

Press Release

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LBBW presents figures for first half of 2009

- Consolidated profit after tax for first half of 2009: EUR 215 million
- Allowance for losses on loans and advances clearly increased
- Capital increase and risk shield in place

Landesbank Baden-Württemberg (LBBW) was able to achieve a consolidated profit after tax of EUR 215 million in the first six months. This was based on LBBW's stable operating core business. By contrast, the result was burdened by the significant increase in the allowance for losses on loans and advances, which rose by EUR 740 million to EUR 717 million. LBBW expects the economic situation to remain tight so that there may arise further strains at year-end.

With the capital increase in the amount of EUR five billion furnished by the owners and the risk shield due to a guarantee in the amount of EUR 12.7 billion from the state of Baden-Württemberg, in the first half of 2009, the ground was prepared for LBBW's solid capital base. Both measures led to a consolidation of the group's capital base. As of 30 June 2009, LBBW has a core capital ratio of 9.4 per cent as well as an overall capital ratio of 12.8 per cent. The chairman of LBBW's board of managing directors, Hans-Jörg Vetter, said: "Extensive and hard work lies ahead of us. On

Page 2

Press Release

August 27, 2009

principle, LBBW has a viable basis. We have to create a stable foundation for the bank, eliminate burdens and swiftly take the necessary steps. The restructuring process has begun.”

Overview on income and expenses

The **net interest income** (EUR 1.071 billion) decreased by 5.1 per cent compared to the previous year. This is mainly due to expenses for liquidity and refinancing as well as hedging costs for selected CDS portfolios, which were only partly offset by earnings increases in the customer business as well as non-recurring effects from early repayment of financing facilities. Due to the economic situation, the **allowance for losses on loans and advances** amounted to EUR 717 million, which constitutes an increase of EUR 740 million on the previous year. With a conservative risk policy, further defaults due to insolvencies and increase in the allowance for losses on loans and advances have to be expected, in case of a persisting economic weakness. The bank pursues a markedly conservative risk policy.

The **net fee and commission income** registered a marked rise, also due to individual transactions. It amounted to EUR 417 million, i.e. 61.0 per cent above the previous year's figure. The **net trading income** increased by EUR 1.152 billion to EUR 663 million. This can be mainly attributed to reversals of impairment losses, essentially due to spread tightenings of credit derivatives (CDS) related to bank and sovereign counterparties.

In the first half of 2009, the **administrative expenses** remained virtually unchanged at EUR 914 million (+ 1.1 per cent). Staff costs could be maintained at a stable level. The

Page 3

Press Release

August 27, 2009

net income from investment securities showed an increase in expenses of EUR 56 million (+ 33.3 per cent) and amounted to EUR -224 million. This comprises impairment losses on structured securities and bonds of the categories “Available for Sale” (AfS) and “Loans and Receivables” (LaR) as well as on investments.

The **operating income** summed up to EUR 292 million (previous year: EUR -24 million) as of 30 June 2009. Contrary to the reference period of the previous year, there were no restructuring expenses in the first half of 2009 (previous year: EUR 76 million), therefore this figure corresponds to the **consolidated profit before tax** (previous year: EUR -100 million). The **income tax expense** amounted to EUR 77 million. As at 30 June 2009, the LBBW group showed a **consolidated net profit** after tax of EUR 215 million (previous year: EUR -181 million).

EU requirements make restructuring and savings necessary

The capital increase as well as the risk shield strengthened LBBW's capital base, however, they involve costs and requirements, which constitute a huge challenge for the LBBW group in the future. When the EU Commission provisionally authorised the capital measures it demanded that LBBW presents a restructuring plan. In the wake of the restructuring process, strategic adjustments are necessary and indispensable. LBBW is planning to further strengthen its clear focus on its core business areas, in particular small and medium-sized enterprises as well as private customers and savings banks. In this context, LBBW will gradually reduce its risky assets, mainly from the credit substitute

Page 4

Press Release

August 27, 2009

business. The core business in the areas SMEs, retail and business within the savings banks financial group in the traditional regional markets will hardly be affected by the strategic restructuring. The restructuring will also leave its mark on the cost side. A strict cost management as well as comprehensive cost saving measures are the mainstay of the introduced measures. The necessary measures will exceed the previously decided cost-saving programme in the amount of EUR 210 million.

Outlook

The bank expects that the difficult situation in the financial markets as well as in the real economy will persist. Therefore, it is not legitimate to extrapolate the six month figures to obtain the result for 2009 as a whole. Owing to the uncertainty of the market development in the months to come as well as against the background of the pending consequences of the ongoing EU investigation, LBBW does not make any forecasts of its annual result for 2009 at present. Hence it is not yet possible to say whether profit participation certificates (Genussscheine) will be served. Based on current figures, it cannot be excluded that there will be no service of profit participation certificates for 2009.

The LBBW Group's Financial Figures as of June 30, 2009

	Jan. 1-June 30, 2009 EUR million	Jan. 1-June 30, 2008 EUR million ¹⁾	Change	
			in EUR million	in %
Net interest income	1,071	1,128	-57	-5.1
Allowance for losses on loans and advances	-717	23	-740	---
Net fee and commission income	417	259	158	61.0
Net trading income/loss	663	-489	1,152	---
Other operating income	17	130	-113	-86.9
Total operating income (after allowance for losses on loans and advances)	1,451	1,051	400	38.1
Administrative expenses	-914	-904	-10	1.1
Net income/loss from investment securities	-224	-168	-56	33.3
Net income/loss from investments accounted for using the equity method and from profit/loss transfer agreements	-21	-3	-18	> 100.0
Operating profit	292	-24	316	---
Restructuring expenses	0	-76	76	-100.0
Consolidated profit/loss before tax	292	-100	392	---
Income tax	-77	-81	4	-4.9
Consolidated loss (-)/ Consolidated profit (+)	215	-181	396	---

	June 30, 2009 EUR billion	Dec. 31, 2008 EUR billion	Change	
			in EUR billion	in %
Total assets	448	448	0	0.0
Business volume	483	483	0	0.1
LBBW Group's Capital	23.1	18.3	4.8	26.5

	June 30, 2009	Dec. 31, 2008	Change	
			absolute	in %
Group's Employees	13,648	13,369	279	2,1

¹⁾ Taking adjustments according to IAS 8 into account

Differences are due to rounding.

Page 6

Press Release

August 27, 2009

	June 30, 2009 in %	Dec. 31, 2008 in %
Core capital ratio	9.4	6.9
Overall ratio	12.8	10.1

	June 30, 2009 in %	June 30, 2008 in % ¹⁾
Return on equity before tax (RoE)	7.7	< 0
Cost-income ratio (CIR)	42.2	87.9

¹⁾ Taking adjustments according to IAS 8 into account

Additional information will be available in LBBW's "Half-yearly Financial Report 2009" on the Internet as from Thursday, August 27, 2009.

www.LBBW.de/halfyearreport2009