

Press release

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LBBW and its owners welcome EU decision

The EU Commission has granted final clearance to the recapitalisation and asset relief measures of Landesbank Baden-Württemberg (LBBW) of early summer on the basis of the submitted business model. At the same time, the EU has accepted the restructuring plan submitted in early October, which will form a viable basis for LBBW's future. Prime Minister Günther H. Oettinger, Peter Schneider, President of the Savings Banks Association, and Dr Wolfgang Schuster, Lord Mayor of Stuttgart, welcome this decision.

“Now the framework has been fixed within which LBBW can concentrate on its greatest strength, which is to support the innovative small and medium-sized companies of Baden-Württemberg as a strong partner,” emphasised the Prime Minister. Especially in the present difficult economic situation, this task of the bank has become more important than ever. “For the economic centre of Baden-Württemberg, this rapid decision at the end of the year is a positive message”, stressed Prime Minister Oettinger.

Peter Schneider, President of Baden-Württemberg's Savings Banks Association and Chairman of LBBW's Supervisory Board, explained: “The new business model is very well suited to the savings banks. The concentration on customer

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business, complementing the products and services offered by the savings banks, and the important function of LBBW as central bank for the savings banks are strengthened. With the rapid decision from Brussels all uncertainties regarding the restructuring process have been removed. LBBW's restructuring process can get started quickly."

From the perspective of the city of Stuttgart, Dr Wolfgang Schuster, the city's Lord Mayor said: "With this decision, the recapitalisation, to which the city of Stuttgart contributed as an owner, as well as the asset relief have now a secure legal basis. The new business orientation of LBBW, which had already been decided by the owners a year ago, can now be implemented on a secure legal basis by the Board of Managing Directors. Together with its subsidiary BW-Bank, LBBW will be a high-profile bank for small and medium-sized enterprises. Thus invigorated, it can play an important role for the economy in Stuttgart, the region and the federal state and for its private customers."

Hans-Jörg Vetter, Chairman of LBBW's Board of Managing Directors, said: "We are very pleased that the EU Commission has accepted and granted its support of the new business model prepared by the entire Board of Managing Directors and many executives in co-operation with the owners. Now the bank has a clear perspective for the future. This is a good outcome and strong mark of confidence in our bank and our owners on the part of the EU Commission. At the same time, we know that we have assumed a high responsibility and obligation. We are well aware of that. We have already done a great deal of work, but we are certain there will be a lot more ahead of us."

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At the beginning of October, LBBW had already published the cornerstones of the restructuring plan now accepted by the EU. It is planned to concentrate on the key business segments, in particular business with corporate customers, private customers and savings banks. Moreover, the bank will offer high-performing capital market products for institutional investors and will also be active in real-estate finance. LBBW will reduce its assets of the year 2008 (EUR 448 billion) by approx. 40 per cent; a large part of this reduction is to be achieved by 2013. This involves reducing costs by EUR 700 million per year and cutting 2,500 jobs. Furthermore, the EU requirements involve a streamlining of the bank's international office network as well as the divestment of subsidiaries.

At the same time, LBBW undertakes to convert the bank into a joint stock corporation – either according to German law (AG) or European law (SE) – by the end of 2013. As early as by year-end 2010, LBBW will de facto adopt the major structural elements of a joint stock corporation, i.e. in particular it will introduce a Supervisory Board and convert the Owners' Meeting into a General or Shareholders' Meeting. Amongst other things, it is planned that half of the Supervisory Board seats held by the owners will be filled by external bank and business experts.

The bank's business model provides, with express approval by the EU Commission, that LBBW remains an efficient and reliable partner to businesses.

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