of more than 12 months as at the reporting date.

42. Property and equipment.

The following table shows the changes in property and equipment in the year under review and the previous year.

EUR million	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under construction	Leased assets under finance leases	Leased assets under operating leases	Total
Historical cost							
Balance as at 1 January 2015	1 082	94	357	5	11	219	1 768
Currency translation differences	- 2	0	0	0	0	0	- 1
Additions	10	0	10	5	0	3	28
Transfers	17	44	- 40	- 2	0	46	65
Disposals	- 5	- 1	- 23	- 1	0	- 1	- 31
Balance as at 31 December 2015	**1 102**	**138**	**305**	**6**	**10**	**267**	**1 829**
Amortization and impairment losses/reversals of impairment losses							
Balance as at 1 January 2015	- 643	- 76	- 254	0	- 7	- 144	- 1 123
Scheduled amortization	- 33	- 3	- 17	0	- 1	- 4	- 58
Unscheduled write-downs	- 5	0	0	0	0	- 1	- 6
Transfers	17	- 42	38	0	0	- 14	- 1
Disposals	5	1	22	0	0	0	29
Balance as at 31 December 2015	**- 659**	**- 120**	**- 210**	**0**	**- 7**	**- 162**	**- 1 158**
Carrying amounts							
Balance as at 1 January 2015	438	19	104	5	4	75	645
Balance as at 31 December 2015	443	18	95	6	3	105	670

EUR million	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under construction	Leased assets under finance leases	Leased assets under operating leases	Total
Historical cost							
Balance as at 1 January 2014	**703**	**97**	**313**	**3**	**11**	**213**	**1 340**
Changes in the scope of consolidation	399	0	53	2	0	74	528
Currency translation differences	0	0	1	0	0	0	1
Additions	4	1	11	3	0	0	19
Transfers	– 17	0	1	– 2	0	– 63	– 81
Disposals	– 3	– 4	– 21	– 1	0	– 3	– 32
Transfers to non-current assets and disposal groups held for sale	– 5	0	0	0	0	– 2	– 7
Balance as at 31 December 2014	**1 082**	**94**	**357**	**5**	**11**	**219**	**1 768**
Amortization and impairment losses/reversals of impairment losses							
Balance as at 1 January 2014	– 318	– 76	– 204	0	– 7	– 88	– 694
Changes in the scope of consolidation	– 302	0	– 50	0	0	– 57	– 409
Scheduled amortization	– 26	– 4	– 17	0	0	– 4	– 51
Unscheduled write-downs	– 3	0	0	0	0	– 2	– 5
Transfers	1	0	0	0	0	3	4
Disposals	2	4	18	0	0	2	26
Transfers to non-current assets and disposal groups held for sale	3	0	0	0	0	2	5
Balance as at 31 December 2014	**– 643**	**– 76**	**– 254**	**0**	**– 7**	**– 144**	**– 1 124**
Carrying amounts							
Balance as at 1 January 2014	384	21	109	3	4	125	646
Balance as at 31 December 2014	438	18	104	5	4	75	644

The integration of two property management companies resulted in reclassifications within the land and buildings.

Amortization and write-downs are recognized under the »Depreciation of property and equipment« item in »Administrative expenses«.

As at the reporting date, property and equipment in the amount of EUR 603 million (previous year: EUR 512 million) had a remaining useful life of more than 12 months.

43. Income tax assets.

EUR million	31 Dec. 2015	31 Dec. 2014
Current income tax assets	114	219
of which in Germany	95	205
of which outside Germany	19	14
Deferred income tax assets	1 027	1 145
Total	**1 141**	**1 364**

Of the current income tax assets, EUR 114 million is due within one year (previous year: EUR 219 million). Deferred income tax assets amounting to EUR 1 027 million have a term of over 12 months (previous year: EUR 1 145 million).

For a detailed description of income tax assets, see Note 31.

44. Other assets.

EUR million	31 Dec. 2015	31 Dec. 2014
Inventories	400	380
Receivables from tax authorities	16	30
Receivables from investment income received in the same period	6	9
Other miscellaneous assets	568	619
Total	**989**	**1 038**

»Other assets« included assets amounting to EUR 23 million (previous year: EUR 26 million) with a remaining useful life of more than 12 months.

Borrowing costs of EUR 2 million (previous year: EUR 1 million) were capitalized (further details can be found in Note 18).

The inventories can be broken down as follows:

EUR million	31 Dec. 2015	31 Dec. 2014
Land and land rights, with unfinished buildings	192	150
Work in progress and development measures	73	88
Land and land rights, with finished buildings	11	17
Land and land rights, without buildings	17	29
Other inventories	107	96
Total	**400**	**380**

The carrying amount of inventories recognized at fair value less costs to sell was EUR 16 million (previous year: EUR 12 million).

Scheduled and unscheduled impairments are reported under the item »Other operating income/expenses«.

LBBW recognizes precious metal portfolios, among other things, under »Other inventories«.

45. Deposits from banks.

Breakdown by business type.

EUR million	31 Dec. 2015	31 Dec. 2014
Securities repurchase transactions	8 676	11 834
Transmitted loans	23 234	23 079
Borrower's note loans	4 656	8 133
Overnight and term money	2 308	2 856
Public-sector registered covered bonds issued	909	1 738
Current account liabilities	1 993	1 920
Mortgage-backed registered covered bonds issued	324	468
Other liabilities	2 148	2 286
Total	**44 248**	**52 314**
of which to central counterparties	3 717	5 798

Breakdown by region.

EUR million	31 Dec. 2015	31 Dec. 2014
Banks within Germany	39 581	46 954
Banks outside Germany	4 667	5 360
Total	**44 248**	**52 314**

In addition to a lower volume of business in securities repurchase transactions, the higher volume of maturities in borrower's note loans also contributed to the decline in deposits from banks.

46. Deposits from customers.

Breakdown by business type.

EUR million	31 Dec. 2015	31 Dec. 2014
Current account liabilities	34 753	31 925
Overnight and term money	8 291	8 815
Borrower's note loans	2 351	6 828
Securities repurchase transactions	2 745	7 337
Public-sector registered covered bonds issued	3 990	5 532
Savings deposits	7 142	7 337
Mortgage-backed registered covered bonds issued	944	1 077
Other liabilities	2 323	1 023
Total	**62 540**	**69 874**
of which to central counterparties	2 447	5 929

Breakdown by region.

EUR million	31 Dec. 2015	31 Dec. 2014
Customers within Germany	55 504	58 158
Customers outside Germany	7 036	11 716
Total	**62 540**	**69 874**

The decline in deposits from customers was attributable to a lower volume of business in securities repurchase transactions and to a high volume of maturities in borrower's note loans, among other things.

47. Securitized liabilities.

Securitized liabilities primarily comprise issued debentures and other liabilities securitized in the form of transferable instruments.

EUR million	31 Dec. 2015	31 Dec. 2014
Issued debentures	25 133	42 876
Mortgage-backed covered bonds	6 834	4 535
Public-sector covered bonds	5 898	7 456
Other bonds	12 401	30 886
Other securitized liabilities	4 291	1 355
Total	**29 424**	**44 231**

The decline in securitized liabilities was mainly due to scheduled maturities arising from the phase-out of guarantor's liability, especially in other bonds and public-sector Pfandbriefe. Mortgage Pfandbriefe generated a slight compensating effect thanks to new issues.

See Note 68 for explanations regarding issuing activity.

48. Financial liabilities at fair value through profit or loss.

EUR million	31 Dec. 2015	31 Dec. 2014
Trading liabilities	67 278	66 204
Financial liabilities designated at fair value	3 257	4 963
Negative fair values from hedging derivatives	3 528	4 077
Total	**74 063**	**75 244**

Trading liabilities and financial liabilities designated at fair value.

	Trading liabilities		Financial liabilities designated at fair value	
EUR million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Negative fair values from trading derivatives and economic hedging derivatives	23 445	29 874		
Money market transactions	36 190	26 575	88	78
Securitized liabilities	7 069	9 397	1 587	2 475
Delivery obligations from short sales of securities	550	324		
Borrower's note loans	24	33	643	1 184
Subordinated liabilities			323	673
Other	0	0	617	553
Total	**67 278**	**66 204**	**3 257**	**4 963**

The decline in securitized liabilities in the trading portfolio resulted in particular from maturities in certificates of deposit and commercial paper. The maturity of some securities led to a decline of the portfolio designated at fair value. The increase in money market transactions was largely driven by strong demand for money market products.

Negative fair values from hedging derivatives.

The negative fair values from derivatives that are used to secure hedged items against interest rate risks are reported in this item. Interest rate swaps and cross-currency interest rate swaps were designated as hedging instruments.

EUR million	31 Dec. 2015	31 Dec. 2014
Negative fair values from portfolio fair value hedges	2 296	2 502
Negative fair values from micro fair value hedges	1 231	1 575
Total	**3 528**	**4 077**

The negative fair values from hedging derivatives were broken down by hedged item as follows:

EUR million	31 Dec. 2015	31 Dec. 2014
Assets		
Derivative hedges on loans and advances to banks	27	6
Derivative hedges on loans and advances to customers	303	358
Derivative hedges on financial investments	881	1 178
AfS category	881	1 178
Equity and liabilities		
Derivative hedges on deposits from customers	0	9
Derivative hedges on securitized liabilities	21	24
Derivative hedges on portfolio fair value hedges	2 296	2 502
Total	**3 528**	**4 077**

49. Provisions.

EUR million	31 Dec. 2015	31 Dec. 2014
Provisions for pensions	2 908	2 875
Provisions for litigation and recourse risks	146	231
Provisions for lending business	71	79
Other personnel-related provisions	104	97
Other provisions	171	173
Total	**3 401**	**3 455**

As at the reporting date, provisions of EUR 108 million (previous year: EUR 195 million) had a remaining term to maturity of less than 12 months.

Provisions for pensions.

The composition of net additions to provisions for pensions and other post-employment benefit obligations is shown in the following table:

EUR million	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Net interest income from defined benefit plans	– 61	– 79
Current service cost including the release of pension liabilities	– 63	– 45
Net additions to provisions for pensions and other post-employment benefit obligations	**– 124**	**– 124**

The present value of the defined benefit obligations is broken down into the following components:

EUR million	2015	2014
Balance as at 1 January	**3 117**	**2 529**
Changes recognized in the income statement	129	132
Interest expense/income	66	87
Current service cost including the release of pension liabilities	63	45
Changes recognized in other income	3	558
Actuarial gains(+)/losses(-) from changes to the demographic assumptions	6	– 11
Actuarial gains(+)/losses(-) from changes to the financial assumptions	– 18	543
Experience-based actuarial gains(+)/losses(-)	12	24
Changes in exchange rates	2	2
Other changes	– 104	– 102
Employer contributions	1	0
Pension benefits paid	– 105	– 102
Balance as at 31 December	**3 144**	**3 117**

The present value of the defined pension obligations was classified as follows by the type of beneficiary:

EUR million	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Present value of the pension obligations for active employers	1 135	1 081
Present value of the pension obligations for candidates	457	483
Present value of the pension obligations for retirees	1 552	1 553
Total	**3 144**	**3 117**

This present value was broken down as follows by type of benefit:

EUR million	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Present value of the accrued but non-vested pension obligations	295	197
Present value of the vested pension obligations	2 849	2 920
Total	**3 144**	**3 117**

The present value of the defined benefit plans arose from the following commitments or benefits:

EUR million	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Present value of the pension obligations based on conditional benefits	3	3
Present value of the pension obligations based on future salary increases	288	194
Present value of the pension obligations based on other benefits	2 853	2 920
Total	**3 144**	**3 117**

Obligations under defined benefit plans were calculated using the following actuarial assumptions:

in %	31 Dec. 2015	31 Dec. 2014
Fluctuation	4.50	4.50
Discount rate	2.18	2.15
Expected rate of salary increase	1.85	1.85
Expected rate of pension increase	1.70	1.70
Career dynamics	0.50	0.50

Life expectancy, marriage probability and disability were calculated using the 2005 Heubeck mortality tables. Commencement of retirement is determined using the retirement age in accordance with actuarial assumptions.

The following overview shows the sensitivity of the pension obligation as at the balance sheet date with regard to each isolated change to important assumptions. A change in the individual parameters of 0.5 percentage points would have had the following impact on the pension obligation at the end of the year under review, if all other assumptions remained constant:

31 Dec. 2015 EUR million	Increase of 0.5 % pp	Decrease of 0.5 % pp
Defined benefit pensions		
Change in calculatory interest rate	– 228	258
Change in expected income development	88	– 81
Change in expected pension growth	64	– 58
Change in career dynamics	6	– 6
Change in fluctuation	– 1	1

31 Dec. 2014 EUR million	Increase of 0.5 % pp	Decrease of 0.5 % pp
Defined benefit pensions		
Change in calculatory interest rate	– 231	262
Change in expected income development	94	– 86
Change in expected pension growth	63	– 57
Change in career dynamics	7	– 6
Change in fluctuation	– 1	1

A one-year increase in life expectancy would lead to a EUR 103 million increase in the defined benefits.

When calculating the sensitivities, each parameter was stressed, all other things remaining equal. A correlation between the valuation assumptions was therefore not taken into account.

The fair value of plan assets consisted of the following at year-end:

EUR million	31 Dec. 2015	31 Dec. 2014
Time deposits and other cash and cash equivalents	27	7
Level 1 measurement	20	3
Level 2 measurement	7	4
Securities	206	232
Securities – equity instruments	55	58
Equity instruments from banks	37	39
Level 1 measurement	37	39
Equity instruments from other financial corporations	18	19
Level 2 measurement	18	19
Securities - debt instruments	150	174
Debt instruments from financial institutions	142	167
Level 1 measurement	142	167
Debt instruments from other financial corporations	9	7
Level 2 measurement	9	7
Real Estate	3	3
Plan assets	**236**	**242**

None of the above assets were used directly by the LBBW Group.

The fair value of plan assets changed as follows during the financial year:

EUR million	2015	2014
Balance as at 1 January	242	241
Changes recognized in the income statement	6	8
Interest income/expense	6	8
Changes recognized in other income	0	6
Income/expense from the plan assets (less the income included in net interest income)	– 2	5
Changes in exchange rates	2	1
Other changes	– 11	– 13
Employer contributions	1	1
Pension benefits paid	– 12	– 14
Balance as at 31 December	**236**	**242**

For the coming financial year estimated contributions to plan assets to be paid by the employer amount to approximately EUR 1 million (previous year: EUR 1 million).

The present value of defined benefit obligations and the fair value of plan assets can be reconciled with the assets and liabilities as reported in the balance sheet as follows:

EUR million	31 Dec. 2015	31 Dec. 2014
Present value of defined benefit obligations	3 144	3 117
Present value of defined benefit obligations from unfunded plans	2 746	2 711
Present value of defined benefit obligations from wholly or partially funded plans	399	406
Fair value of plan assets	– 236	– 242
Obligations not covered by plan assets	2 908	2 875
Provisions for pensions	**2 908**	**2 875**

The weighted average maturity of the defined benefit obligation is 16.04 years (previous year: 16.33 years).

The following table shows the maturity analysis of the benefit payments in the current financial year:

EUR million	31 Dec. 2015
Maturity analysis	
Up to 1 year	106
More than 1 year to 5 years	473
More than 5 years to 10 years	661
More than 10 years to 15 years	760
More than 15 years	3 669

Other provisions.

The following table shows changes in other provisions in the year under review:

EUR million	Other personnel-related provisions	Provisions for credit risk	Provisions for litigation and recourse risk	Other provisions	Total
Balance as at 1 January 2015	97	79	231	173	580
Utilization	– 43	0	– 71	– 50	– 164
Reversals	– 2	– 43	– 55	– 6	– 106
Additions	50	36	39	58	183
Transfers	0	0	0	– 4	– 4
Discounting of non-current provisions	0		– 4	– 1	– 5
Compounding of non-current provisions	0		5	1	6
Change in present value brought about by the change in remaining lifetime (unwinding)		– 1			– 1
Changes not recognized in profit or loss	3	0	0	0	3
Currency translation differences	0	0	2	1	3
Balance as at 31 December 2015	**104**	**71**	**146**	**171**	**492**

The other personnel-related provisions include mainly provisions for early retirement and partial retirement.

Plan assets amounting to EUR 1 million were set up as at the balance sheet date for the obligation for settlement arrears from partial retirement contracts. The provisions for settlement arrears from partial retirement contracts amounting to EUR 1 million were offset against the plan assets in line with IAS 19.128.

In total, provisions with a term of over 12 months worth EUR 385 million were discounted.

The Group was faced with various legal proceedings and court actions arising in the ordinary course of business. Provisions were recognized for the risks involved in the management and the Group's legal advisors deem payments to be made by LBBW likely and the amounts involved can be estimated with sufficient reliability. There are other legal disputes where the Board of Managing Directors, after consultation with its legal advisors, holds the view that a payment by the Bank is unlikely (recognition as a contingent liability if necessary) or that the final settlement of these disputes does not affect the present consolidated financial statements in any material way.

50. Income tax liabilities.

Income tax liabilities include income taxes for the current and previous periods payable, but not yet paid, as at the balance sheet date.

EUR million	31 Dec. 2015	31 Dec. 2014
Current income tax liabilities	62	69
of which provisions for income tax	56	63
of which income tax liabilities to tax authorities	6	6
Deferred income tax liabilities	27	74
Total	**89**	**143**

Of the current income tax liabilities, EUR 62 million is due within one year (previous year: EUR 69 million). Deferred income tax liabilities amounting to EUR 27 million have a term of over 12 months (previous year: EUR 74 million).

For a detailed description of income tax liabilities, see Note 31.

51. Other liabilities.

EUR million	31 Dec. 2015	31 Dec. 2014
Liabilities from		
Other taxes	53	194
Employment	34	44
Deliveries and services	125	82
Non-controlling interests	0	3
Finance leases	4	5
Advances received	94	63
Other miscellaneous liabilities	399	396
Total	**709**	**787**

Other liabilities with maturities of more than 12 months amounted to EUR 40 million (previous year: EUR 35 million).

For a detailed description of leasing business, see Note 70.

52. Subordinated capital.

In the event of insolvency proceedings or liquidation, the reported subordinated capital may not be repaid until all non-subordinated creditors have been satisfied. Subordinated capital is broken down as follows:

EUR million	31 Dec. 2015	31 Dec. 2014
Typical silent partners' contributions	1 298	1 458
Subordinated liabilities	3 917	4 510
Capital generated from profit participation rights	114	261
Total	**5 329**	**6 229**

Subordinated capital declined mainly on the back of repayments of due liabilities. Based on the nominal capital, the subordinated liabilities decline by EUR 1 141 million and profit participation certificates and silent partners' contributions by EUR 140 million each. These were offset by a EUR 500 million new subordinated bond issue.

The sharp decline was due to several factors, including the end of the transition phase to the phase-out of the guarantor's liability. Subordinated liabilities that were issued between 19 July 2001 and 18 July 2005 with an agreed term up to 31 December 2015 were subject to the transitional regime. Of the repaid subordinated liabilities, almost EUR 900 million (nominal amount) was subject to the transitional regime.

Measurement and premiums and discounts are reported in »Subordinated capital«.

As at the reporting date, subordinated capital of EUR 566 million (previous year: EUR 1 517 million) was set to mature during the next 12 months.

Subordinated liabilities.

The following subordinated liabilities (incl. subordinated liabilities designated at fair value) existed at the balance sheet date, broken down according to product type.

	31 Dec. 2015			31 Dec. 2014		
EUR million	Capital	Interest accrued in year under review	Total	Capital	Interest accrued in year under review	Total
Subordinated EUR bearer bonds	1 943	32	1 975	2 230	32	2 262
Subordinated EUR registered securities	1 234	15	1 249	1 375	15	1 390
Subordinated foreign currency bearer bonds	608	16	625	1 097	17	1 114
Total	**3 786**	**62**	**3 848**	**4 702**	**64**	**4 766**

The table above includes subordinated registered securities and bonds designated at fair value with nominal capital in the amount of EUR 144 million (previous year: EUR 477 million).

The interest expense on subordinated liabilities (incl. subordinated liabilities designated at fair value) is EUR – 184 million (previous year: EUR – 177 million).

Capital generated by profit participation rights.

The capital generated from profit participation rights fulfils the requirements of Article 63 CRR for Tier 2 instruments. Pursuant to Article 64 CRR, amortization of the Tier 2 instruments shall occur on the basis of the number of days that have passed in the last five years of their term.

The terms of material profit participation rights (incl. profit participation rights designated at fair value) were as follows at the balance sheet date:

31 Dec. 2015 EUR million	Year of issue	Nominal amount	Interest rate in % p. a.	Maturity
Participation rights in bearer form				
	2010[1]	17	4.22	31 Dec. 2016
Registered participation rights				
Companies		242	4.77 to 7.18	up to 2022
Banks		10	4.82	31 Dec. 2020
Total		**269**		

1) Issue was terminated with effect from 31 December 2016.

The table above includes registered participation certificates designated at fair value with nominal capital in the amount of EUR 137 million (previous year: EUR 137 million).

Net interest income for capital generated from profit participation rights for the financial year (including profit-participation rights designated at fair value) totaled EUR – 19 million (previous year: EUR – 32 million).

Typical silent partners' contributions.

The silent partners' contributions do not meet the requirements of Article 52 CRR for additional Tier 1 instruments. However, due to the transitional provisions of Article 484 CRR, they may continue to be included within the limits of Article 486 CRR. The silent partners' contributions of LBBW could still be fully considered in 2015.

At the end of the financial year, the following contributions had been made by silent partners:

Duration[1]	Dividend payout as a percentage of the nominal amount	Nominal amount 31 Dec. 2015 EUR million	Nominal amount 31 Dec. 2014 EUR million
16 Apr. 1999 – 31 Dec. 2014		0.0	89.0
31 Dec. 1993 – 31 Dec. 2014 (terminated)		0.0	50.8
15 Feb. 1994 – 31 Dec. 2015 (terminated)	1.73	6.0	6.0
23 Nov. 1999 – 31 Dec. 2015	7.76	40.0	40.0
31 Dec. 1993 – 31 Dec. 2016 (terminated)	1.36	64.7	64.7
8 Dec. 1999 – 31 Dec. 2016	7.8 – 8.0	64.5	64.5
31 Dec. 1993 – 31 Dec. 2017[2] (terminated)	4.69	19.5	19.5
15 Nov. 1999 – 31 Dec. 2019	7.87	10.0	10.0
25 Apr. 1999 – 31 Dec. 2019	5.05	30.0	30.0
5 Jan. 2000 – 31 Dec. 2020	8.25	30.0	30.0
19 May 1999 – 31 Dec. 2024	7.11	20.0	20.0
13 Jul. 2001 – 31 Dec. 2026[3]	2.43	15.0	15.0
1 Oct. 1999 – 31 Dec. 2029	8.03 – 8.20	49.0	49.0
10 Mar. 2000 – 31 Dec. 2030	8.05 – 8.25	10.0	10.0
2 Jul. 2001 – 31 Dec. 2031	8.46	20.0	20.0
Silent partners' contributions with a fixed end of term		**378.7**	**518.5**

Expiry of the fixed interest period	Dividend payout as a percentage of the nominal amount	Nominal amount 31 Dec. 2015 EUR million	Nominal amount 31 Dec. 2014 EUR million
26 Jun. 2017	2.83	200.0	200.0
28 Oct. 2021	3.92	3.2	3.2
30 Oct. 2021	3.92	86.3	86.3
31 Dec. 2021	3.93	8.9	8.9
31 Dec. 2022	3.74	4.7	4.7
31 Dec. 2023	3.81	222.7	222.7
No expiry of the fixed interest period[4]	4.56	300.0	300.0
Silent partners' contributions without a fixed end of term		**825.8**	**825.8**
Total		**1 204.5**	**1 344.3**

1) Repayment takes place after approval of the annual financial statements in accordance with HGB at a contractually fixed date. Provided the start of the term is stated, the information relates to the first agreement entered into in a group of agreements with similar terms.
2) The future interest rate will be 1.23 %.
3) Annual adjustment of interest rates.
4) Interest rate is fixed. Only specific changes in the tax legislation have an impact on the interest rate.

The interest expense for silent partners' contributions totaled EUR – 53 million (previous year: EUR – 70 million) for the financial year.

53. Equity.

EUR million	31 Dec. 2015	31 Dec. 2014
Share capital	3 484	3 484
Capital reserve	8 240	8 240
Retained earnings	1 062	949
Other income	413	111
Unappropriated profit/loss	425	438
Shareholders' equity	13 624	13 222
Equity attributable to non-controlling interest	19	19
Total	**13 643**	**13 241**

Equity included accumulated actuarial gains and losses amounting to EUR – 682 million (previous year: EUR – 681 million), as well as taxes recognized directly in equity totaling EUR 300 million (previous year: EUR 345 million).

The detailed development of the individual components of the »Equity« item are shown in »Statement of changes in equity«.

Notes on financial instruments.

The disclosures in the following Notes largely meet the requirements in accordance with IFRS 13 and IFRS 7. Further IFRS 7 disclosures can be found in the risk and opportunity report.

54. Fair value measurement.

The fair value is defined in accordance with IFRS 13 as the price at which an asset or liability could be exchanged at the measurement date in an orderly transaction between market participants.

When determining the fair value, a company specifies the preferred, i.e. the principal market, for the asset or liability or, in the absence thereof, the most advantageous market. LBBW defines the principal market as the market with the highest trading volume and highest level of market activity for the cash-generating unit. This is not necessarily the market on which LBBW 's trading activity is the highest. LBBW sees the most advantageous market as that market on which – taking transaction and transport costs into account – the maximum proceeds can be achieved or the lowest amount must be paid when transferring a liability.

When calculating fair values, the LBBW Group uses prices (if available) from the principal market, provided these represent prices used within the scope of regular and current transactions. These are reviewed on the basis of the following criteria: timely availability, amount, executability and bid-offer spreads.

If no prices quoted on active markets are available, valuation procedures, prices for similar assets or liabilities, prices for identical assets or liabilities on non-active markets are used. Input parameters used for valuation procedures relate to parameters observable on the markets, if available. The application of these models and the use of these parameters requires assumptions and assessments on the part of the management, the extent of which depends on price transparency with regard to the financial instrument and its market and the complexity of the instrument. A significant amount of subjective assessment is necessary especially if no parameters observable on the markets are available.

The aim of the application of the valuation methods is to determine the price at which a transaction for a financial asset or liability could take place between knowledgeable third parties on the reporting date. Measurement methods therefore have to include all factors which market participants would take into account when fixing prices.

The fair values of holdings measured at fair value are subject to LBBW Group's internal controls and processes, in which the standards for the independent reviewing or validation of fair values are established. These controls and procedures are monitored by the Independent Price Verification (IPV) organizational unit within the Risk Controlling division. The models, inputs and resulting fair values are regularly checked by the Risk Methodology department.

The following table contains an overview of the valuation models applied for financial instruments:

Financial instruments	Valuation models	Material parameters
Interest rate swaps and options	Net present value method, Black-Scholes, 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	Black-Scholes, local volatility model	Equity prices, share volatility, dividends, interest rates (swap, repo)
Currency options	Garman-Kohlhagen (modified Black-Scholes)	FX rates, yield curves, FX volatility
Commodity options	Garman-Kohlhagen (modified Black-Scholes)	Commodity rates, yield curves, volatility
Credit derivatives	Intensity model, Copula model, credit correlation model	Credit spreads, yield curves and index tranche prices for the Copula models, correlation
Money market transactions	Net present value method	Credit spreads, yield curves
Securities repurchase transactions	Net present value method	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 bonds and borrower's note loans issued	Net present value method	Yield curves, own credit spread
Securitizations	Net present value method	Liquidity spreads, yield curves, prepayments, arrears and failure rates, losses

The valuation and the use of material parameters for non-current assets and disposal groups held for sale as well as liabilities from disposal groups is performed in line with the original balance sheet items.

The financial instruments stated above are allocated to the following main classes:

Class	Financial instruments
Assets carried at fair value	
Trading assets	Currency options, interest rate swaps and interest rate options, credit derivatives, equity/index options, commodity options, forward rate agreements, securities, forward security agreements, money market transactions, borrower's note loans
Financial assets designated at fair value	Securities, forward security agreements, money market transactions, borrower's note loans, loans
Positive fair values from hedging derivatives	Interest rate swaps and cross-currency interest rate swaps
Financial investments (AfS)	Securitizations, securities, forward security transactions, money market transactions
Assets carried at amortized cost	
Loans and advances to banks	Loans, borrower's note loans, forward security transactions, term money, money market transactions
Loans and advances to customers	Loans, borrower's note loans, forward security transactions, term money, money market transactions
Loans and advances to customers – of which finance leases	Finance lease agreements
Financial investments (LaR)	Securities
Non-current assets and disposal groups held for sale	According to the respective balance-sheet item
Liabilities measured at fair value	
Trading liabilities	Currency options, interest rate swaps and interest rate options, credit derivatives, equities, index options, commodity options, money market transactions, forward rate agreements
Financial liabilities designated at fair value	Own bearer bonds and borrower's note loans issued
Negative fair values from hedging derivatives	Interest rate swaps and cross-currency interest rate swaps
Liabilities carried at amortized cost	
Deposits from banks	Loans, borrower's note loans, term money, money market transactions, securities repurchase transactions
Deposits from banks - of which finance leases	Finance lease agreements
Deposits from customers	Loans, borrower's note loans, term money, money market transactions, securities repurchase transactions
Deposits from customers - of which finance leases	Finance lease agreements
Securitized liabilities	Own bearer bonds and borrower's note loans issued
Other liabilities – of which finance leases	Finance lease agreements
Subordinated capital	Bonds, participation certificates
Liabilities from disposal groups	According to the respective balance-sheet item
Irrevocable loan commitments	Credit line agreements

To the extent possible, the securities in the trading portfolio are valued via market prices or liquid prices of the relevant OTC market. If no active market price is available, fixed-income securities are valued using prices from non-active markets that are amended for valuation adjustments, or are derived from market data by means of the discounted cash flow method using rating- or sector-dependent yield curves and credit spreads.

Exchange-traded derivatives are valued using market prices.

The fair value of OTC derivatives is calculated using valuation models. A distinction is drawn between simple derivatives traded on liquid markets (such as interest rate swaps, cross-currency interest rate swaps and currency options) and complex derivatives that are traded on illiquid markets.

Simple derivatives traded on active markets are valued using recognized valuation measures that resort to non-observable parameters on a minor scale.

Derivatives whose fair value is calculated on the basis of complex methods using non-observable parameters with a material influence on the valuation are classified in Level 3 of the measurement hierarchy. In order to reduce price uncertainty from the unobservable parameters as far as possible, these are calibrated so that measurements from observed transactions or offers for comparable instruments, consensus prices of price service agencies or valuations of other market participants from matching processes match LBBW's own measurements to the extent possible.

For certain complex interest derivatives, the interest-interest correlations required for measurement by reference to option price models are based on expert estimates which are partially gained from historical observations and partially from market price-derived correlations. The »Correlation« parameter is assumed to be non-observable in this case and a Day One Reserve is formed for these complex interest rate derivatives.

In addition, parts of the complex credit derivatives are measured using correlations regarding probabilities of default, which are calculated on a monthly basis from consensus prices for standard transactions by a price service agency. As these correlations are classified as being non-observable, a Day One Reserve is set aside for the credit derivatives to which this measurement method is applied.

LBBW makes use of the portfolio exception in accordance with IFRS 13.48 for the fair value measurement of derivatives in the following:

- The adjustment amount is calculated on the basis of the net risk positions for some fair value adjustments (e.g. close-out costs).
- When measuring counterparty risks in relation to OTC derivatives, for which netting agreements were concluded with the counterparty, the credit value adjustments (hereinafter referred to as CVA) were calculated on net positions.

The fair value of securitizations for which the market prices of market services providers are to hand is measured on the basis of these prices and the classification in Level 2 (see fair value hierarchy). The fair values of securitizations for which current market prices are not sufficiently available (Level 3) are calculated using valuation models. These are standard market models based on the discounted cash flow method.

If the fair value of a financial instrument that is calculated using valuation methods does not take sufficient account of factors such as bid-offer spreads or close-out costs, liquidity, model, credit and/or counterparty risk, the Bank calculates valuation adjustments. The methods used do not always take into account parameters observed on the market. Valuation adjustments are currently made within the LBBW Group, particularly for the following issues:

- Recognition of credit risks in relation to receivables and counterparty default risks from OTC derivatives (CVA).
- Adjustment to mid-price based valuations on the use of bid/ask prices, for example, as close-out valuation adjustments for OTC interest rate and credit derivatives.
- Weaknesses in the models and/or parameters used, for example, so-called model valuation adjustments for specific equities, interest rate and credit derivatives.
- Day One profit or loss for specific complex derivatives.
- Adjustments for using market prices from markets that are not active (Level 2/Level 3) for interest-bearing securities.

When calculating the fair value of listed equity holdings that are allocated to the available-for-sale category, prices traded on an active market are used, if available. For non-listed companies or if no prices traded on an active market are available, the fair value is measured via a valuation method. The LBBW Group measures fair value in these cases mainly by means of the net income value, the discounted cash flow or the net asset value method. The valuation method is selected on the basis of a fixed decision tree. The fair value of real estate leasing special-purpose vehicles is generally measured on the basis of the DCF method. The net income value approach is generally used for the measurements of all other major equity investments. If the application of the net income value approach is associated with considerable uncertainty or cannot be depended on to be reliable due to a lack of data, the net asset value method is used, provided the equity investment's business activities are stable.

The fair value of assets and liabilities measured at amortized cost is calculated by discounting the future cash flows, taking into account rating-dependent spreads (exception: repurchase transactions). If rating-dependent spreads are derived from rating information obtained from external sources, classification is in Level 2. Rating information obtained from internal sources requires classification in Level 3. The fair values of receivables with a default rating are determined on the basis of expected future cash flows. The carrying amount is stated as the fair value of short-term assets and liabilities (e.g. current account assets and liabilities).

55. Fair value of financial instruments.

The following table compares the carrying amounts and the fair values of financial instruments.

Assets.

	31 Dec. 2015		31 Dec. 2014	
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	**1 167**	**1 167**	**1 936**	**1 936**
Assets carried at fair value				
Trading assets	61 678	61 678	76 031	76 031
Derivatives	24 117	24 117	30 907	30 907
Currency-linked derivatives	4 032	4 032	4 068	4 068
Interest rate-linked derivatives	19 561	19 561	26 261	26 261
Credit derivatives	180	180	192	192
Share/index-linked derivatives	285	285	301	301
Commodity-linked and other derivatives	60	60	86	86
Equity instruments	750	750	808	808
Securities	14 460	14 460	19 999	19 999
Receivables	22 351	22 351	24 317	24 317
Financial assets designated at fair value	913	913	1 001	1 001
Equity instruments	185	185	223	223
Securities	278	278	288	288
Loans and receivables	450	450	490	490
Positive fair values from hedging derivatives	2 174	2 174	2 839	2 839
Interest rate derivatives	2 163	2 163	2 746	2 746
Cross-currency interest rate swaps	11	11	93	93
Financial investments (AfS)	19 170	19 170	22 979	22 979
Equity instruments	1 041	1 041	1 121	1 121
Securities	18 129	18 129	21 858	21 858
Assets carried at amortized cost				
Loans and advances to banks after allowances for losses on loans and advances	30 237	31 362	38 415	39 826
Public-sector loans	22 781	23 893	28 056	29 428
Securities repurchase transactions	2 662	2 662	4 277	4 277
Other receivables	4 794	4 806	6 082	6 121
Loans and advances to customers after allowances for losses on loans and advances	107 665	112 715	111 610	118 377
Public-sector loans	17 273	19 674	20 302	23 194
Mortgage loans	30 907	33 515	29 754	33 103
Securities repurchase transactions	11 318	11 349	11 513	11 526
Other receivables	48 167	48 177	50 041	50 554
of which finance leases	4 512	4 722	4 856	5 227
Financial investments (LaR)	6 060	6 109	6 071	6 090
Equity instruments	7	7	5	5
Securitizations	323	324	66	66
Government bonds	5 501	5 547	5 551	5 562
Other securities	228	231	449	457
Non-current assets and disposal groups held for sale	**104**	**104**	**0**	**0**

Equity and liabilities.

EUR million	31 Dec. 2015 Carrying amount	31 Dec. 2015 Fair value	31 Dec. 2014 Carrying amount	31 Dec. 2014 Fair value
Liabilities measured at fair value				
Trading liabilities	67 278	67 278	66 204	66 204
Derivatives	23 445	23 445	29 874	29 874
Currency-linked derivatives	4 757	4 757	4 584	4 584
Interest rate-linked derivatives	17 413	17 413	24 099	24 099
Credit derivatives	476	476	495	495
Share/index-linked derivatives	727	727	630	630
Commodity-linked and other derivatives	73	73	67	67
Delivery obligations from short sales of securities	550	550	324	324
Deposits	36 214	36 214	26 608	26 608
Securitized liabilities	7 069	7 069	9 397	9 397
Financial liabilities designated at fair value	3 257	3 257	4 963	4 963
Deposits	1 549	1 549	2 025	2 025
Securitized liabilities	1 708	1 708	2 937	2 937
Negative fair values from hedging derivatives	3 528	3 528	4 077	4 077
Interest rate derivatives	3 441	3 441	4 005	4 005
Cross-currency interest rate swaps	87	87	72	72
Liabilities carried at amortized cost				
Deposits from banks	44 248	45 056	52 314	54 361
Securities repurchase transactions	8 676	8 675	11 834	11 830
Borrower's note loans	4 656	4 868	8 133	8 491
Other liabilities	30 916	31 512	32 347	34 040
Deposits from customers	62 540	63 898	69 874	71 786
Current account liabilities	34 753	34 769	31 925	32 037
Borrower's note loans	2 351	2 517	6 828	7 320
Registered covered bonds	4 934	5 808	6 609	7 728
Securities repurchase transactions	2 745	2 752	7 337	7 343
Other liabilities	17 757	18 052	17 175	17 358
Securitized liabilities	29 424	30 182	44 231	45 352
Other liabilities – of which finance leases	4	4	5	5
Subordinated capital	5 329	5 380	6 229	6 453
Subordinated liabilities	3 917	4 128	4 510	4 723
Capital generated from profit participation rights	114	140	261	319
Silent partners' contributions	1 298	1 112	1 458	1 411

See Note 39 for the detailed breakdown and valuation of assets held for sale and disposal groups.

56. Fair value hierarchy.

The fair values used when measuring financial instruments are to be classified in a three-level fair value hierarchy, taking into consideration the measurement methods and parameters used to carry out this measurement. If parameters from different levels are used to determine the fair value, the resulting fair value is assigned to the next level whose parameter has a material effect on the fair value measurement.

The three-level fair value hierarchy with Level 1, Level 2 and Level 3 - the terminology provided for in IFRS 13 - is specified as follows within the LBBW Group:

- All financial instruments with unadjusted prices quoted on active markets are assigned to the first group (Level 1).
- OTC derivatives measured using models, tradeable credits, structured Group debt instruments designated at fair value, units in investment funds and certain corporate/financial and government bonds with automatic provision from market information systems (observable parameters) and liquid asset-backed securities are assigned to the second group (Level 2).
- Level 3 comprises financial instruments for which one or more parameters are not based on observable market data and which exert a more than immaterial effect on the fair value of an instrument. This includes complex OTC derivatives, certain private equity investments, most of the loans and certain high-grade structured bonds including illiquid asset-backed securities and structured securitizations.

The following table shows the breakdown of the evaluation methods in relation to the balance sheet classes:

Assets.

EUR million	Prices traded on active markets (Level 1) 31 Dec. 2015	31 Dec. 2014	Valuation method – on the basis of externally observable parameters (Level 2) 31 Dec. 2015	31 Dec. 2014	Valuation method – on the basis of not externally observable parameters (Level 3) 31 Dec. 2015	31 Dec. 2014
Cash and cash equivalents	**140**	**126**	**1 027**	**1 801**	**0**	**9**
Assets carried at fair value						
Trading assets	6 413	7 888	54 573	67 543	691	600
Derivatives	295	299	23 395	30 021	426	587
Currency-linked derivatives	0	0	3 917	3 933	115	134
Interest rate-linked derivatives	0	0	19 255	25 812	306	449
Credit derivatives	0	0	179	192	0	0
Share/index-linked derivatives	259	258	21	40	5	3
Commodity-linked and other derivatives	37	41	23	45	0	0
Equity instruments	309	199	441	609	0	0
Securities	5 808	7 389	8 651	12 610	0	0
Receivables	0	0	22 086	24 304	265	13
Financial assets designated at fair value	0	0	901	951	12	50
Equity instruments	0	0	173	198	12	25
Securities	0	0	278	263	0	25
Receivables	0	0	450	490	0	0
Positive fair values from hedging derivatives	0	0	2 174	2 839	0	0
Interest rate derivatives	0	0	2 163	2 746	0	0
Cross-currency interest rate swaps	0	0	11	93	0	0
Financial investments (AfS)	16 104	12 401	2 602	10 015	464	563
Equity instruments	585	579	0	0	456	542
Securities	15 519	11 822	2 602	10 015	8	21
Investment property	0	0	0	0	649	705
Assets carried at amortized cost						
Loans and advances to banks after allowances for losses on loans and advances	0	0	4 789	15 546	26 572	24 280
Public-sector loans	0	0	788	9 306	23 105	20 122
Securities repurchase transactions	0	0	2 662	4 277	0	0
Other receivables	0	0	1 339	1 964	3 467	4 157
Loans and advances to customers after allowances for losses on loans and advances	0	0	21 855	26 800	90 860	91 577
Public-sector loans	0	0	5 714	7 983	13 960	15 211
Mortgage loans	0	0	1 594	438	31 920	32 665
Securities repurchase transactions	0	0	11 349	11 526	0	0
Other receivables	0	0	3 198	6 853	44 979	43 701
of which finance leases	0	0	0	0	4 722	5 227
Financial investments (LaR)	15	163	5 797	5 844	297	83
Equity instruments	0	0	0	0	7	5
Securitizations	0	0	34	38	290	28
Government bonds	0	0	5 547	5 512	0	50
Other securities	15	163	216	294	0	0
Non-current assets and disposal groups held for sale	**0**	**0**	**0**	**0**	**153**	**16**

Equity and liabilities.

EUR million	Prices traded on active markets (Level 1)		Valuation method – on the basis of externally observable parameters (Level 2)		Valuation method – on the basis of not externally observable parameters (Level 3)	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Liabilities measured at fair value						
Trading liabilities	1 255	829	65 702	64 920	321	455
Derivatives	707	516	22 417	28 903	321	455
Currency-linked derivatives	0	0	4 745	4 568	11	16
Interest rate-linked derivatives	0	0	17 109	23 667	304	432
Credit derivatives	0	0	475	490	1	4
Share/index-linked derivatives	639	457	83	170	5	3
Commodity-linked and other derivatives	68	59	5	8	0	0
Delivery obligations from short sales of securities	547	313	2	11	0	0
Deposits	0	0	36 214	26 608	0	0
Securitized liabilities	0	0	7 069	9 397	0	0
Financial liabilities designated at fair value	0	0	2 565	3 995	692	968
Deposits	0	0	1 511	1 866	38	160
Securitized liabilities	0	0	1 054	2 129	654	808
Negative fair values from hedging derivatives	0	0	3 528	4 077	0	0
Interest rate derivatives	0	0	3 441	4 005	0	0
Cross-currency interest rate swaps	0	0	87	72	0	0
Liabilities carried at amortized cost						
Deposits from banks	0	0	44 063	53 550	993	811
Securities repurchase transactions	0	0	8 675	11 830	0	0
Borrower’s note loans	0	0	4 868	8 473	0	18
Other liabilities	0	0	30 519	33 247	993	793
Deposits from customers	0	0	63 225	71 084	674	702
Current account liabilities	0	0	34 769	32 037	0	0
Borrower’s note loans	0	0	2 517	7 295	0	25
Registered covered bonds	0	0	5 808	7 728	0	0
Securities repurchase transactions	0	0	2 752	7 343	0	0
Other liabilities	0	0	17 378	16 681	674	677
Securitized liabilities	0	0	28 774	43 075	1 408	2 277
Other liabilities - of which finance leases	0	0	0	0	4	5
Subordinated capital	0	0	5 329	6 403	51	50
Subordinated liabilities	0	0	4 078	4 673	50	50
Capital generated from profit participation rights	0	0	139	319	1	0
Silent partners' contributions	0	0	1 112	1 411	0	0

Transfers to levels.

If the main parameters used change in the course of the fair value measurement, the classification in the fair value hierarchy is also adjusted. At the end of the reporting period, the necessary transfers between Levels 1– 3 are carried out using quality criteria for the market data used in the valuation that are defined by Risk Controlling. Prompt availability, volume, executability and bid-offer spreads of the market data used play a particular role.

For financial instruments measured using models, Risk Controlling identifies the model parameters necessary for the fair value measurement. The models are subject to a regular validation process and the observability of the necessary model parameters is monitored in Risk Controlling's price review process. This allows those financial instruments to be identified that must be transferred between Levels 2 and 3 of the measurement hierarchy.

The following transfers were made between Levels 1 and 2 in the fair value hierarchy since the last reporting date:

Assets.

EUR million	Transfers from Level 1 to Level 2 31 Dec. 2015	Transfers from Level 1 to Level 2 31 Dec. 2014	Transfers from Level 2 to Level 1 31 Dec. 2015	Transfers from Level 2 to Level 1 31 Dec. 2014
Assets carried at fair value				
Trading assets	47	1 296	522	153
Securities	47	1 296	522	153
Financial investments (AfS)	72	5 769	69	386
Securities	72	5 769	69	386

Equity and liabilities.

EUR million	Transfers from Level 1 to Level 2 31 Dec. 2015	Transfers from Level 1 to Level 2 31 Dec. 2014	Transfers from Level 2 to Level 1 31 Dec. 2015	Transfers from Level 2 to Level 1 31 Dec. 2014
Liabilities measured at fair value				
Trading liabilities	2	0	0	0
Delivery obligations from short sales of securities	2	0	0	0

In the year under review LBBW undertook reclassifications from Level 1 to Level 2 for which there were no listed prices from active markets. Conversely, securities were reclassified if listed prices from active markets became available for them again.

In the previous year, the allocation rules were adjusted in part for the definition of the fair value hierarchy of debentures; this was to reflect clarifications by the IFRIC with regard to the interpretation of IFRS 13 and current market conventions. This led to a migration of the fair value volume from Level 1 to Level 2, as well as marginal migration from Level 2 to Level 1.

Development of Level 3.

Changes per class in the portfolios of financial instruments measured at fair value and investment property, which were calculated using valuation models which include material non-observable parameters (Level 3), were as follows:

Assets.

31 Dec. 2015	Trading assets				
	Derivatives				Receivables
EUR million	Currency-linked derivatives	Interest rate-linked derivatives	Credit derivatives	Share/index-linked derivatives	
Carrying amount as at 1 January 2015	**134**	**449**	**0**	**3**	**13**
Gains and losses recognized in net consolidated profit/loss	38	– 115	0	2	5
of which net interest income	8	– 7	0	0	– 1
of which net trading income	29	– 109	0	2	6
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	0
of which net gains/losses from financial investments	0	0	0	0	0
of which other earnings items	0	0	0	0	0
Income and expenses recognized in Other income[1)]	0	0	0	0	0
Additions through acquisitions	0	0	0	0	255
Disposals through sales	0	– 18	0	0	0
Repayments/offsetting	– 56	– 10	0	0	– 8
Changes in the scope of consolidation	0	0	0	0	0
Changes from foreign currency translation	0	0	0	0	0
Transfers	0	0	0	0	0
Transfers from Level 3	0	0	0	0	0
Transfers in accordance with IFRS 5	0	0	0	0	0
Carrying amount as at 31 December 2015	**115**	**306**	**0**	**5**	**265**
of which unrealized gains and losses recognized in net consolidated profit/loss for financial instruments held as at the reporting date	30	– 115	0	2	5
of which net interest income	8	– 7	0	0	– 1
of which net trading income	22	– 109	0	2	6
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	0
of which net gains/losses from financial investments	0	0	0	0	0
of which other earnings items	0	0	0	0	0

1) The amounts are recognized in the Revaluation reserve item.

Financial assets designated at fair value		Financial investments (AfS)		Investment property	Specific non-current assets and disposal group held for sale	Total
Equity instruments	Securities	Equity instruments	Securities			
25	**25**	**542**	**21**	**705**	**16**	**1 933**
– 4	1	– 13	0	– 3	– 1	– 92
0	0	0	0	0	0	1
0	0	1	0	0	0	– 71
– 4	1	0	0	0	0	– 3
0	0	– 14	0	0	0	– 14
0	0	0	0	– 3	– 1	– 4
0	0	87	0	0	0	87
0	0	30	6	157	0	449
– 6	– 1	– 26	– 10	– 84	– 64	– 209
– 2	– 4	– 29	0	0	0	– 109
0	0	16	0	0	0	16
0	0	0	– 9	– 11	0	– 20
0	0	0	0	– 65	0	– 65
0	– 21	0	0	0	0	– 21
0	0	– 153	0	– 49	202	0
12	0	456	8	649	153	1 969
– 5	**0**	**– 9**	**0**	**– 3**	**– 1**	**– 96**
0	0	0	0	0	0	1
0	0	1	0	0	0	– 78
– 5	0	0	0	0	0	– 4
0	0	– 10	0	0	0	– 10
0	0	0	0	– 3	– 1	– 4

31 Dec. 2014	Trading assets				
	Derivatives				Receivables
EUR million	Currency-linked derivatives	Interest rate-linked derivatives	Credit derivatives	Share/index-linked derivatives	
Carrying amount as at 1 January 2014	**107**	**446**	**3**	**22**	**12**
Gains and losses recognized in net consolidated profit/loss	27	34	0	1	1
of which net trading income	27	34	0	1	1
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	0
of which net gains/losses from financial investments	0	0	0	0	0
of which other earnings items	0	0	0	0	0
Income and expenses recognized in Other income[1]	0	0	0	0	0
Additions through acquisitions	0	0	0	0	5
Disposals through sales	0	– 1	0	0	0
Repayments/offsetting	0	– 20	– 3	– 20	– 5
Changes in the scope of consolidation	0	0	0	0	0
Changes from foreign currency translation	0	0	0	0	0
Transfers	0	0	0	0	0
Transfers to Level 3	0	0	0	0	0
Transfers from Level 3	0	– 10	0	0	0
Transfers in accordance with IFRS 5	0	0	0	0	0
Carrying amount as at 31 December 2014	**134**	**449**	**0**	**3**	**13**
of which unrealized gains and losses recognized in net consolidated profit/loss for financial instruments held as at the reporting date	27	34	0	1	1
of which net trading income	27	34	0	1	1
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	0
of which net gains/losses from financial investments	0	0	0	0	0
of which other earnings items	0	0	0	0	0

1) The amounts are recognized in the Revaluation reserve item.

Financial assets designated at fair value		Financial investments (AfS)		Investment property	Specific non-current assets and disposal group held for sale	Total
Equity instruments	Securities	Equity instruments	Securities			
41	**43**	**938**	**31**	**481**	**0**	**2 124**
2	12	– 86	– 4	16	0	2
0	1	0	0	0	0	64
2	11	0	0	9	0	22
0	0	– 86	– 4	– 15	0	– 105
0	0	0	0	22	0	22
0	0	3	0	0	0	3
0	0	116	0	4	0	125
– 2	– 33	– 60	– 24	– 5	0	– 125
– 3	0	0	– 1	0	0	– 52
0	0	– 279	0	148	0	– 130
0	0	5	0	0	0	5
0	0	0	0	76	0	76
0	3	11	19	0	0	33
– 13	0	– 106	0	0	0	– 128
0	0	0	0	– 16	16	0
25	**25**	**542**	**21**	**705**	**16**	**1 933**
1	12	– 19	0	6	0	63
0	1	0	0	0	0	64
1	11	0	0	0	0	12
0	0	– 19	0	– 16	0	– 35
0	0	0	0	22	0	22

Equity and liabilities.

31 Dec. 2015	Trading liabilities				Financial liabilities designated at fair value		Total
	Derivatives				Deposits	Securitized liabilities	
EUR million	Currency linked derivatives	Interest rate derivatives	Credit derivatives	Share/index-linked derivatives			
Carrying amount as at 1 January 2015	**16**	**432**	**4**	**3**	**160**	**808**	**1 423**
Gains and losses recognized in net consolidated profit/loss	– 3	– 98	– 2	2	– 2	33	– 71
of which net interest income	0	4	0	0	0	2	6
of which net trading income	– 3	– 102	– 3	2	0	19	– 87
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	– 2	13	11
Disposals through sales	0	– 20	0	0	0	0	– 20
Repayments/offsetting	– 2	– 5	– 1	0	– 62	– 187	– 258
Transfers from Level 3	0	– 5	0	0	– 57	0	– 62
Carrying amount as at 31 December 2015	**11**	**304**	**1**	**5**	**38**	**654**	**1 013**
of which unrealized gains and losses recognized in net consolidated profit/loss for financial instruments held as at the reporting date	– 3	– 98	– 2	2	– 2	33	– 71
of which net interest income	0	4	0	0	0	2	6
of which net trading income	– 3	– 102	– 3	2	0	19	– 87
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	– 2	13	11

31 Dec. 2014	Trading liabilities				Financial liabilities designated at fair value		Total
	Derivatives				Deposits	Securitized liabilities	
EUR million	Currency linked derivatives	Interest rate derivatives	Credit derivatives	Share/index-linked derivatives			
Carrying amount as at 31 December 2013	**19**	**483**	**22**	**22**	**158**	**822**	**1 526**
Adjustment of prior year values	0	0	0	0	0	12	12
Carrying amount as at 1 January 2014	**19**	**483**	**22**	**22**	**158**	**833**	**1 538**
Gains and losses recognized in net consolidated profit/loss	– 3	54	– 10	0	8	20	68
of which net interest income	0	2	0	0	0	0	2
of which net trading income	– 3	52	– 10	0	0	0	39
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	8	20	27
Disposals through sales	0	0	1	0	0	0	1
Repayments/offsetting	0	– 9	– 6	– 19	– 6	– 45	– 85
Transfers	0	0	0	0	1	0	1
Transfers from Level 3	0	– 96	– 3	0	0	0	– 99
Carrying amount as at 31 December 2014	**16**	**432**	**4**	**3**	**160**	**808**	**1 423**
of which unrealized gains and losses recognized in net consolidated profit/loss for financial instruments held as at the reporting date	– 3	54	– 10	0	8	20	68
of which net interest income	0	2	0	0	0	0	2
of which net trading income	– 3	52	– 10	0	0	0	39
of which net gains/losses from financial instruments designated at fair value	0	0	0	0	8	20	27

The unrealized profit and loss on Level 3 financial instruments is based on both observable and non-observable parameters. Many of these financial instruments are hedged for economic purposes by financial instruments assigned to other hierarchical levels.

Sensitivity analysis Level 3.

If the model value of financial instruments is based on non-observable market parameters, alternative parameters are used to determine the potential estimation uncertainties. For most of the securities and derivatives classified as Level 3 only one non-observable parameter is included in the fair value calculation, preventing any interactions between Level 3 parameters. The overall sensitivity of the products whose fair value calculation includes more than one non-observable parameter is immaterial. A calculation of the interactions between these parameters has therefore been dispensed with.

For the investments classified as Level 3 the calculation of the sensitivities essentially takes place through an upshift/downshift of the individual beta factors. If no beta factors are used in the measurement, the sensitivities are calculated on the basis of the average percentage change in fair value. This is based on the upshift/downshift of the investments whose measurement is based on a beta factor.

The information is intended to show the potential effects of the relative uncertainty in the fair values of financial instruments, the measurement of which is based on non-observable input parameters:

Assets.

EUR million	Positive changes in fair value Net gains/losses from financial instruments measured at fair value and revaluation reserve 31 Dec. 2015	31 Dec. 2014	Negative changes in fair value Net gains/losses from financial instruments measured at fair value and revaluation reserve 31 Dec. 2015	31 Dec. 2014
Assets carried at fair value				
Trading assets	9.5	14.9	– 3.3	– 4.4
Derivatives	3.8	14.8	– 3.1	– 4.3
Interest rate-linked derivatives	3.1	13.8	– 2.2	– 3.3
Credit derivatives	0.0	0.0	0.0	– 0.1
Share/index-linked derivatives	0.2	0.1	– 0.3	– 0.2
Currency derivatives	0.5	0.9	– 0.6	– 0.7
Receivables	5.7	0.1	– 0.2	– 0.1
Financial assets designated at fair value	0.0	0.3	0.0	– 0.3
Equity instruments	0.0	0.1	0.0	– 0.1
Securities	0.0	0.2	0.0	– 0.2
Financial investments (AfS)	16.8	13.1	– 15.1	– 12.1
Equity instruments	16.8	13.1	– 15.1	– 12.1
Total	**26.3**	**28.3**	**– 18.4**	**– 16.8**

Equity and liabilities.

EUR million	Positive changes in fair value Net gains/losses from financial instruments measured at fair value and revaluation reserve 31 Dec. 2015	31 Dec. 2014	Negative changes in fair value Net gains/losses from financial instruments measured at fair value and revaluation reserve 31 Dec. 2015	31 Dec. 2014
Liabilities measured at fair value				
Trading liabilities	2.3	5.6	– 2.9	– 13.5
Derivatives	2.3	5.6	– 2.9	– 13.5
Interest rate-linked derivatives	1.6	4.9	– 2.4	– 12.8
Credit derivatives	0.1	0.2	– 0.1	– 0.2
Share/index-linked derivatives	0.3	0.2	– 0.2	– 0.1
Currency derivatives	0.3	0.3	– 0.3	– 0.4
Financial liabilities designated at fair value	0.1	0.9	– 0.1	– 0.9
Securitized liabilities	0.1	0.8	– 0.1	– 0.9
Other financial liabilities	0.0	0.1	0.0	0.0
Total	**2.4**	**6.5**	**– 3.0**	**– 14.4**

Significant non-observable Level 3 parameters.

The significant non-observable parameters of the financial instruments measured at fair value and classified as Level 3 and investment property are shown in the following tables. See Note 13 for further qualitative information about the investment property.

The range shown below depicts the highs and lows in the non-observable parameters on which the valuations in the Level 3 category are based. As the financial instruments in question differ significantly, the range of certain parameters may be considerable.

The parameter shifts shown in the table depict the upwards and downwards changes in the non-observable parameters that are undertaken in the sensitivity analysis. They thus provide information about the range of alternative parameters selected by LBBW for the fair value calculation.

Assets.

31 Dec. 2015 EUR million	Valuation techniques	Significant non-observable parameters	Spread	Parameter shift
Assets carried at fair value				
Trading assets				
Derivatives				
Interest rate-linked derivatives	Option price model	Interest rate correlation	– 46 % – 99 %	rel. – 20 %/+10 %
Credit derivatives	Correlation price model	Credit correlation	50 % – 81 %	abs. – 30 %/+ 10 %
Share/index-linked derivatives	Option price model	Equity-foreign exchange correlation	5 %	abs. – 25 %/+ 15 %
Currency-linked derivatives	Option price model	Currency correlation	67 %	abs. – 30 %/+ 30 %
Receivables	Net present value method	Credit spread (bp)	75 – 220	rel. – 30 %/+ 30 % abs. – 25 bp
Financial investments (AfS)				
Equity instruments	Net asset value method --- Discounted cash flow method --- Income value method	n/a --- Capitalization rate --- Beta factor	n/a --- 1.26 % – 6.48 % --- 0.29 – 1.23	n/a --- individual per Instrument --- rel. + 5 %/– 5 %
Investment property	Discounted cash flow method	Rent dynamization ---- Discounting interest rate ---- Vacancy rate (»rental loss risk«) --- Basic maintenance costs ---- Administrative costs (as a % of the target rent)	1.5 % ---- 4.0 % – 8.3 % ---- 2.0 % – 5.0 % --- EUR 0 – 19/m^2 ---- 1.0 % – 6.5 %	n/a

31 Dec. 2014 EUR million	Valuation techniques	Significant non-observable parameters	Spread	Parameter shift
Assets carried at fair value				
Trading assets				
Derivatives				
Interest rate-linked derivatives	Option price model	Interest rate correlation	– 12 % – 99 %	rel. – 20 %/+10 %
Credit derivatives	Correlation price model	Credit correlation	72 % – 90 %	abs. – 30 %/+ 10 %
Share/index-linked derivatives	Option price model	Equity-foreign exchange correlation	5 %	abs. – 25 %/+ 15 %
Currency-linked derivatives	Option price model	Currency correlation	32 %	abs. – 30 %/+ 30 %
Receivables	Net present value method	Credit spread (bp)	95 – 170	rel. – 30 %/+ 30 %
Financial assets designated at fair value				
Equity instruments	Net present value method	Credit spread (bp)	1 000	rel. – 30 %/+ 30 %
Securities	Price method Net present value method	Price --- Credit spread (bp)	5 % --- 1 000	individually per security
Financial investments (AfS)				
Equity instruments	Net asset value method --- Discounted cash flow method --- Income value method	n/a --- Capitalization rate --- Beta factor	n/a --- 1.53 % – 4.62 % --- 0.29 – 1.23	n/a --- individual per Instrument --- rel. + 5 %/– 5 %
Investment property	Discounted cash flow method	Rent dynamization ---- Discount rate ---- Vacancy rate / default on receivables after the contractual period (as a % of the target rent) ---- Basic maintenance costs ---- Administrative costs (as a % of the target rent)	1.5 % – 1.6 % ---- 6.0 % – 8.8 % ---- fully rented or 4.0 % – 5.0 % ---- EUR 0 – 16 / m^2 ---- 1.0 % – 5.0 %	n/a

Equity and liabilities.

31 Dec. 2015 EUR million	Valuation techniques	Significant non-observable parameters	Spread	Parameter shift
Liabilities measured at fair value				
Trading liabilities				
Derivatives				
Interest rate-linked derivatives	Option price model	Interest rate correlation	– 46% – 99%	rel. – 20% / + 10%
Credit derivatives	Correlation price model	Credit correlation	50% – 81%	abs. – 30% / + 10%
Share/index-linked derivatives	Option price model	Equity-foreign exchange correlation	5%	abs. – 25% / + 15%
Currency-linked derivatives	Option price model	Currency correlation	67%	abs. – 30% / + 30%
Financial liabilities designated at fair value				
Deposits	Option price model	Interest rate correlation	21% – 99%	rel. – 20% / + 10%
Securitized liabilities	Option price model --- Option price model	Interest rate correlation --- Currency correlation	21% – 99% --- 67%	rel. – 20% / + 10% --- abs. – 30% / + 30%
Other financial liabilities	Option price model	Interest rate correlation	21% – 99%	rel. – 20% / + 10%

31 Dec. 2014 EUR million	Valuation techniques	Significant non-observable parameters	Spread	Parameter shift
Liabilities measured at fair value				
Trading liabilities				
Derivatives				
Interest rate-linked derivatives	Option price model	Interest rate correlation	– 12% – 99%	rel. – 20%/+10%
Credit derivatives	Correlation price model	Credit correlation	72% – 90%	abs. – 30%/+10%
Share/index-linked derivatives	Option price model	Equity-foreign exchange correlation	5%	abs. – 25%/+15%
Currency-linked derivatives	Option price model	Currency correlation	32%	abs. – 30%/+30%
Financial liabilities designated at fair value				
Deposits	Option price model	Interest rate correlation	23% – 99%	rel. – 20%/+10%
Securitized liabilities	Option price model --- Option price model	Interest rate correlation --- Currency correlation	23% – 99% --- 32%	rel. – 20%/+10% --- abs. – 30%/+30%
Other financial liabilities	Option price model	Interest rate correlation	23% – 99%	rel. – 20%/+10%

The valuation and the use of material parameters for non-current assets and disposal groups held for sale as well as liabilities from disposal groups is performed in line with the original balance sheet items.

Day One profit or loss.

The use of non-observable parameters for the measurement of financial instruments can lead to differences between the transaction price and the fair value. This deviation is referred to as Day One profit or loss, which is distributed throughout the term of the financial instrument through profit or loss.

Credit spreads and correlations between interest rates and default risks of different asset classes are not observable throughout the market or cannot be derived from prices observed on the market. The market participants may have different opinions about the characteristics of the unobservable parameters used in these models. Hence, the transaction price may deviate from what is considered by LBBW to be the fair value.

LBBW holds so-called Day One reserves for trading portfolios in the interest rate and credit derivative classes and receivables.

The following table shows the performance of the day one profits for the 2015 financial year compared with year-end 2014, which were accrued due to the use of major unobservable parameters for financial instruments recognized at fair value.

EUR million	2015	2014
Balance as at 1 January	**1**	**2**
New transactions (additions)	10	0
Gains/losses recognized in the income statement during the reporting period (reversals)	– 1	– 1
Balance as at 31 December	**10**	**1**

57. Financial instruments designated at fair value.

The maximum default risk for loans and receivables designated at fair value amounts to EUR 450 million as at the balance sheet date (previous year: EUR 469 million). The changes to the fair value of these financial assets induced by changes to credit ratings amounted to EUR 1 million in the year under review (previous year: EUR 7 million), The amount by which the fair values have changed due to changes in the credit spreads since designation amounts to EUR – 7 million (previous year: EUR – 8 million).

Of the financial liabilities in the fair value option category, EUR 1 million (previous year: EUR – 15 million) is attributed by changes to the fair value induced by credit ratings in conjunction with the valuation of the credit ratings of LBBW. The amount by which the fair values has changed due to the change in the credit spreads of LBBW since designation amounts to EUR 60 million (previous year: EUR 60 million).

Two values – one based on the original spread and one based on the current spread – are calculated to determine the changes to fair value induced by changes to credit ratings. The changes to fair value induced by changes to credit ratings are implicitly derived from these two measurements. The current fair value exceeds the contractually agreed repayment amount of the issued liabilities at maturity by EUR 628 million (previous year: EUR 977 million).

58. Net gains/losses from financial instruments.

The net gains or losses, broken down by category according to IAS 39, comprise gains and losses on disposal, changes in fair value, impairments, reversals of impairment losses, and subsequent income from financial instruments already written off. They also include changes in value from economic hedging derivatives and the income/loss from changes in the value of hedged items from micro fair value hedges.

EUR million	1 Jan – 31 Dec. 2015	1 Jan – 31 Dec. 2014
Financial assets carried at amortized cost	– 171	503
Financial liabilities/assets held for trading	177	45
Financial liabilities/assets designated at fair value	55	– 155
Available-for-sale financial assets	– 102	575
Financial liabilities measured at amortized cost	– 15	– 454

59. Impairment losses on financial assets.

EUR million	1 Jan – 31 Dec. 2015	1 Jan – 31 Dec. 2014
Assets carried at fair value		
Financial investments (AfS)	– 13	– 13
Equity instruments	– 13	– 13
Securities	– 1	0
Assets carried at amortized cost		
Loans and advances to banks	– 4	– 6
Public-sector loans	0	– 1
Other receivables	– 4	– 5
Loans and advances to customers	– 392	– 580
Public-sector loans	– 8	– 5
Mortgage loans	– 82	– 151
Other receivables	– 302	– 424
of which finance leases	– 29	– 37
Total	**– 410**	**– 599**

60. Reconciliation of carrying amounts to categories.

The following table shows the breakdown of the financial instruments by category:

31 Dec. 2015 EUR million	Loans and receivables	Available for sale	Held for trading	Fair value option	Other liabilities	Total
Loans and advances to banks after allowances for losses on loans and advances	30 237					30 237
Loans and advances to customers after allowances for losses on loans and advances	107 665					107 665
Financial assets at fair value through profit or loss 1)			61 678	913		62 591
Financial investments	6 060	19 170				25 230
Non-current assets and disposal groups held for sale 1)	0	104	0	0		104
Deposits from banks					44 248	44 248
Deposits from customers					62 540	62 540
Securitized liabilities					29 424	29 424
Financial liabilities at fair value through profit or loss 2)			67 278	3 257		70 536
Subordinated capital					5 329	5 329

1) Excluding positive fair values from hedging derivatives.
2) Excluding negative fair values from hedging derivatives.

31 Dec. 2014 EUR million	Loans and receivables	Available for sale	Held for trading	Fair value option	Other liabilities	Total
Loans and advances to banks after allowances for losses on loans and advances	38 415					38 415
Loans and advances to customers after allowances for losses on loans and advances	111 610					111 610
Financial assets at fair value through profit or loss 1)			76 031	1 001		77 032
Financial investments	6 071	22 979				29 050
Deposits from banks					52 314	52 314
Deposits from customers					69 874	69 874
Securitized liabilities					44 231	44 231
Financial liabilities at fair value through profit or loss 2)			66 204	4 963		71 167
Subordinated capital					6 229	6 229

1) Excluding positive fair values from hedging derivatives.
2) Excluding negative fair values from hedging derivatives.

61. Breakdown of financial instruments by remaining maturity.

The remaining maturity is defined as the period between the balance sheet date and the contractual maturity date of a receivable or liability, or installments thereof. Equity instruments have been allocated to the »up to 3 months and without a fixed term« maturity bracket. Trading assets or liabilities are generally recognized in accordance with their contractual maturity. The remaining maturity of the derivative financial instruments is also reported under Note 64.

31 Dec. 2015 EUR million	Up to 3 months and without a fixed term	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Total
Loans and advances to banks	5 910	4 008	11 331	8 995	30 245
Loans and advances to customers	19 125	12 744	43 330	33 586	108 785
Financial assets at fair value through profit or loss	23 528	8 506	15 773	16 957	64 765
Financial investments	1 468	957	15 861	6 943	25 230
Non-current assets and disposal groups held for sale	80	24	0	0	104
Deposits from banks	10 338	5 449	16 817	11 643	44 248
Deposits from customers	50 792	3 251	3 610	4 887	62 540
Securitized liabilities	3 394	5 903	14 166	5 960	29 424
Financial liabilities at fair value through profit or loss	38 982	8 841	10 032	16 209	74 063
Subordinated capital	139	478	1 113	3 600	5 329

31 Dec. 2014 EUR million	Up to 3 months and without a fixed term	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Total
Loans and advances to banks	7 779	9 763	12 339	8 543	38 424
Loans and advances to customers	20 511	15 595	35 679	41 410	113 195
Financial assets at fair value through profit or loss	23 941	13 744	18 656	23 530	79 871
Financial investments	2 228	10 693	11 797	4 332	29 050
Deposits from banks	13 461	9 169	17 674	12 010	52 314
Deposits from customers	54 314	5 877	4 599	5 084	69 874
Securitized liabilities	4 822	21 293	13 655	4 461	44 231
Financial liabilities at fair value through profit or loss	35 524	6 828	11 134	21 757	75 244
Subordinated capital	225	1 342	829	3 833	6 229

62. Maturity analysis.

The following table divides the undiscounted financial liabilities into derivative and non-derivative transactions for the remaining contractual maturities. Given that the reporting is undiscounted and includes interest payments, the figures differentiate in part from the carrying amounts shown in the balance sheet.

Financial liabilities according to contractually agreed maturity structures in accordance with IFRS 7.39 as at the balance sheet date are as follows:

31 Dec. 2015 EUR million	Up to 1 month	More than 1 to 3 months	More than 3 to 12 months	More than 1 year to 5 years	More than 5 years
Financial liabilities	– 40 299	– 17 276	– 24 245	– 32 103	– 22 510
Liabilities from derivatives	– 130	– 130	– 738	– 2 075	– 1 498
Total	**– 40 429**	**– 17 406**	**– 24 983**	**– 34 178**	**– 24 008**
Irrevocable loan commitments and guarantees[1)]	– 23 855				
Savings and demand deposits, securitization from interbank accounts	– 41 885				

1) Basis: for the LiqV relevant loan commitments and guarantees, excluding intra-Group commitments, since the funding risk associated with these commitments is already reflected in the consolidation of the inflow and outflow of funds, and not including undisbursed loans.

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31 Dec. 2014 EUR million	Up to 1 month	More than 1 to 3 months	More than 3 to 12 months	More than 1 year to 5 years	More than 5 years
Financial liabilities	– 48 414	– 15 651	– 47 534	– 34 274	– 20 737
Liabilities from derivatives	– 53	– 74	– 302	– 856	– 1 254
Total	**– 48 467**	**– 15 725**	**– 47 836**	**– 35 130**	**– 21 991**
Irrevocable loan commitments and guarantees[1]	– 24 470				
Savings and demand deposits, securitization from interbank accounts	– 38 629				

1) Basis: for the LiqV relevant loan commitments and guarantees, excluding intra-Group commitments, since the funding risk associated with these commitments is already reflected in the consolidation of the inflow and outflow of funds, and not including undisbursed loans.

For explanations on the manner in which LBBW manages liquidity risk, see the section on liquidity risk in the risk report.

63. Reclassifications.

Modifications to IAS 39 and to IFRS 7 (Reclassification of Financial Assets) were passed by the IASB and adopted by the EU in the course of the financial market crisis in 2008, where results were burdened significantly by fair value fluctuations (mainly in securitization products). On this basis, certain non-derivative financial instruments could be reclassified retrospectively from 1 July 2008 into the LaR category, leading to measurement at amortized cost instead of the – usually lower – current fair value.

In the LBBW Group, certain trading assets and AfS securities with a total carrying amount of EUR 28 billion were reclassified as loans and receivables as at 1 July 2008 in line with these changes. The reclassification has also resulted in changing the way in which the assets are shown in the balance sheet.

The following table shows the carrying amounts and the fair values of the reclassified securities:

EUR million	31 Dec. 2015 Carrying amount	31 Dec. 2015 Fair value	31 Dec. 2014 Carrying amount	31 Dec. 2014 Fair value	1 Jul. 2008 Nominal amount	1 Jul. 2008 Carrying amount
Held for trading reclassified as loans and receivables	**18**	**19**	**25**	**26**	**935**	**913**
of which securitization transactions	0	0	0	0	134	128
of which other securities	18	19	25	26	801	785
Available for sale reclassified as loans and receivables	**37**	**38**	**164**	**167**	**29 023**	**27 373**
of which securitization transactions	0	0	1	1	14 643	13 302
of which other securities	37	38	163	166	14 380	14 071
Total	**55**	**57**	**189**	**193**	**29 958**	**28 286**

The nominal volume of the securities reclassified out of the held-for-trading category was EUR 19 million as at 31 December 2015 (previous year: EUR 26 million), which was accounted for completely by other securities as in the previous year.

The nominal volume of securities reclassified as available for sale was EUR 38 million as at 31 December 2015 (previous year: EUR 161 million), which was accounted for completely by other securities (previous year: other securities accounted for EUR 160 million thereof and securitization transactions for EUR 1 million).

The reclassified portfolios contributed EUR 2 million (previous year: EUR – 292 million) to the net consolidated profit/loss in the financial year.

If there had been no reclassification, the positive contribution to the results would have been EUR 1 million (previous year: EUR 31 million) as at 31 December 2015. The fair value changes of reclassified available-for-sale securities would have burdened the »Other income« by EUR – 1 million (previous year: EUR 423 million).

Over the year as a whole, original interest payments in the amount of EUR 2 million were collected from reclassified portfolios (previous year: EUR 22 million).

At the time of reclassification, the effective interest rates for the reclassified trading assets ranges from 2.74 % to 9.32 %, with expected achievable cash flows of EUR 935 million. The effective interest rates of the financial assets reclassified as available for sale ranged between 0.54 % and 19.69 %, with expected achievable cash flows of EUR 28 778 million.

64. Details about the volume of derivatives.

31 Dec. 2015	Nominal values – remaining maturities					Fair value	
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	Positive	Negative
Currency forwards	106 628	41 592	18 205	1 044	167 469	2 647	2 620
Currency options	807	1 709	2 217	0	4 732	98	82
Purchases	436	831	1 053	0	2 319	98	0
Sales	371	878	1 164	0	2 413	0	82
Interest-rate/currency swaps	2 153	5 773	17 641	10 715	36 282	1 299	2 141
Currency-linked derivatives	**109 588**	**49 073**	**38 063**	**11 759**	**208 483**	**4 043**	**4 843**
Forward rate agreements	10 264	15 300	4 000	0	29 564	0	0
Interest rate swaps	89 140	132 218	294 663	311 183	827 204	18 964	16 638
Interest rate options	2 751	6 070	32 767	31 331	72 919	2 369	3 818
Purchases	1 183	2 598	13 745	12 272	29 798	2 227	155
Sales	1 567	3 472	19 022	19 059	43 121	143	3 663
Caps/floors/collars	1 046	2 154	15 166	13 554	31 920	358	254
Exchange-traded interest rate products	16 191	41 368	5 120	0	62 679	0	0
Other interest rate contracts	1 190	1 007	281	0	2 478	32	145
Interest rate-linked derivatives	**120 582**	**198 117**	**351 997**	**356 068**	**1 026 764**	**21 723**	**20 854**
Credit derivatives (protection seller)	330	1 812	7 897	1 182	11 221	126	81
Credit derivatives (protection buyer)	730	1 821	7 568	1 903	12 021	54	395
Credit derivatives	**1 060**	**3 633**	**15 465**	**3 084**	**23 242**	**180**	**476**
Exchange-traded products	2 387	4 669	5 579	332	12 968	259	639
Equity forward contracts	2	0	0	0	2	0	0
Stock options	111	358	216	464	1 149	12	31
Purchases	68	194	125	156	543	12	0
Sales	44	163	91	309	607	0	31
Other equity derivatives	94	235	939	0	1 269	14	57
Share/index-linked derivatives	**2 594**	**5 262**	**6 734**	**797**	**15 388**	**285**	**727**
Commodities	665	715	56	0	1 437	60	73
Commodity-linked and other derivatives	**665**	**715**	**56**	**0**	**1 437**	**60**	**73**
Total	**234 489**	**256 801**	**412 316**	**371 708**	**1 275 314**	**26 291**	**26 973**

31 Dec. 2014	Nominal values – remaining maturities					Fair value	
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	Positive	Negative
Currency forwards	89 177	39 644	13 443	1 027	143 291	2 856	3 074
Currency options	1 915	3 027	919	4	5 865	62	49
Purchases	1 012	1 506	422	1	2 941	62	0
Sales	903	1 521	497	3	2 924	0	49
Interest-rate/currency swaps	1 515	7 432	18 590	9 388	36 925	1 243	1 533
Currency-linked derivatives	**92 607**	**50 103**	**32 952**	**10 419**	**186 081**	**4 161**	**4 656**
Forward rate agreements	3 124	7 012	354	0	10 490	0	1
Interest rate swaps	98 521	121 310	273 603	259 418	752 852	25 421	22 494
Interest rate options	2 078	7 698	27 371	34 453	71 600	3 073	5 092
Purchases	1 188	3 375	11 823	13 728	30 114	2 967	142
Sales	890	4 323	15 548	20 725	41 486	106	4 950
Caps/floors/collars	1 362	3 637	12 858	16 579	34 436	477	280
Exchange-traded interest rate products	20 677	12 763	5 248	0	38 688	0	0
Other interest rate contracts	1 940	625	119	33	2 717	36	237
Interest rate-linked derivatives	**127 702**	**153 045**	**319 553**	**310 483**	**910 783**	**29 007**	**28 104**
Credit derivatives (protection seller)	1 192	2 764	8 505	998	13 459	187	7
Credit derivatives (protection buyer)	1 162	2 991	8 255	1 434	13 842	5	488
Credit derivatives	**2 354**	**5 755**	**16 760**	**2 432**	**27 301**	**192**	**495**
Exchange-traded products	800	5 653	4 936	176	11 565	258	457
Equity forward contracts	1	0	0	0	1	0	0
Stock options	67	231	280	646	1 224	10	67
Purchases	19	67	171	182	439	10	0
Sales	48	164	109	464	785	0	67
Other equity derivatives	40	332	160	579	1 111	33	106
Share/index-linked derivatives	**908**	**6 216**	**5 376**	**1 401**	**13 901**	**301**	**630**
Commodities	996	1 342	37	0	2 375	86	67
Commodity-linked and other derivatives	**996**	**1 342**	**37**	**0**	**2 375**	**86**	**67**
Total	**224 567**	**216 461**	**374 678**	**324 735**	**1 140 441**	**33 746**	**33 952**

The treatment of the fair values of exchange-traded futures and of interest rate swaps that are cleared via a central counterparty follows the accounting methods. Accordingly, the variation margin received is offset by the fair values that have already been recognized through profit or loss.

The following table shows the positive and negative fair values as well as the nominal values of the derivative transactions, broken down by counterparty:

	Nominal values		Fair value			
EUR million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015 Positive	31 Dec. 2014 Positive	31 Dec. 2015 Negative	31 Dec. 2014 Negative
Banks in OECD countries	560 363	557 007	17 925	24 485	21 969	28 444
Banks in non-OECD countries	12 110	6 780	69	26	244	440
Public-sector agencies in OECD countries	40 469	43 419	4 247	4 905	1 211	1 427
Other counterparties	662 373	533 236	4 050	4 330	3 548	3 640
Total	**1 275 314**	**1 140 441**	**26 291**	**33 746**	**26 973**	**33 952**

Derivatives with OECD banks are generally secured by the corresponding cash collateral. The nominal amounts serve as reference values for determining mutually agreed settlement payments and represent the gross volume of all sales and purchases.

The following table shows a breakdown by purpose of the derivative financial instruments held as at the balance sheet date:

	Fair value			
EUR million	31 Dec. 2015 Positive	31 Dec. 2014 Positive	31 Dec. 2015 Negative	31 Dec. 2014 Negative
Derivative financial instruments and economic hedging derivatives used for trading	24 117	30 907	23 445	29 874
Derivative financial instruments used for fair value hedging	2 174	2 839	3 528	4 077
Total	**26 291**	**33 746**	**26 973**	**33 952**

65. Transfer of financial assets.

Financial assets that have been transferred but not fully derecognized.

The transferred assets comprise mainly own assets that LBBW Group transferred or lent in the development loan business, and in securities lending or repurchase transactions. The receivables transferred within the scope of the development loan business may not be resold by LBBW Group in the interim. With securities lending or repurchase transactions, the right to use the securities expires with the transfer. The counterparties of the associated liabilities do not have exclusive access to these assets.

The transferred assets continue to be fully recognized in the balance sheet. This can potentially lead to counterparty, default and/or market price risk.

As at the reporting date, there are no issues that would have led to continuing involvement despite the transfer.

31 Dec. 2015	Transferred assets continue to be recognized in full	
EUR million	Carrying amount of the transferred assets	Carrying amount of the associated liabilities
Assets carried at fair value		
Trading assets	6 854	5 242
Securities	6 248	4 636
Receivables	606	606
Financial assets designated at fair value	35	35
Receivables	35	35
Financial investments (AfS)	2 858	2 389
Securities	2 858	2 389
Assets carried at amortized cost		
Loans and advances to banks	17 541	17 539
Public-sector loans	17 522	17 520
Other receivables	19	19
Loans and advances to customers	7 056	7 054
Public-sector loans	770	770
Mortgage loans	1 974	1 973
Other receivables	4 312	4 311

31 Dec. 2014	Transferred assets continue to be recognized in full	
EUR million	Carrying amount of the transferred assets	Carrying amount of the associated liabilities
Assets carried at fair value		
Trading assets	5 080	3 141
Securities	5 080	3 141
Financial investments (AfS)	10 475	4 585
Securities	10 475	4 585
Assets carried at amortized cost		
Loans and advances to banks	17 162	17 171
Public-sector loans	17 139	17 148
Other receivables	23	23
Loans and advances to customers	5 904	5 907
Public-sector loans	345	345
Mortgage loans	1 952	1 953
Other receivables	3 607	3 609

66. Collateral.

Assignor.

LBBW Group pledges collateral especially within the scope of the development loan business and repurchase transaction agreements. Collateral is generally provided at commercially available terms that are determined in standard agreements. With securities repurchase agreements, the protection buyer has the right to dispose of or repledge the collateral in the meantime. Assets in the amount of EUR 45 978 million (previous year: EUR 51 852 million) were assigned as collateral for liabilities or contingent liabilities.

Assignee.

On the basis of securities repurchase transactions, LBBW Group receives securities pledged as collateral, which it has the right to resell or repledge, provided it returns securities of equal value at the end of the transaction. The fair value of the financial or non-financial assets received as collateral, which the LBBW Group may sell or repledge even if the owner of such collateral is not in default, totals EUR 17 318 million (previous year: EUR 29 790 million). Of the collateral received, the LBBW Group is required to return collateral with a total fair value of EUR 17 318 million (previous year: EUR 29 790 million) to its owners. The fair value of collateral disposed of or forwarded with an obligation to return the securities to the owner amounts to EUR 1 973 million (previous year: EUR 6 688 million).

67. Offsetting financial assets and liabilities.

The Group is obliged to report financial assets and liabilities that meet the accounting offsetting criteria at their net value in the balance sheet. The following tables contain details about the offsetting effects on the consolidated balance sheet as well as potential effects from master netting agreements.

The featured transactions are usually closed on the basis of master agreements, the conditional or unconditional rights to offset receivables, liabilities and collateral received or pledged. A conditional netting right is given, for example, if the legal claim exists only in the case of insolvency or breach of contract. In accordance with IAS 32.42, transactions for which there is no legal right to netting of receivables and liabilities and/or no settlement on a net basis or no simultaneous settlement is planned, are not netted.

The collateral detailed is pledged mainly on the basis of repurchase agreements and liens, whereby collateral may only be offset in legally agreed cases (e.g. in insolvency). In the case of repurchase agreements, the receiver is obliged to return the transferred financial instruments at the end of the term. However, the receiver has the right to regularly sell or pledge the collateral to third parties.

The net amount of the individual financial instruments recognized in the balance sheet is calculated according to the measures shown in the »Accounting and valuation methods« section. Collateral in the form of financial instruments and the cash collateral are stated at the fair value.

Assets.

31 Dec. 2015				Amounts that are not subject to offsetting			
					Collateral received		
EUR million	Gross amount of financial assets	Offsetting amount	Net amount of recognized financial assets	Effect of master netting agreements	Financial instruments	Cash collateral	Net amount
Current account claims	55	– 54	1	0	0	0	1
Receivables from securities repurchase and lending agreements	19 256	– 3 952	15 303	– 2 209	– 12 989	– 5	101
Derivatives	37 232	– 13 116	24 117	– 15 982	– 133	– 3 017	4 984
Total	**56 543**	**– 17 122**	**39 421**	**– 18 192**	**– 13 122**	**– 3 022**	**5 086**

31 Dec. 2014				Amounts that are not subject to offsetting			
					Collateral received		
EUR million	Gross amount of financial assets	Offsetting amount	Net amount of recognized financial assets	Effect of master netting agreements	Financial instruments	Cash collateral	Net amount
Current account claims	100	– 99	1	0	0	0	1
Receivables from securities repurchase and lending agreements	20 149	– 3 048	17 101	– 3 833	– 13 222	– 1	45
Derivatives	45 483	– 14 359	31 124	– 21 654	– 120	– 3 201	6 149
Total	**65 732**	**– 17 506**	**48 226**	**– 25 487**	**– 13 342**	**– 3 202**	**6 195**

As at 31 December 2015, the net amount of recognized current account claims is shown in the balance sheet item loans and advances to banks at EUR 1 million (previous year: EUR 0 million) and in loans and advances to customers at EUR 0 million (previous year: EUR 1 million).

The respective net amounts of the securities repurchase and lending agreements are recognized in the following balance sheet items: EUR 2 772 million in loans and advances to banks (previous year: EUR 4 548 million), EUR 11 319 million in loans and advances to customers (previous year: EUR 11 548 million), as well as EUR 1 212 million in financial assets measured at fair value through profit or loss (previous year: EUR 1 005 million).

As in the previous year, the net receivables from derivative transactions were also recognized in full in the financial assets measured at fair value through profit or loss balance sheet item.

Equity and liabilities.

31 Dec. 2015				Amounts that are not subject to offsetting			
					Pledged collateral		
EUR million	Gross amount of financial liabilities	Offsetting amount	Net amount of recognized financial liabilities	Effect of master netting agreements	Financial instruments	Cash collateral	Net amount
Current account liabilities	287	– 54	232	0	0	0	232
Liabilities from securities repurchase and lending agreements	15 357	– 3 952	11 405	– 2 209	– 9 195	0	0
Derivatives	37 273	– 13 116	24 157	– 15 982	– 45	– 6 780	1 349
Total	**52 916**	**– 17 122**	**35 794**	**– 18 192**	**– 9 241**	**– 6 780**	**1 582**

31 Dec. 2014				Amounts that are not subject to offsetting			
					Pledged collateral		
EUR million	Gross amount of financial liabilities	Offsetting amount	Net amount of recognized financial liabilities	Effect of master netting agreements	Financial instruments	Cash collateral	Net amount
Current account liabilities	369	– 99	270	0	0	0	270
Liabilities from securities repurchase and lending agreements	22 419	– 3 048	19 371	– 3 833	– 15 527	0	11
Derivatives	44 913	– 14 359	30 554	– 21 654	– 48	– 7 148	1 704
Total	**67 701**	**– 17 506**	**50 195**	**– 25 487**	**– 15 575**	**– 7 148**	**1 985**

As at 31 December 2015, the net amount of recognized current account claims is shown in deposits from banks at EUR 12 million (previous year: EUR 21 million) and in deposits from customers at EUR 220 million (previous year: EUR 249 million).

The respective net amounts of the securities repurchase and lending agreements are recognized in the following balance sheet items: EUR 8 677 million in loans and advances to banks (previous year: EUR 12 034 million), EUR 2 728 million in loans and advances to customers (previous year: EUR 7 337 million).

As in the previous year, the net liabilities from derivative transactions are also recognized in full in the financial assets at fair value through profit or loss balance sheet item.

68. Information on issuing activities.

1 Jan – 31 Dec. 2015 EUR million	Number	Volume	Repurchases	Repayments
Covered bonds	34	4 812	279	4 868
Money market transactions	122	5 375	901	2 711
Other bearer bonds	8 079	414 299	1 374	24 234
Other bonds	0	0	418	0
Total	**8 235**	**424 486**	**2 972**	**31 813**

1 Jan – 31 Dec. 2014 EUR million	Number	Volume	Repurchases	Repayments
Covered bonds	72	1 762	1 079	5 242
Money market transactions	421	58 220	0	54 343
Other bearer bonds	6 088	554 853	4 653	286 948
Other bonds	0	0	1 250	112
Total	**6 581**	**614 835**	**6 981**	**346 645**

Other notes.

69. Details on shares in other companies.

Significant restrictions on the Group's ability to access or use the Group assets.

Assets are held within the Group that are subject to contractual, legal or regulatory disposal restraints, which can restrict LBBW Group's ability to access these assets and use them to meet the Group's liabilities. The restrictions result from the cover pools of the covered bond business, assets for the collateralization of liabilities from repurchase transactions and from the pledging of collateral for liabilities from OTC derivative transactions, as well as for liabilities issued by consolidated structured entities. Regulatory requirements, requirements of central banks and local company law rules can restrict the usability of assets.

There are no significant restrictions from property rights of non-controlling interests that restrict the ability of the Group to transfer assets or meet liabilities.

The carrying amounts of the assets with significant restrictions amount to:

EUR million	31 Dec. 2015	31 Dec. 2014
Assets with restrictions on disposal		
Loans and advances to banks	20 186	25 994
Loans and advances to customers	38 243	38 268
Financial assets at fair value through profit or loss	15 961	14 085
Financial investments (AfS)	3 298	14 203
Others	879	944
Total	**78 567**	**93 494**

The assets with significant restrictions comprise mainly the EUR 33 billion (previous year: EUR 42 billion) in cover assets in the covered bond business, financial assets of EUR 34 billion (previous year: EUR 39 billion) that have been transferred but not fully derecognized in securities repurchase or lending transactions and development loan transactions (see Note 65) and collateral pledged for liabilities from OTC derivative transactions in the amount of EUR 8 billion (previous year: EUR 8 billion).

Shares in consolidated structured entities.

A total of 13 structured entities were included in the consolidated financial statements, whose relevant activities are not influenced by voting or comparable rights. LBBW maintains business relationships with these companies and also acquires commercial paper from the consolidated structured entities as part of investment decisions.

As at 31 December 2015, liquidity lines in the amount of EUR 2 148 million (previous year: EUR 3 805 million) were provided to the consolidated structured entities.

Shares in joint agreements and associates.

One joint venture and two associates are of material importance to the LBBW Group due to the carrying amount of the equity investment, and the total assets and proportionate earnings of the associates, and are accounted for using the equity method.

Summarized financial information for each joint venture that is material to the LBBW Group is shown in the following table:

	GIZS GmbH & Co. KG, Stuttgart [1), 2)]	
EUR million	31 Dec. 2015	31 Dec. 2014
Profit/loss from continuing operations	– 7	0
Net consolidated total comprehensive income	**– 7**	**0**
Current assets	27	0
Cash and cash equivalents	25	0
Other current assets	2	0
Non-current assets	6	0
Short-term liabilities	15	0
Current financial liabilities	15	0
Net assets of the joint venture	**18**	**0**
Share of capital (in %)	33	0
Share of net assets	6	0
Carrying amount of the equity investment	**6**	**0**

1) Principal place of business.
2) Strategic equity investment.

GIZS GmbH & Co. KG, in which LBBW holds a 33% stake in the capital and voting rights, holds and manages future equity investments in a joint venture of institutions of the German banking industry, whose purpose is to establish, operate and further develop a process for mobile and online payments.

Summarized financial information for each associate that is material to the LBBW Group is shown in the following table:

	BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart [1), 2), 3)]		Vorarlberger Landes- und Hypothekenbank AG, Bregenz [1), 2)]	
EUR million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Revenues	79	234	333	351
Profit/loss from continuing operations	59	219	87	84
Net consolidated profit/loss in equity	6	– 148	– 7	2
Net consolidated total comprehensive income	**64**	**71**	**80**	**86**
Current assets	163	365	3 281	3 369
Non-current assets	262	221	10 536	10 737
Short-term liabilities	27	11	5 592	5 748
Long-term liabilities	9	28	7 296	7 470
Contingent liabilities	1	2	386	384
Net assets of the associate	**388**	**547**	**930**	**888**
Share of capital (in %)	40	40	24	24
Share of net assets	155	219	223	213
Other adjustments	– 52	– 58	– 106	– 82
Carrying amount of the equity investment	**104**	**161**	**116**	**131**

1) Principal place of business.
2) Strategic equity investment.
3) Adjustment of the prior year amounts owing to the separation of an equity investment of the associate in 2015.

The summarized financial information represents contributions of the IFRS financial statements of the associated entity, adjusted to the Group-wide accounting rules.

The »Other adjustments« item includes mainly impairments on the equity investments.

As an investor with a long-term perspective, BWK GmbH Unternehmensbeteiligungsgesellschaft, in which LBBW holds a 40% stake in the capital and voting rights, offers equity solutions to SMEs.

Vorarlberger Landes- und Hypothekenbank AG, in which LBBW has a 24% share of the voting rights, offers banking services for retail and corporate customers.

During the year under review, LBBW received dividends in the amount of EUR 92 million (previous year: EUR 6 million) from its equity investment in BWK GmbH Unternehmensbeteiligungsgesellschaft and EUR 1 million (previous year: EUR 1 million) from Vorarlberger Landes- und Hypothekenbank AG.

The shares in the success and the carrying amount of the share for each joint venture and associate, which are deemed insignificant individually and are accounted for using the equity method, are shown in the following table:

	Associates		Joint ventures	
EUR million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Portion of the profit or loss from continuing operations	2	0	3	1
Share in income recognized directly in equity	2	0	0	0
Share in net consolidated total comprehensive income	4	0	3	1
Total carrying amounts of the Group shares	7	0	6	6

Contingent liabilities of EUR 6 million (previous year: EUR 3 million) exist in connection with the shares in associates and joint ventures. Irrevocable loan commitments to joint ventures and other commitments that have not been recognized amount to EUR 3 million (previous year: EUR 22 million) and EUR 9 million (previous year: EUR 1 million), respectively.

The share of losses in associates and joint ventures that LBBW no longer reports when applying the equity method amounted to EUR – 1 million in 2015 (previous year: EUR 0 million) and to EUR – 15 million on a cumulative basis (previous year: EUR – 14 million).

Shares in non-consolidated structured entities.

Structured entities are entities designed in a manner that voting and comparable rights do not represent the dominant factor when determining which party exercises controlling influence. This is the case, for example, when the voting rights relate solely to administrative duties and the relevant activities that significantly influence the entities' returns are controlled by contractual agreements or virtual positions of power.

A structured entity is often defined by several or all of the following characteristics:

- limited activities;
- narrow and clearly defined purpose;
- insufficient equity capital to conduct its relevant activities without secondary financial support;
- funding through the pooling of credit and other risks (tranches) in the form of multiple contractual instruments that are linked to the investors.

Accordingly, structured entities are consolidated in the principles shown in Note 3, if LBBW Group can exercise a controlling influence because of its relationships with the structured entity. The information on the non-consolidated structured entities is based on structured entities that are not consolidated as LBBW Group cannot exercise any controlling influence over them. This must be reported if LBBW Group is subject to variable returns from the activities of the structured entities from its contractual and non-contractual relationships (»shares«). Shares in non-consolidated structured entities comprise loans and credits, equity instruments, various types of derivative, guarantees and liquidity facilities.

LBBW Group has business relationships with the following types of non-consolidated structured entities:

- Funds: LBBW Group provides customers with opportunities to invest in funds established and sponsored by LBBW itself, and invests in funds established and sponsored by third parties. Funds allow investors to make targeted investments in assets in line with a fixed investment strategy. Financing is generally provided through the issue of fund units and usually secured by the assets held by the structured entity. LBBW Group may operate as manager of the structured entity, investor, trustee for other investors or in another function.
- Securitization vehicles: Securitization vehicles offer investment opportunities to investors in diversified portfolios of different assets, such as, for example, leasing, trade receivables and the like. The securitization vehicles are financed through the issue of tranched bonds, whose disbursements are dependent on the performance of the assets of the securitization vehicles and from the position of the respective tranche within the payment waterfall. LBBW Group participates in the funding or structuring of such vehicles.
- Financing companies: Financing companies (including leasing companies) are established for the purpose of funding various assets or transactions. They follow a specific company purpose, which means that the relevant activities are predetermined or not controlled by voting or comparable rights. As a lender, LBBW provides funding for these structured entities that are secured by assets held by the company.
- Other: Other structured entities are entities that cannot be assigned to any of the types stated above.

The scope of a structured entity depends on its type:

- Funds: volume of assets under management
- Securitizations: nominal value of the issued securities
- Financing companies: total assets
- Other structured entities: total assets

The scope of non-consolidated structured entities without publicly available data is stated with the nominal value of LBBW's exposure.

The scope of the non-consolidated structured entities is as follows:

	Securitization vehicle		Funds		Financing companies		Others		Total	
EUR million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Scope of the structured entities	15 386	14 267	299 217	276 388	18 622	18 508	6 171	22	339 396	309 185

The following table shows the carrying amounts of the assets and liabilities, the nominal values of the off-balance-sheet obligations that concern the shares in non-consolidated structured entities, and the items in the consolidated balance sheet in which these assets and liabilities are recognized, depending on the type of structured entity:

	Securitization vehicle		Funds		Financing companies		Others		Total	
EUR million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Assets										
Receivables	7 361	8 186	2 196	4 887	2 224	2 740	0	0	11 782	15 813
Loans and advances to banks	26	247	0	0	0	0	0	0	26	247
Loans and advances to customers	7 335	7 939	2 196	4 887	2 224	2 740	0	0	11 756	15 566
Allowances for losses on loans and advances	0	0	0	0	0	10	0	0	0	10
Allowances for losses on loans and advances to customers	0	0	0	0	0	10	0	0	0	10
Financial assets at fair value through profit or loss	396	602	699	688	– 42	429	963	21	2 017	1 739
Trading assets	384	566	526	499	14	407	850	0	1 774	1 472
Positive fair values from derivative financial instruments	1	0	0	0	1	0	0	0	2	0
Fair value option	12	36	172	189	– 57	21	114	21	241	267
Financial investments	323	66	0	0	50	59	0	0	373	125
Total assets	**8 080**	**8 853**	**2 895**	**5 575**	**2 233**	**3 237**	**963**	**21**	**14 171**	**17 686**
Equity and liabilities										
Liabilities	1 434	1 250	1 969	1 139	194	268	0	0	3 597	2 657
Deposits from customers	1 434	1 250	1 969	1 139	194	268	0	0	3 597	2 657
Financial liabilities at fair value through profit or loss	1	1	2 896	1 657	1	0	0	0	2 897	1 658
Trading liabilities	1	1	2 846	1 608	1	0	0	0	2 848	1 609
Fair value option	0	0	50	49	0	0	0	0	50	49
Subordinated capital	0	0	5	0	0	0	0	0	5	0
Total equity and liabilities	**1 435**	**1 251**	**4 870**	**2 796**	**195**	**268**	**0**	**0**	**6 499**	**4 315**
Off-balance-sheet obligations	6	0	27	7	180	84	0	0	213	91

The maximum potential losses from shares in non-consolidated structured entities depend on the type of shares. The maximum risk of loss on assets presented in the table corresponds to the balance sheet figures (after allowances for losses on loans and advances if necessary). Of the derivatives with a carrying amount of EUR 65 million (previous year: EUR 94 million) and EUR 86 million (previous year: EUR 145 million) included in the trading assets or trading liabilities, respectively, and the off-balance-sheet obligations, including loan commitments, guarantees and liquidity facilities, the nominal amounts represent the maximum potential losses. The nominal value for derivatives with a positive replacement value is EUR 11 145 million (previous year: EUR 8 352 million) while that for derivatives with a negative replacement value is EUR 8 538 million (previous year: EUR 3 627 million). The maximum risk of loss does not correspond to the expected loss and does not take into account existing collateral and hedge relationships that limit the economic risk. Debt restructuring also results is off-balance-sheet obligations with regard to one structured entity (see Note 72).

LBBW Group received interest income and fee and commission income from financing its shares in these non-consolidated structured entities. Further income was generated from management fees and possible profit-sharing within the scope of fund management operations by LBBW. In addition, income is realized from the valuation or sale of securities issued by non-consolidated structured entities.

Sponsored non-consolidated structured entities in which LBBW Group does not hold any shares as at the reporting date.
LBBW participated as a sponsor for the launch or marketing of various structured entities in which it held no shares as at the reporting date. A structured entity is considered to be sponsored if it is reasonably associated with LBBW and supported by LBBW. Support in this respect can comprise the following services:

- Using the name »LBBW« for the structured entity;
- LBBW Group assets are transferred or sold to this structured entity;
- The structured entity was funded by LBBW Group and/or start-up capital provided by LBBW.

LBBW received gross income of EUR 5 million (previous year: EUR 20 million) from fees and commission, trading activities and interest payment from business transactions with sponsored, non-consolidated funds and securitizations in which LBBW Group holds no shares as at the reporting date. Assets totaling EUR 724 million (previous year: EUR 182 million) were transferred from third parties to sponsored, non-consolidated structured entities within the scope of preliminary sales and replenishment agreements in 2015.

70. Leasing business.

Finance lease – LBBW as a lessor.

The following reconciliation of the gross investment value to the present value of the minimum leasing payments has been prepared for finance lease transactions which are shown under loans and advances to customers:

EUR million	31 Dec. 2015	31 Dec. 2014
Gross investment value	**5 060**	**5 575**
Up to 1 year	1 730	1 621
More than 1 year to 5 years	2 953	3 207
More than 5 years	377	747
– Unrealized financial income	**– 444**	**– 585**
= Net investment value	**4 616**	**4 991**
– Present value of unguaranteed residual values	– 173	– 171
= Present value of receivables from minimum leasing payments	**4 442**	**4 820**
Up to 1 year	1 524	1 427
More than 1 year to 5 years	2 638	2 835
More than 5 years	281	558

From the standpoint of the lessor, gross investment in the lease is the aggregate of the minimum leasing payments under a finance lease and any unguaranteed residual value accruing to the lessor. Minimum leasing payments are the payments over the lease term that the lessee is, or can be required, to make excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with any guaranteed residual values. Initial direct costs are included in receivables from finance lease contracts. The net investment value is the present value of the gross investment; the discount is thus based on the interest rate implicit in the lease from the lessor's perspective.

The cumulative write-downs for uncollectible outstanding minimum leasing payments amounted to EUR – 91 million on the reporting date (previous year: EUR – 116 million).

Finance lease – LBBW as a lessee.

The leased assets from finance leases shown under property and equipment are comprised of the following types:

EUR million	31 Dec. 2015	31 Dec. 2014
Buildings	1	2
Land	1	1
Total leased assets under finance leases	**3**	**3**

The carrying amount of finance lease assets in property and equipment in the amount of EUR 3 million (previous year: EUR 3 million) refers mainly to one building with land. A property management company as the lessor and LBBW as the lessee entered into a lease agreement for an administrative building in Mainz, Germany. The lease term is 20 years with one conversion point of 31 August 2020. The lessee has an option to buy at the end of the rental period at the market value of the leased property determined in the contract.

The following reconciliation of the gross investment value to the present value of the minimum lease payments has been prepared for the liabilities from finance lease transactions included in »Other liabilities«, among other things:

EUR million	31 Dec. 2015	31 Dec. 2014
Future minimum leasing payments	**5**	**6**
Up to 1 year	1	1
More than 1 year to 5 years	4	5
– Discount amount	**– 1**	**– 1**
= Present value of future minimum leasing payments	**4**	**5**
Up to 1 year	1	1
More than 1 year to 5 years	3	4

Operating lease – LBBW as a lessor.

The carrying amounts of assets leased within operating leases under property and equipment, which mainly constitute agreements concerning leasing of LBBW's own properties and buildings, are broken down as follows:

EUR million	31 Dec. 2015	31 Dec. 2014
Buildings	72	49
Land	33	26
Total operating lease	**105**	**75**

The carrying amounts of the investment property that is rented within the scope of operating lease agreements amount to EUR 649 million (previous year: EUR 705 million).

The following payments are expected from the leases mentioned:

EUR million	31 Dec. 2015	31 Dec. 2014
Up to 1 year	64	103
More than 1 year to 5 years	157	226
More than 5 years	393	348
Future minimum leasing payments from non-terminable leasing contracts	**614**	**677**

Operating lease – LBBW as a lessee.

Leases for which LBBW is the lessee yield payment obligations of:

EUR million	31 Dec. 2015	31 Dec. 2014
Up to 1 year	72	75
More than 1 year to 5 years	144	179
More than 5 years	114	120
Future minimum leasing payments from non-terminable leasing contracts	**329**	**374**

In the 2015 financial year, minimum leasing payments of EUR – 28 million (previous year: EUR – 31 million) were recorded as expenses. These items comprise mainly expenses incurred for rent for business premises and software.

71. Related party disclosures.

The LBBW Group concludes related party transactions at arm's length terms in the ordinary course of business.

These include the shareholders of LBBW (see Note 21), controlled subsidiaries that are however not consolidated for reasons of materiality, structured entities, associates accounted for using the equity method, joint ventures, persons in key positions and their relatives, as well as companies controlled by these individuals. Persons in key positions include the members of the Board of Managing Directors and of the Supervisory Board, including members of LBBW (Bank) as parent company.

Information on the remuneration of and transactions with key management individuals is shown in Note 79.

The related party transactions were concluded at arm's length terms in the ordinary course of business. These included loans, overnight and term money, derivatives and securities transactions, among others.

The following table shows the extent of the related party transactions:

31 Dec. 2015 EUR million	Shareholders	Members of the Board of Managing Directors and Supervisory Board	Non-consolidated subsidiaries	Associates	Joint ventures	Other related parties/ companies
Loans and advances to banks	188	0	0	109	0	0
Loans and advances to customers	1 440	1	86	143	57	15
Allowances for losses on loans and advances	0	0	– 17	0	0	0
Financial assets at fair value through profit or loss	2 357	0	48	77	0	0
Financial investments	0	0	243	47	39	5 501
Total assets	**3 986**	**1**	**360**	**375**	**96**	**5 517**
Deposits from banks	7 550	0	0	0	0	0
Deposits from customers	40	4	98	95	36	6 030
Financial liabilities at fair value through profit or loss	1 156	0	3	76	1	0
Subordinated capital	92	0	0	7	0	0
Total equity and liabilities	**8 838**	**4**	**102**	**178**	**37**	**6 030**
Contingent liabilities	**100**	**0**	**6**	**13**	**21**	**0**

31 Dec. 2014 EUR million	Shareholders	Members of the Board of Managing Directors and Supervisory Board	Non-consolidated subsidiaries	Associates	Joint ventures	Other related parties/ companies
Loans and advances to banks	188	0	0	129	0	0
Loans and advances to customers	4 121	2	227	179	89	55
Allowances for losses on loans and advances	0	0	– 45	0	– 4	0
Financial assets at fair value through profit or loss	3 054	0	5	127	5	0
Financial investments	31	0	216	52	23	5 501
Other assets	0	0	1	0	0	0
Total assets	**7 394**	**2**	**404**	**487**	**113**	**5 556**
Deposits from banks	6 908	0	5	3	0	0
Deposits from customers	146	3	197	450	7	6 081
Financial liabilities at fair value through profit or loss	1 511	0	2	95	1	0
Subordinated capital	92	0	0	7	0	0
Total equity and liabilities	**8 657**	**3**	**204**	**555**	**8**	**6 081**
Contingent liabilities	**343**	**0**	**11**	**16**	**28**	**0**

Transactions with related parties resulted in material income and expenses in »Net interest income« of EUR 119 million (previous year: EUR 91 million) and of EUR – 28 million (previous year: EUR – 33 million) in allowances for losses on loans and advances.

Given the immateriality of business transactions with companies controlled by the shareholders of LBBW or under considerable influence, LBBW claims an exemption in accordance with IAS 24.25. As at 31 December 2015, the total of assets for the individual immaterial transactions amounts to EUR 517 million and the total of these liabilities to EUR 832 million. The extent of the off-balance-sheet transactions and obligations of the individual immaterial transactions amounts to EUR 69 million.

Five significant business transactions with a volume of EUR 294 million that were influenced by LBBW's shareholders were reported on the assets side. These are in particular common banking transactions, such as public-sector loans. There are also five material liability-side transactions with a volume of EUR 311 million; these are mostly common banking transactions. In addition, there is a material irrevocable loan commitment of EUR 53 million.

72. Off-balance-sheet transactions and obligations.

Contingent liabilities and other obligations.

Contingent liabilities and other liabilities arise from contractually agreed possible future obligations that are not yet likely to materialize (likelihood of occurrence less than 50%). These obligations may arise both from guarantees given and credit lines granted to customers for a specified period but not yet drawn down. Recognized amounts reflect the possible obligations that may arise if credit lines or guarantees granted are utilized at the maximum amount. The probability of an outflow of assets is regularly reviewed. If a drawdown appears more likely than not, a provision for credit risks is entered into the accounts and the amount thereof offset by the amount of the off-balance-sheet obligation.

EUR million	31 Dec. 2015	31 Dec. 2014
Contingent liabilities	**5489**	**5640**
Sureties and guarantee agreements	5410	5574
Investments accounted for using the equity method	6	2
of which obligations entered into jointly	6	2
Other contingent liabilities	73	64
Other obligations	**22375**	**21591**
Irrevocable loan commitments	21796	20961
Payment obligations and joint liabilities	415	387
Obligations from investment projects started	100	189
Other obligations	64	55
Total	**27864**	**27231**

Payment obligations and joint liabilities consist of additional funding obligations to central counterparties in the amount of EUR 302 million (previous year: EUR 185 million).

Within the scope of necessary debt restructuring, a special-purpose vehicle ICON Brickell LLC (»ICON«) was established in the syndicate. LBBW is an indirect participant in ICON via Yankee Properties LLC (Yankee). ICON's business purpose of selling the financed apartments has meanwhile been fulfilled. LBBW and the other ICON partners have extended a guarantee (law of the federal state of Florida) for the obligations of ICON. This is based on payment obligations and on all other covenants and undertakings of Yankee towards ICON. As a result, unlimited claims could still (i.e. until the guarantee is surrendered) be referred to LBBW.

New rules at EU level were introduced as at 1 January 2015 within the scope of the Bank Recovery and Resolution Directive (Directive 2014/59/EU (BRRD)) for the bank levy that was previously governed on a national level. The contributing banks are obliged to make annual contributions to the restructuring fund. These are set in such a way that the aggregate of the annual contributions from all contributing banks reaches 1% of the covered deposits of all contributing banks in the period from 2015 to 2024 (Section 12b (2) in conjunction with Section 12a (1) RStruktFG). On request (Section 12 (5) RStruktFG) LBBW was permitted to pay 30% of the fixed annual contribution as irrevocable payment commitments. The irrevocable payment commitments were covered by cash collateral of EUR 20.5 million. LBBW shall meet the payment obligation in full or in part at first request. The authority responsible should only request the amount in case of resolution measures. LBBW recognizes a contingent liability in the amount of the payment obligation.

In addition to the other obligations, obligations of EUR 284 million (previous year: EUR 245 million) arise from rental and lease agreements.

Guarantee fund and German Deposit Protection Fund.

LBBW is a member of the Sicherungsreserve der Landesbanken und Girozentralen (Guarantee Fund of the Landesbanken and Central Savings Banks) and of the associated institutions. Other obligations last reported as at 30 June 2015 include a supplementary payment obligation of EUR 109 million (31 December 2014: EUR 109 million) on the basis of the previous German Savings Banks Finance Group (DSGV) levy calculated in 2014.

The German Deposit Guarantee Act (Einlagensicherungsgesetz - EinSiG), which came into force 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. The deposit guarantee systems ensure that their available funding will, until close of business on 3 July 2024, amount at least to a target rate of 0.8% of covered deposits pursuant to Section 8 (1) EinSiG of the CRR credit institutions belonging to it (Section 17 (2) sentence 1 EinSiG).

As a matter of principle, the target rate will be reached by means of a linear allocation of contributions until the year 2024. Amounts payable to the guarantee system will be recalculated every year (annual contribution) in line with the target volume of the contribution year (taking into account changes in covered deposits, among other factors).

As a bearer of bank-related guarantee system, LBBW makes an irrevocable commitment to the 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.

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. Payment of these additional contributions can be demanded immediately in the event that an institution requires assistance. Such a case did not occur in the period under review.

Guarantor's liability.

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

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

Contingent claims.

EUR million	31 Dec. 2015	31 Dec. 2014
Legal disputes	10	4
Total	**10**	**4**

Fiduciary transactions.

The trust activities which are not carried in the balance sheet involve the following types of assets and liabilities and break down as follows:

EUR million	31 Dec. 2015	31 Dec. 2014
Loans and advances to banks	450	498
Loans and advances to customers	238	280
Financial investments	3	4
Property and equipment	0	3
Other assets	35	33
Trust assets[1)]	**727**	**818**
Deposits from banks	723	812
Deposits from customers	3	6
Trust liabilities[1)]	**727**	**818**

1) Including receivables and liabilities on behalf of others for the account of a third party (administrative loans).

73. PIIS exposure.

In addition to the breakdown by region shown in the risk and opportunity report, the details of exposure to PIIS states (Portugal, Italy, Ireland and Spain), on the basis of the IFRS balance sheet, values per issuer's country of origin and per borrower or balance sheet category, as well the specific valuation allowances created are shown below.

Unlike the previous year, the item Financial assets at fair value through profit or loss only includes transactions assigned to trading assets or to assets carried at fair value and which are not derivatives. Derivatives are shown in a separate row. This change in procedure has been taken into account in the previous year's figures.

LBBW Group's exposure to financial institutions, corporates and public-sector bodies from the four federal states fell year-on-year to EUR 4.8 billion (previous year: EUR 5.7 billion). The decline in particular in the financial investments of public-sector bodies in Italy (EUR– 604 million) contributed to this development.

To banks.

	Republic of Ireland		Italy		Portugal		Spain	
EUR million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Receivables	0.2	0.7	3.4	10.0	4.8	0.5	2.2	5.2
Financial assets at fair value through profit or loss (excluding derivatives)	8.7	81.5	41.2	17.7	1.0	2.3	106.9	434.9
Derivatives (net)	– 51.8	– 50.0	12.5	38.0	– 1.0	– 1.4	– 76.2	– 100.0
Financial investments (AfS)	0.0	0.0	38.2	39.2	0.0	0.0	70.8	72.8
Revaluation reserve	0.0	0.0	1.5	2.5	0.0	0.0	3.8	5.3
Total	**– 42.9**	**32.2**	**95.3**	**104.9**	**4.8**	**1.4**	**103.7**	**412.9**
Additional CDS information on the above item »Derivatives«								
CDS asset items	0.0	0.0	0.2	0.3	0.0	0.0	0.5	1.5
CDS liability items	0.0	0.0	– 0.2	– 0.3	0.0	0.0	0.0	– 0.7
Nominals of CDS assets	0.0	0.0	61.0	140.0	0.0	0.0	23.5	232.0
Nominals of CDS liabilities	0.0	0.0	– 58.0	– 135.0	0.0	0.0	– 20.0	– 230.0

To corporates.

	Republic of Ireland		Italy		Portugal		Spain	
EUR million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Receivables	330.4	365.6	162.5	175.0	18.2	20.1	591.7	652.1
Allowances for losses on loans and advances (specific valuation allowances)	0.0	0.0	0.0	0.0	0.0	0.0	– 44.7	– 34.0
Financial assets at fair value through profit or loss (excluding derivatives)	361.7	90.0	0.7	0.6	0.0	0.0	0.3	0.9
Derivatives (net)	0.0	6.7	9.6	10.7	0.0	0.0	59.4	69.3
Financial investments (AfS)	9.3	9.5	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	2.2	2.8	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments (LaR)	19.7	19.6	0.0	0.0	0.0	0.0	0.0	0.0
Total	**721.1**	**491.4**	**172.8**	**186.3**	**18.2**	**20.1**	**606.7**	**688.3**
Additional CDS information on the above item »Derivatives«								
CDS asset items	0.0	0.0	0.2	0.8	0.0	0.0	– 0.6	1.0
CDS liability items	0.0	0.0	– 0.1	– 0.5	0.0	0.0	0.0	– 0.5
Nominals of CDS assets	0.0	0.0	57.6	116.1	0.0	0.0	57.0	121.5
Nominals of CDS liabilities	0.0	0.0	– 12.6	– 76.6	0.0	0.0	– 21.0	– 95.0

To public sector.

EUR million	Republic of Ireland		Italy		Portugal		Spain	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.1
Derivatives (net)	0.0	– 0.1	– 0.2	– 0.5	– 0.3	– 0.4	0.0	0.0
Financial investments (AfS)	0.0	0.0	2 056.4	2 660.4	282.0	283.5	752.3	776.9
Revaluation reserve	0.0	0.0	– 91.5	– 289.7	– 1.5	– 9.0	– 41.0	– 57.0
Total	**0.0**	**– 0.1**	**2 056.2**	**2 659.9**	**281.7**	**283.1**	**752.3**	**781.0**
Additional CDS information on the above item »Derivatives«								
CDS asset items	0.1	0.1	1.0	– 1.9	– 0.7	– 1.9	0.0	0.8
CDS liability items	– 0.1	– 0.1	– 1.2	1.5	0.4	1.5	0.0	– 0.8
Nominals of CDS assets	55.0	49.3	298.2	351.6	73.1	68.6	130.0	137.8
Nominals of CDS liabilities	– 55.0	– 57.5	– 299.0	– 340.8	– 72.4	– 69.0	– 125.2	– 134.9

No ABS whose issuers have registered offices in one of these four countries are included in the figures above.

74. Counterparty risk.

The disclosure obligations in accordance with IFRS 7.36 and 7.37 are met with the following tables.

Maximum counterparty risk together with risk-reducing measures.

31 Dec. 2015 EUR million	Gross exposure	Netting/ collateral	Credit derivatives (protection buy)	Credit collateral	Net exposure
Cash and cash equivalents	1 125	0	0	0	1 125
Assets carried at fair value					
Trading assets	101 608	53 702	13 601	670	33 635
Financial assets designated at fair value	786	172	0	23	591
Positive fair values from hedging derivatives	3 881	3 713	0	11	156
Financial investments (AfS)	18 363	0	0	0	18 363
interest-bearing assets	15 683	0	0	0	15 683
non-interest-bearing assets	2 680	0	0	0	2 680
Assets carried at amortized cost					
Loans and advances to banks	31 732	5 139	0	1 437	25 156
Loans and advances to customers	108 421	15 156	0	38 067	55 199
of which finance leases	4 260	0	0	307	3 953
Financial investments (LaR)	6 073	0	0	0	6 073
interest-bearing assets	6 052	0	0	0	6 052
non-interest-bearing assets	21	0	0	0	21
Non-current assets and disposal groups held for sale	73	0	0	0	73
Total	**272 062**	**77 883**	**13 601**	**40 208**	**140 371**
Loan commitments and other agreements	47 117	0	0	3 823	43 294
Total exposure	**319 179**	**77 883**	**13 601**	**44 031**	**183 665**

31 Dec. 2014 EUR million	Gross exposure	Netting/ collateral	Credit derivatives (protection buy)	Credit collateral	Net exposure
Cash and cash equivalents	920	0	0	0	920
Assets carried at fair value					
Trading assets	125 035	64 759	15 863	1 387	43 027
Financial assets designated at fair value	788	0	0	25	763
Positive fair values from hedging derivatives	4 649	4 398	0	28	223
Financial investments (AfS)	22 151	0	15	0	22 136
interest-bearing assets	19 452	0	15	0	19 437
non-interest-bearing assets	2 700	0	0	0	2 700
Assets carried at amortized cost					
Loans and advances to banks	44 520	11 186	0	1 762	31 572
Loans and advances to customers	108 014	10 657	0	37 421	59 936
of which finance leases	4 595	0	0	459	4 137
Financial investments (LaR)	6 011	0	0	0	6 011
interest-bearing assets	5 992	0	0	0	5 992
non-interest-bearing assets	19	0	0	0	19
Total	**312 088**	**91 000**	**15 878**	**40 623**	**164 588**
Loan commitments and other agreements	50 959	0	0	3 263	47 696
Total exposure	**363 047**	**91 000**	**15 878**	**43 886**	**212 284**

As at the reporting date of 31 December 2015, 99.3 % (previous year: 99.1 %) of the assets of the total portfolio of EUR 319 billion are neither impaired nor overdue.

The risk and opportunity report contains further statements on the value of the portfolio.

Portfolio quality – exposure in arrears and not impaired.

Gross exposures to customers that are more than five days in arrears but which have not been impaired are defined as assets in arrears for which no impairment requirement is determined.

As at 31 December 2015, this applied to gross exposure of EUR 158 million (previous year: EUR 569 million). More than half of these cases are less than three months overdue.

The following table illustrates the maturity structure of this sub-portfolio:

31 Dec. 2015 EUR million	<=1 month	> 1 to 3 months	> 3 to 6 months	> 6 to 9 months	> 9 to 12 months	> 12 months	Total
Assets carried at amortized cost							
Loans and advances to banks	0	2	0	0	0	3	5
Loans and advances to customers	21	60	9	19	3	42	153
of which finance leases	3	1	0	0	0	0	3
Total	**21**	**61**	**9**	**19**	**3**	**44**	**157**
Loan commitments and other agreements	0	0	0	0	0	1	1
Total exposure	**21**	**62**	**10**	**19**	**3**	**45**	**158**

31 Dec. 2014 EUR million	<=1 month	> 1 to 3 months	> 3 to 6 months	> 6 to 9 months	> 9 to 12 months	> 12 months	Total
Assets carried at amortized cost							
Loans and advances to banks	4	0	3	3	6	0	15
Loans and advances to customers	329	55	39	2	16	88	528
of which finance leases	7	1	0	0	0	0	8
Total	**333**	**55**	**41**	**5**	**21**	**88**	**544**
Loan commitments and other agreements	0	4	22	0	0	0	26
Total exposure	**333**	**59**	**63**	**5**	**21**	**88**	**569**

Portfolio quality – impaired assets.

The gross exposure to customers for which impairments were recognized is shown below:

EUR million	31 Dec. 2015	31 Dec. 2014
Assets carried at fair value		
Financial investments (AfS)	1	1
interest-bearing assets	1	1
Assets carried at amortized cost		
Loans and advances to banks	4	16
Loans and advances to customers	1 914	2 548
of which finance leases	92	112
Total	**1 919**	**2 565**
Loan commitments and other agreements	182	208
Total exposure	**2 101**	**2 773**

Impaired assets decreased by EUR 672 million compared with 31 December 2014. The change mainly related to loans and advances to customers.

The following table shows the impaired portfolio by default reason on the reporting date:

	31 Dec. 2015		31 Dec. 2014	
	Total in EUR million	Total in %	Total in EUR million	Total in %
1) Termination/repayment/insolvency	303	14.5	448	16.2
2) Arrears/infringement > 90 days [1]	179	8.5	308	11.1
3) Improbable repayment [2]	1 619	77.0	2 017	72.7
Total	**2 101**	**100.0**	**2 773**	**100.0**

1) Without criteria from no. 1)
2) Without meeting the criteria of no. 1) or 2) (catch-all provision)

Forbearance.

As at 31 December 2015, LBBW Group holds assets with a net carrying amount of EUR 1.5 billion for which forbearance measures were adopted. Modifications in relation to the terms and conditions were mainly granted. A EUR 0.6 billion sub-portfolio of the assets for which forbearance measures have been adopted comprises impaired assets.

LBBW has received guarantees of EUR 0.2 billion for assets with forbearance measures.

75. Capital management.

Capital management at LBBW is designed to ensure solid capitalization within the LBBW Group. In order to guarantee adequate capital from various perspectives, the Bank analyzes capital ratios and structures both from the perspective of regulatory capital requirements and that of economic capital. Capital management at LBBW is imbedded in integrated performance and risk management, the strategies, regulations, monitoring processes and organizational structures of the LBBW Group.

The integrated risk and capital management is carried out by the Group's Board of Managing Directors. Among other things, the Asset Liability Committee (ALCo) supports the Board of Managing Directors in structuring the balance sheet, managing capital and liquidity, in funding and in managing market-price risks. The ALCo prepares decisions in this respect that are subsequently met by the Group's Board of Managing Directors.

On matters relating to risk management and capital management under economic aspects, the Risk Committee (RiskCom) helps prepare decisions for the Board of Managing Directors with regard to risk monitoring, the risk methodology and the risk strategy for the Group as a whole, and in relation to compliance with the regulatory requirements.

In view of the large number of requirements in banking supervisory law and accounting, a coordinating Regulatory/Accounting Committee has been established to ensure an early assessment of the requirements of relevance to managing the Bank and to take appropriate measures.

Capital allocation and longer-term strategic capital management is carried out during the planning process integrated on an annual basis (with a five-year planning horizon) with the forecast during the year, and is decided and monitored continuously by the Group's Board of Managing Directors. The Supervisory Board ultimately decides on the business plan.

Economic capital.

Besides the capital backing stipulated by regulatory bodies, the capital backing required from LBBW's point of view for economic purposes, calculated using the Bank's own risk models, is monitored in an additional steering circle.

See the risk and opportunity report for details.

Regulatory capital.

LBBW Group's capital ratios are calculated according to the provisions of Article 92 CRR in conjunction with Article 11 CRR. Accordingly, the ratios to be fulfilled at all times are:

- Common equity Tier 1 ratio (basis: CET1 capital) of 4.5 %
- Tier 1 ratio (basis: common equity Tier 1 capital and additional Tier 1 capital) of 6.0 %
- Total capital ratio (basis: common equity Tier 1 and additional Tier 1 capital, as well as Tier 2 capital) of 8.0 %

The ECB is conducting the Supervisory Review and Evaluation Process (SREP). Based on this process, the ECB determined in a letter of 20 November 2015 that, in accordance with the minimum requirements under Article 11 CRR, LBBW is required to maintain at all times a CET1 capital ratio of 9.75 % on a consolidated basis. This ratio includes the aforementioned Tier 1 capital ratio and the capital buffer that has to be maintained since 1 January 2016.

The ratios are derived from the respective capital components expressed as a percentage of the total exposure amount. The total exposure amount is calculated as the risk weighted exposure amounts for the credit and dilution risk, the trading book business, market price risk, the risks of the credit valuation adjustments for OTC derivatives, operational risk and counterparty risk from the trading book business. These ratios required by the supervisory authorities were maintained at all times during the 2015 financial year.

The own funds derive from the sum of Tier 1 and Tier 2 capital.

Tier 1 capital consists of common equity Tier 1 capital and additional Tier 1 capital, whereby the common equity Tier 1 capital comprises the paid-in capital, associated premiums (capital reserves), retained earnings, cumulative other income and other reserves.

The additional Tier 1 capital comprises the silent partners' contributions and preference shares. Due to the transitional provisions that will be in place until the end of 2021, they may continue to be included this capital heading within the ranges applicable in accordance with Article 486 CRR in conjunction with Article 31 SolvV. Amounts that are no longer included in these ranges may be included in this capital heading, provided the conditions for consideration as supplementary capital are met.

Supplementary capital comprises long-term subordinated liabilities and profit participation certificates, as well as long-term subordinated loans and profit participation certificates that meet the requirements of Article 63 CRR and the associated premiums. The supplementary capital instruments are subject to a day specific reduction in the last five years of their term.

Losses incurred in the current financial year, intangible assets, goodwill, deferred tax claims dependent on future profitability and the value adjustment deficit for receivables that were calculated pursuant to the IRB approach, must be deducted from the common equity Tier 1 capital. In addition, a negative revaluation reserve, the gains or losses from own liabilities measured at fair value due to changes in the credit ratings of LBBW Group, gains and losses from derivative liabilities recognized at fair value resulting from the Bank's own credit risk, as well as value adjustments due to the requirements for a prudent valuation must be deducted when calculating the own funds.

The transitional provisions in accordance with Article 467 et seq. in conjunction with Article 481 CRR should be applied for these deductions and exclusions from common equity Tier 1 capital. Deductions of 10% from the CET1 capital must therefore be taken into account in 2015 for deferred tax liabilities from non-temporary differences, while the remaining 90% shall be recognized as risk weighted assets with a risk weight of 0%. The following must be taken into account as deductions of 40% from the CET1 capital: the current loss, a negative revaluation reserve for equity investments, intangible assets and goodwill, the value adjustment deficit, a negative revaluation reserves from other securities (except for central governments), as well as gains/losses from derivative liabilities recognized at fair value resulting from LBBW's own credit risk. The remaining 60% of the aforementioned deductions for the current loss, immaterial assets and goodwill is deducted in equal amounts from additional Tier 1 capital. The remaining value adjustment deficit of 60% is deducted in equal amounts from additional Tier 1 capital and Tier 2 capital.

As part of market-smoothing operations, supplementary capital components securitized in securities may be repurchased within the applicable limits. Some directly or indirectly held supplementary capital instruments that have been repurchased must be deducted from the supplementary capital. The fixed ceiling was complied with at all times in 2015.

As at 1 January 2008, LBBW received permission from Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority – BaFin) to use the approach based on internal ratings to calculate capital adequacy for counterparty risks arising from the major classes of receivables. Equity requirements for receivables for which permission has not been received to use a rating procedure are calculated in accordance with the credit risk standardized approach (CRSA).

The own funds in accordance with CRR are calculated based on the IFRS financial statements of the entities included in the regulatory scope of consolidation.

The following table shows the structure of the LBBW Group's own funds:

EUR million	31 Dec. 2015	31 Dec. 2014
Equity	**16287**	**16315**
Core capital (Tier 1)	12931	12972
of which: common equity Tier 1 capital (CET I)	12181	12015
of which additional Tier 1 capital (AT I)	749	957
Supplementary capital (Tier 2)	3356	3343
Total amount at risk (formerly position subject to a capital charge)	**74460**	**82182**
Risk weighted exposure amounts for the credit, counterparty and dilution risk, as well as advance payments	60483	65500
Risk exposure value for settlement and delivery risks	0	1
Total exposure amount for position, foreign exchange and commodity risk	7198	9061
Total risk exposure amount for operational risks	4787	5065
Total amount of risk due to CVA	1993	2554
Total capital ratio (in %)	**21.9**	**19.9**
Tier 1 capital ratio in %	**17.4**	**15.8**
Common equity Tier 1 ratio (in %)	**16.4**	**14.6**

EUR million	31 Dec. 2015	31 Dec. 2014
Core capital (Tier 1)	**12 931**	**12 972**
Paid-in capital instruments	3 484	3 484
Discount	8 240	8 240
Additional Tier 1 capital (AT I)	749	957
Retained profits, cumulative result and other reserves	1 528	882
Deductibles from CET1 capital in accordance with CRR	– 1 071	– 591

Explanation of the changes in 2014 versus 2015.

The common equity Tier 1 (CET1) capital of the LBBW Group increased thanks to profit retention, despite higher deductions due to the applicable transitional provisions. The additional Tier 1 capital (AT1) fell due to the maturing of silent partners' contributions and due to fluctuation in deductibles and the changes in the way they are included on account of the transitional provisions in accordance with CRR. Supplementary capital (T2) was strengthened in June 2015 through the issue of a new subordinated bond as part of a EUR 500 million MTN program. The amortization of elements of supplementary capital on the basis of the number of days that have passed and the fluctuation in deductibles and the way in which they are included on account of the transitional provisions had the opposite effect.

The profits retained in accordance with the profit appropriation decision constitute CET1 capital and thus increase all capital ratios. The reduction in AT1 capital influences the Tier 1 capital ratio and the total capital ratio, while the issue of Tier 2 capital only has a positive effect on the total capital ratio.

The reduction in the aggregate risk amount essentially results from the decline in the risk weighted exposure amounts for the credit risk due to repayments and maturities. The total risk exposure amount for operational risks decreased due to annual recalculation. The decrease in the total exposure amount for position, foreign exchange and commodity risk was mainly as a result of two effects. On the one hand, the interest rate risk is reduced by the performance of the securities portfolio, while the values calculated for general interest rate and equity risk in the internal model declined due to the general business trend.

76. Events after the balance sheet date.

LBBW disposed of its stake in cellent AG, Stuttgart with effect from 2 December 2015. By satisfying all conditions precedent in January 2016, a mid-double-digit million capital gain was achieved.

Additional disclosures in accordance with Section 315a HGB.

77. List of shareholdings and information on subsidiaries, associates and joint ventures.

The share of the associates and joint ventures in the aggregate assets and liabilities, as well as revenues and profits/losses for the period are presented in Note 68.

LBBW Immobilien-Holding GmbH, Stuttgart, LBBW Leasing GmbH, Mannheim, LBBW Spezialprodukte-Holding GmbH, Stuttgart and LBBW Service GmbH, Stuttgart made use of the exemption under Section 264 (3) HGB.

The following overview shows the full list of shareholdings of the LBBW Group in accordance with Section 313 (2) HGB in the consolidated financial statements and Section 285 (11) HGB in the annual financial statements of Landesbank Baden-Württemberg including the statements pursuant to Section 285 (11 a) HGB as at the reporting date. The list of shareholdings shows the companies for which a letter of comfort has been issued.

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Ser. no.	Name	Place of business	Share of capital in %	Non-prop. Voting rights in %	Currency	Equity EUR th.	Result EUR th.
I. Companies included in the consolidated financial statements							
1. Subsidiaries							
a. Fully consolidated subsidiaries (authority over the voting rights)							
1	ALVG Anlagenvermietung GmbH [1) 4a) 14)]	Stuttgart	100.00		EUR	19 000.00	0.00
2	Austria Beteiligungsgesellschaft mbH [14)]	Stuttgart	66.67		EUR	35 641.34	182.68
3	Bahnhofplatz Objekt-GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	13 441.51	3 654.36
4	Bahnhofplatz Objektverwaltungs-GmbH [1) 14)]	Stuttgart	100.00		EUR	13.46	– 0.41
5	Bahnhofplatz-Gesellschaft Stuttgart AG [1) 4a) 14)]	Stuttgart	93.22		EUR	4 452.44	0.00
6	Bauwerk-Stuttgart GmbH [1) 14)]	Stuttgart	75.00		EUR	– 567.65	– 5.61
7	BW Capital Markets Inc. [3) 14)]	Wilmington, USA	100.00		USD	3 095.31	– 409.75
8	BW-Immobilien GmbH [1) 4a) 14)]	Stuttgart	100.00		EUR	1 920.04	0.00
9	Centro Alemán de Industria y Comercio de México S. de R.L. de C.V. [2) 14)]	México, D. F., Mexico	100.00		MXN	– 11 575.37	– 2 137.03
10	CFH Beteiligungsgesellschaft mbH [1) 14)]	Leipzig	100.00		EUR	67 891.59	5 880.62
11	Dritte Industriehof Objekt-GmbH [1) 4a) 16)]	Stuttgart	100.00		EUR	701.91	507.44
12	Dritte LBBW US Real Estate GmbH [14)]	Leipzig	100.00		EUR	17 626.92	11 336.52
13	EAST Portfolio s.r.o. [3a) 14)]	Prague 5, Czech Republic	100.00		CZK	17 286.27	2 102.68
14	Employrion Komplementär GmbH [1) 14) 18)]	Weil	100.00		EUR	29.31	1.12
15	Entwicklungsgesellschaft Grunewaldstraße 61 – 62 mbH & Co. KG [1) 14)]	Stuttgart	94.84	94.90	EUR	– 3 397.41	131.54
16	Entwicklungsgesellschaft Uhlandstraße 187 GmbH & Co. KG [1) 14)]	Stuttgart	94.90		EUR	– 2 197.09	659.78
17	Erste IMBW Capital & Consulting Komplementär GmbH [1) 14) 18)]	Weil	100.00		EUR	26.37	– 0.79
18	Erste Industriehof Objekt-GmbH [1) 4a) 16)]	Stuttgart	100.00		EUR	450.16	88.75
19	EuroCityCenterWest GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 19 781.31	90.65
20	EuroCityCenterWest Verwaltungs-GmbH [1) 14)]	Stuttgart	94.80		EUR	35.83	0.31
21	FLANTIR PROPERTIES LIMITED [1) 14)]	Nicosia, Cyprus	100.00		RUB	– 51 272.61	– 36 936.43
22	FOM/LEG Verwaltungs GmbH [1) 14)]	Heidelberg	50.00		EUR	– 17.27	– 5.27
23	Fünfte Industriehof Objekt-GmbH [1) 4a) 16)]	Stuttgart	100.00		EUR	575.02	– 59.21
24	Ganghofer Straße München GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 72.14	– 73.14
25	Ganghofer Straße München Komplementär GmbH [1) 14)]	Stuttgart	100.00		EUR	23.47	– 1.53
26	German Centre for Industry and Trade GmbH, Beteiligungsgesellschaft [4) 14)]	Stuttgart	100.00		EUR	3 942.99	0.00
27	German Centre for Industry and Trade Pte. Ltd. Singapore [1) 14)]	Singapore, Singapore	100.00		SGD	13 800.73	2 682.76
28	Grundstücksgesellschaft Einkaufszentrum Haerder-Center Lübeck mbH & Co. KG [1) 3b) 14)]	Stuttgart	94.00		EUR	– 24 482.91	– 108.83
29	Grunewaldstraße 61 – 62 GmbH [1) 14)]	Stuttgart	100.00		EUR	28.20	0.84
30	IMBW Capital & Consulting GmbH [1) 4a) 14)]	Stuttgart	100.00		EUR	250.00	0.00
31	Immobilienvermittlung BW GmbH [14)]	Stuttgart	100.00		EUR	2 502.38	2.38
32	Industriehof-Aktiengesellschaft [1) 4a) 14)]	Stuttgart	93.63		EUR	23 281.64	0.00
33	IRP Immobilien-Gesellschaft Rheinland-Pfalz mbH [1) 4a) 14)]	Mainz	51.41		EUR	90.69	74.27
34	Kiesel Finance Management GmbH [1) 14)]	Baienfurt	90.00		EUR	33.72	2.10
35	Kommunalbau Rheinland-Pfalz GmbH [1) 4a) 14)]	Mainz	51.40		EUR	534.84	– 248.59
36	Landesbank Baden-Württemberg Capital Markets Plc [3) 14)]	London, Great Britain	100.00		EUR	5 601.00	100.00
37	LBBW Asset Management Investmentgesellschaft mbH [3) 14)]	Stuttgart	100.00		EUR	32 446.31	12 719.73
38	LBBW Immobilien Asset Management GmbH [1) 4a) 14)]	Stuttgart	100.00		EUR	1 305.03	0.00
39	LBBW Immobilien Capital Fischertor GmbH & Co. KG [1) 14)]	Munich	93.98	94.00	EUR	– 5 306.88	– 6.73
40	LBBW Immobilien Capital GmbH [1) 14)]	Stuttgart	100.00		EUR	– 2 194.26	665.37
41	LBBW Immobilien Development GmbH [1) 4a) 14)]	Stuttgart	94.90		EUR	15 783.69	0.00
42	LBBW Immobilien GmbH & Co. Beteiligung KG [1) 14)]	Stuttgart	100.00		EUR	30 274.49	954.73
43	LBBW Immobilien Kommunalentwicklung GmbH [1) 4a) 14)]	Stuttgart	81.62		EUR	2 016.51	0.00
44	LBBW Immobilien Luxembourg S. A. [1) 14)]	Luxembourg, Luxembourg	100.00		EUR	– 76 021.25	– 78.71
45	LBBW Immobilien Management Gewerbe GmbH [1) 4a) 14)]	Stuttgart	94.90		EUR	3 303.97	0.00
46	LBBW Immobilien Management GmbH [1) 4a) 14)]	Stuttgart	100.00		EUR	425 694.37	0.00
47	LBBW Immobilien M_Eins Berlin GmbH [1) 14)]	Stuttgart	100.00		EUR	– 13.47	– 38.47
48	LBBW Immobilien Romania S.R.L. [1) 14)]	Bucharest, Romania	100.00		RON	– 34 625.31	– 8 495.70
49	LBBW Immobilien Süd GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 42 523.94	275.04
50	LBBW Immobilien Versicherungsvermittlung GmbH [1) 4a) 14)]	Stuttgart	100.00		EUR	25.00	0.00

Ser. no.	Name	Place of business	Share of capital in %	Non-prop. Voting rights in %	Currency	Equity EUR th.	Result EUR th.
51	LBBW Immobilien Westend Carree II GmbH & Co. KG [1)]	Stuttgart	100.00			n/a	n/a
52	LBBW Immobilien Westend Carree II Komplementär GmbH [1)]	Stuttgart	100.00			n/a	n/a
53	LBBW Immobilien-Holding GmbH [4) 14)]	Stuttgart	100.00		EUR	439 050.54	0.00
54	LBBW Leasing GmbH [4) 14)]	Stuttgart	100.00		EUR	266 088.54	0.00
55	LBBW México [2) 14)]	México, Mexico	100.00		MXN	3 968.16	1 165.78
56	LBBW Service GmbH [4) 14)]	Stuttgart	100.00		EUR	224.67	0.00
57	LBBW Spezialprodukte-Holding GmbH [4) 14)]	Stuttgart	100.00		EUR	101 871.73	0.00
58	LBBW US Real Estate Investment LLC [5)]	Wilmington, USA	100.00		USD	70 895.19	46 521.69
59	LBBW Venture Capital Gesellschaft mit beschränkter Haftung [14)]	Stuttgart	100.00		EUR	18 553.96	– 6 748.84
60	LEG Baden-Württemberg Verwaltungs-GmbH [1) 14)]	Stuttgart	100.00		EUR	25.33	– 1.01
61	LEG Projektgesellschaft 2 GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	5 460.99	60.23
62	LEG Verwaltungsgesellschaft 2 mbH [1) 14)]	Stuttgart	100.00		EUR	27.88	– 0.39
63	LOOP GmbH [1) 14)]	Stuttgart	100.00		EUR	– 36.63	– 2.88
64	LRP Capital GmbH [1) 14)]	Stuttgart	100.00		EUR	13 404.38	– 639.41
65	Mannheim O 4 Projektgesellschaft mbH & Co. KG [1) 3b) 14)]	Stuttgart	100.00		EUR	– 737.32	– 473.17
66	MANUKA Grundstücks-Verwaltungsgesellschaft mbH [1) 14)]	Stuttgart	100.00		EUR	56.66	– 0.91
67	MKB Mittelrheinische Bank Gesellschaft mit beschränkter Haftung [14)]	Koblenz	100.00		EUR	50 779.62	10 009.87
68	MKB Versicherungsdienst GmbH [1) 4a) 14)]	Koblenz	100.00		EUR	27.05	0.00
69	MMV Leasing Gesellschaft mit beschränkter Haftung [1) 4a) 14)]	Koblenz	100.00		EUR	21 000.00	0.00
70	MMV-Mobilien Verwaltungs- und Vermietungsgesellschaft mbH [1) 4a) 14)]	Koblenz	100.00		EUR	26.00	0.00
71	Nagatino Property S.à.r.l. [1) 14)]	Luxembourg, Luxembourg	100.00		EUR	– 27 656.46	– 25.79
72	Nymphenburger Straße München GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 26.97	– 27.97
73	Nymphenburger Straße München Komplementär GmbH [1) 14)]	Stuttgart	100.00		EUR	23.47	– 1.53
74	Projekt 20 Verwaltungs GmbH [1) 14)]	Munich	100.00		EUR	35.68	1.27
75	Rebstockpark 7.1 Entwicklungsgesellschaft mbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 1 158.05	– 1 073.32
76	Rheinpromenade Mainz GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 28.78	– 26.05
77	Schlossgartenbau Objekt-GmbH [1) 4a) 16)]	Stuttgart	100.00		EUR	18 548.97	2 302.10
78	Schlossgartenbau-Aktiengesellschaft [1) 4a) 14)]	Stuttgart	92.68		EUR	6 592.42	0.00
79	Schockenried GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 4 935.17	109.00
80	Schockenriedverwaltungs GmbH [1) 14)]	Stuttgart	100.00		EUR	26.76	0.53
81	SG Management GmbH [1) 14)]	Stuttgart	100.00		EUR	9 622.87	485.09
82	SGB - Hotel GmbH & Co. KG [1) 14)]	Stuttgart	100.00		EUR	– 1 513.19	– 83.81
83	SLN Maschinen-Leasing Verwaltungs-GmbH [1) 14)]	Stuttgart	100.00		EUR	1 321.85	141.22
84	SLP Mobilien-Leasing Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	5 599.22	228.24
85	Süd Beteiligungen GmbH [14)]	Stuttgart	100.00		EUR	244 845.71	14 342.57
86	Süd KB Unternehmensbeteiligungsgesellschaft mbH [1) 14)]	Stuttgart	100.00		EUR	49 362.82	2 092.85
87	SüdFactoring GmbH [3) 4) 14)]	Stuttgart	100.00		EUR	70 000.00	0.00
88	Süd-Kapitalbeteiligungs-Gesellschaft mbH [1) 4a) 14)]	Stuttgart	100.00		EUR	88 981.87	0.00
89	SüdLeasing Agrar GmbH [1) 14)]	Mannheim	100.00		EUR	612.69	33.73
90	SüdLeasing GmbH [2) 4a) 14)]	Stuttgart	100.00		EUR	32 085.00	0.00
91	Turtle Beteiligungs-Ehningen II GmbH [1) 14) 18)]	Frankfurt am Main	100.00		EUR	27.16	0.25
92	Turtle Beteiligungs-Hannover-City GmbH [1) 14) 18)]	Frankfurt am Main	100.00		EUR	2.06	– 3.98
93	Turtle Beteiligungs-Portfolio GmbH [1) 14) 18)]	Frankfurt am Main	100.00		EUR	7.54	– 4.96
94	Turtle Ehningen II GmbH & Co. KG [1) 14) 18)]	Frankfurt am Main	100.00		EUR	– 58.33	– 6.80
95	Turtle Portfolio GmbH & Co. KG [1) 14) 18)]	Frankfurt am Main	100.00		EUR	– 45 854.78	2 707.90
96	Turtle 1. Verwaltungs-GmbH [1) 14) 18)]	Frankfurt am Main	100.00		EUR	37.96	– 2.54
97	Uhlandstraße 187 GmbH [1) 14)]	Stuttgart	100.00		EUR	27.98	1.12
98	Vermietungs- und Verwaltungsgesellschaft Sendlinger Straße GmbH & CO. KG [1) 3b) 14)]	Stuttgart	100.00		EUR	– 55.39	0.00
99	Vermietungs- und Verwaltungsgesellschaft Sendlinger Straße mbH [1) 14)]	Stuttgart	100.00		EUR	18.81	– 0.88
100	Vierte Industriehof Objekt-GmbH [1) 4a) 16)]	Stuttgart	100.00		EUR	1 176.78	330.26
101	VVS II GmbH & Co. KG [1) 3b) 14)]	Stuttgart	100.00		EUR	– 315.80	– 25.37
102	VVS II Verwaltungs-GmbH [1) 14)]	Stuttgart	100.00		EUR	16.36	– 0.65
103	VVS III GmbH & Co. KG [1) 3b) 14)]	Stuttgart	100.00		EUR	– 30.47	– 34.21
104	VVS III Verwaltungs-GmbH [1) 14)]	Stuttgart	100.00		EUR	13.01	– 0.62
105	Zorilla Mobilien-Leasing GmbH [1) 14)]	Mannheim	100.00		EUR	46.31	– 13.29
106	Zweite IMBW Capital & Consulting Komplementär GmbH [1) 14)]	Stuttgart	100.00		EUR	22.69	– 1.63
107	Zweite Industriehof Objekt-GmbH [1) 4a) 16)]	Stuttgart	100.00		EUR	19 825.72	262.10
108	Zweite LBBW US Real Estate GmbH [14)]	Leipzig	100.00		EUR	47 955.74	9 280.45

CONSOLIDATED FINANCIAL STATEMENTS

Ser. no.	Name	Place of business	Share of capital in %	Non-prop. Voting rights in %	Currency	Equity EUR th.	Result EUR th.
b. Fully consolidated subsidiaries (authority over contractual agreements)							
109	aiP Gärtnerplatz GmbH & Co. KG [1) 8)]	Oberhaching	45.00	66.67	EUR	– 3 095.65	13 028.80
110	aiP Isarauen GmbH & Co. KG [1) 3b) 14)]	Oberhaching	45.00	50.00	EUR	54.78	– 33.20
111	BW Bank Capital Funding LLC I [1) 3) 14)]	Wilmington, USA	100.00		USD	63 291.36	– 4 357.27
112	BW Bank Capital Funding Trust I [1) 18)]	Wilmington, USA	0.00	100.00		n/a	n/a
113	Employrion Immobilien GmbH & Co. KG [1) 14)]	Weil	35.00	50.00	EUR	54.85	0.00
114	Erste IMBW Capital & Consulting Objektgesellschaft mbH & Co. KG [1) 14)]	Weil	40.00	50.00	EUR	– 29.67	– 80.38
115	FOM/LEG Generalübernehmer GmbH & Co. KG [1) 14)]	Heidelberg	50.00		EUR	– 8 879.03	– 75.56
116	Grundstücksgesellschaft Einkaufszentrum Kröpeliner-Tor-Center Rostock mbH & Co. KG [1) 14)]	Berlin	39.94	50.00	EUR	– 8 921.51	– 155.15
117	Humboldt Multi Invest B SICAV-FIS Sachsen LB Depot A [13)]	Luxembourg, Luxembourg	100.00		EUR	5 897.89	– 248.71
118	Kyma Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Löhr's Carré KG [14) 18)]	Haar			EUR	– 0.97	4 965.03
119	Turtle Vermögensverwaltungs-GmbH & Co. KG [1) 14)]	Frankfurt am Main	49.00	50.00	EUR	– 41 563.16	– 41 463.62
120	Weinberg Capital Ltd. [8) 18)]	Dublin 2, Ireland			EUR	32.29	– 92.00
121	Weinberg Funding Ltd. [14) 18)]	St. Helier, Jersey, UK			EUR	3.71	– 0.28

Ser. no.	Name	Place of business	Share of capital in %	Non-prop. Voting rights in %	Currency	Equity EUR th.	Result EUR th.
2. Joint ventures accounted for using the equity method							
122	Alida Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG [1) 14)]	Pullach	99.04	50.00	EUR	5 254.76	2 245.76
123	ARGE ParkQuartier Berg [1) 14)]	Stuttgart	50.00		EUR	– 884.04	– 79.40
124	Bad Kreuznacher Entwicklungsgesellschaft mbH (BKEG) [1) 14)]	Bad Kreuznach	50.00		EUR	544.20	592.43
125	GIZS GmbH & Co. KG	Stuttgart	33.33			n/a	n/a
126	OVG MK6 GmbH [1) 3b) 14)]	Berlin	50.00		EUR	– 92.61	– 96.48
127	Parcul Banatului SRL [1) 14)]	Bucharest, Romania	50.00		EUR	– 23 207.82	– 202.40
128	SGB - Hotel - Verwaltung GmbH [1) 14)]	Stuttgart	50.00		EUR	22.77	4.33
129	TCD LEG/FOM GbR [1) 14)]	Stuttgart	50.00		EUR	190.41	0.31

Ser. no.	Name	Place of business	Share of capital in %	Non-prop. Voting rights in %	Currency	Equity EUR th.	Result EUR th.
3. Associates accounted for using the equity method							
130	Altstadt-Palais Immobilien GmbH & Co. KG [1) 14)]	Weil	40.00	50.00	EUR	36.72	70.01
131	Bauland Kruft Süd GmbH [1) 14)]	Mainz	51.00		EUR	– 342.56	179.70
132	BWK GmbH Unternehmensbeteiligungsgesellschaft [1) 14)]	Stuttgart	40.00		EUR	485 265.51	214 769.92
133	BWK Holding GmbH Unternehmensbeteiligungsgesellschaft [1) 16)]	Stuttgart	40.00		EUR	7 800.00	n/a
134	EGH Entwicklungsgesellschaft Heidelberg GmbH & Co. KG [1) 14)]	Heidelberg	33.33		EUR	1 596.28	402.89
135	Vorarlberger Landes- und Hypothekenbank AG [1) 14)]	Bregenz, Austria	23.97		EUR	815 501.05	32 991.51

Ser. no.	Name	Place of business	Share of capital in %	Non-prop. Voting rights in %	Currency	Equity EUR th.	Result EUR th.
II. Companies not included in the consolidated financial statements due to being of minor influence							
1. Subsidiaries							
a. Subsidiaries not included (authority over the voting rights)							
136	aiP Gärtnerplatz Verwaltungs GmbH [1) 8)]	Oberhaching	100.00		EUR	20.50	– 1.31
137	aiP Isarauen Verwaltungs GmbH [1) 14) 18)]	Oberhaching	100.00		EUR	23.69	– 1.20
138	Baden-Württembergische Equity Gesellschaft mit beschränkter Haftung [14)]	Stuttgart	100.00		EUR	867.89	– 1 557.96
139	BW Leasing GmbH & Co. KG i. L. [1) 14)]	Mannheim	100.00		EUR	98.61	3.80
140	CARGO SL Mobilien-Leasing GmbH & Co. KG [1) 14) 18)]	Mannheim	0.00	75.00	EUR	475.56	10.14
141	cellent AG [1) 11)]	Vienna, Austria	100.00		EUR	4 232.92	274.53
142	cellent AG [14)]	Stuttgart	100.00		EUR	11 692.86	– 1 542.47
143	Cellent Finance Solutions GmbH [14)]	Stuttgart	100.00		EUR	3 958.86	1 129.39
144	cellent Mittelstandsberatung GmbH [1) 14)]	Böblingen	100.00		EUR	2 219.02	170.35
145	DBW Advanced Fiber Technologies GmbH [1) 14)]	Bovenden	100.00		EUR	32 464.78	1 768.06
146	DBW Automotive Components Shanghai Co., Ltd. [1) 14)]	Shanghai, China	80.00		CNY	1 915.16	767.03
147	DBW Fiber Corporation [1) 14)]	Summerville, USA	100.00		USD	1 797.44	267.77
148	DBW Holding GmbH [1) 14)]	Bovenden	100.00	94.64	EUR	22 036.19	– 19.34
149	DBW Hungary KFT [1) 14)]	Tapolca, Hungary	100.00		EUR	3 084.42	1 681.96
150	DBW Ibérica Industria Automoción, S.A. [1) 14)]	Vall d'Uxo Castellón, Spain	100.00		EUR	1 004.45	319.89
151	DBW Japan Ltd. [1) 14)]	Tokyo, Japan	100.00		JPY	– 197.46	– 22.41
152	DBW Metallverarbeitung GmbH [1) 4a) 14)]	Ueckermünde	100.00		EUR	1 233.88	0.00
153	DBW Polska Sp.z. o.o. [1) 14)]	Cigacice, Poland	100.00		PLN	3 747.32	1 893.66
154	DBW-Fiber-Neuhaus GmbH [1) 4a) 14)]	Neuhaus am Rennweg	100.00		EUR	3 000.00	0.00
155	Euro Leasing AG [1) 14)]	Luxembourg, Luxembourg	100.00		EUR	139.65	– 7.86
156	Finclusive Alfmeier Leasing Services GmbH & Co. KG i. L. [1) 14)]	Mannheim	100.00		EUR	66.08	– 2.62
157	Franca Grundstücksverwaltungsgesellschaft mbH [1) 4a) 14)]	Mannheim	100.00		EUR	525.81	0.00
158	Franca Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien KG [14)]	Mannheim	100.00		EUR	580.47	– 1 504.19
159	FRONTWORX Informationstechnologie AG [1) 14)]	Vienna, Austria	100.00		EUR	945.78	348.34
160	German Centre for Industry and Trade Beijing Co., Ltd. [14)]	Beijing, China	100.00		CNY	3 627.21	553.95
161	Gmeinder Lokomotivenfabrik GmbH i. L. [1) 6)]	Mosbach	90.00		EUR	306.00	– 641.00
162	Grundstücks-, Vermögens- und Verwaltungs-GbR 41, Leinfelden/Echterdingen [1) 14)]	Stuttgart	60.48		EUR	23 065.17	– 702.61
163	Haerder-Center Lübeck Verwaltungsgesellschaft mbH [1) 14)]	Stuttgart	100.00		EUR	31.22	1.50
164	Heurika Mobilien-Leasing GmbH [1) 3b) 14)]	Mannheim	100.00		EUR	– 199.74	– 41.50
165	HÜCO Circuit Technology GmbH i. L. [1) 6)]	Espelkamp	90.00		EUR	113.41	12.92
166	Hüco electronic GmbH i. L. [1) 14)]	Espelkamp	90.00		EUR	2 602.02	– 436.03
167	Ina Grundstücksverwaltungsgesellschaft mbH i. L. [1) 14)]	Mannheim	100.00		EUR	6.54	0.00
168	Iris Grundstücksverwaltungsgesellschaft mbH i. L. [1) 14)]	Mannheim	100.00		EUR	6.59	0.00
169	Karin Mobilien-Leasing GmbH i. L. [1) 14)]	Mannheim	100.00		EUR	884.31	0.00
170	KB Projekt GmbH [1) 14)]	Mainz	100.00		EUR	– 2.55	46.81
171	Kröpeliner-Tor-Center Rostock Verwaltungsgesellschaft mbH [1) 14) 18)]	Berlin	100.00		EUR	21.63	1.51
172	KURIMA Grundstücksgesellschaft mbH & Co. KG [1) 14) 18)]	Stuttgart	1.00	84.00	EUR	– 6.99	– 4.18
173	LA electronic Holding GmbH [1) 14)]	Espelkamp	100.00		EUR	– 15 356.93	– 1 273.35
174	Laurus Grundstücksverwaltungsgesellschaft mbH [1) 14)]	Mannheim	100.00		EUR	1 589.52	– 15.44
175	LBBW Dublin Management GmbH [3c) 4) 14)]	Stuttgart	100.00		EUR	20 845.91	0.00
176	LBBW Equity Partners GmbH & Co. KG i. L. [8)]	Stuttgart	100.00		EUR	1 687.23	– 48.11
177	LBBW Equity Partners Verwaltungs GmbH i. L. [8)]	Stuttgart	100.00		EUR	20.38	3.67
178	LBBW Gastro Event GmbH [4) 14)]	Stuttgart	100.00		EUR	130.00	0.00
179	LBBW GVZ Entwicklungsgesellschaft Leipzig mbH [14)]	Leipzig	100.00		EUR	2 877.06	81.92
180	LBBW Pensionsmanagement GmbH [4) 14)]	Stuttgart	100.00		EUR	25.00	0.00
181	LBBW REPRESENTAÇÃO LTDA. [2) 14)]	Itaim-Bibi/Sao Paulo, Brazil	100.00		BRL	127.74	14.50
182	LBBW (Schweiz) AG [14)]	Zurich, Switzerland	100.00		CHF	7 735.15	– 4 881.22
183	LBBW Verwaltungsgesellschaft Leipzig mbH [1) 14)]	Leipzig	100.00		EUR	27.09	– 5.75
184	LBBW Verwaltungsgesellschaft Leipzig mbH & Co. Parking KG [14)]	Leipzig	100.00		EUR	– 864.09	– 1 121.44
185	LBBW Verwaltungsgesellschaft Leipzig mbH & Co. REKIM KG [14)]	Leipzig	100.00		EUR	8 281.58	– 221.73
186	LEG Osiris 4 GmbH [1) 14)]	Stuttgart	100.00		EUR	32.80	– 0.93
187	LEG Osiris 5 GmbH [1) 14)]	Stuttgart	100.00		EUR	17.49	– 0.98
188	LEG Verwaltungsgesellschaft 4 mbH [1) 14)]	Stuttgart	100.00		EUR	28.87	0.37
189	LGZ-Anlagen-Gesellschaft mit beschränkter Haftung [4) 14)]	Mannheim	100.00		EUR	110.00	0.00

Ser. no.	Name	Place of business	Share of capital in %	Non-prop. Voting rights in %	Currency	Equity EUR th.	Result EUR th.
190	LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Landesfunkhaus Erfurt KG [14)]	Erfurt	99.77	24.00	EUR	– 11 927.04	68.91
191	LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Polizei Nordhausen KG [8)]	Erfurt	100.00	15.00	EUR	– 6 084.56	422.69
192	LLC German Centre for Industry and Trade [14)]	Moscow, Russia	100.00		RUB	1 652.32	541.88
193	LUTEA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Flöha KG [14)]	Berlin	100.00	15.00	EUR	– 4 383.36	677.48
194	Mannheim O4 Verwaltungsgesellschaft mbH [1) 14)]	Stuttgart	100.00		EUR	28.00	0.42
195	MDL Mitteldeutsche Leasing GmbH i. L. [1) 8)]	Leipzig	100.00		EUR	– 21 344.04	– 268.81
196	MLP Leasing GmbH & Co. KG i. L. [1) 14)]	Mannheim	100.00		EUR	– 14.84	0.00
197	MLP Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	59.59	– 6.72
198	MLS GmbH & Co. KG [1) 14)]	Mannheim	100.00		EUR	– 0.18	– 9.63
199	MMV-Mittelrheinische Leasing Gesellschaft mit beschränkter Haftung [1) 4a) 14)]	Koblenz	100.00		EUR	26.00	0.00
200	Pollux Vierte Beteiligungsgesellschaft mbH [14)]	Stuttgart	100.00		EUR	4 513.73	– 304.31
201	Radon Verwaltungs-GmbH [14)]	Stuttgart	100.00		EUR	20 400.12	715.42
202	Rebstockpark 7.1 Komplementär GmbH [1) 14)]	Stuttgart	100.00		EUR	24.08	– 0.92
203	Rheinpromenade Mainz Komplementär GmbH [1) 14)]	Stuttgart	100.00		EUR	24.46	0.03
204	Rhin-Neckar S.A. [14)]	Grevenmacher, Luxembourg	100.00		EUR	117.24	– 53.98
205	Sachsen V.C. GmbH & Co. KG [1) 14)]	Leipzig	75.19		EUR	1 319.51	714.58
206	Sachsen V.C. Verwaltungsgesellschaft mbH [1) 14)]	Leipzig	100.00		EUR	12.06	– 1.90
207	SachsenFonds International Equity Holding I GmbH [1) 14)]	Aschheim-Dornach	100.00		EUR	2 655.49	– 398.59
208	SachsenFonds International Equity I GmbH & Co. KG [1) 14)]	Leipzig	96.15		EUR	5 767.13	1 262.52
209	SBF Sächsische Beteiligungsfonds GmbH [1) 14)]	Leipzig	100.00		EUR	603.32	551.62
210	SDD Holding GmbH [1) 8)]	Stuttgart	100.00		EUR	– 3 231.22	– 19.15
211	SDT- Stanz und Dämmtechnik GmbH [1) 4a) 14)]	Berga	100.00		EUR	138.40	0.00
212	SKH Beteiligungs Holding GmbH [14)]	Stuttgart	100.00		EUR	2 812.01	480.17
213	SL Bayern Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	1 027.27	0.93
214	SL Bremen Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	1 076.94	326.23
215	SL BW Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	609.17	1.44
216	SL Düsseldorf Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	584.78	10.13
217	SL FINANCIAL MEXICO, S.A. DE C.V., SOFOM, E. N. R. [1) 14)]	Col. Lomas de Santa Fe, Mexico	100.00		MXN	284.45	– 89.53
218	SL Financial Services Corporation [1) 14)]	Norwalk, USA	100.00		USD	2 942.78	1 638.00
219	SL Mobilien-Leasing GmbH & Co. Hafis KG [1) 14) 18)]	Mannheim	0.00	51.00	EUR	2 017.75	– 3.71
220	SL Nordlease GmbH & Co. KG [1) 14) 18)]	Mannheim	0.00	60.00	EUR	– 2 090.60	104.59
221	SL Operating Services GmbH i. L. [1) 14)]	Mannheim	100.00		EUR	80.41	0.00
222	SL RheinMainSaar Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	512.19	– 0.16
223	SL Schleswig-Holstein Verwaltungs GmbH [1) 14)]	Mannheim	100.00		EUR	122.61	– 0.09
224	SL Ventus GmbH & Co. KG [1) 14)]	Mannheim	100.00		EUR	443.57	17.66
225	SLKS GmbH & Co. KG [2) 14)]	Stuttgart	100.00		EUR	3 783.77	203.51
226	Städtische Pfandleihanstalt Stuttgart Aktiengesellschaft [14)]	Stuttgart	100.00		EUR	3 949.41	370.62
227	Steelcase Leasing GmbH & Co. KG [1) 14)]	Mannheim	100.00		EUR	150.36	– 84.97
228	Stuttgarter Aufbau Bau- und Verwaltungs-Gesellschaft mbH [4) 14)]	Mannheim	100.00		EUR	153.39	0.00
229	Süd Mobilien-Leasing GmbH [1) 4a) 14)]	Stuttgart	100.00		EUR	28.28	0.00
230	Süddeutsche Allgemeine Finanz- und Wirtschaftsgesellschaft mit beschränkter Haftung [1) 4a) 14)]	Mannheim	100.00		EUR	511.29	0.00
231	SüdImmobilien GmbH [4) 14)]	Mannheim	100.00		EUR	2 574.87	0.00
232	SüdLeasing Finance-Holding GmbH [1) 14)]	Stuttgart	100.00		EUR	184.11	4.04
233	SüdLeasing Kft. i. L. [1) 14)]	Szekszard, Hungary	100.00		HUF	343.75	– 29.27
234	SüdLeasing s.r.o. (Prague) [1) 14)]	Prague 1, Czech Republic	100.00		CZK	996.78	232.64
235	SüdLeasing Suisse AG [1) 14)]	Unterengstringen, Switzerland	100.00		CHF	8 636.31	78.84
236	SÜDRENTING ESPANA, S.A. [1) 14)]	Barcelona, Spain	100.00		EUR	11 682.90	– 508.46
237	SuedLeasing Romania IFN S.A. i. L. [1) 14)]	Bucharest, Romania	100.00		RON	776.96	– 30.15
238	Technologiegründerfonds Sachsen Verwaltung GmbH [1) 14)]	Leipzig	100.00		EUR	27.33	2.20
239	Viola Grundstücksverwaltungs-GmbH & Co. Verpachtungs KG [14)]	Pullach	99.41	50.00	EUR	4 373.06	282.27
240	Wachstumsfonds Mittelstand Sachsen Verwaltung GmbH [1) 14)]	Leipzig	100.00		EUR	33.46	0.88
241	WM Mobilien-Leasing GmbH & Co. KG [1) 14) 18)]	Mannheim	0.00	75.00	EUR	696.79	496.00
242	Yankee Properties II LLC [18)]	Wilmington, USA	0.00	100.00		n/a	n/a
243	Yankee Properties LLC [14)]	New York, USA	100.00		EUR	676.51	– 845.85
244	Zenon Mobilien-Leasing GmbH [1) 14)]	Mannheim	100.00		EUR	468.60	27.34
245	Zweite Karl-Scharnagl-Ring Immobilien Verwaltung GmbH [1) 14)]	Munich	100.00		EUR	36.34	1.62

Ser. no.	Name	Place of business	Share of capital in %	Non-prop. Voting rights in %	Currency	Equity EUR th.	Result EUR th.
b. Subsidiaries not included (authority over contractual agreements) [20]							
246	Georges Quay Funding I Limited [8) 18)]	Dublin 1, Ireland			EUR	9.63	0.01
247	HG ABS Fund plc [10) 18)]	Dublin 1, Ireland	100.00	0.00	EUR	0.00	49 608.78
248	LBBW Covered Bonds Euro Select [15)]	Stuttgart	100.00	0.00	EUR	3 010.96	516.72
249	LBBW Devisen 1 [15)]	Stuttgart	82.50	0.00	EUR	42 158.19	763.77
250	LBBW corporate bond Euro Offensiv	Stuttgart	98.97	0.00		n/a	n/a
251	M-Korb Funding No.1 Ltd. [8) 18)]	Dublin 2, Ireland			EUR	– 7 911.22	859.39
252	Palmsche Park GbR Esslingen [1) 14)]	Stuttgart	94.50	50.00	EUR	– 53.45	– 53.45
253	Platino S.A. [14) 18)]	Luxembourg, Luxembourg			EUR	– 17.24	– 1.90
254	Spencerview Asset Management Ltd. [8) 18)]	Dublin 2, Ireland			EUR	1.95	0.63
255	Weinberg Capital LLC [18)]	Wilmington, USA				n/a	n/a

Ser. no.	Name	Place of business	Share of capital in %	Non-prop. Voting rights in %	Currency	Equity EUR th.	Result EUR th.
2. Joint ventures not accounted for using the equity method							
256	Aaron Grundstücksverwaltungsgesellschaft mbH i. L. [1) 13a)]	Oberursel	50.00		EUR	– 2 254.37	1.77
257	addfinity testa GmbH [1) 14) 18)]	Hartha	12.62		EUR	4 891.10	1 528.17
258	Bietigheimer Wohnungsprivatisierungsgesellschaft mbH [14)]	Bietigheim-Bissingen	50.00		EUR	15 386.99	3 363.21
259	Dresden Fonds GmbH [1) 14)]	Dresden	50.05		EUR	2 029.04	12.15
260	Egerland Lease GmbH & Co. KG [1) 14) 18)]	Mannheim	0.00	50.00	EUR	2 219.58	79.73
261	EPSa Holding GmbH [1) 14)]	Karlsfeld	45.00		EUR	71.96	– 1.42
262	German Centre for Industry and Trade India Holding-GmbH [1) 14)]	Munich	50.00		EUR	859.50	– 444.93
263	GIZS Verwaltungs-GmbH	Stuttgart	33.33			n/a	n/a
264	LBBW Immobilien Verwaltung GmbH [1) 14)]	Stuttgart	50.00		EUR	49.13	3.56
265	SHS Gesellschaft für Beteiligungen mbH & Co. Mittelstand KG [1) 14)]	Tübingen	75.02		EUR	4 011.13	– 0.20

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Ser. no.	Name	Place of business	Share of capital in %	Non-prop. Voting rights in %	Currency	Equity EUR th.	Result EUR th.
3. Associates not accounted for using the equity method							
266	aiP Hirschgarten 1 Verwaltungs GmbH [1) 14)]	Oberhaching	45.00		EUR	30.64	1.77
267	Cäcilienpark am Neckar GbR [1) 14)]	Heilbronn	33.33		EUR	615.64	15.73
268	Cortex Biophysik GmbH [1) 17)]	Leipzig	47.70		EUR	– 295.70	235.28
269	Doughty Hanson & Co. Funds III Partnership No.15 [1) 14)]	London, Great Britain	21.74		USD	11 101.50	– 13.71
270	DUO PLAST Holding GmbH [1) 14)]	Lauterbach	47.43		EUR	12 859.83	357.74
271	FEAG GmbH [1) 14)]	Forchheim	20.00		EUR	3 707.11	– 3 060.53
272	Grundstücks-, Vermögens- und Verwaltungs- GbR 33, Leinfelden-Echterdingen/Stuttgart-Möhringen [1) 14)]	Stuttgart	25.71		EUR	49 318.88	– 1 776.96
273	Grundstücks-, Vermögens- und Verwaltungs- GbR 34, Wolfstor 2, Esslingen [1) 14)]	Stuttgart	29.50		EUR	9 681.71	429.18
274	Grundstücks-, Vermögens- und Verwaltungs- GbR 36, Stuttgart/Leinfelden-Echterdingen [1) 14)]	Stuttgart	27.44		EUR	31 465.05	– 548.96
275	Grundstücks-, Vermögens- und Verwaltungs- GbR 38, Stuttgart-Filderstadt [1) 14)]	Stuttgart	23.36		EUR	26 849.62	– 228.86
276	Grundstücks-, Vermögens- und Verwaltungs- GbR 39, Stuttgart-Fellbach [1) 14)]	Stuttgart	41.54		EUR	26 135.28	– 661.95
277	Grundstücks-, Vermögens- und Verwaltungs-GbR 40, Ludwigsburg »Am Schloßpark« [1) 14)]	Stuttgart	44.22		EUR	25 386.45	64.04
278	HAP Holding GmbH [1) 14)]	Dresden	50.00		EUR	2 817.64	– 241.13
279	INULA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG [14)]	Grünwald	80.00	18.25	EUR	– 27 525.47	3 574.89
280	Kiesel Finance GmbH & Co. KG [1) 14) 18)]	Baienfurt	0.00	75.00	EUR	1 368.39	496.51
281	Kreditgarantiegemeinschaft in Baden-Württemberg Verwaltungs-GmbH [14)]	Stuttgart	20.00		EUR	1 022.58	0.00
282	M Cap Finance Deutsche Mezzanine Fonds Zweite GmbH & Co. KG [1) 14)]	Leipzig	49.75		EUR	21 416.00	2 249.56
283	Mittelständische Beteiligungsgesellschaft Sachsen mbH [14)]	Dresden	25.27		EUR	39 315.37	1 825.80
284	MOLWANKUM Vermietungsgesellschaft mbH & Co. Objekt Landkreis Hildburghausen KG [14)]	Düsseldorf	94.00	49.00	EUR	– 1 275.10	433.04
285	Piller Entgrattechnik GmbH [1) 14)]	Ditzingen	35.00		EUR	7 272.80	2 044.61
286	RESprotect GmbH [1) 14)]	Dresden	32.80		EUR	– 1 466.43	– 51.68
287	Ritterwand Metall-Systembau Beteiligungs GmbH [1) 14)]	Nufringen	49.97		EUR	8 667.52	1 044.77
288	SachsenFonds Immobilien GmbH [1) 14)]	Aschheim-Dornach	49.00		EUR	54.00	– 1.03
289	Siedlungswerk GmbH Wohnungs- und Städtebau [14)]	Stuttgart	25.00		EUR	214 687.51	11 006.04
290	SL Mobilien-Leasing GmbH & Co. ENERCON KG [1) 14) 18)]	Mannheim	0.00	80.00	EUR	35 878.29	2 733.76
291	SLB Leasing-Fonds GmbH & Co. Portos KG i. L. [1) 14)]	Pöcking	35.12		EUR	314.60	– 15.40
292	SLN Maschinen Leasing GmbH & Co. OHG [1) 14) 18)]	Stuttgart	0.00	75.00	EUR	– 715.71	– 157.99
293	SLP Mobilien-Leasing GmbH & Co. OHG [1) 14) 18)]	Mannheim	0.00	75.00	EUR	354.10	8.17
294	Stollmann Entwicklungs- und Vertriebs GmbH [1) 14)]	Hamburg-Bahrenfeld	34.00		EUR	1 140.35	111.89
295	TC Objekt Bonn Beteiligungs-GmbH [1) 14)]	Soest	25.00		EUR	22.37	n/a
296	TC Objekt Darmstadt Beteiligungs-GmbH [1) 14)]	Soest	25.00		EUR	22.69	– 2.31
297	TC Objekt Münster Nord Beteiligungs-GmbH [1) 14)]	Soest	25.00		EUR	22.13	– 2.87
298	TC Objekt Münster Süd Beteiligungs-GmbH [1) 14)]	Soest	25.00		EUR	22.40	– 2.60
299	Technologiegründerfonds Sachsen Holding GmbH & Co. KG [1) 14) 18) 19)]	Leipzig	0.00	100.00	EUR	0.00	0.00
300	Technologiegründerfonds Sachsen Initiatoren GmbH & Co. KG [1) 14)]	Leipzig	25.00		EUR	1.82	– 0.23
301	Technologiegründerfonds Sachsen Management GmbH & Co. KG [1) 14)]	Leipzig	25.00		EUR	4.00	931.61
302	Technologiegründerfonds Sachsen Seed GmbH & Co. KG [1) 14) 18)]	Leipzig	3.34		EUR	4 608.25	324.49
303	Technologiegründerfonds Sachsen Start up GmbH & Co. KG [1) 14) 18)]	Leipzig	10.83		EUR	13 595.32	– 490.18
304	Wachstumsfonds Mittelstand Sachsen GmbH & Co. KG [1) 14)]	Leipzig	27.55		EUR	29 853.33	5 975.80
305	Wachstumsfonds Mittelstand Sachsen Initiatoren GmbH & Co. KG [1) 14)]	Leipzig	25.00		EUR	0.62	– 0.33
306	Wachstumsfonds Mittelstand Sachsen Management GmbH & Co. KG [1) 14)]	Leipzig	25.00		EUR	4.00	1 379.03
307	Wachstumsfonds Mittelstand Sachsen Plus GmbH & Co. KG [1) 14) 18)]	Leipzig	12.72	13.72	EUR	4 425.99	– 1 092.85
308	1. yourTime Solutions AbwicklungsGmbH [1) 8)]	Potsdam	20.11		EUR	0.00	– 1 317.00

Ser. no.	Name	Place of business	Share of capital in %	Non-prop. Voting rights in %	Currency	Equity EUR th.	Result EUR th.
III. Investments with a capital share of 20 % and more							
309	Bürgschaftsbank Sachsen GmbH [14)]	Dresden	27.96	16.29	EUR	35 850.31	1 578.41
310	Candover 2001 GmbH & Co. KG i. L. [1) 12)]	Frankfurt am Main	25.64		EUR	680.97	2 062.14
311	GbR VÖB-ImmobilienAnalyse	Bonn	25.00	20.00		n/a	n/a
312	GLB GmbH & Co. OHG [14)]	Frankfurt am Main	30.05		EUR	3 793.16	– 1 063.49
313	GLB-Verwaltungs-GmbH [14)]	Frankfurt am Main	30.00		EUR	47.49	2.64
314	Humboldt Multi Invest B S.C.A., SICAV-FIS [2) 13)]	Luxembourg, Luxembourg	99.94	99.99	EUR	6 928.35	– 165.43
315	Paramount Group Real Estate Fund II, L.P. [1) 14)]	Wilmington, USA	29.13	28.29	USD	72 478.49	2 440.28

Ser. no.	Name	Place of business	Share of capital in %	Non-prop. Voting rights in %	Currency	Equity EUR th.	Result EUR th.
IV. Investments in major corporations with a share of voting rights of at least 5 %							
316	Deutscher Sparkassen Verlag Gesellschaft mit beschränkter Haftung [14)]	Stuttgart	8.11		EUR	141 234.05	23 383.21
317	HSBC Trinkaus & Burkhardt AG [14)]	Düsseldorf	18.66		EUR	1 751 764.45	147 569.23

1) Held indirectly.
2) Including shares held indirectly.
3) A letter of comfort exists.
3a) A letter of comfort exists as long as LBBW holds a share of 100 %.
3b) A letter of comfort exists on the part of a Group subsidiary.
3c) Letters of comfort exist. The letters of comfort were revoked in LBBW's annual and consolidated financial statements for 2015 with effect for the future.
4) A profit transfer and/or control agreement has been concluded with the company.
4a) A profit transfer and/or control agreement has been concluded with another company.
5) Data available only as at 31 Dec. 2014 in accordance with IFRS.
6) Data available only as at 31 Dec. 2011.
7) Data available only as at 31 Dec. 2012.
8) Data available only as at 31 Dec. 2013.
9) Data available only as at 1 Jan. 2014.
10) Data available only as at 31 Mar. 2014.
11) Data available only as at 30 Apr. 2014.
12) Data available only as at 13 Jun. 2014.
13) Data available only as at 31 Jul. 2014.
13a) Data available only as at 2 Sep. 2014.
14) Data available only as at 31 Dec. 2014.
15) Data available only as at 28 Feb. 2015.
16) Data available only as at 30 Apr. 2015.
17) Data available only as at 31 Mar. 2015.
18) No list of shareholdings within the meaning of Section 285 no. 11 HGB.
19) Is a structured entity in accordance with IFRS 12 at the same time.
20) Information on three companies was not provided due to banking secrecy.

78. Employees.

On average, the number of employees in the LBBW Group is as follows:

	2015			2014		
	Male	Female	Total	Male	Female	Total
Full-time	5 055	3 296	8 352	5 065	3 465	8 530
Part-time	214	2 544	2 757	203	2 451	2 654
Trainees [1)]	261	196	457	263	193	456
Total	**5 529**	**6 036**	**11 565**	**5 531**	**6 109**	**11 640**

1) Including students at universities of cooperative education

79. Executive and supervisory bodies and positions held.

Members of the Board of Managing Directors and supervisory bodies.

Board of Managing Directors.

Chairman.

HANS-JÖRG VETTER

Deputy Chairman.

MICHAEL HORN

Members.

KARL MANFRED LOCHNER

INGO MANDT

DR. MARTIN SETZER
until 31 December 2015

ALEXANDER FREIHERR VON USLAR-GLEICHEN

VOLKER WIRTH

Supervisory Board.

Chairman.

CHRISTIAN BRAND
from 9 June 2015
Former Chairman of the Board of Management of L-Bank

HANS WAGENER
until 31 May 2015
Auditor, tax consultant

Deputy Chairman.

DR. NILS SCHMID MDL
Deputy Minister-President,
Minister of Finance and Economics of the State of Baden-Württemberg

Members.

HANS BAUER
until 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

CARSTEN CLAUS
Chairman of the Board of Managing Directors of Kreissparkasse Böblingen

HARALD COBLENZ
until 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

WOLFGANG DIETZ
Lord Mayor of the town
of Weil am Rhein

UTA-MICAELA DÜRIG
from 9 June 2015
Managing Director of the Robert Bosch Foundation

WALTER FRÖSCHLE
Employee Representative of Landesbank Baden-Württemberg

HELMUT HIMMELSBACH
Member of the Supervisory Board of Württembergische Gemeinde-Versicherung a.G.

CHRISTIAN HIRSCH
from 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

JENS JUNGBAUER
until 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

BETTINA KIES-HARTMANN
Employee Representative of Landesbank Baden-Württemberg

FRITZ KUHN
Lord Mayor of the State Capital Stuttgart

SABINE LEHMANN
from 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

KLAUS-PETER MURAWSKI
State Secretary in the State Ministry of Baden-Württemberg
and Head of the State Chancellery

GÜNTHER NOLLERT
until 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

DR. FRITZ OESTERLE
Attorney at law

MARTIN PETERS
Managing Partner of the Eberspächer group

NORBERT H. QUACK
until 9 June 2015
Attorney at law, notary, law firm Quack Gutterer & Partner

CHRISTIAN ROGG
from 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

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

B. JUTTA SCHNEIDER
from 9 June 2015
Member of the Board of Managing Directors of Global Consulting Delivery SAP Deutschland SE & Co.KG

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

DR.-ING. HANS-JOCHEM STEIM
until 9 June 2015
Chairman of the Supervisory Board of Hugo Kern und Liebers GmbH & Co. KG

DR. JUTTA STUIBLE-TREDER
Managing Partner of EversheimStuible Treuberater GmbH

DR. BRIGITTE THAMM
from 9 June 2015
Employee Representative of Landesbank Baden-Württemberg

NORBERT ZIPF
Employee Representative of Landesbank Baden-Württemberg

As at 11 May 2015, the Annual General Meeting of LBBW appointed the Members of the Supervisory Board for their second term. Prior to its constitution on 9 June 2015, the previous Members of the Supervisory Board continued to manage the business pursuant to Section 12 (5) sentence 6 of the articles of association of LBBW.

The remuneration of and defined benefit pension commitments to members of the committees are broken down as follows:

	Board of Managing Directors		Supervisory Board	
EUR million	2015	2014	2015	2014
Remuneration				
Salaries, remuneration and short-term benefits	7.4	6.1	1.0	1.0
Post-employment benefits (total obligations from defined benefit obligations)	22.6	14.2	0.0	0.0
Remuneration for former members and their dependents				
Salaries, remuneration and short-term benefits	11.2	11.4	0.0	0.0
Post-employment benefits (total obligations from defined benefit obligations)	153.8	159.6	0.0	0.0

As at 31 December 2015, loans granted to members of the Board of Managing Directors and members of the Supervisory Board amounted to EUR 1 million (previous year: EUR 2 million), accounted for mainly by the Supervisory Board. No advances were made to members of the Board of Managing Directors and members of the Supervisory Board in the financial year or in the previous year.

A guarantee commitment of EUR 13 000 remains in place for a member of the Board of Managing Directors.

The loans were extended with an interest rate of between 2.00% and 10.18% and have a remaining term extending from a few months to 30 years. The banking transaction were concluded with all of the cited persons at arm’s length terms and collateral requirements.

Positions held.

Offices held by legal representatives of LBBW and members of the AidA[1] 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 on statutory supervisory boards of large companies and banks are listed below:

Company	Position	Incumbent
AKA Ausfuhrkredit GmbH, Frankfurt am Main	Member of the Supervisory Board Deputy Member of the Supervisory Board	Joachim Landgraf (until 26 March 2015) Guido Paris (from 26 March 2015) Elvira Bergmann (until 26 March 2015) Michael Maurer (from 26 March 2015)
B+S Card Service GmbH, Frankfurt am Main	Deputy Chairman of the Supervisory Board Member of the Supervisory Board	Michael Horn (until 18 September 2015) Helmut Dohmen (from 17 December 2015)
Boerse Stuttgart GmbH, Stuttgart	Member of the Supervisory Board	Ingo Mandt
Bürgschaftsbank Baden-Württemberg GmbH, Stuttgart	Member of the Supervisory Board	Jürgen Kugler
Bürgschaftsbank Sachsen GmbH, Dresden	Member of the Board of Directors Deputy Member of the Board of Directors	Oliver Fern Peter Kröger
cellent AG, Stuttgart	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board	Dr Martin Setzer (until 5 January 2016) Eike Wahl (until 5 January 2016) Frank Hammann (until 5 January 2016)
Deutscher Sparkassenverlag GmbH, Stuttgart	Member of the Supervisory Board	Dr Martin Setzer (until 31 December 2015)
Düker GmbH & Co. KGaA, Karlstadt	Chairman of the Supervisory Board	Dr. Georg Hengstberger
Euwax AG, Stuttgart	Member of the Supervisory Board	Ingo Mandt
Grieshaber Logistik GmbH, Weingarten	Member of the Supervisory Board	Michael Horn
HERRENKNECHT Aktiengesellschaft, Schwanau	Chairman of the Supervisory Board	Hans-Jörg Vetter
HSBC Trinkaus & Burkhardt AG, Düsseldorf	Member of the Supervisory Board	Hans-Jörg Vetter
LBBW Asset Management Investmentgesellschaft mbH, Stuttgart	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board	Hans-Jörg Vetter (until 4 March 2015) Ingo Mandt (from 4 March 2015) Ingo Mandt (until 4 March 2015) Hans-Jörg Vetter (from 4 March 2015) Helmut Dohmen Norwin Graf Leutrum von Ertingen
LBBW (Schweiz) AG, Zurich	Chairman of the Board of Directors	Dr. Peter M. Haid (until 14 July 2015) Michael Horn (from 17 August 2015)
LHI Leasing GmbH, Pullach	Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board	Hans-Jörg Vetter (until 30 April 2015) Ingo Mandt (until 30 April 2015) Karl Manfred Lochner (until 30 April 2015)
MKB Mittelrheinische Bank GmbH, Koblenz	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board	Karl Manfred Lochner Volker Wirth Peter Hähner
MMV Leasing GmbH, Koblenz	Chairman of the Advisory Board Deputy Chairman of the Advisory Board Member of the Advisory Board	Karl Manfred Lochner Volker Wirth Peter Hähner
Progress-Werke Oberkirch AG, Oberkirch	Member of the Supervisory Board	Dr. Georg Hengstberger
Siedlungswerk GmbH Wohnungs- und Städtebau, Stuttgart	Deputy Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board	Michael Horn Thorsten Schönenberger Thomas Christian Schulz
Stadtwerke Mainz Aktiengesellschaft, Mainz	Member of the Supervisory Board	Hannsgeorg Schönig
SüdFactoring GmbH, Stuttgart	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board	Karl Manfred Lochner Volker Wirth Norwin Graf Leutrum von Ertingen
SüdLeasing GmbH, Stuttgart	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board	Karl Manfred Lochner Volker Wirth Norwin Graf Leutrum von Ertingen
Vorarlberger Landes- und Hypothekenbank AG, Bregenz	Member of the Supervisory Board	Michael Horn
VPV Lebensversicherungs-Aktiengesellschaft, Stuttgart	Member of the Supervisory Board	Claudia Diem

1) Institution within the institution.

Further information.

Responsibility statement.

To the best of our knowledge, and in accordance with the applicable financial reporting framework, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the combined management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected future development of the Group.

Stuttgart, Karlsruhe, Mannheim and Mainz, 8 March 2016

Board of Managing Directors

HANS-JÖRG VETTER
Chairman

MICHAEL HORN
Deputy Chairman

KARL MANFRED LOCHNER

INGO MANDT

ALEXANDER FREIHERR VON USLAR-GLEICHEN

VOLKER WIRTH

Auditor's report.

»We have audited the consolidated financial statements prepared by Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim and Mainz, comprising the income statement, total comprehensive income, balance sheet, statement of changes in equity, cash flow statement and the notes to the financial statements, together with its report on the position of the Company and the Group (combined management report) for the business year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB (Handelsgesetzbuch – German Commercial Code) are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.«

Stuttgart, 15 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

KOCHOLL
Wirtschaftsprüfer

EISELE
Wirtschaftsprüfer

Note regarding forward-looking statements.

This Annual Report contains forward-looking statements. Forward-looking statements are identified by the use of words such as »expect«, »intend«, »anticipate«, »plan«, »believe«, »assume«, »aim«, »estimate«, »will«, »shall«, »forecast« and similar expressions. These statements are based on the current estimates and forecasts by the Board of Managing Directors as well as on currently available information. Forward-looking statements are not deemed to be guarantees of the future developments and results set out therein and involve a number of risks and uncertainties. If any of these or other risks or uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may differ materially from those expressed or implied by such statements.

The LBBW Group assumes no obligation to continuously update any forward-looking statements, as these are based solely on the circumstances valid on the day of publication.

Advisory Board of LBBW/BW-Bank.

Chairman.

CHRISTIAN BRAND
Chairman of the Supervisory Board of Landesbank Baden-Württemberg, Stuttgart

Members.

WILLEM G. VAN AGTMAEL
Honorary Consul of the Kingdom of the Netherlands, Managing Partner of catalpa GmbH, Stuttgart

THOMAS ARTMANN
Karlsruhe

DR. STEFAN ASENKERSCHBAUMER
Deputy Chairman of the Board of Management of Robert Bosch GmbH, Gerlingen

HELMUT AURENZ
Honorary Consul of the Republic of Estonia, Senator h. c., Isny im Allgäu

BARBARA BAUER
Member of the Board of Evangelische Landeskirche in Baden, Karlsruhe

HUBERTUS VON BAUMBACH
Member of the Board of Managing Directors of Boehringer Ingelheim GmbH, Ingelheim am Rhein

ALBERT BERNER
Chairman of the Supervisory Board of Berner SE, Künzelsau

DIETMAR BICHLER
Chairman of the Board of Managing Directors of Bertrandt AG, Ehningen

DR. DR. SASKIA BISKUP
Managing Director of CeGaT GmbH, Tübingen

DR. CHRISTOF BOSCH
Königsdorf

DR. WOLFGANG BRUDER
Senator E. h., Chairman of the Board of Managing Directors (retired), Offenburg

CATHARINA CLAY
Deputy Regional Chairman of IG BCE Industriegewerkschaft Bergbau, Chemie, Energie, Landesbezirk Baden-Württemberg, Stuttgart

DR. ANTJE VON DEWITZ
Managing Director of VAUDE Sport GmbH & Co. KG, Tettnang

PEER-MICHAEL DICK
Lawyer, General Manager of SÜDWESTMETALL Verband der Metall- und Elektroindustrie Baden-Württemberg e. V., Stuttgart

WOLF-GERD DIEFFENBACHER
Managing Partner of DIEFFENBACHER GMBH Maschinen- und Anlagenbau, Eppingen

RALF W. DIETER
Chairman of the Board of Managing Directors of Dürr AG, Bietigheim-Bissingen

PROF. DR. ANDREAS DULGER
Honorary Consul of the Republic of Paraguay, Chairman of the Board of Management of ProMinent Dosiertechnik GmbH, Heidelberg

DR. HANS-ULRICH ENGEL
Member of the Board of Managing Directors of BASF SE, Ludwigshafen

KLAUS ENSINGER
Managing Director of Ensinger GmbH, Nufringen

DR. ALEXANDER ERDLAND
Chairman of the Board of Managing Directors of Wüstenrot & Württembergische AG, Stuttgart

DR. MARKUS FAULHABER
Chairman of the Board of Managing Directors of Allianz Lebensversicherungs-AG, Stuttgart

PROF. E. H. KLAUS FISCHER
Senator E. h. mult., Owner and Chairman of fischer holding GmbH & Co. KG, Waldachtal

DR. WOLFGANG FISCHER
Deputy Chairman of the Board of Managing Directors of Stuttgarter Versicherungsgruppe, Stuttgart

DR. WOLFRAM FREUDENBERG
Stuttgart

HANS-GEORG FREY
Chairman of the Board of Managing Directors of Jungheinrich AG, Hamburg

PROF. DR. CLEMENS FUEST
President of Zentrum für Europäische Wirtschaftsforschung GmbH, Mannheim

THOMAS HANDTMANN
Managing Director of Albert Handtmann Holding GmbH & Co. KG, Biberach

HANS-JOACHIM HAUG
Chairman of the Board of Managing Directors of Württembergische Gemeinde-Versicherung a. G., Stuttgart

DR. JOHANNES HAUPT
Chairman of the Board of Management/CEO of E.G.O. Blanc und Fischer & Co. GmbH, Oberderdingen

DR. CHRISTOPHER HERMANN
Chairman of the Board of Managing Directors of AOK Baden-Württemberg, Stuttgart

TILMANN HESSELBARTH
Chairman of the Board of Managing Directors of LBS Landesbausparkasse Baden-Württemberg, Stuttgart

MICHAEL HIMMELSBACH
Archiepiscopal Bishopric, Seat of the Freiburg Archdiocese, Freiburg i. Br.

S. D. KRAFT ERBPRINZ ZU HOHENLOHE-OEHRINGEN
Fürst zu Hohenlohe-Oehringen'sche Verwaltung, Öhringen

S. H. KARL FRIEDRICH FÜRST VON HOHENZOLLERN
Unternehmensgruppe Fürst von Hohenzollern, Sigmaringen

FRANK B. JEHLE
President of FBJ Board Consulting GmbH, Marbach am Neckar

HARTMUT JENNER
Chairman of the Board of Management of Alfred Kärcher GmbH & Co. KG Reinigungssysteme, Winnenden

PROF. DR. HEINZ K. JUNKER
Chairman of the Supervisory Board
of MAHLE GmbH, Stuttgart

DANIEL F. JUST
Chairman of the Board of Managing
Directors of Bayerische
Versorgungskammer, München

DIRK KALIEBE
Member of the Board of Managing
Directors of Heidelberger Druckmaschinen
AG, Heidelberg

JOACHIM KALTMAIER
Member of the Central Managing Board
of Würth-Gruppe, Künzelsau

DR. BERTRAM KANDZIORA
Chairman of the Board of Managing
Directors of STIHL AG, Waiblingen

DR. MARTIN KASTRUP
Member of the Board and Head of Finance
and IT of Evangelische Landeskirche
in Württemberg, Stuttgart

DR. ERWIN KERN
Chairman of the Board of Managing
Directors of Kies und Beton AG
Baden-Baden, Iffezheim

DR. HANS-EBERHARD KOCH
Chairman of the Board of Management of
Witzenmann GmbH, Pforzheim

PROF. DR. RENATE KÖCHER
Managing Director of the Institut für
Demoskopie Allensbach Gesellschaft zum
Studium der öffentlichen Meinung mbH,
Allensbach am Bodensee

STEFAN KÖLBL
Chairman of the Board of Managing
Directors of DEKRA e.V. and DEKRA SE,
Stuttgart

THOMAS KÖLBL
Member of the Board of Managing
Directors of Südzucker AG, Mannheim

ANDREAS KOHM
Partner of
K-Mail Order GmbH & Co. KG, Pforzheim

ALEXANDER KOTZ
City Councilor, Chairman of the CDU
Parliamentary Group in the City Council of
the State Capital Stuttgart, Stuttgart

DIETMAR KRAUSS
Managing Director, Seat of the
Rottenburg-Stuttgart Diocese, Rottenburg

DR. DIETER KRESS
Managing Partner of MAPAL Fabrik für
Präzisionswerkzeuge Dr. Kress KG, Aalen

HARALD KROENER
Chairman of the Board of Managing
Directors of Wieland-Werke AG, Ulm

DR. PETER KULITZ
President of the Ulm Chamber of Industry
and Commerce, Managing Partner of ESTA
Apparatebau GmbH & Co. KG, Ulm

ANDREAS LAPP
Honorary Consul of the Republic of India,
Chairman of the Board of Managing
Directors of Lapp Holding AG, Stuttgart

VITTORIO LAZARIDIS
City Councilor, Stuttgart

DIETER LEBZELTER
Managing Director of IMS Gear GmbH,
Donaueschingen

DR. NICOLA LEIBINGER-KAMMÜLLER
Chairman of the Board of Management,
Managing Partner of TRUMPF GmbH + Co.
KG, Ditzingen

DR. HUBERT LIENHARD
Chairman of the Board of Management of
Voith GmbH, Heidenheim

REINHARD LOHMANN
Deputy Chairman of the Supervisory Board
of Rethmann SE & Co. KG, Selm

DR. UTE MAIER
Chairman of the Board of Managing
Directors of Kassenzahnärztliche
Vereinigung Baden-Württemberg,
Tübingen

DR. HARALD MARQUARDT
Managing Director of Marquardt GmbH,
Rietheim-Weilheim

DR. FRANK MASTIAUX
Chairman of the Board of Managing
Directors of EnBW Energie Baden-
Württemberg AG, Karlsruhe

MICHAEL MÖLLEKEN
Member of the Board of Managing
Directors of Festo AG & Co. KG, Esslingen

JOACHIM MÜLLER
until 31 March 2015
Heppenheim

DR. MICHAEL MÜNZING
Managing Partner of MÜNZING CHEMIE
GMBH, Heilbronn

KLAUS MUTSCHLER
Mutschler Holding AG, Zürich

HEINZ OHNMACHT
Chairman of the Board of Managing
Directors of Badischer Gemeinde-
Versicherungs-Verband, BGV-Versicherung
AG, Badische Allgemeine Versicherung AG,
Karlsruhe

CHRISTOPH OZASEK
City Councilor, Stuttgart

DR. WOLFGANG PALM
until 31 December 2015
Managing Partner of Papierfabrik Palm
GmbH & Co. KG, Aalen

MARTIN PETERS
Managing Partner of Unternehmensgruppe
Eberspächer, Esslingen

HANS H. PFEIFER
City Councilor, Deputy Chairman of the
SPD Parliamentary Group in the City
Council of the State Capital Stuttgart,
Stuttgart

HANS DIETER PÖTSCH
Chairman of the Supervisory Board of
VOLKSWAGEN Aktiengesellschaft,
Wolfsburg

MARTIN PUTSCH
Managing Partner of RECARO Holding
GmbH, Stuttgart

DR. RICHARD REBMANN
Chairman of the Board of Management of
Südwestdeutsche Medien Holding GmbH,
Stuttgart

FRANK REIMOLD
Director, Kommunaler
Versorgungsverband Baden-Württemberg,
Karlsruhe

WOLF-HENNING SCHEIDER
as of 1 July 2015
Chairman of the Board of Management
of MAHLE GmbH, Stuttgart

PROF. H. C. KARL SCHLECHT
Senator h.c., Chairman of the Board of
Managing Directors of Karl Schlecht-
Gemeinnützige Stiftung (K.S.G.), Aichtal

EDUARD SCHLEICHER
Personally liable Partner of SCHWENK
Zement KG, Ulm

DR. STEFAN SCHMALE
Managing Director of Paulaner Brauerei
GmbH & Co. KG, München

MARTIN SCHOMAKER
Chairman of the Board of Managing Directors of R. Stahl AG, Waldenburg

DR. ROBERT SCHULER-VOITH
Managing Partner of Mercura Capital GmbH, München

DIETER SCHWARZ
General Manager of Unternehmensgruppe Schwarz, Neckarsulm

HEINZ SEIFFERT
District Administrator of the District of Alb-Donau, Ulm

HUBERT SEITER
Bietigheim-Bissingen

DR. ALEXANDER SELENT
until 31 December 2015
Limburgerhof

DR. STEFAN SOMMER
Chairman of the Board of Managing Directors of ZF Friedrichshafen AG, Friedrichshafen

THOMAS SPITZENPFEIL
Member of the Board of Managing Directors of Carl Zeiss AG, Oberkochen

DR. HANS-JOCHEM STEIM
Chairman of the Supervisory Board of Hugo Kern und Liebers GmbH & Co. KG, Schramberg

DAGMAR STEINERT
as of 1 January 2016
Member of the Board of Managing Directors of FUCHS PETROLUB SE, Mannheim

HANS PETER STIHL
Honorary Consul General of the Republic of Singapore, Personally liable Partner of STIHL Holding AG & Co. KG, Waiblingen

PROF. H. C. DR. H. C. ERWIN TEUFEL
Minister-President (retired), Spaichingen

MARIO TRUNZER
Managing Director of Liebherr-Werk Ehingen GmbH, Ehingen

BODO UEBBER
Member of the Board of Managing Directors of Daimler AG, Stuttgart

DR. H. WERNER UTZ
Ehingen

UDO J. VETTER
Partner of Vetter Pharma Fertigung GmbH & Co. KG, Ravensburg

OLIVER VOERSTER
Managing Partner of Koch, Neff & Volckmar GmbH, Stuttgart

S. D. JOHANNES FÜRST ZU WALDBURG-WOLFEGG UND WALDSEE
Wolfegg

S. D. ERICH FÜRST VON WALDBURG-ZEIL
Leutkirch

RUDOLF F. WOHLFARTH
Chairman of the Board of Management of Emil Frey Gruppe Deutschland, Stuttgart

DR. STEFAN WOLF
Chairman of the Board of Managing Directors of ElringKlinger AG, Dettingen/Erms

ULRICH-BERND WOLFF VON DER SAHL
Chairman of the Board of Managing Directors of SV SparkassenVersicherung Holding AG, Stuttgart

S. K. H. FRIEDRICH HERZOG VON WÜRTTEMBERG
Friedrichshafen

ARTHUR J. ZIMMERMANN
Member of the Supervisory Board of Ernst Klett Aktiengesellschaft, Stuttgart

PROF. DR. DR. H. C. WALTHER ZÜGEL
Stuttgart

Customer Advisory Board of LBBW Rheinland-Pfalz Bank.

Chairman.

KARL MANFRED LOCHNER
Member of the Board of Managing Directors of Landesbank Baden-Württemberg, Stuttgart

Members.

AXEL E. BARTEN
Managing Partner of Achenbach Buschhütten GmbH & Co. KG, Kreuztal

BERNHARD BECK
Spokesman of the Board of Managing Directors of Veritas AG, Gelnhausen

DR. GERHARD F. BRAUN
President of Landesvereinigung Unternehmerverbände Rheinland-Pfalz, Mainz

KEVIN BROCK
CFO of JF Hillebrand Group, Mainz

DR. ALBERT CHRISTMANN
Personally liable Partner of Dr. August Oetker KG, Bielefeld

DIETMAR CLAUSEN
Managing Director of Zschimmer & Schwarz GmbH & Co. KG, Lahnstein

DR. KARL-HEINZ ENGEL
until 13 October 2015
Riol

KAI-UWE HEUER
Executive member of the Board of Managing Directors of DEG Alles für das Dach eG, Koblenz

DR. WERNER HITSCHLER
as of 1 July 2015
Member of the Board of Managing Directors of Pfalzwerke AG, Ludwigshafen

ALBRECHT HORNBACH
Chairman of the Board of Managing Directors of HORNBACH HOLDING AG, Neustadt an der Weinstraße

DETLEF W. HÜBNER
Senator E. h.,
Chairman of the Supervisory Board of Deufol SE, Hofheim am Taunus

GÜNTER JERTZ
General Manager of Rheinhessen Chamber of Industry and Commerce, Mainz

FRED JUNG
Member of the Board of Managing Directors of juwi AG, Wörrstadt

DR. JOHANN CHRISTIAN MEIER
Member of the Board of Management of Schütz GmbH & Co. KGaA, Selters

WOLFGANG MOYSES
Chairman of the Board of Managing Directors of SIMONA AG, Kirn

ALFRED MÜLLER
Managing Director of Bitburger Braugruppe GmbH, Bitburg

DR. RALF MURJAHN
Chairman of the Board of Management of DAW SE, Ober-Ramstadt

GEORG NOLTE
Partner of Nolte Group, Germersheim

KLAUS RÜBENTHALER
Member of the Board of Managing Directors of SCHOTT AG, Mainz

PROF. DR. HELMUT J. SCHMIDT
President of Technische Universität Kaiserslautern, Kaiserslautern

PROF. DR. W. EDELFRIED SCHNEIDER
Auditor/tax consultant
Managing Partner of
Dr. Dienst & Partner GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft, Koblenz

DR. ERNST F. SCHRÖDER
until 31 December 2015
Personally liable Partner of Dr. August Oetker KG, Bielefeld

CARSTEN SCHRUCK
Executive member of the Board of Managing Directors of Westfleisch SCE mbH, Münster

DR. MICHAEL SCHUPPLI
Managing Director of Helvetic Investment GmbH, Wiesbaden

INGO STEINEL
Managing Partner of STEINEL Vertrieb GmbH, Herzebrock-Clarholz

PETER STEINER
Auditor/tax consultant, Wiesbaden

MARKUS STÜTTGEN
Member of the Board of Managing Directors of Raiffeisen Waren-Zentrale Rhein-Main eG, Köln

MORITZ J. WEIG
Managing Director of Moritz J. Weig GmbH & Co. KG, Mayen

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Glossary.

Backtesting.
Evaluation process designed to examine the quality of risk models. The process establishes whether the actual losses incurred during a period fall within the range projected by the model.

Bail-in ratio.
Percentage of liabilities available to a bank to absorb losses in the event of restructuring or liquidation. The background here is efforts by the legislator to primarily hold a financial institution's shareholders and investors liable and avoid resorting to the use of public money.

Basel III.
Extensive banking regulatory package of the Basel Committee on Banking Supervision. The requirements with a focus on equity and liquidity were launched in 2010 and are based on the experience gained during the financial market crisis. European implementation of Basel III was performed via the CRR/CRD IV and supplementary legal acts.

CRR/CRD IV.
The EU package of regulations to implement Basel III, which came into force in 2014, created uniform rules for banks across Europe (Single Rulebook). The Capital Requirements Regulation (CRR) has immediate legal force; among other things, it sets out the minimum equity and liquidity requirements for banks. The EU Capital Requirements Directive (CRD IV) was transposed into national law – primarily within the framework of the German Banking Act (Kreditwesengesetz – KWG). It contains provisions that affect banks as well as responsible supervisory authorities. Transitional provisions will apply until the full implementation of CRR/CRD IV in 2019.

EMIR.
The requirements set out in the European Market Infrastructure Regulation (EMIR) are designed to curb systemic risks in the European derivatives market. EMIR leads to obligations for certain parties to derivative transactions. Not least of all, it aims to make over-the-counter (OTC) derivatives trading more transparent and secure. In particular, the G20 decided that in future, standardized OTC derivatives must be processed via central counterparties and OTC derivatives must be reported to transaction registers.

EBA stress test.
In 2015, an EBA transparency exercise was conducted rather than a stress test. The exercise did not contain any stress or simulation fluctuations. However, a stress test defined by the EBA will be held again in 2016. On 5 November 2015, the EBA published drafts of the test methodology and templates.

Fair value.
Measurement in IFRS accounting. It describes the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm 's length transaction.

Integrated performance and risk management.
The term integrated performance and risk management describes the concerted cooperation between Finance, Risk Controlling and Financial Controlling within LBBW.

Total capital ratio.
Capital ratio which sets a financial institution's equity in relation to risk weighted assets. This means that, unlike the common equity Tier 1 ratio, additional additional and supplementary capital are also included in the calculation, as further capital components.

Common equity Tier 1 ratio.
Capital ratio in which the common equity Tier 1 capital of a bank (consisting primarily of the paid-in share capital and open reserves less regulatory adjustments and capital deductions) is set against the risk weighted assets.

Hybrid capital.
Capital that incorporates features of equity as well as characteristics of debt capital. It includes, for example, profit participation certificates and silent partners' contributions.

Internal control system.
The internal control system (ICS) ensures the efficiency of business activities, compliance with important regulatory provisions and protection of bank assets.

Leverage ratio.
Non-risk-adjusted debt ratio of a bank. The Basel Committee uses this ratio to create a counterweight to the risk-based capital ratios. The leverage ratio places the core capital in relation to the non-risk-weighted balance-sheet and off-balance-sheet items.

MaRisk.
The Minimum Requirements for Risk Management (MaRisk) include rules for the design of risk management in German financial institutions. This includes guidelines on the organizational structure and requirements for processes.

MaSan.
Banks are required to make preparations for dealing with crisis situations on the basis of the Minimum Requirements for the Design of Recovery Plans. A recovery plan must provide options for action for a potential crisis case in order to increase the financial institution's resilience.

MiFID II.
Revision of the European Markets in Financial Instruments Directive (MiFID). The MiFID is supplemented by the Markets in Financial Instruments Regulation (MiFIR). MiFID and MiFIR include extensive provisions on customer-related securities services and for greater regulation of trading in complex financial instruments, in particular.

Risk taker.
Employees who exercise an activity with a substantial impact on an institution's risk profile. Every institution must determine its group of risk takers annually on the basis of the framework stipulated by law.

Risk weighted assets.
In calculating risk weighted assets, the risks (credit, market-price, settlement and operational risks) as well as the overall risk amount due to the adaptation of the credit assessment (CVA), are weighted based on regulatory requirements.

Single Supervisory Mechanism (SSM).
On 4 November 2014 the ECB took over supervision of LBBW within the framework of the Single Supervisory Mechanism (SSM). This means that LBBW is assigned to Directorate General I within the ECB banking supervisory authority, that monitors the 30 most important banks. In doing so, a core task of the ECB is to independently evaluate and review the capital and liquidity provision of the banks. These measures are based on the Supervisory Review and Evaluation Process (SREP).

Supervisory Review and Evaluation Process (SREP).
Appraising and monitoring process of the responsible supervisory authorities, the result of which is reflected in an appraisal grade. The annual process includes appraising the business strategy, methods and processes, as well as capital and liquidity provision. Using the results of the appraisal, the responsible supervisory authority can derive capital and liquidity requirements and operational requirements for each separate institution.

Dual bank regulation.
The separation of certain trading and funds activities from the deposit-taking business is designed to prevent the use of customers' savings deposits to finance and cover the losses from this trading and funds business. While the German Ring-Fencing Act (Trennbankengesetz), which has already been adopted, will have to be adhered to from July 2016 and parts of the US Volcker Rule has had to be observed since July 2015, the legislative process at EU level is ongoing.

Value-at-risk.
Value-at-risk (VaR) states which loss will not be exceeded within a defined period with a high probability (confidence level).

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Overview of the LBBW Group.

Landesbank Baden-Württemberg (LBBW).

LBBW (Bank) – together with its regional customer banks BW-Bank, Rheinland-Pfalz Bank and Sachsen Bank – offers the full range of products and services that a modern universal and commercial bank provides.

Strategically, it focuses on its customer-oriented core business with growth prospects especially in the regions of Baden-Württemberg, Rhineland-Palatinate and Saxony, as well as other attractive economic regions. Its business activities focus on corporate and private customers as well as the savings banks in these regions. This is accompanied by efficient real estate financing and capital market products, which are also targeted at institutional customers. A further aspect of the business model is assisting its customers in their operations abroad.

As the umbrella of the LBBW Group, LBBW (Bank) performs a controlling function within the Group. It is also responsible for the management of key accounts operating across Germany and internationally, capital markets business, real estate financing and acts as the central bank for savings banks in Baden-Württemberg, Rhineland-Palatinate and Saxony.

Baden-Württembergische Bank (BW-Bank).

BW-Bank's customer base includes corporate and private customers in Baden-Württemberg as well as in Bavaria. BW-Bank's primary focus is on SMEs and upper retail private customers. Wealth management services are offered to high net-worth customers.

Within the state capital of Stuttgart, BW-Bank fulfils the role of a municipal savings bank.

LBBW Rheinland-Pfalz Bank.

Rheinland-Pfalz Bank focuses its operations particularly on the SME business in Rhineland-Palatinate, North-Rhine Westphalia and Hesse. Moreover, it serves upper retail private customers in its core market of Rhineland-Palatinate and neighboring regions.

LBBW Sachsen Bank.

Under the umbrella of Sachsen Bank, the LBBW Group assists its corporate SME customers and the upper retail private customer business in Saxony and neighboring economic areas.

Other group companies.

The range of services and products offered by LBBW (Bank) within the Group is supplemented and enhanced by subsidiaries specializing in specific business areas, such as leasing, factoring, asset management, real estate and equity finance.

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