

Press release

Christian Potthoff
Head of Press and Information

Landesbank Baden-Württemberg
Am Hauptbahnhof 2
70173 Stuttgart
Phone +49 (0) 711 127-73946
Fax +49 (0)711 127-74861
christian.potthoff@LBBW.de
www.LBBW.de

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LBBW publishes results as of 30 September 2009

- **Operating business shows pleasant trend**
- **Consolidated loss before tax after third quarter EUR 462 million**
- **Increase in lending to small and medium-sized enterprises (Mittelstand)**
- **Allowance for losses on loans and advances and non-recurrent effects have negative impact on result**

Landesbank Baden-Württemberg (LBBW) was able to continue the positive trend in its operating business in the first nine months of the business year 2009. In the third quarter, it was possible to achieve further improvements. However, as expected and already published, the bank reports a loss for the first nine months. The consolidated loss before tax amounted to EUR 462 million, after a loss of more than EUR 1 billion in the reference period of the previous year. The operating income reflects the good business development, above all in the customer-driven business, amounting to EUR 189 million (2008: minus EUR 967 million). In addition, the bank benefits from the recovery of market values. The bank considerably increases the allowance for losses on loans and advances in order to take the effects of the economic crisis into account. Moreover, the bank has to cope with a number of extraordinary expenses, for example restructuring expenses. As of 30 September 2009 a loss after taxes in the amount of EUR 620 million was reported.

“LBBW has initiated a thorough restructuring. On the one hand, this is indispensable due the EU requirements. However, it is mainly necessary and sensible to make our business fit for the future. The bank is vigorously pursuing this restructuring process”, said Hans-Jörg Vetter, Chairman of LBBW’s Board of Managing Directors on the occasion of publishing the group’s 9-month figures. Mr Vetter added that the bank showed a positive trend in the customer-driven business. When implementing the necessary measures, LBBW was, above all, paying heed to its customers’ demands. This was already bearing fruit.

The operating income of the segments with customer activities Corporates, Retail Clients and Financial Markets amounted to EUR 2.981 billion in the first nine months, i.e. 29 per cent above the pro-rata figure of the previous year and thus above expectations.

Income statement as of 30 September 2009

In the first nine months, the **net interest income** amounted to EUR 1.976 billion, i.e. 18.6 per cent above the previous year’s figure. Owing to the continuously weak economy, **the allowance for losses on loans and advances** was increased to EUR 1.245 billion implementing a conservative risk policy. Furthermore, the profit participation certificates (Genussscheine) and the silent partners’ contributions (Stille Einlagen) cannot be serviced for 2009 in view of the expected loss for the year, which leads to relief for interest expenses.

The **net fee and commission income** showed a pleasant trend. Compared to the previous year, an increase of 30.9 per cent to EUR 533 million was recorded. For the first time, a guarantee fee of approx. EUR 80 million for the risk shield provided by a guarantee granted by the federal state of Baden-Württemberg was taken into account. Increases in the brokerage business, in the securities and custody business as well

as in international business contributed to this pleasant development.

The **net trading income** recorded EUR 1.010 billion in the first nine months. In addition to a solid customer-driven business, this was mainly due to the recovery of market values of credit derivatives (CDS) in the amount of approx. EUR 650 million. Last year, a net trading income of EUR minus 1.3 billion had to be reported.

Other operating income amounted to EUR minus 197 million as of 30 September 2009. This item contains burdens from project developments of the bank's real-estate subsidiary LBBW Immobilien in the low three-digit million range. **Administrative expenses** amounted to EUR 1.379 billion, roughly at the previous year's level. The **net loss from investment securities** amounted to EUR 469 million. This mainly contains impairment losses on bonds and structured instruments (EUR 408 million) as well as on equity investments (EUR 89 million) due to the financial market crisis.

Overall, the group achieved an **operating income** in the amount of EUR 189 million. After deducting impairment losses on goodwill as well as restructuring expenses in the amount of an aggregate EUR 651 million, the **consolidated loss before tax** summed up to EUR minus 462 million.

As of 30 September 2009, **the income tax expense** amounted to EUR 158 million so that LBBW reports a **consolidated loss** of EUR 620 million after the third quarter.

Total assets summed up to EUR 440 billion as of end-September (year-end 2008: EUR 448 billion). The core capital ratio amounted to 9.6 per cent, the overall capital ratio amounted to 12.9 per cent.

Development of the operating segments

In the segment **Corporates** operating income rose by 26 per cent to EUR 1.6 billion compared to the pro-rata figure of the previous year. This reflects the good market position in the business with corporate customers. The decline in the income before taxes to EUR 78 million (pro-rata figure 2008: EUR 212 million) is due to the marked increase in the allowance for losses on loans and advances, above all in real estate finance and leverage finance. The corporate customer business of Baden-Württembergische Bank (BW-Bank) showed a successful trend. In the first nine months, the average lending volume in BW Bank's corporate customer business with SMEs was approx. 7 per cent higher than in the previous year. The bank is thus fulfilling its own demand of being a reliable partner, in particular to small and medium-sized enterprises, also in difficult times.

In the business segment **Retail Clients**, which comprises the private customer business as well as LBBW's function as central bank of the savings banks, income decreased to EUR 437 million (pro-rata figure 2008: EUR 486 million). In addition to the fierce competition, this also reflects the restraint of investors regarding stock exchange transactions. Income before taxes fell to EUR 45 million, down from EUR 59 million (pro-rata figure of the previous year).

In the segment **Financial Markets** operating income rose by approx. two thirds to EUR 967 million. In addition to the successful customer-driven business, for example with bonds, promissory notes (SSDs) and interest rate derivatives, the good trading business showed its effect. Income before taxes summed up to EUR 715 million (pro-rata figure 2008: EUR 191 million).

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Outlook

Despite the challenging market environment, LBBW expects a continuation of the good customer business for the fourth quarter. However, the poor economy will lead to a further increase in the allowance for losses on loans and advances. Moreover, further burdens due to the financial market development and the restructuring have to be expected.

Figures of the LBBW Group as of 30 September 2009

	1.1.-30.9.2009 in EUR million	1.1.-30.9.2008 in EUR million	Change	
			in EUR million	in %
Net interest income	1,976	1,667	309	18.6
Allowance for losses on loans and advances	-1,245	-14	-1,231	> 100.0
Net fee and commission income	533	407	126	30.9
Net trading income	1,010	-1,306	2,316	---
Other operating income	-197	181	-378	---
Administrative expenses	-1,379	-1,368	-11	0.8
Net income/loss from investment securities	-469	-532	63	-11.8
Net income/loss from investments accounted for using the equity method and from profit/loss transfer agreements	-39	-1	-38	> 100.0
Operating income/loss	189	-967	1,156	---
Impairment losses on goodwill/restructuring expenses	-651	-88	-563	> 100.0
Consolidated loss/profit before tax	-462	-1,055	593	56.2
Tax income (+)/Tax expense (-)	-158	81	-239	---
Consolidated profit (+)/loss (-) for the period	-620	-974	354	36.3

	30.9.2009 in EUR billion	31.12.2008 in EUR billion	Change	
			in EUR billion	in %
Total assets	440	448	-8	-1.7

	30.9.2009	31.12.2008	Change	
			absolute	in %
Employees in the group	13,681	13,369	312	2.3

	30.9.2009 in %	31.12.2008 in %
Core capital ratio	9.6	6.9
Overall capital ratio	12.9	10.1

Differences result from rounding. Percentage changes are based on exact figures.