

Press Release

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Executive bodies of LBBW agree to the restructuring plan presented by the Board of Managing Directors

- LBBW will focus on the healthy core business with small and medium-sized corporate customers, private customers as well as savings banks, financial markets in particular with institutional customers
- Reduction of non-strategic activities and capital interests
- Objective: reduce total assets by approx. 40 per cent
- Cost reduction by approx. 700 million per year envisaged
- Due to non-recurrent effects substantial loss expected for 2009
- Hans-Jörg Vetter: "Restructuring is painful, but essential in order to put LBBW on a viable foundation for the future."

The Owners' Meeting and the Supervisory Board of Landesbank Baden-Württemberg (LBBW) have accepted to the plan for a restructuring and reorientation presented by the Board of Managing Directors today. The cornerstones of the plan, which will be submitted to the EU Commission by the Federal Republic of Germany in the next few days, comprise reducing Group's total assets by 40 per cent, cutting the costs by EUR 700 million per year as well as the number of employees approx. 2,500 jobs by 2013. In the

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future, the prime focus of LBBW's business activities will be on its business with its main customer groups – small and mediums-sized enterprises, private customers and savings banks.

At the same time, the restructuring plan is the prerequisite that the EU Commission gives its final authorization for LBBW's capital increase of EUR 5 billion furnished by the owners in early summer 2009 as well as the bank's risk shield amounting to EUR 12.7 billion. In June, the EU had given its preliminary approval for both measures subject to a restructuring plan which is to compensate for presumed competitive advantages of LBBW. Due to the capital increase, the LBBW Group's core capital ratio increased to 9.4 per cent as of 30 June 2009. The Board of Managing Directors expects that it may take the EU Commission several months to review the approved restructuring plan.

“We are clearly aware of the fact that the measures will be painful for the bank and many of our employees. We did not prepare this plan light-heartedly and we regret every single job cut. The LBBW is facing a Herculean task. However, it is crucial in order to put the bank on a viable foundation for the future and to adapt it to the clearly changed market environment,” said Hans-Jörg Vetter, Chairman of LBBW's Board of Managing Directors. Mr Vetter continued: “On the basis of a clear-cut business model and markedly reduced risk profile, the re-oriented LBBW will remain a strong and reliable partner to the companies and people in its core regions.” Mr Vetter added that the necessary measures would be implemented in the fairest possible manner, taking due account of socially compatible aspects. The bank's

management was aware of its responsibility. Talks with the staff council representatives had already been initiated.

In detail, the plan adopted by the Board of Managing Directors comprises the following cornerstones:

- Strategically, LBBW will focus on its core activities with growth prospects, in particular on the business with small and medium-sized corporate customers, private customers and savings banks, which has developed positively and clearly above the level targeted. In addition, the bank will offer high-performing products in the segments real estate and capital markets, also for institutional corporate customers. LBBW continues to see itself as a reliable partner to the SME segment in its regional core markets. Outside its core markets, the bank focuses on large corporates in German-speaking countries.
- The business with commercial real-estate customers will focus on Germany and limited activities abroad (USA and Britain).
- The credit substitute business will – as already reported – gradually be discontinued. In the future, the emphasis will clearly be on the customer-driven activities. Moreover, the bank will no longer offer aircraft and ship finance. Project finance will only be offered in connection with customer business and in the context of renewable energy projects.
- In the international business, the plan envisages a concentration on export and trade finance in the

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customer's interest. Moreover, the international office network will be streamlined. The subsidiaries in Ireland and Luxembourg as well as the Broker Dealer in New York will be closed or sold. The eleven European representative offices with the exception of Vienna, Zurich and Moscow are to be closed. The bank will maintain its offices in Asia and America and involve them more strongly in its customer business.

- Finally, it is planned to fulfil the EU requirements by divesting subsidiaries.

All measures combined will result in a reduction of the LBBW Group's balance sheet total (EUR 448 billion as of 30 June 2009) by approx. 40 per cent.

The plan presented by the Board of Managing Directors envisages cost cuts of approx. EUR 700 million per year. According to current planning, the cost cuts will successively increase in subsequent years and be largely reached in 2013 for the first time.

From today's perspective, the strategic re-orientation will lead to about 2,500 jobs being cut in LBBW. As of 30 June 2009, there were 10,000 employees working for LBBW. The Board of Managing Directors envisages to effect the job cuts in the best socially compatible way possible. It will also closely co-operate with the staff council representatives.

Moreover, LBBW's executive bodies were dealing with first estimates for the result of the current fiscal year 2009 furnished by the Board of Managing Directors. Despite a positive trend in the operating activities, which is clearly

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above the level targeted, a significant loss - mainly due to non-recurrent effects - is expected. The loss for the year will also reflect the negative impact from the real-estate finance as well as the cost of the planned restructuring in addition to the financial market crisis and the increased loan loss provisioning in the wake of the economic crisis. From today's perspective, profit participation certificates as well as the silent partners' contributions will no longer be served. From today's perspective, there is no potential for a distribution this year.

Prime Minister Günther H. Oettinger, Peter Schneider, President of the Savings Banks Association, and Dr Wolfgang Schuster, Lord Mayor of Stuttgart, support the new policies unanimously on behalf of the Owners. The road ahead of LBBW will not be easy, but crucial for a stable future for LBBW. This means that the bank will take clear-cut steps in response to the financial market crisis. They are confident that LBBW will remain an efficient and future-oriented partner to SMEs and the economy in general.