Quality for Your Success

Annual Report 2012

The works of art depicted in this business report, entitled “Molded Mirrors“, are by the artist
Hubertus Hamm from Munich and came about within the framework of LHI’s “Kunst am Bau” project.
Photographer: Gregor Ruster, Munich

Foreword

Dear readers,

The government debt crisis and collapsing economies in southern Europe prompted many of our customers to take a more reserved attitude towards new investments. At the same time, legislators and financial authorities also tightened the regulatory environment, increasing the cost of providing financial services and further restricting the leeway of action for market participants.

Given such a difficult background, we are pleased to report that LHI was able to achieve its intended objective, namely to increase the 2012 result under commercial law as compared to the previous year. We view this success as confirmation that our business model continues to work well even during times of crisis, and that our strategy of diversifying earnings was and will remain the right strategy.

Following a traditionally quiet period at the beginning of the year, the Solutions/Leasing segment increased during the course of the year and closed the year with an impressive finish. Overall, both the market for real estate leasing and our market share have stabilised. We have observed an increase in demand for structured financial solutions, whereby the motivations and objectives of our customers can vary widely. Our structuring competence has enabled us to offer tailor-made solutions at all times, and we expect that demand will continue to increase in the future.

The business with equity-supported products was also very positive. LHI's focus on the asset classes real estate and renewable energy has paid off, as this focus allows the company to act with considerable technical and industry competence. We are particularly pleased that we were able to convince our very demanding investors of our strategy during numerous discussions, as evidenced by the fact that we were able to place all of our products in the Private Placements segment.

In the segment of publicly-offered funds, we found that the strict regulations of the Investment Intermediaries and Capital Investment Act, which went into force in 2012, have created considerable uncertainty among our sales partners. Similarly, the discussion draft regarding the implementation of the AIFM directives has also resulted in negative effects in this context. At the same time, we successfully placed our two publicly-offered funds "LHI Immobilienfonds Deutschland Mieter: Technische Universität Berlin" and "LHI Solar Deutschland VII". Based on current sales figures, we are confident that both products will be fully placed during the course of 2013.

The business administration of special-purpose companies forms the third pillar of our business model, and again provided very stable fee earnings in 2012. The remaining activities for the integration of the leasing portfolio of Movesta Lease and Finance were fully completed. On a strategic level, we expect that we will be able to assume at least one more leasing portfolio during the next three years.

There are indications that growing regulatory requirements and in particular the Capital Investment Code (KAGB), which goes into force in July, will lead to a situation where many participants will exit the market of equity-supported products. This will also give rise to opportunities from the take-over of fund portfolios. Although this particular aspect is not a strategic objective for LHI at present, we will nevertheless be monitoring future developments very closely.

As a company that is already subject to regulations in key areas, LHI considers itself well-equipped to address the new regulatory requirements. In addition, we have also made changes to management effective 1 July 2012. With the addition of Jens Kramer, we have been able to add a proven expert for the risk management and regulatory law fields. Our legally independent capital management company will be starting its activities as soon as possible under his leadership.

Oliver Porr and Robert Soethe will continue to warrant the required level of continuity. Having been with the company for a total of 50 years between them, they are very familiar with LHI and its markets. This expertise allows them to successfully and safely manage the company even during difficult market phases.

2012 was by all accounts a successful year – not least due to the trust extended by our business partners, for which we would like to offer our sincere thanks. Similarly, we would also like to thank our employees for their commitment to the company.

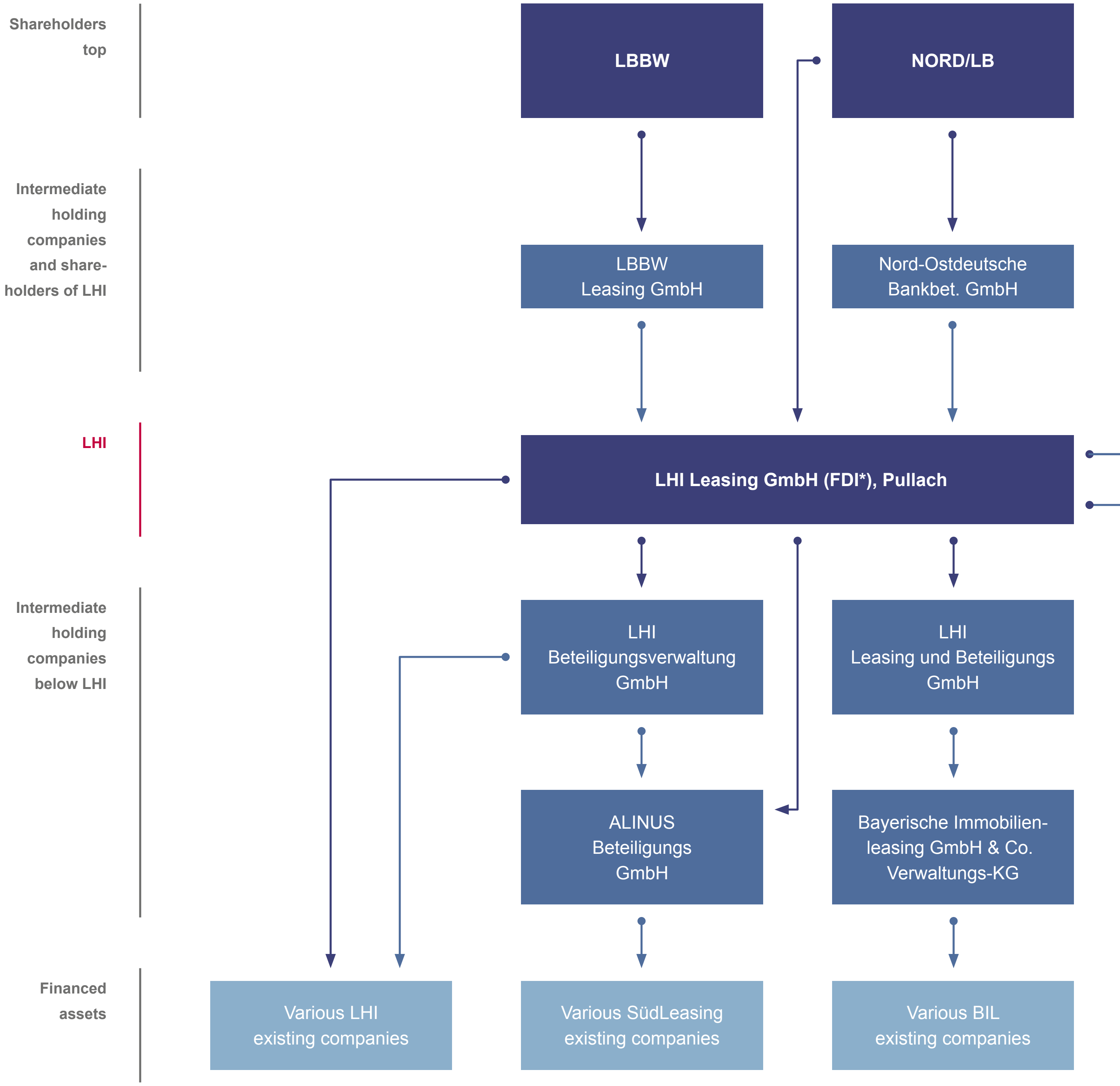
We look forward to proving yet again in 2013 that our business partners and customers can rely on our motto "Quality for Your Success".

Oliver Porr
Managing Director

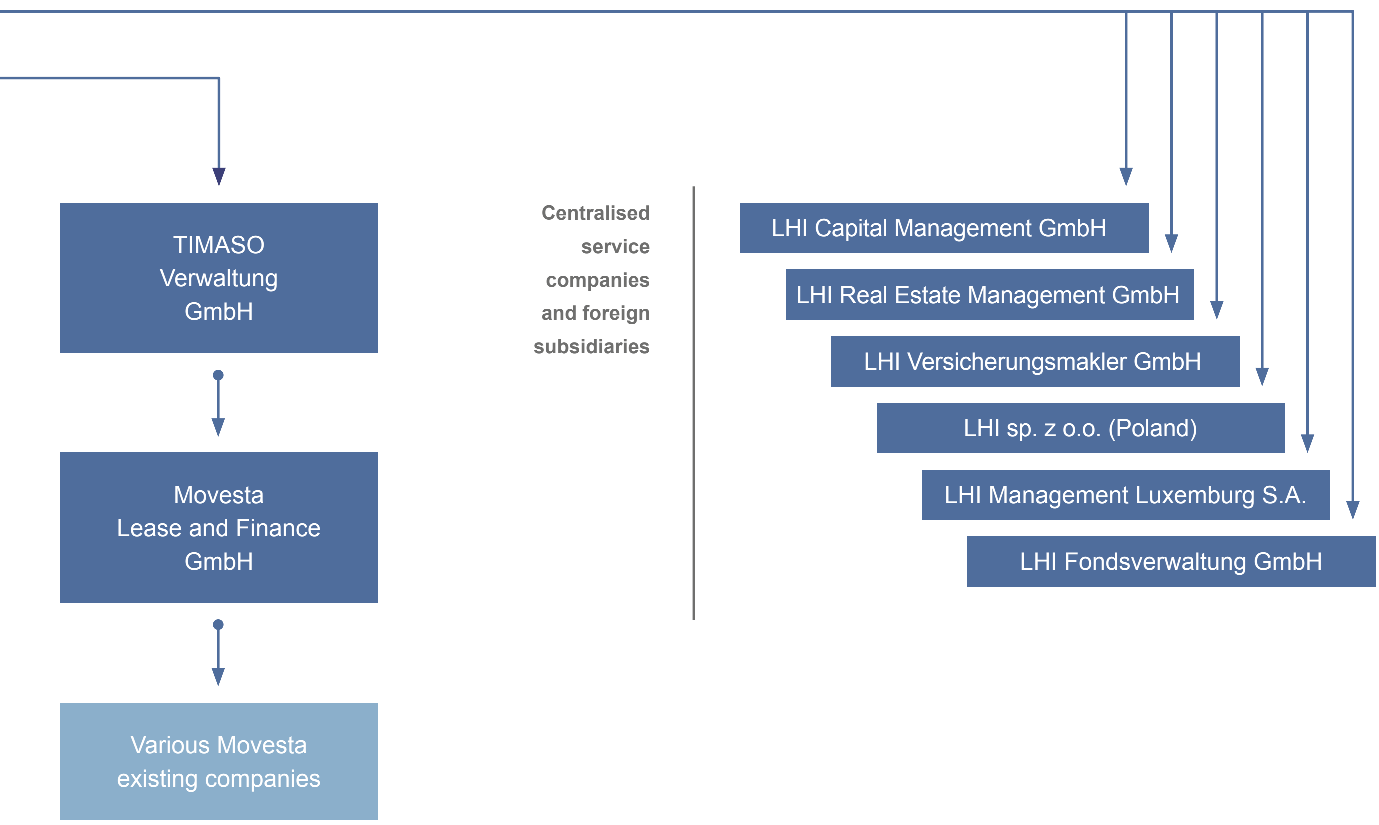
Robert Soethe
Managing Director

Jens Kramer
Managing Director

Structure of LHI group



*FDI = financial services institution


TIMASO Verwaltung GmbH
Movesta Lease and Finance GmbH
Various Movesta existing companies
Centralised service companies and foreign subsidiaries
LHI Capital Management GmbH
LHI Real Estate Management GmbH
LHI Versicherungsmakler GmbH
LHI sp. z o.o. (Poland)
LHI Management Luxemburg S.A.
LHI Fondsverwaltung GmbH

Strategy and positioning

The LHI business and risk strategy stands on a solid foundation. A sense of proportion and continuity forms the basis of our business activities. Our strategy of diversifying the business model and basing it on the three pillars solutions, equity-supported products and the take-over of portfolios has proven itself and will be continued.

LHI is in a strong position in terms of equity capital and also has a high risk cover potential in relation to its business activities. Hence the company possesses a comfortable risk bearing capacity, which makes it less vulnerable to crises than several other competitors. Since the government debt crisis will not be solved any time soon, it is obvious that a robust balance sheet structure will remain a decisive competitive factor. Therefore we will maintain our conservative risk policy.

Our business model presumes that we will be able to find partners that are willing to finance our products at reasonable conditions. Our strong equity capital position is our guarantee for obtaining comfortable credit lines. They allow us to implement our business plans without restrictions.

The LHI business model features a strong focus on Germany, which is an advantage given the current economic situation. We will maintain this focus in the future. Our products and services are extremely know-how driven. Thanks to our strong IT infrastructure, we are Germany’s cost leader with respect to the business management of special-purpose companies. The software that is used in this context was developed by LHI, and reflects the requirements of German commercial and tax laws. Therefore we are only able to use this competitive advantage in Germany.

Economic crises, financial crises, Euro crisis – LHI has successfully managed the difficult conditions of the last few years and has regularly generated attractive earnings. This provides an added impetus to maintain our strategy and hence our business model.

Solutions

The real estate leasing market remains at a low level – a situation that has resulted in the departure of many competitors. This type of market cleansing obviously benefits the remaining companies – including LHI.

Within this segment, business activities with government agencies (public-private partnerships or PPP) are becoming less and less attractive. As a result, we adjusted our business focus areas in 2012 and subsequently closed the Mannheim location, which served as the competence centre for PPP. In the future, we will only bid on selected PPP projects.

We have experienced a very positive market response with the co-investment models that were developed in the Solutions segment with the inclusion of our property experience.

Equity-supported products

The market for publicly-offered products has virtually collapsed. On the one hand, the Investment Intermediaries and Capital Investment Act has created uncertainty among our sales partners. On the other hand, there are a number of funds, especially in the shipping segment, that have generated losses, which has generally damaged the image of closed fund products.

It is not likely that the developments described above can be reversed in the short term. Therefore we expect that the market will soon undergo a cleansing phase on the provider side. The coming into force of the KAGB in July 2013 will further accelerate this effect. Therefore LHI will be proceeding cautiously in the retail sector.

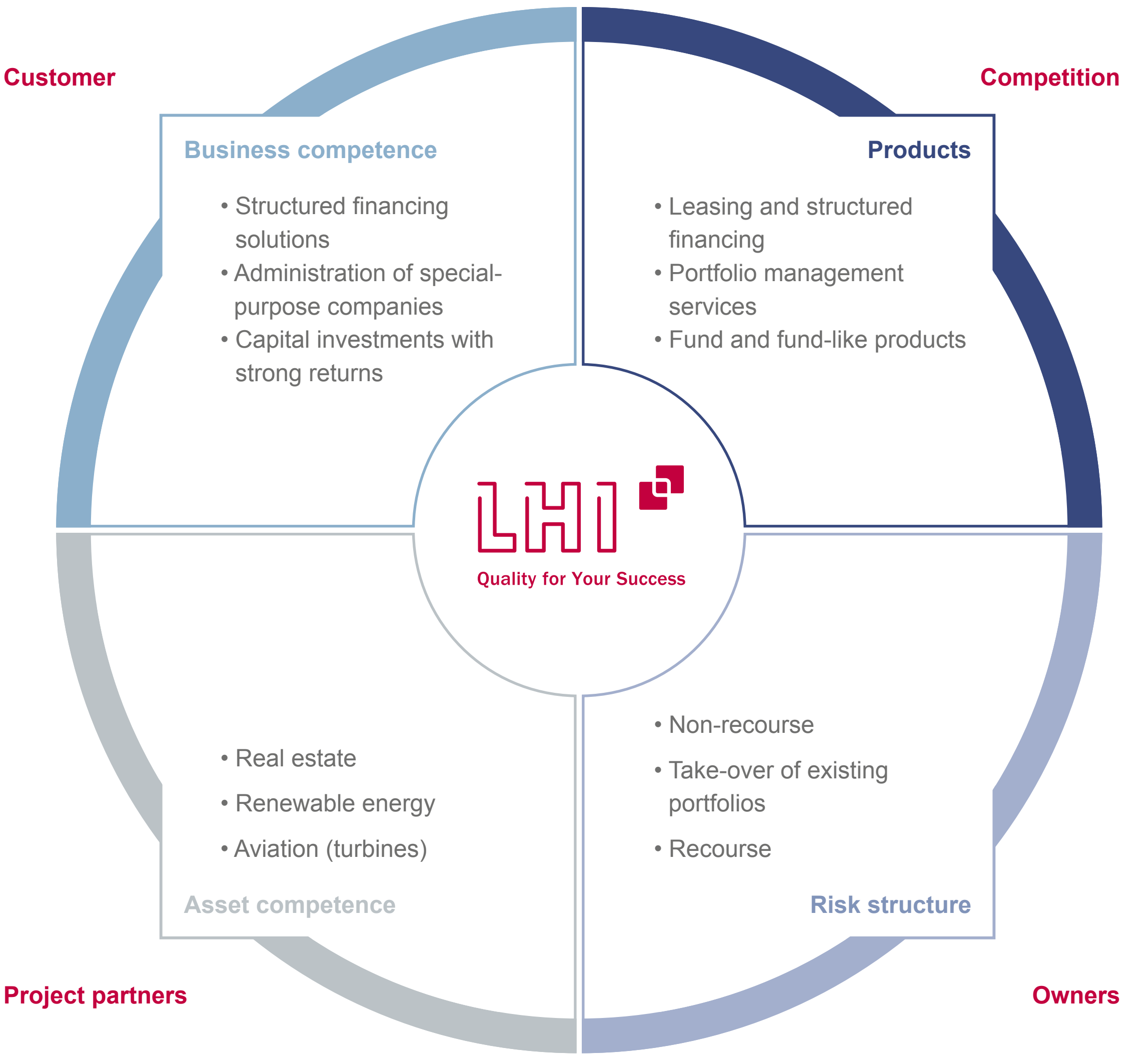
Our assessment of the developments in the private placement segment is quite the opposite. Here, proven product expertise creates the foundation for customer trust and customer loyalty. LHI has been concentrating on this segment for many years. Our strong brand and verifiable good performance of our products form the basis for future sales successes. In addition, increasing regulatory activities will also increase the attractiveness of our products for new investor groups. In this context, our activities in 2013 will be dominated by the establishment of a functional financial investment management company.

Portfolio management

The management of special-purpose companies represents a central and reliable pillar of our business model. Stable fee earnings form the foundation of profitability that can be calculated over the long term. In this context, we are planning additional acquisitions for the leasing portfolio.

Our service product “Corporate Service Providing” has seen successful growth and is established in the market. This offering is mainly directed at foreign companies that maintain a special-purpose company in Germany and either are not able or not willing to assume the business administration function for these companies. The number of potential parties interested in this product is limited, so that we are only expecting moderate growth for this segment.

The following principle also applies to the segment of portfolio management: an expansion of activities in areas that offer opportunities, and a cautious approach in areas with looming risks. We believe that this healthy combination provides us with a good position for the future.



Customer
Competition
Business competence
• Structured financing solutions
• Administration of special-purpose companies
• Capital investments with strong returns
Products
• Leasing and structured financing
• Portfolio management services
• Fund and fund-like products
LHI
Quality for Your Success
• Real estate
• Renewable energy
• Aviation (turbines)
Asset competence
• Non-recourse
• Take-over of existing portfolios
• Recourse
Risk structure
Project partners
Owners

Company history of LHI Leasing GmbH

LHI was founded on 1 October 1973 by Dr. Matthias Schmitt and the Norddeutsche Landesbank – Girozentrale – as the Leasinggesellschaft für Handel und Industrie mbH. The company initially focused on the provision of financing for German food retailers' real estate investment projects. The business segments financing of production equipment and structured financing were established in 1977.

Two years later the Berliner Bank AG acquired 40% of the shares in LHI from Dr. Schmitt's holding. In the process of designing leasing projects, LHI acquired considerable knowledge of accounting, the management of special-purpose companies and legal and tax matters. LHI has always focused on not just providing customers with ideas but also actively supporting the implementation of these ideas and managing the properties on a long-term basis.

In subsequent years, this know-how was increasingly used for developing and realising structured financing projects. Since 1981 private capital has also been used for investment financing. LHI launched its first publicly-offered fund in 1993.

A number of food retailers expanded into Eastern Europe following the fall of the iron curtain. LHI followed its main client base by establishing a separate company in the neighbouring market of Poland in 1995. Over the next few years LHI sp. z o.o., domiciled in Warsaw, grew into the largest national provider in the field of real estate leasing.

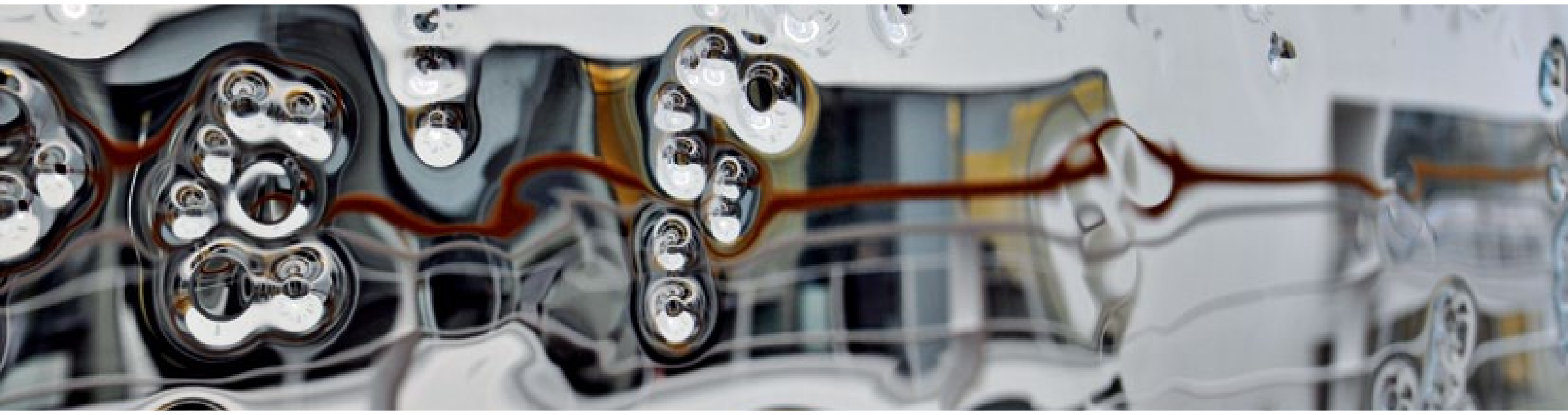
In 1996, company founder Dr. Schmitt sold his last remaining shares to Bankgesellschaft Berlin, the successor company of Berliner Bank. The turn of the millennium saw the expansion of LHI's business strategy, with the aim of also focusing on external acquisitions in addition to the continuous organic expansion of the business. In this context, the first company to be acquired was Bayerische Immobilienleasing in 2002.

Founded
1973

Berliner Bank 40%
Dr. Matthias Schmitt 10%
NORD/LB 50%
1979

1981
First
investor model

1986
First large project
> DM 100 million



In 2004, Norddeutsche Landesbank became LHI's sole shareholder. It has operated the company as a profit centre and preserved its business independence. This enabled Landesbank Baden-Württemberg (LBBW) to assume 51% of shares in LHI in 2006. At the same time, SüdLeasing's real estate leasing segment was also integrated into LHI.

Movesta Lease and Finance were also taken over in 2009 in continuation of the strategy. During that year, the company also closed the two locations in the greater Munich area and moved into the new head office in Pullach i. Isartal.

National governments have agreed that all capital segments in Europe should become subject to regulation. With the Investment Intermediaries and Capital Investment Act (VermAnlG), which went into effect on 1 June 2012, German legislators focused on the marketing of limited partnership interests, silent partnerships and participation rights as part of a first step.

All of the above investment types will now be qualified as financial instruments pursuant to § 1 section 2 VermAnlG. The placement of shares in closed publicly-offered funds and of shares in private placement, along with investment advice relating to such shares, has been regulated since 1 June 2013, regardless of the target group.

In response to these requirements we established LHI Capital Management GmbH in June 2012. This company is responsible for marketing the investment products designed by LHI. LHI Leasing GmbH is the sole shareholder of LHI Capital Management GmbH. The capital stock of the company is EUR 1 million. The Managing Directors are Dieter Seitz and Alexander Schönle. The other Managing Directors from LHI Leasing GmbH are Oliver Porr and Peter Kober.

First publicly-offered fund
1994

1995
Bankgesellschaft Berlin 50%
NORD/LB 50%

Purchase and Integration of BIL
2002

2004
NORD/LB 100%

2006
LBBW 51%
NORD/LB 49%

Purchase real estate leasing and fund segment of SüdLeasing
2006

2009
Purchase of Movesta Lease & Finance

Full integration Movesta Lease & Finance
2011

Human Resources

LHI views its human resources policy as a strategic factor. Human resource management focuses on the three key elements employee qualifications, compensation and corporate structure. A balanced combination of all three elements makes LHI a particularly attractive employer and allows us to select from among the best applicants. Quality for your success – our brand provides the promise, our employees turn the promise into reality.

Employees

LHI is a medium-sized company with almost 300 employees. University graduates make up more than 75% of newly recruited staff. When searching for new talent, we want to ensure that their personality and qualifications are a good fit with the company. The competences of our employees are continually developed through support and professional development programmes.

Management training forms an obligatory part of the curriculum for new managers. In addition, the company also has a coaching pool and an extensive management compass as an orientation handbook. It is comprised of the four dimensions of management: Self-, relationship, organisational and change management. The management compass requires LHI managers to maintain authentic, trusting and cordial relationships with their employees.

So-called After Work Talks for managers are held at regular intervals. They consist of presentations by external consultants about topics that are relevant to management, such as “Neurobiology for Managers” or “Irrational Decisions”.

Compensation

The company’s market-appropriate and attractive basic salary is based on the job description, competence and responsibility. Added to the above is a variable compensation portion that will depend on an individual’s target attainment and the company’s success. Premiums are paid for particularly outstanding performance. The proportion of the variable compensation portions is set at maximum 20% of the entire compensation so as to avoid misguided incentives.

We believe that the financial attractiveness of a workplace is not defined by salary alone. In this context, financial security with regard to retirement provisions plays an increasingly important role. Accordingly, LHI assumes two-thirds of the costs for the company’s pension plan. To this end, the company works with partner BVV, Germany’s largest pension fund measured by managed assets.

Corporate culture

LHI offers its employees a unique work environment. It begins with the aesthetic architecture of our head office in Pullach. Transparent offices and open spaces promote an inspiring and communicative atmosphere that automatically supports innovative thinking.

A subsidised company restaurant and free drinks are additional features that are highly valued by our employees. Regular art tours, various LHI sports groups along with the summer festival and Christmas party promote a sense of belonging. A company physician regularly inspects the workplaces to identify potential hazards for employee health. He is also available in the case of emergencies.

LHI established an Intranet as an information hub at the beginning of 2012. It has since become an integral part of the communication culture. It is used by management to provide timely information on current issues. Employees also use it as a market place and communication forum.

LHI code of conduct

LHI's success is based on a company-wide corporate culture that is characterised by integrity, mutual respect and individual responsibility. We strive to achieve sustained financial success with the greatest possible benefit for our customers.

This code of conduct serves as a guideline for all LHI employees. It contains the values, basic attitudes, beliefs and rules of conduct that are followed by all employees in their relations with our business partners, customers, competitors and government authorities.

General principles

Compliance with laws and regulations

We commit to comply with the applicable laws and other authoritative provisions of the countries in which we are active with regard to all business operations/activities and decisions.

Fight against money-laundering, financing of terrorism and corruption

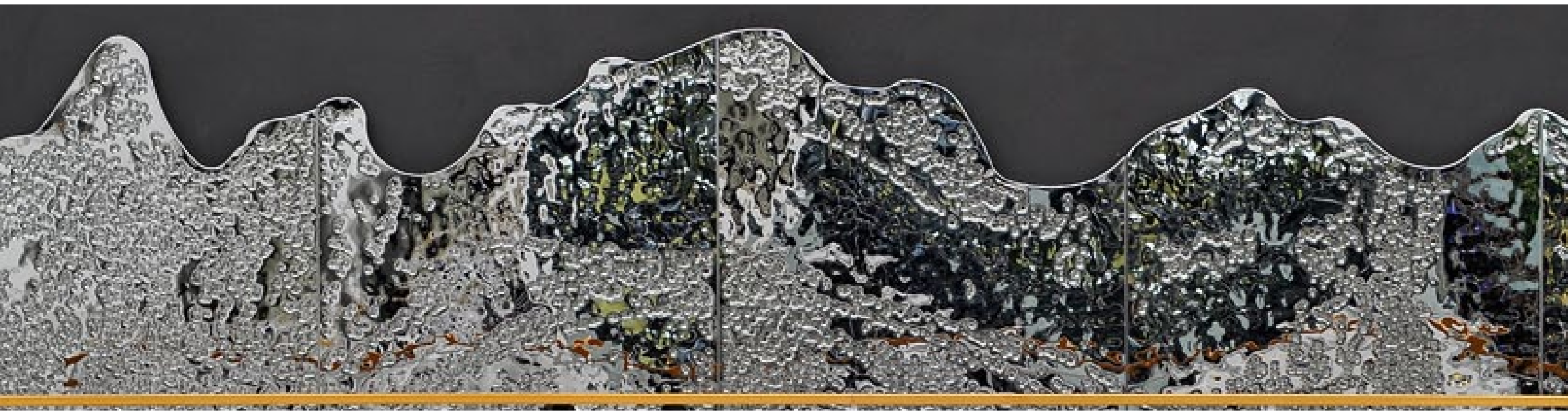
We establish internal security measures and mechanisms based on potential risk for the prevention of money-laundering, the right against terrorism financing and corruption.

Compliance with data protection

Security standards protect the personal information of our business partners, customers and employees against access and improper use.

Fair competition

We comply with the applicable laws and other provisions for the regulation of competition, which protect and promote fair competition.



Principles for personal interaction

Guiding theme
Our personal interactions are characterised by the following values and basic attitudes, among others: mutual respect, loyalty, reliability and commitment, correctness and fairness, authenticity and performance orientation, and discretion. Our actions must be characterised by transparency where possible.

Prevention of conflicts of interest
We commit to avoid situations in which personal and/or financial interests are in conflict with our company's interests. We do not obtain advantages by accepting personal gifts or benefits that result from business relationships.

Principles for the interaction with business partners and customers

Business relationships

Our dealings with and advisory services provided to business partners and customers or potential business partners/customers are characterised by respect and individual attention.

Confidential handling of information
In line with the statutory provisions, we commit to keep in confidence business secrets and other confidential information and documents of our business partners and customers that are made available to us.

Completeness of information
The information that is communicated and distributed by us is complete and easy to understand, so as to offer business partners and customers as well as potential business partners/customers a basis for long-term business relationships.

Quality
Our products and services are characterised by the highest quality standards and a continuous adaptation to market developments and customer requirements.

Principles of social responsibility

Health protection
We warrant occupational safety and health protection at the workplace pursuant to the authoritative provisions.

Environmental protection
The construction of our building was accompanied by a focus on sustainability and energy efficiency.

Societal responsibility
We conduct ourselves in a manner that lives up to the responsibility of our company in society.

LHI data

Board of management

Oliver Porr, Robert Soethe, Jens Kramer

Supervisory board

LBBW: Hans-Jörg Vetter (chairman)
Ingo Mandt, Karl-Manfred Lochner
NORD/LB: Eckhard Forst (deputy chairman),
Dr. Johannes-Jörg Riegler, Martin Hartmann

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Operating figures

	31/12/2012 in KEUR	31/12/2011 in KEUR
Balance sheet total	183,047	151,781
Shareholders' equity	48,750	46,192
Result from ordinary operations	5,347	3,954
Net income	6,058	3,594
Equity ratio in %	26.6%	30.4%
Financial result	6,640	6,310
New business	900,000	1,300,000
Investments managed	24,190,000	24,890,000
Total placed equity capital	3,061,496	2,960,500
Total number of investors	23,156	22,669
Total fund volume	7,551,988	7,260,000
Employees (average)	282	280

Business development report

Overall economic development

Growth in global economic production probably increased by 3.2% in 2012, which is relatively weak growth in historic terms. Similarly, it is expected that the global economy will merely grow by 3.4% in 2013. The GDP of advanced economies only grew by 1.2% in 2012. Within the Eurozone, the GDP grew by 0.5% as compared to the previous year. Only slightly positive growth or zero growth is expected for 2013. Uncertainties remain: the government debt crisis in the Eurozone and the future direction of US financial policy.

The German economy fared better when compared to other EU countries. Overall economic production grew by 0.7% (previous year: 3.0%), with production falling by 1.2% during the last quarter. Growth of only 0.3% is expected for 2013. Lower corporate investments are reflective of a decline in business expectations, which have fallen without interruption since April.

Exports remain a successful factor for the German economy, but without noticeable growth. As in the previous year, domestic economic activity has seen positive growth despite the uncertainty created by the debt crisis in the European currency union.

The monetary environment continues to favour the general economic situation. Interest rates are at historically low levels. To support EU states in crisis and minimise the debt burden, the European Central Bank (ECB) purchased government bonds of member states in 2012. Theoretically, it is possible to continue these measures without a limit on amounts.

Even though the German labour market worsened somewhat recently, it is still in relatively good shape, as the unemployment rate fell again to 6.8% (2011: 7.1%, 2010: 7.7%). The number of registered unemployed was 2.94 million at the end of 2012, and no major changes are forecast for 2013. In view of the continued positive labour environment, it is possible that private consumption will remain a pillar of economic activity during the next few quarters.

Developments in 2013 will again be dominated by the Euro crisis. It will also greatly affect large portions of the export industry as well as domestic demand. Germany's exporters benefit from the financial stability and strength of the country's European neighbours. Domestic demand is strongly correlated with people's confidence in the market. If politicians are able to create confidence in the stability of the euro and financial markets, then private consumption will remain at the current level and even increase.

Consumer prices increased by approximately 2.0% in 2012 as compared to the previous year. The same figure is expected for 2013. The ECB programme of buying up massive amounts of European government bonds has the effect of increasing the long-term inflation potential and investor fears of future devaluations. The expected inflation rate for Germany in 2014 is set at 2.6% due to wage pressures and increasing capacity utilisation.

(The aforementioned data was mainly obtained from the on-line portal of the Federal Statistical Office (Statistisches Bundesamt) [as at 15 January 2013] and the Economic Report of the Institut für Weltwirtschaft at Kiel University dated 18 December 2012.)

Developments in the sector

In 2012, the German leasing market grew by 0.4% points to 15.5% (proportion of total investment costs), reaching a new business volume of EUR 49.3 billion. Of this amount, EUR 47.2 billion is attributable to new business with movable goods. This corresponds with an increase of 0.5% compared to the previous year. Real estate leasing grew by 1.4% to EUR 2.15 billion in 2012.

These figures highlight the economy's generally cautious investment outlook on account of the Euro crisis. Even though companies invested less, demand for leasing nevertheless increased. New business related to movable goods was mainly carried by the vehicle leasing business.

Share of leased property in the new business by acquisition cost in %:

Leased properties	Acquisition costs in %	Change in acquisition costs in %
Vehicles (passenger cars + commercial vehicles)	68.7%	+2%
Machines for production purposes	10.0%	-2%
Office / IT equipment	9.1%	-6%
Communication/signal technology, other equipment	6.5%	+2%
Retail and office buildings	2.1%	+1%
Production and storage buildings	2.3%	+5%
Air, water and rail vehicles	1.3%	-23%

The structure of leasing customers, which was calculated on the basis of forecast information, did not change very much compared to the previous year, except in two areas. Most customers can be found in the service sector (32%), followed by the processing industry (21%). They are followed by retailers (13%), transportation and communication (11%), private households (9%) and government (5%). Private households do not make up as large a share of new business this year (8%). The government share grew by 16%.

(Market volume figures are derived from the BDL (BDL = Federal Association of German Leasing Companies) annual press conference on 22 November 2012. Information about leasing customers was obtained from a BDL Press Release dated November 2012.)

During the 2012 financial year, the market for closed funds, measured by placed equity of EUR 4.5 billion, was clearly under the previous year's level of EUR 5.85 billion (-23%). Investors with an institutional background made up EUR 1.4 billion of the total volume. In this investor segment, the market grew by more than 30%. Private investors, on the other hand, were much more cautious in 2012 than in previous years. Their share in the investment volume fell by 35% compared to the previous year.

This is also reflected in the individual asset classes. Only investment offerings in the energy segment (which also includes solar) increased nominally to EUR 0.7 billion (previous year: EUR 0.6 billion). Holdings in domestic and international real estate continued to be the investment class with the highest demand. But even here, placed equity capital volumes declined by approximately 10%. The turnover of infrastructure funds, which still made up a large share of the total 2011 volume at 7%, experienced a virtual collapse. In 2012, only EUR 28 million was placed in this class.

The entire market for closed funds in 2012 was affected by the new requirements from the amendment of the Investment Intermediaries and Capital Investment Act (hereafter capital investment act) and uncertainty related to the implementation of the European AIFM (Alternative Investment Funds Manager) directive into German law. In addition, the effects of the continuing Euro crisis also lead to a noticeable decline in the willingness to invest. Average turnover ranging from EUR 0.2 billion to EUR 0.4 billion per month was only significantly exceeded with EUR 0.7 billion in December 2012.

Despite this moderate upturn, the industry still expects that 2013 will be characterised by reduced issue activity and continued caution as regards demand for closed investment offerings. Providers will gradually implement the necessary requirements and processes for establishing the AIFM directive. It is also a reason why offerings will increasingly focus on the real estate and energy investment classes of leading providers.

(The above placement figures, along with the general review and outlook, were obtained from the publication "VGF Branchenzahlen 2013" (VGF industry figures 2012) dated 31 January 2013. [VGF = Verband Geschlossene Fonds e. V.])

Business developments and asset, financial and earnings position

In 2012, LHI benefited from overall stable economic growth in Germany. While the demand for financing and structuring did not reach the levels of the previous year, demand for leasing solutions and complex product structures nevertheless remained stable. Sub-segments even experienced an increase in the willingness to invest. Future developments related to the general environment, such as the modification of international accounting provisions, remained unclear. However, some market participants are not able to postpone investment decisions any longer, and implemented more structures on the basis of the current law with LHI support.

In view of the clear growth of equity arrangements, LHI will continue to orient its offerings to the demand for high-quality investment products and focus even more on the requirements of professional underwriters. The preferred investment classes energy and real estate formed a focus area in this context. With respect to renewable energy, LHI ranked eighth among German fund providers, with EUR 25.8 million in placed equity. This corresponds with a market share of almost 4% in this segment. Similarly, LHI stood its ground in the very competitive segment of institutional investors thanks to its contacts. In this segment, the company was in fourth place in terms of marketed equity capital at EUR 79.0 million (market share: 6%).

Services related to leasing portfolios grew in 2012. The full integration of the portfolios of Movesta Lease and Finance GmbH (Movesta) into the LHI systems and processes significantly strengthened earnings from the management business while the cost structure remained mostly the same.

LHI's net income increased significantly to EUR 6.1 million (previous year: EUR 3.6 million) as a result of overall positive business developments.

Benefiting from moderate refinancing rates, the interest result increased to EUR 1.3 million (previous year: EUR 0.4 million). The investment result, including profits and losses from profit/loss transfer agreements fell from EUR 9.5 million to EUR 6.0 million. For one, a significant portion of structuring services was collected in special-purpose companies and then distributed in the previous year; additionally, LHI assumed a start-up loss EUR 2.1 million in 2012 as part of the new profit/loss transfer agreement with subsidiary LHI Capital Management GmbH (LHI Capital). LHI Capital bundles all of the capital marketing activities in the LHI group.

The commission result declined from EUR 10.0 million to EUR 6.2 million due to a decline in one-time fees from the business with local authorities. Other operating income, which includes in particular current fees for administrative services, increased significantly from EUR 33.8 million to EUR 41.3 million. This is mainly due to the integration of the Movesta management portfolio.

Personnel expenses saw moderate growth at EUR 25.2 million (previous year: EUR 24.9 million). In this context, one-time expenditures for the closure of the Mannheim location were accompanied by the retirement of a pension obligation that was no longer required due to the death of the individual entitled to benefits. The development of resources for the integration of the Movesta portfolio was completed in 2012. As a result of the introduction of LHI Capital on 1 June 2012, 15 employees left LHI and entered into a new employment relationship. On average, LHI employed two more employees in 2012 than the year previous. The variable compensation portions of the workforce declined to EUR 2.2 million due to the lower cash value from the new business.

Other management and operating expenses declined by a total of EUR 2.7 million. This was mainly due to one-time expenditures from the take-over of the Movesta portfolio in the previous year, which were accompanied by earnings at a similar level. For the first time since 2007, management expenses are no longer determined by significant special variables. In previous years, the company incurred extraordinary expenses in particular for various reserves for pending losses and other one-time costs.

On account of a burden relating to a holding company from the refinancing in Swiss francs, a value adjustment was applied to the corresponding investment value in 2012. This had the effect of increasing impairments and value adjustments from EUR 0.8 million to EUR 2.7 million. Similar to previous years, the extraordinary result is comprised of the graduated allocation to pension reserves due to the conversion to BilMoG accounting, in the amount of EUR 0.1 million.

As in previous years, the largest items on the asset side of the balance sheet are comprised of receivables due from customers in the amount of EUR 118.6 million (previous year: EUR 102.3 million) and other assets of EUR 38.1 million (EUR 23.9 million). The increase in both items is due to another increase in product interim financing and more long-term investments in own product structures. Similarly, the value of investments also increased from EUR 17.1 million to EUR 20.1 million.

This figure is accompanied on the liabilities side by debt mainly consisting of short-term liabilities due to banks of EUR 67.4 million (previous year EUR 28.0 million) and reserves of EUR 36.0 million (previous year: EUR 41.4 million). In addition, on the cut-off date there was also a securitised liability of EUR 25.1 million (previous year: EUR 25.2 million).

Shareholders' equity on the cut-off date amounts to EUR 48.8 million, almost 6% above the previous year's level (EUR 46.2 million). Retained earnings grew by 60% to EUR 6.9 million. At the same time, due to the increase in the total balance sheet to EUR 183.0 million (EUR +31.2 million), the equity ratio declined to 26.6% (previous year: 30.4%). The significant rise in the total balance sheet is related to the cut-off date and mainly due to different payment dates within the context of interim project financing during the placement period.

LHI did not incur any long-term liabilities in addition to a bearer bond with a residual term of eight years in the amount of EUR 25.0 million. To finance its on-going business operations, the company uses this securitised liability, the company's own resources, the selective utilisation of credit lines at shareholder banks and another institution.

LHI has obtained interim financing for equity capital related to fund product structures and investor models. The company was able to place larger equity tranches during the financial year. Committed funds are continuously monitored and controlled with a rolling liquidity forecast.

The company's asset position is orderly, and its ability to pay was secured at all times. There were no non-financial performance indicators with a material effect on the asset, financial and earnings position. This situation did not change materially after 31 December 2012.

Risk report

Similar to any other business activity, LHI's business model is also associated with risks. These may occur at any location within a company. It is not possible to detect and quantify all possible risks in advance. Therefore LHI has taken the following precautions to minimise its own risks from daily business operations:

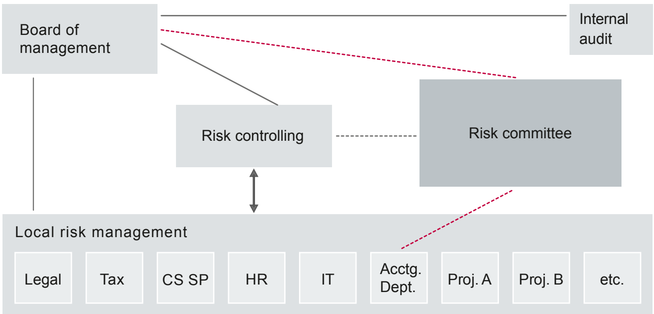
- Training/continuing education and risk awareness for all employees
- Publication of procedural instructions (emergency plans, work instructions)
- Insurance policies (risk mitigation)
- Doubling of resources (acting representative policies, technical back-up procedures)

These preventative measures form an integral part of risk management in a wider sense. To make risks both evident and manageable, LHI has established standardised controls as part of its internal control system and the targeted review of individual circumstances by internal audit.

LHI considers the concrete management of individual transactions or a business portfolio as risk management in a more narrow sense. The LHI business portfolio can be viewed as low in terms of risk material aspects. This classification allows for the following course of action:

- Individual due diligence process for each significant transaction
- All risk-material decisions through management
- Clarification and monitoring of risk situation at the individual business level

Risk management processes are firmly defined within LHI. The figure below shows the organisational integration of risk management into the business model.



The illustration describes the function of risk controlling. It is carried out by an independent organisational unit while the risk management function is organised at the local level. In this vein, the function of risk management is characterised by the following:

- High degree of reference to each individual business or individual transaction
- Integrated in operating processes (project initiation, management, utilisation)
- High external impact with customers, investors and project partners

On the other hand, risk controlling is concerned with the following:

- Risk analyses for the company as a whole (portfolio view)
- Measurement of risk potentials (possibly identification of optimisation potential)
- Quarterly preparation of risk report (review of risk bearing capacity)

Against the background of the 4th amendment to MaRisk (minimum requirements for risk management), which was published on 14 December 2012, LHI used the reporting period to further optimise its internal risk management. The risk controlling function was further strengthened, while the risk reporting system and risk bearing capacity calculation were again completely revised for 31 December 2012.

Therefore the illustration of risk mainly follows the MaRisk nomenclature, without losing its connection to the LHI business model.

The risk bearing capacity calculation distinguishes between the following important risks:

- Default risks
  Risks resulting from the management of special-purpose companies (mainly loss of agreed fee payments)
- Market price risks
  Risks resulting from the investment of free liquid funds in connection with the settlement of payment transactions by the LHI cash pool
- Property price risks
  Risks resulting from equity-supported structures, in which LHI is invested temporarily or for a longer term (in the case of the classic real estate leasing business, which dominates the portfolio, property price risks are mainly limited to the capital invested [usually EUR 25,000]; therefore these are shown under default risks)
- Operational risks
  Risks from general business operations (can only be allocated to concrete business activities in isolated cases)
- Other risks
  Only the disclosure of liquidity risks has been provided for in the context of the risk bearing capacity (for the case that the gap analysis should show a structural shortfall)

LHI follows the going concern approach with respect to its risk bearing capacity model. The procedures and methods for calculating risk potentials and the risk covering potential are described in a methods handbook. They are regularly reviewed and adjusted as needed. Any required methodological adjustments are generally made at the beginning of the financial year to warrant reporting continuity within periods.

One of the special features of the leasing industry is the consideration of a net asset value from contracted future leasing fees when calculating risk covering potentials. With respect to companies leasing movable goods, BDL has developed a recognised calculation formula for which the Institut der Wirtschaftsprüfer (IDW) recommended audit standards in 2012. Its application is also welcomed by BaFin (German Financial Supervisory Authority). As a real estate leasing company, LHI follows this procedure, which is typical for the industry, and includes its net asset value in the calculation of the risk covering potential with the conversion on 31 December 2012.

To calculate its net asset value, LHI only uses fee claims from firmly contracted leasing contracts, as required by the IDW. To this end, the cash flows from fee earnings are reduced adjusted for risk (after own costs), and are then subjected to another deduction.

LHI's risk bearing capacity was secure as at 31 December 2012. Both the procedure used to date as well as the new procedure show that valued risks make up less than 50% of the available risk covering potential. Additional stress tests designed in 2012 also confirm that LHI's risk bearing capacity can be guaranteed even with scenarios featuring extreme parameters in the business environment.

In addition to risks that must be quantified as part of the risk bearing capacity calculation, the availability of liquidity forms an additional important risk for LHI. A rolling liquidity forecast is prepared every 14 days for the purpose of managing this risk; it contains all known important liquidity outflows of the next twelve months. These outflows are compared to available liquidity plus approved free credit lines. This forecast instrument reliably indicates whether a structural liquidity shortfall can occur during the period under review due to contracted or planned business events. The risk strategy defines that these scenarios must be prevented. However, if a shortfall nevertheless occurs, a corresponding risk value is calculated on the basis of the missing amount, to which risk capital must be added on an ad-hoc basis. Within the risk bearing capacity model, this item would have to be shown under "other risks".

The risk strategy objective of preventing structural liquidity shortfalls was fully guaranteed at any time during the reporting period. Similarly, the current liquidity forecast does not indicate a structural liquidity shortfall for the 2013 financial year.

Outlook and opportunities/risks of future developments

The European government debt crisis continues to be the dominating risk factor for further economic developments in the Eurozone, even after the lessening of tensions during the second half of 2012. Germany continues to be the most stable member state, and will therefore continue to face challenges at the political level. On an economic level, the country will remain dependent on both the global and European economy.

Financial markets continue to supply a lot of liquidity. Inflation fears resulting from the increase in the money supply could rise. LHI would be affected by an inflation scenario because it carries the market change risks for interim-financed equity capital models.

On the other hand, it is also possible that the increasing probability of inflationary tendencies will lead to more interest in real property investments. This will be accompanied by a growing focus on investment offerings for real estate and other real assets. Inflation-based rental indices could become a decisive factor, as LHI has already utilised these for co-investments.

In addition to these design tools, LHI will continue to focus on the rapid structuring and placement of its equity capital products. A balanced mix of product pipeline and short-term product-specific asset procurement will be required to assume interest and market change risks. Commissioned work in line with capital commitments by individual investors will be playing an increasingly important role. In addition, the transformation from a provider of financing to problem-solver will play a crucial role.

The structural and organisational implementation of the requirements from the AIFM directive for the Capital Investment Act (KAGB) will be the main challenge for LHI during 2013. The final formulated legislative text is only expected to be available shortly before the directive goes into effect on 22 July 2013. However, LHI will be starting with the required adjustments for the project business and process flows at an earlier date to secure opportunities for new business in a new regulatory environment.

Specifically, LHI together with LHI Capital is planning the conceptualisation and marketing of a new publicly-offered fund under the regime of the AIFM directive. Also planned for the core asset classes real estate and renewable energy are nine product structures for professional investors, of which several will be furnished with an advance capital commitment on the part of one investor. Building on a first transaction in 2012, two additional co-investments will be implemented with large German corporations, and subsequently marketed in the capital market by LHI Capital. LHI believes that it is in a strong enough position to achieve these objectives.

The placement of the two product structures marketed as of 2012 will form a focus of the public sales segment of LHI Capital in 2013. Product marketing to institutional investors will be strengthened. Renewable energy forms a key focus for the preparation of new product structures. LHI expects that all of its planned and implemented projects will be placed by LHI Capital in the year 2013.

The continuation of activities in the segment relating to the take-over of portfolios forms another key focus area for 2013. Following initial discussions in 2012, LHI wants to take a close look at additional integration potential. LHI's strong position in the management segment will be expanded through a new portfolio acquisition or additional management contracts from investors.

With its structuring competence, LHI can provide its customers with special solutions for financing issues. The LHI approach of developing and implementing customised solutions and supervising the same together with the customer over the entire term provides the company with a sales channel in the quality-conscious premium segment.

LHI has adjusted its engagement in the local authorities/ PPP environment. It will only participate in selected projects in 2013. The joint approaching of local authorities together with shareholder LBBW will still be continued until 2015 at a reduced level.

With respect to the IT landscape, LHI has not planned any large projects for 2013. Adjustments due to regulatory requirements or for the implementation of multi-client capability for applications are applied during normal business operations. Requirements of the AIFM directive, which are not yet fully known, are integrated into the systems on an ad-hoc basis. In addition, the debit advice transactions / SEPA will be modified in 2013. Even on the financial statements cut-off date, the accounting system is already able to supply data for the electronic tax balance sheet (e-balance sheet).

During the 2013 financial year, one key area of the growing further development process for risk management will focus on the implementation of uniform risk management for equity capital products as required under the AIFM directive.

Activities abroad will continue to be focused on Poland.

The respective opportunity/risk ratio will be thoroughly reviewed before the conclusion of each new transaction and entry into new markets and products. This review will be based on LHI's current business and risk strategy.

Following the significant increase in the result during the reporting period, LHI expects that the 2013 annual profit will exceed those of 2010 and 2011. The pre-tax result is expected to be around EUR 4 million in the next financial year. It is also expected that the earnings position will continue to improve in subsequent years. More specific forecasts cannot be provided due to the imminent changes to the regulatory environment and continuing uncertainty in financial markets.

Annual financial statements on 31 December 2012

Balance sheet

	EUR	31/12/2012 EUR	Previous year KEUR
Assets			
1. Cash reserves			
Cash on hand		3,171.94	5
2. Receivables due from banks			
a) due at one day's notice	26,267.01		24
b) other receivables	0.00		1,704
		26,267.01	1,728
3. Receivables due from customers thereof: from financial services institutions EUR 148,468.24 (previous year: 0 KEUR)		118,617,945.93	102,314
4. Investments thereof: in financial services institutions EUR 3,650.00 (previous year: KEUR 2)		20,140,823.87	17,120
5. Shares in affiliated companies		2,682,060.28	2,553
6. Intangible assets Concessions, commercial trademarks and similar rights and values, as well as licenses for such rights and values, purchased against payment		653,127.06	707
7. Property, plant and equipment		2,583,010.00	3,065
8. Other assets		38,144,272.19	23,929
9. Accruals and deferrals		196,019.21	360
Total assets		**183,046,697.49**	**151,781**

	EUR	31/12/2012 EUR	Previous year KEUR
Liabilities and shareholders' equity			
1. Liabilities due to banks			
a) due at one day's notice	4,447,155.69		27
b) with agreed maturity or notice period	62,914,173.12		27,967
		67,361,328.81	27,994
2. Liabilities to customers thereof: to financial services institutions (previous year: 0 KEUR)		1,284,905.31	7,757
3. Securitised liabilities Debentures issued		25,129,083.33	25,229
4. Other liabilities		4,070,933.66	2,728
5. Deferred items		467,043.96	495
6. Reserves and accrued liabilities			
a) Pension reserves and reserves for similar obligations	5,516,546.40		5,909
b) Accrued taxes	1,448,825.31		2,294
c) Other reserves and accrued liabilities	29,017,999.80		33,183
		35,983,371.51	41,386
7. Shareholders' equity			
a) Subscribed capital	40,000,000.00		40,000
b) Revenue reserves and other revenue reserves	1,894,852.45		1,895
c) Retained earnings	6,855,178.46		4,297
		48,750,030.91	46,192
Total liabilities and shareholders' equity		**183,046,697.49**	**151,781**
1. Contingent liabilities Liabilities from guarantees and warranty contracts		149,324,286.90	221,643
2. Other obligations Placement and underwriting obligations		38,050,678.89	32,235

Income statement from 1 January 2012 to 31 December 2012

	EUR	EUR	31/12/2012 EUR	Previous year KEUR
1. Interest income from credit and money market transactions		3,747,529.03		2,365
2. Interest expense		-2,479,606.12		-1,952
			1,267,922.91	413
3. Regular income from				
a) investments		6,800,633.89		8,691
b) shares in affiliated companies		533,455.66		412
			7,334,089.55	9,103
4. Income from profit pools, profit pooling or partial profit pooling agreements			745,983.67	439
5. Commission income		6,866,723.36		14,694
6. Commission expenses		-671,925.00		-4,656
			6,194,798.36	10,038
7. Other operating income			41,262,736.12	33,804
8. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-22,552,802.34			-21,412
ab) Social security, pension and other benefit costs thereof: for pension costs EUR 167,107.31 (previous year: KEUR 759)	-2,628,191.44			-3,443
		-25,180,993.78		-24,855
b) Other administrative expenses		-16,026,807.79		-19,036
			-41,207,801.57	-43,891
9. Depreciation and value adjustments of intangible assets and property, plant and equipment			-847,300.66	-804
10. Other operating expenses			-4,637,989.91	-4,312
11. Write-offs and value adjustments of accounts receivable and certain securities and additions to reserves in the credit business			-745,316.91	-734
12. Write-offs and value adjustments of investments, shares in affiliated companies and securities treated as fixed assets			-1,954,511.71	-88
13. Expenses from loss transfers			-2,065,256.41	-14
14. Result from ordinary operations			**5,347,353.44**	**3,954**
15. Extraordinary expenses = Extraordinary result			-130,867.80	-131
16. Taxes on income		851,675.01		-216
17. Other taxes, unless shown under item 10		-10,367.27		-13
			841,307.74	-229
18. Net income			**6,057,793.38**	**3,594**
19. Profit brought forward from previous year			797,385.08	703
20. Retained earnings			**6,855,178.46**	**4,297**

Notes

Asset schedule

Costs of acquisition in EUR	Brought forward 01/01/2012	Additions	Reclassification	Disposals	As at 31/12/2012
Investments	19,446,519.89	5,322,757.01	88,858.95	436,886.47	24,421,249.38
Shares in affiliated companies	3,184,346.28	256,423.20	-88,858.95	38,346.90	3,313,563.63
Intangible assets	4,117,259.48	65,468.00	0.00	0.00	4,182,727.48
Property, plant and equipment	5,287,304.83	246,086.66	0.00	1,158.85	5,532,232.64
Total	**32,035,430.48**	**5,890,734.87**	**0.00**	**476,392.22**	**37,449,773.13**

Depreciation in EUR	Brought forward 01/01/2012	Unscheduled depreciation	Financial year	Disposals	As at 31/12/2012
Investments	2,326,140.94	1,954,511.71	0.00	227.14	4,280,425.51
Shares in affiliated companies	631,503.35	0.00	0.00	0.00	631,503.35
Intangible assets	3,410,413.42	0.00	119,187.00	0.00	3,529,600.42
Property, plant and equipment	2,222,267.83	0.00	728,113.66	1,158.85	2,949,222.64
Total	**8,590,325.54**	**1,954,511.71**	**847,300.66**	**1,385.99**	**11,390,751.92**

Book value in EUR	31/12/2012	Previous year
Investments	20,140,823.87	17,120,378.95
Shares in affiliated companies	2,682,060.28	2,552,842.93
Intangible assets	653,127.06	706,846.06
Property, plant and equipment	2,583,010.00	3,065,037.00
Total	**26,059,021.21**	**23,445,104.94**

Information on liabilities as at 31 December 2012

Liabilities	Total amount	thereof with a residual term of			
		up to 3 months	3 months up to 1 year	1 to 5 years	over 5 years
Due to banks	67,361,328.81	67,361,328.81	0.00	0.00	0.00
(previous year)	(27,993,877.70)	(12,093,877.70)	(15,900,000.00)	(0.00)	(0.00)
Securitised liabilities	25,129,083.33	129,083.33	0.00	0.00	25,000,000.00
(previous year)	(25,228,750.00)	(228,750.00)	(0.00)	(0.00)	(25,000,000.00)
Due to customers	1,284,905.31	1,250,821.97	5,232.38	28,850.96	0.00
(previous year)	(7,756,874.88)	(4,234,423.92)	(3,500,000.00)	(22,450.96)	(0.00)
Other	4,070,933.66	4,070,933.66	0.00	0.00	0.00
(previous year)	(2,728,118.23)	(2,728,118.23)	(0.00)	(0.00)	(0.00)
Total	**97,846,251.11**	**72,812,167.77**	**5,232.38**	**28,850.96**	**25,000,000.00**
(previous year)	(63,707,620.81)	(19,285,169.85)	(19,400,000.00)	(22,450.96)	(25,000,000.00)

I. General information on the annual financial statements

1. Preliminary comments

LHI carries out commercial financial services within the meaning of § 1 section 1a no. 10 of the German Banking Law. The annual financial statements for the period ending on 31.12.2010 were therefore prepared in accordance with the provisions of §§ 340 ff. of the Commercial Code in conjunction with the Banking and Financial Services Institutes Accounting Regulation (abbreviated in German to "RechKredV").

The previous year's figures (shown in brackets) have been added for comparative purposes.

2. Accounting and valuation methods

a) Cash reserves and receivables due from banks

Cash reserves and receivables due from banks were shown at their nominal value.

b) Receivables due from customers

Receivables due from customers are entered at the nominal value or the lower fair value. In accordance with § 256a of the Commercial Code, short-term receivables denominated in foreign currencies were converted at the average rate of exchange on the financial statement cut-off date. Profits and losses from the conversion were shown in the statement of income as "other operating income" or "other operating expenses".

c) Shares and other non-fixed interest securities

In accordance with § 246 section 2 sentence 2 of the Commercial Code, marketable investment fund shares acquired as part of a present value model for employees were offset against the underlying liabilities at the corresponding amounts. Acquisition costs for offset assets amount to EUR 1.413 million, while the current value of the assets amounts to EUR 1.342 million pursuant to the bank's account statements; the amount repayable of offset debt amounts to EUR 1.342 million. The current value was calculated using the market value of the investment fund shares on the balance sheet cut-off date. The company did not guarantee that the capital will be maintained.

d) Investments and shares in affiliated companies

Investments and shares in affiliated companies were valued at the lower of acquisition costs or the fair value.

e) Intangible assets and property, plant and equipment

Intangible assets acquired for a consideration and property, plant and equipment are shown at their costs of acquisition less scheduled, use-related and unscheduled depreciation. Scheduled depreciation is applied on a straight-line basis; the depreciation period is derived from the customary useful life. Low-value items at a total value of EUR 24,000 (EUR 73,000) were capitalised during the year of acquisition and are depreciated over five years.

f) Other assets

In accordance with § 246 section 2 sentence 2 of the Commercial Code, claims from a pension insurance plan, which was created for reinsurance purposes as part of a present value model for employees, were offset against the underlying liabilities at the corresponding amounts. Acquisition costs for offset assets amount to EUR 72,000, while the current value of the assets amounts to EUR 74,000 pursuant to the bank's confirmation of insurance; the amount repayable of offset debt amounts to EUR 74 million. The company did not guarantee that the capital will be maintained.

Other assets are valued at the nominal value or the lower fair value.

g) Accruals and deferrals

Accruals and deferrals contains expenditures that represent expenses attributable to a certain period after the balance sheet cut-off date. These items will be released into the next year's statement.

h) Liabilities

Liabilities are entered at the amounts repayable. In accordance with § 256a of the Commercial Code, liabilities for up to one year denominated in foreign currencies were converted at the average rate of exchange on the financial statement cut-off date.

i) Deferred items

Deferred items are released as scheduled on a straight-line basis.

j) Reserves for pensions and similar obligations

Direct pension obligations are valued pursuant to the internationally recognised projected unit credit method.

The calculations are based on the following actuarial assumptions:

Interest rate	5.05% p.a.
Wage and salary trend	2.25% and 3.0% p.a.
Pension trend	2.25% p.a. and 6% every three years, or 1.75% p.a.

The average market interest rate provided by the Federal Bank over an assumed residual period of 15 years was used as an across-the-board actuarial interest rate for discounting purposes.

Mortality and invalidity probabilities were based on the 2005 G mortality tables developed by Professor Dr. Klaus Heubeck.

k) Other reserves and accrued liabilities

Reserves and accrued liabilities reflect a rational commercial judgement of the likely amount that will be required. Future price and cost increases were included in the valuation of reserves. Reserves with a residual term of six or ten years are shown discounted at the term-dependent market rate that corresponds with the respective residual term, which is published by the Bundesbank.

l) Shareholders' equity

Shareholders' equity corresponds with the provisions of the memorandum of association.

m) Deferred taxes

Deferred taxes were established to the extent permitted by § 274 of the Commercial Code to reflect timing differences between the commercial and fiscal balance sheet rates that will probably be reversed in the future.

n) Interest result

Interest is entered at the amount that is attributable to the financial year.

Interest expenses include the addition of accrued interest for the pension reserve in the amount of EUR 364,000 (EUR 376,000) and a discount amount from other reserves in the amount of EUR 29,000 (0 KEUR).

The interest result does not contain other amounts from accrued interest or discounting.

o) Current income from investments and shares in affiliated companies

Dividends are posted in income in the year of distribution.

p) Commission result

Commission income includes one-time fees as well as commissions for the placement of capital, which are collected after each provision of service. Commission expenses are posted as expenditures in accordance with the services that were used.

q) Other operating income

Other operating income is mainly comprised of proceeds from management services and agency fees, and is settled on an annual basis.

r) General administrative expenses

General administrative expenses are entered on a cause-related and accrual basis.

s) Other operating expenses

Other operating expenses are mainly comprised of additions to reserves for pending losses. These are created in line with a reasonable business assessment, insofar as utilisation is likely.

t) Write-offs and value adjustments of accounts receivable and certain securities as well as additions to accrued liabilities in the credit business

This item includes value adjustments of receivables.

II. Explanations regarding the financial statements

Accounts receivable due from customers and liabilities due to customers include transactions conducted as part of current leasing business and LHI's customer relationships specific to certain business models, including interim financing arrangements within the LHI group particularly on the asset side.

The disclosure of other assets is characterised by receivables from tax authorities and liquidity-like assets. Liabilities due to banks result from the on-going financing of LHI at its two shareholder banks and another bank.

Receivables and other assets include foreign currency receivables of KEUR 4,552 / KUSD 6,006 (KEUR 6,439 / KUSD 8,332) and KEUR / KGBP 3 (KEUR 0 / KGBP 0).

Liabilities include total foreign currency liabilities of KEUR 4,525 / K USD 6,971 (KEUR 2,783 / KUSD 3,601).

1. Assets

a) Receivables due from banks

Receivables due from banks that are due at one day's notice amount to EUR 26,000 (EUR 24,000) and include receivables due from associated companies, at the amount of EUR 17,000 (KEUR 0). Other receivables in receivables due from banks amount to KEUR 0 (EUR 1.704 million), with a residual term of up to three months. Receivables due from banks include an amount of EUR 17,000 (KEUR 0) due from shareholders.

b) Receivables due from customers

Receivables due from customers include receivables due from affiliated companies in the amount of KEUR 18,059 (KEUR 2,697) and receivables due from associated companies in the amount of KEUR 61,165 (KEUR 63,207).

On the financial statements cut-off date, LHI had granted subordinated loans and capital contributions totalling approximately EUR 3.4 million (EUR 3.4 million) to IFRS special-purpose companies.

The classification by residual term of the amount reported in the balance sheet is as follows:

- Receivables due in less than 3 months
  EUR 16.619 million (EUR 7.006 million)
- Receivables due in 3 to 12 months
  EUR 88.284 million (EUR 84.384 million)
- Receivables due in 1 to 5 years
  EUR 58,000 (EUR 55,000)
- Receivables due in more than 5 years
  EUR 13.577 million (EUR 10.789 million)
  Receivables with an indefinite time limit
  EUR 80,000 (EUR 80,000)

c) Investments and shares in affiliated companies

Investments and shares in affiliated companies are listed in a share ownership list as of 31 December 2012, which is included in the Notes.

d) Intangible assets and property, plant and equipment

The composition and development of fixed assets are shown in the fixed asset schedule included in the Notes to the financial statements.

Similar to the previous year, fixed assets exclusively refer to operating and business equipment.

e) Other assets

Other assets mainly consist of ATG transfer credit balances of EUR 29.891 million (EUR 17.355 million) and receivables due from fiscal authorities arising from deductible taxes totalling EUR 8.187 million (EUR 4.891 million).

f) Deferred taxes

Deferred taxes on the assets side mainly arise from tax-related losses carried forward, reserves for pending losses and a fund investment, and were offset against deferred taxes on the liabilities side due to different valuations of investments in partnerships in the commercial and fiscal financial statements. Using the option provided for in § 274 section 1 sentence 2 of the Commercial Code, non-offsettable deferred taxes on the assets were not capitalised.

Deferred taxes were calculated using a tax rate of 25.4% and 15.8% for investments in partnerships. In addition to 15.0% corporation tax and 5.5% solidarity surcharge, the specific company trade rate of 9.5% was also included in this calculation.

2. Liabilities and shareholders' equity

a) Liabilities due to banks

Liabilities due to banks consist of EUR 34.050 million (EUR 14.482 million) in liabilities to shareholders. Another EUR 29.058 million (EUR 11.700 million) relate to the parent company LBBW, and EUR 4.253 million (EUR 1.785 million) to another bank.

b) Liabilities to customers

Liabilities to customers include liabilities of EUR 1.005 million (EUR 4.639 million) to associated companies.

c) Securitised liabilities

In 2009 LHI issued a bearer bond with a total nominal value of EUR 25 million to an associated enterprise. The contract matures on 28 February 2021.

d) Other liabilities

Other liabilities mainly refer to liabilities to fiscal authorities.

The remaining terms of the liabilities may be found in the attached liabilities schedule.

e) Reserves for pensions and similar obligations

The pension reserves relate to individual commitments to managing directors and employees of LHI.

With respect to the pension evaluation reports, there was a shortfall of EUR 1.701 million as at 1 January 2012 due to the revaluation (Law to Modernise Accounting Rules). Use is made of the option provided for in article 67 section 1 sentence 1 of the Introductory Law to the Commercial Code to make up the difference over 15 years.

Using the option to make up the difference by way of regular instalments, an amount of EUR 131,000 (EUR 131,000) was added to the pension reserve in the 2012 financial year. This amount is reported in the extraordinary result. Accordingly, the shortage remaining amounts to EUR 1.570 million (EUR 1.701 million) as at 31 December 2012.

In the personnel expenses item, expenses for retirement provisions are shown on a net basis including the reversal of a pension obligation that no longer exists due to a death.

f) Accrued taxes and other reserves and accrued liabilities

Accrued taxes mainly consist of accruals of EUR 1.100 million (EUR 1.811 million) for corporate taxes including SolZ, and EUR 334,000 (EUR 475,000) for trade taxes.

Other reserves mainly relate to risk provisions, bonuses, other personnel expenses and outstanding invoices.

3. Information on the balance sheet

Of the data shown under the balance sheet, EUR 3.8 million (EUR 27.4 million) relate to affiliated companies.

Contingent liabilities

Liabilities from guarantees and warranty contracts
Liabilities arising from guarantees:
- “Saxony Decree”
  EUR 77.8 million (EUR 115.9 million)
- Cash pooling credit facility
  EUR 50.0 million (EUR 50.0 million)
- Liabilities from credit orders
  EUR 18.8 million (EUR 14.2 million)
- Guarantee for a special-purpose company
  EUR 1.0 million (EUR 0.0 million)
- Other guarantees
  EUR 0.9 million (EUR 0.9 million)
- Other bonds
  EUR 0.1 million (EUR 0.1 million)
- Interim financing of various building projects
  EUR 0.0 million (EUR 16.3 million)

LHI assumed the absolute guarantee vis-à-vis local authority tenants in accordance with the “Saxony Decree”. The local authorities have declared that they will not insist on a rent reduction in the event of total or partial destruction or accidental loss of the building. The special-purpose companies have released the local authorities from all disadvantages arising from this waiver. LHI for its part guarantees the deeds of release. The buildings are adequately insured against damage caused by natural hazards. Loss of rent guarantees for two years’ rent have also been issued. LHI may only be made liable under these guarantees should it take longer than two years to restore a building or should the risk of its loss not be insured. For these reasons, it is currently considered unlikely that the guarantee will ever be exercised. The reduction in 2012 is due to the closure of two companies.

One of the shareholder banks has provided an overdraft facility of EUR 50 million for internal group cash pooling purposes. LHI has assumed a guarantee for this facility at the same amount. The cash pooling is managed solely on the basis of cash surpluses. LHI manages liquidity, so that it is unlikely that the guarantee will be used.

With regard to investments in line with the stake in the USA growth portfolio, LHI has assumed a credit order at a nominal amount of EUR 12.0 million for the refinancing of the special-purpose company. Financing is secured by the financed investment portfolio. LHI establishes reserves for pending losses for any value fluctuations that exceed this amount. It is currently unlikely that they will be used.

LHI is co-liable for a guarantee for EUR 5.8 million, which was provided to contract partners of a special-purpose company. Due to the expected placement, it is not expected that this guarantee will be utilised.

Liabilities under warranty contracts:
- Liquidity guarantees
- EUR 0.0 million (EUR 23.5 million)
- Other guarantees
- EUR 0.7 million (EUR 0.7 million)

The commitment related to the liquidity guarantee ended prematurely in 2012.

Other obligations

Placement and underwriting obligations
Guarantees in foreign currencies are converted at the average rate of exchange on the financial statements cut-off date.

The following placement guarantees had been provided by 31 December 2012:
- LHI Immobilienfonds Deutschland
  EUR 24.8 million (EUR 0.0 million)
- Private Equity IV
  EUR 9.1 million (EUR 16.0 million)
- Wachstumsportfolio USA
  EUR 3.9 million (EUR 3.9 million)
- LHI Solar Deutschland VII
  EUR 0.3 million (EUR 0.0 million)
- Fachmarktzentrum Erding
  EUR 0.0 million (EUR 11.8 million)
- LHI Solar Deutschland VI
  EUR 0.0 million (EUR 0.5 million)

The fund LHI Immobilienfonds Deutschland Objekt Berlin Marchstraße GmbH & Co. KG is currently being placed and will be fully sold in 2013. It is not expected that the guarantees will be utilised.

The fund Private Equity IV is not actively offered on the market at this time. A EUR 5.4 million reduction in the deposit guarantee was agreed with the target fund manager in 2012. In line with the guarantee that is still open, LHI has paid 1.5 million in 2012, and expects a corresponding call for 2013. No further capital calls are anticipated in the foreseeable future.

With respect to the USA growth portfolio, the investment phase in the target fund ended in 2011. A call of the outstanding guarantee sum is no longer anticipated.

4. Contingent liabilities, other financial commitments and off-balance sheet transactions

The total amount of other financial commitments amounts to EUR 87.8 million (EUR 81.0 million), including EUR 1.7 million (EUR 1.2 million) to affiliated companies.

Additions to amounts guaranteed/outstanding payment obligations
As at 31 December 2012, additions to amounts guaranteed (liability deposits) in the amount of EUR 7.6 million (EUR 7.6 million) have been entered in the trade register above and beyond the drawn deposits. LHI could only be called upon to honour these liability amounts if the current tenant were to leave and it is not possible to dispose of the property without incurring a loss. For this reason, LHI checks the creditworthiness of customers and the quality of the property both beforehand and at regular intervals thereafter. At this time, it is therefore unlikely that these commitments will have to be honoured.

Payments of EUR 19.4 million (EUR 2.2 million) in connection with investments and shares in affiliated companies have not yet been requested. Of these, EUR 2.5 million (EUR 2.0 million) refer to limited liability companies. The capital of these companies is not used for financing purposes. At this time, there is no indication that these funds will be requested. The remaining EUR 16.9 million refer to deposit obligations in partnerships, and consist mainly of outstanding limited partner's shares in two fund companies that have been earmarked for further placement in 2013.

Investors' right to tender
EUR 10.7 million (EUR 18.2 million)

The rights to tender mainly consist of three main rental guarantee obligations.

LHI's investors are entitled to terminate or have a right to tender after 10 or 15 years. In this case, the special-purpose company would have to procure substitute loans in order to pay out the investors' capital should the lessees not exercise their option rights on the property. The special-purpose company's risk lies in the fact that it might not be able to arrange the required amount of outside financing.

The financing banks generally provide "goodwill declarations" that they will increase the loans at the required time. The present rental agreements are designed in such a way that increased interest and repayment expenses can be covered through the graduated rents.

As with all leasing commitments, there is also a risk of default on the part of the tenants. For this reason, properties are only leased to tenants of proven creditworthiness. Therefore it is not expected that the rights to tender will be exercised.

Obligations from a project agreement
LHI and the partners of a bidding consortium are jointly liable for up to EUR 0.9 million (EUR 0.0 million) for obligations from a PPP project agreement until such time as construction is completed. The partners have released LHI from the obligation. At this time, management does not expect this obligation to be utilised.

Liability exemptions
LHI has exempted a number of employees from liability in connection with their functions in the special-purpose companies.

There are currently no indications that would give rise to the expectation that these liability exemptions will be exercised.

Leasing relationship
A leasing contract for one owner-occupied commercial property is subject to the risk of a residual term of almost 17 years with a fixed annual leasing payment of EUR 2.9 million (EUR 2.9 million). Advantages offered include the removal of all owner obligations and complete flexibility after the leasing period has expired.

5. Income statement

The items in the income statement have not been broken down on a geographic basis since the company's activities are predominantly domestic and domestic markets do not materially differ from each other.

Current income from investments mainly consists of income from a partnership in the amount of EUR 1.297 million (EUR 2.828 million) and dividends from two investment holdings in the amount of EUR 3.163 million (EUR 3.365 million).

The commission income of EUR 6.2 million (EUR 10.0 million) relates mainly to one-time fees received for the preparation of equity capital structures, the assumption of placement guarantees as well as capital placement commissions and one-time fees for the premature termination of management contracts. The decline in commission income is mainly due to a decrease in one-time fees for new business. In addition, fewer earnings were generated from premature engagement outflows in 2012.

Other operating income of EUR 41.3 million (EUR 33.8 million) consists mainly of income from management fees of EUR 21.3 million (EUR 15.8 million) and business procurement fees of EUR 5.0 million (EUR 7.6 million), along with a EUR 4.3 million (EUR 3.5 million) contribution from cash pooling. Other operating income includes realised exchange gains of EUR 44,000 (EUR 133,000) and unrealised income from the valuation of EUR 136,000 (EUR 238,000) from currency conversion.

In the items personnel expenses, social security and expenses for pensions and support, the thereof item for pensions shows a negative amount of EUR -167,000 (EUR 759,000) for 2012. It is the result of the reversal of a pension reserve due to the death of an individual entitled to benefits.

Other operating expenses during the financial year in the amount of EUR 4.6 million (EUR 4.3 million) mainly relate to expenses for contingency reserves of EUR 3.2 million (EUR 2.4 million). Other operating expenses include realised exchange losses of EUR 4,000 (EUR 314,000) and unrealised expenses of EUR 26,000 (EUR 87,000) from currency conversion.

Two new profit/loss transfer agreements were concluded on 1 January 2012. The loss transfer from such an agreement is included in expenses from loss transfers in the amount of EUR 2.048 million (EUR 0). Profit transfers from the already existing and one new profit/loss transfer agreement are shown in the item income from profit pools, profit pooling and partial profit pooling agreements in the amount of EUR 746,000 (EUR 439,000).

Extraordinary expenses = extraordinary result relate to the allocations (1/15) to the pension reserves required pursuant to BilMoG.

III. Other information

During the 2012 financial year, LHI employed an average of 282 (280) people, consisting of 3 (3) managing directors, 1 (1) general manager and 278 (276) salaried and managerial staff.

The parent company is Landesbank Baden-Württemberg, with registered offices in Stuttgart, Karlsruhe, Mannheim and Mainz. The consolidated financial statements prepared by the parent company are published in the electronic Federal Gazette, Cologne.

Board of management

Oliver Porr, Munich, Managing Director of LHI Leasing GmbH
Robert Soethe, Rain, Managing Director of LHI Leasing GmbH
Heimo Koch, Leinfelden-Echterdingen, Managing Director of LHI Leasing GmbH until 30 June 2012
Jens Kramer, Hemmingen, Managing Director of LHI Leasing GmbH as of 1 July 2012

Supervisory board

Chairman
Hans-Jörg Vetter, Königstein,
Chairman of the Board of Landesbank Baden-Württemberg

Deputy Chairman
Eckhard Forst, Hanover,
Member of the Board of Norddeutsche Landesbank

Members
Dr. Jürgen Allerkamp, Hanover, until 31 December 2012
Chairman of the Board of Deutsche Hypothekenbank
Martin Hartmann, Hanover,
Managing Director, Head of Markets at Norddeutschen Landesbank
Karl-Manfred Lochner, Burgthann, as of 1 April 2012
Member of the Board of Landesbank Baden-Württemberg
Ingo Mandt, Frankfurt am Main,
Member of the Board of Landesbank Baden-Württemberg
Rudolf Zipf, Stuttgart, until 31 March 2012
Member of the Board of Landesbank Baden-Württemberg

Fees paid to the managing directors and members of the supervisory board

The total remuneration paid to the active members of the board of management during the 2012 financial year was EUR 1.297 million (EUR 1.259 million)

As at 31 December 2012, total reserves of EUR 1.193 million (EUR 1,889 million) were provided for pension obligations due to former members of the board of management. During the financial year, regular pension payments totalled EUR 124,000 (EUR 192,000).

LHI's supervisory board received a total remuneration of EUR 77,000 (EUR 77,000) during the financial year.

Investments in companies classified as "large limited liability companies" exceeding 5% of the voting rights:

INTENA Leasing GmbH, Pullach i. Isartal
MITAMA Verwaltung GmbH, Pullach i. Isartal
RATIS Beteiligungs GmbH & Co. Mobilienleasing KG, Pullach i. Isartal

Total fees charged by the auditor of the 2012 financial year amount to EUR 292,000 (EUR 317,000), including EUR 168,000 (EUR 195,000) for the audit of annual financial statements including the fee for the consolidated financial statements, EUR 13,000 (EUR 7,000) for other certification services and EUR 11,000 (EUR 115,000) for other services.

LHI did not enter into any business transactions with related companies and parties at non-arm's length conditions.

IV. Appropriation of results

The board of management recommends that an amount of EUR 5,000,000.00 is distributed from retained earnings of EUR 6,855,178.46. The remainder of the retained earnings will be carried forward to new account.

Pullach i. Isartal, 5 March 2013

The Managing Directors

Oliver Porr

Robert Soethe

Jens Kramer

Auditor's certificate

Bestätigungsvermerk des Abschlussprüfers

Wir haben den Jahresabschluss – bestehend aus Jahresbilanz, Gewinn- und Verlustrechnung sowie Anhang – unter Einbeziehung der Buchführung und den Lagebericht der LHI Leasing GmbH, Pullach i. Isartal, für das Geschäftsjahr vom 1. Januar bis 31. Dezember 2012 geprüft. Die Buchführung und die Aufstellung von Jahresabschluss und Lagebericht nach den deutschen handelsrechtlichen Vorschriften liegen in der Verantwortung der Geschäftsführung der Gesellschaft. Unsere Aufgabe ist es, auf der Grundlage der von uns durchgeführten Prüfung eine Beurteilung über den Jahresabschluss unter Einbeziehung der Buchführung und über den Lagebericht abzugeben.

Wir haben unsere Jahresabschlussprüfung gemäß § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung vorgenommen. Danach ist die Prüfung so zu planen und durchzuführen, dass Unrichtigkeiten und Verstöße, die sich auf die Darstellung des durch den Jahresabschluss unter Beachtung der Grundsätze ordnungsmäßiger Buchführung und durch den Lagebericht vermittelten Bildes der Vermögens-, Finanz- und Ertragslage wesentlich auswirken, mit hinreichender Sicherheit erkannt werden. Bei der Festlegung der Prüfungshandlungen werden die Kenntnisse über die Geschäftstätigkeit und über das wirtschaftliche und rechtliche Umfeld der Gesellschaft sowie die Erwartungen über mögliche Fehler berücksichtigt. Im Rahmen der Prüfung werden die Wirksamkeit des rechnungslegungsbezogenen internen Kontrollsystems sowie Nachweise für die Angaben in Buchführung, Jahresabschluss und Lagebericht überwiegend auf der Basis von Stichproben beurteilt. Die Prüfung umfasst die Beurteilung der angewandten Bilanzierungsgrundsätze und der wesentlichen Einschätzungen der Geschäftsführung sowie die Würdigung der Gesamtdarstellung des Jahresabschlusses und des Lageberichts. Wir sind der Auffassung, dass unsere Prüfung eine hinreichend sichere Grundlage für unsere Beurteilung bildet.

Unsere Prüfung hat zu keinen Einwendungen geführt.

Nach unserer Beurteilung aufgrund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Jahresabschluss der LHI Leasing GmbH, Pullach i. Isartal, den gesetzlichen Vorschriften und vermittelt unter Beachtung der Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft. Der Lagebericht steht in Einklang mit dem Jahresabschluss, vermittelt insgesamt ein zutreffendes Bild von der Lage der Gesellschaft und stellt die Chancen und Risiken der zukünftigen Entwicklung zutreffend dar.

München, den 6. März 2013

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

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(Lepple) Wirtschaftsprüfer

Munich . Pöcking . Stuttgart . Hamburg . Warsaw . Luxembourg

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