LBBW

Results for the Fiscal Year 2009

Analyst Conference Call April 29, 2010

Hans Strüder, Member of the Board of Managing Directors

Landesbank Baden-Württemberg

LBBW

Agenda

LBBW at a glance

Realignment has started	▪ Even stronger focus on customer business in core markets ▪ Reduction of non-strategic activities and capital interests ▪ Reduction of total assets by approx. 40% ▪ Cost reduction by around EUR 700 mln p.a. gradually until 2013
Customer-oriented business model	▪ Partner of SMEs ▪ Retail business in regional core markets ▪ Central bank to savings banks in three federal states ▪ Customer-oriented capital markets business ▪ Real estate financing in selected target markets
Strong core markets	▪ Baden-Württemberg, Rheinland-Pfalz and Saxony generate approx. 23% of the German gross domestic product ▪ Baden-Württemberg is one of Europe's wealthiest regions
Results of the fiscal year 2009	▪ Operating business shows pleasant trend ▪ Increase in lending to SMEs ▪ Operative earnings in customer segments before risk provisioning EUR 3.8 bn ▪ Allowance for losses on loans and advances and special items/non-recurrent effects have negative impact on result ▪ Consolidated loss after tax EUR 1,482 mln (IFRS)

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LBBW's future business model with five pillars

Corporate Customers	Retail Customers	Savings Banks	Financial Markets	Real Estate Business
▪ Corporate customers in regional core markets ▪ Selective large customers in German-speaking countries	▪ Retail customers, especially high net-worth private clients in regional core markets	▪ Savings banks in Germany, especially in regional core markets – Syndicated loans, development loans and public sector business – Asset management, refinancing and deposit business – Transaction management and securities service business	▪ Customer-driven trading ▪ Structuring, distribution and trading of interest rate, money market, foreign exchange and commodities products for savings banks, retail and corporate clients as well as institutional clients ▪ Advisory, structuring and placement of capital and refinancing products	▪ Investors, real estate companies and real estate funds with focus on Germany, USA and Great Britain ▪ Residential real estate companies

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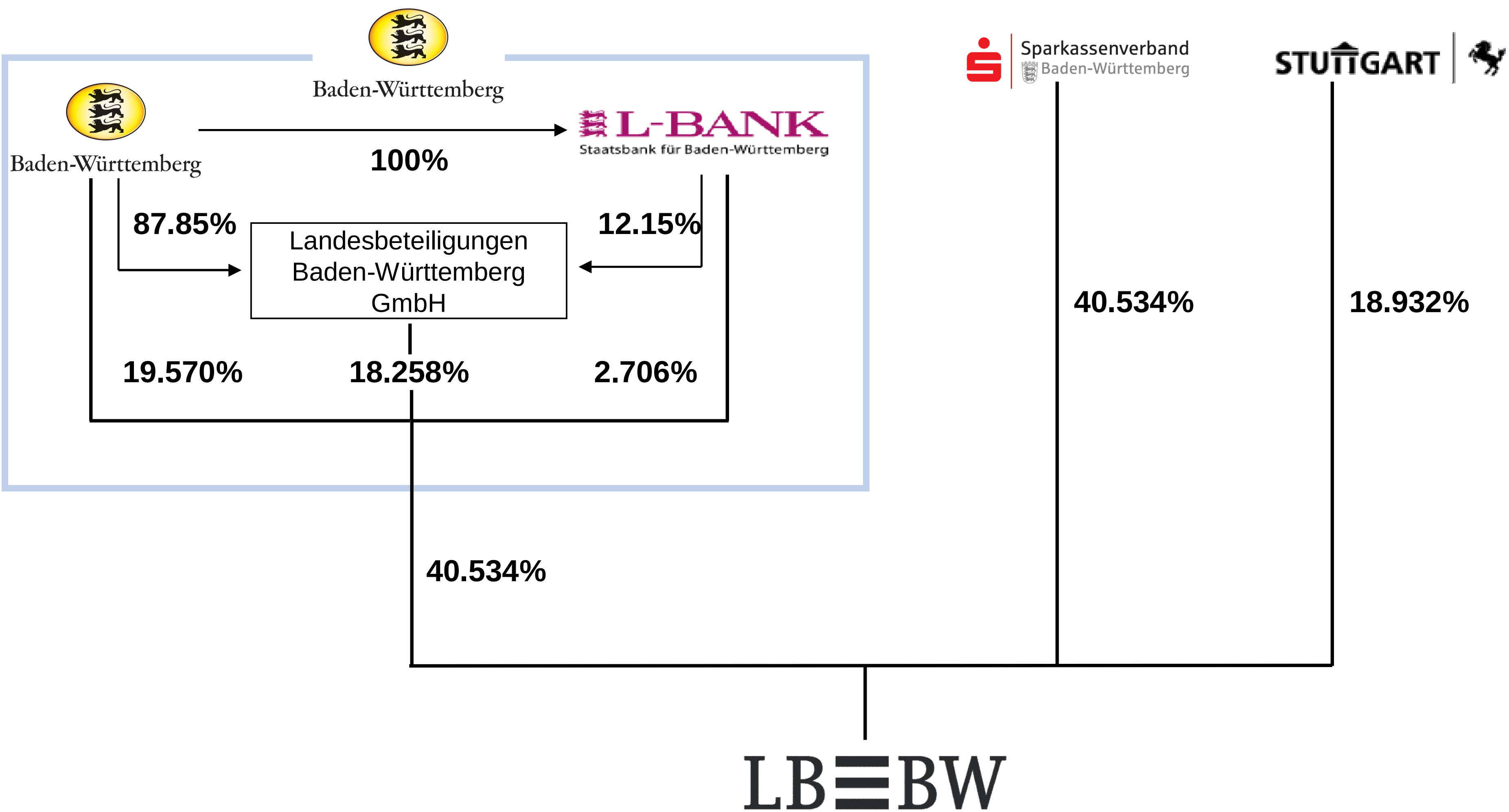
Strong owners



Strong support by the owners

- **All owners clearly committed to LBBW**
- **Equity increase jointly managed by all owners and together with the risk shield basis for a profound realignment**
- **No EU condition for a change of ownership (stability of ownership)**
- **High proportion of contracts covered by the contractual service partnership with savings banks in Baden-Württemberg**

“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. For the economic centre of Baden-Württemberg, this rapid decision at the end of the year is a positive message.“

Günther H. Oettinger
Former Prime Minister
of Baden-Württemberg

“The new business model is very well suited to the savings banks. The concentration on customer 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.“

Peter Schneider
President of the Savings Banks
Association of Baden-Württemberg

“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.“

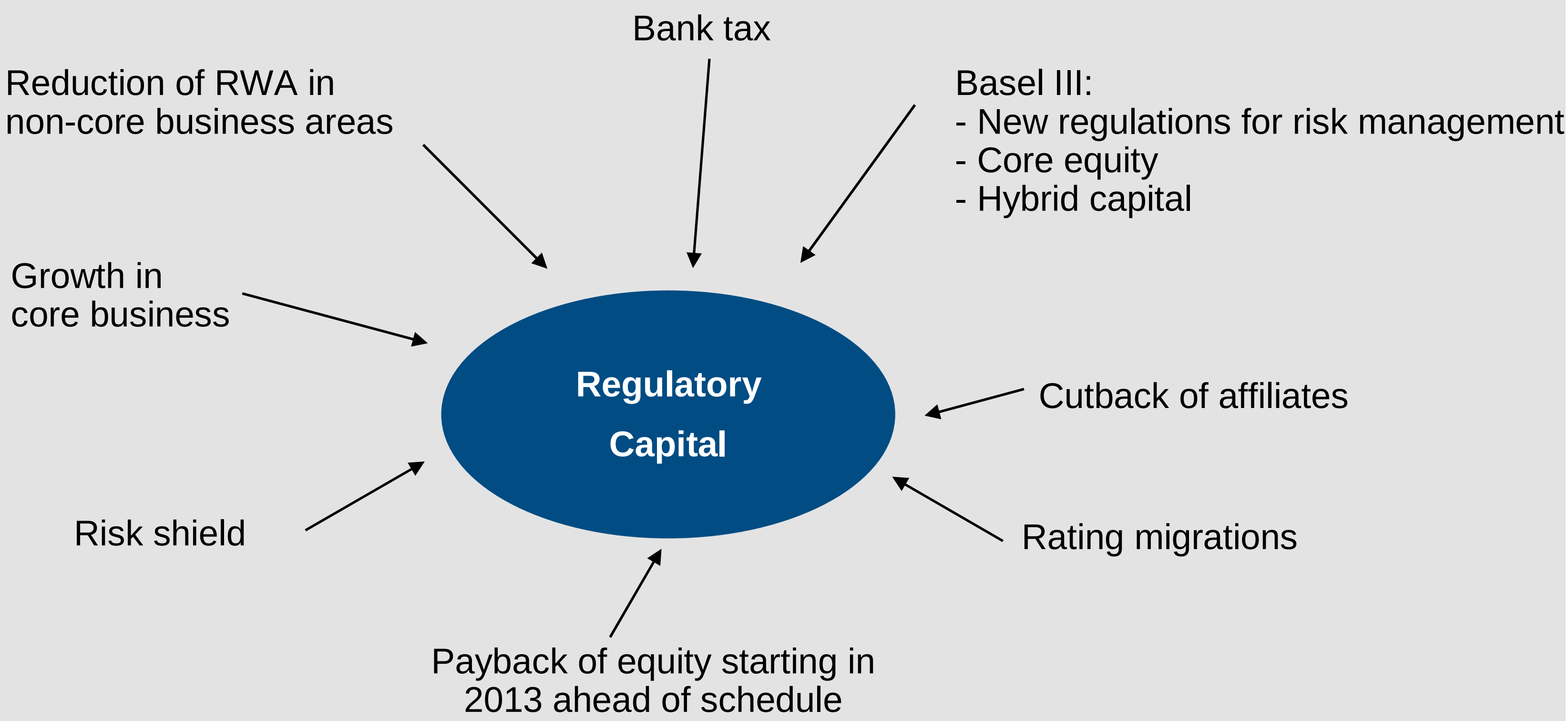
Dr. Wolfgang Schuster
Lord Mayor of the City of Stuttgart

Quotations made on the occasion of the approval of the European Commission for LBBW’s realignment on Dec. 15, 2009

Agenda

Focus remains on strengthening of the equity base

Drivers:



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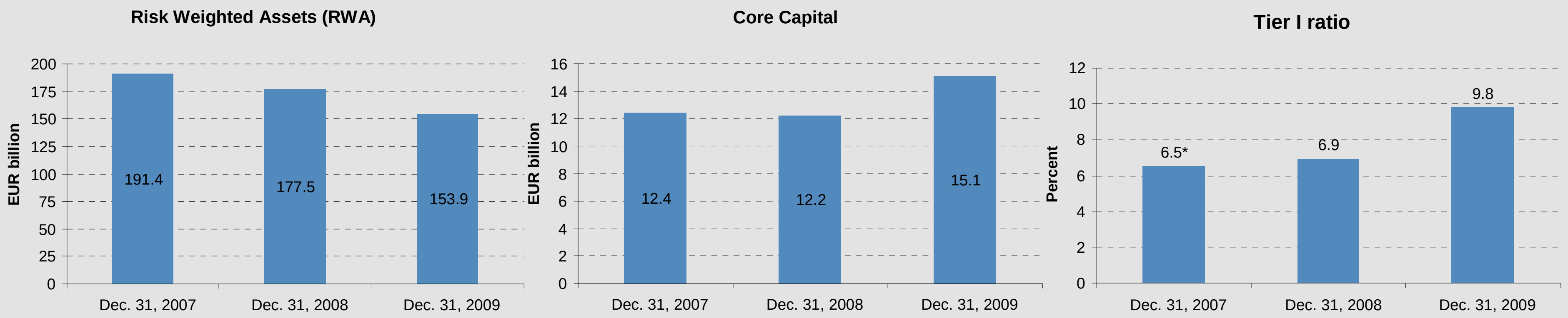
Equity base strengthened



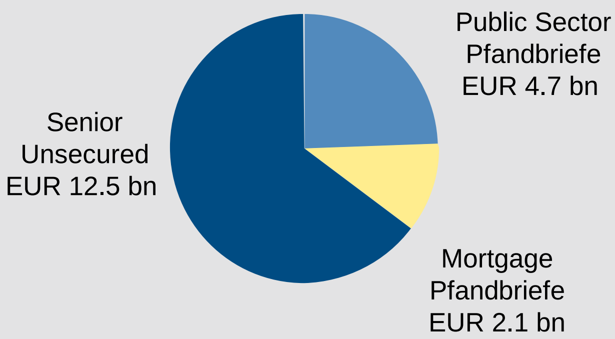
- Equity increase of EUR 5 bn by the owners
- Risk shield of EUR 12.7 bn from the state of Baden-Württemberg reduces risk weighted assets
- Tier I ratio amounted to 9.1% as of December 31, 2009, with immediate inclusion of the annual financial statements for 2009
- Owing to a loss in the single-entity financial statements according to HGB (German Commercial Code), the coupon on profit participation certificates (Genussscheine) and silent partners' contributions (stille Einlagen) will not be served. Moreover, these capital instruments will participate in the net loss for the year on a pro-rata basis. This will lead to a reduction of repayment claims of approx. 11.3 percent

* Based on the overall risk exposure (risk positions) according to KWG

Successful funding in fiscal year 2009

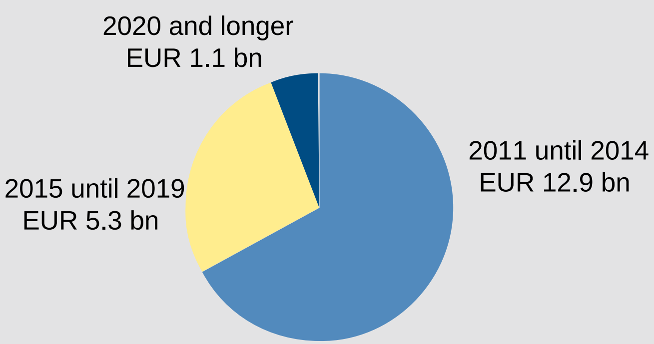
New issuance - summary

January 1 – December 31, 2009



Total: EUR 19.3 bn

Maturity breakdown
January 1 – December 31, 2009



Total: EUR 19.3 bn

- Policy of matched funding – funding needs basically driven by new asset business
- Good access to medium- and long-term funding
- Funding could be achieved without government guaranteed bond issuance
- Diversified funding across all maturities
- About 2/3 senior unsecured and 1/3 in Pfandbriefe
- LBBW opens Pfandbrief market in February 2009 with successful issuance of a EUR 1 bn benchmark transaction, tapped by EUR 500 mln in April
- Half of the senior unsecured funding through savings banks and about 1/4 of senior unsecured funding through retail
- French CD Programme established in Q1 2009

Agenda

1. LBBW at a glance

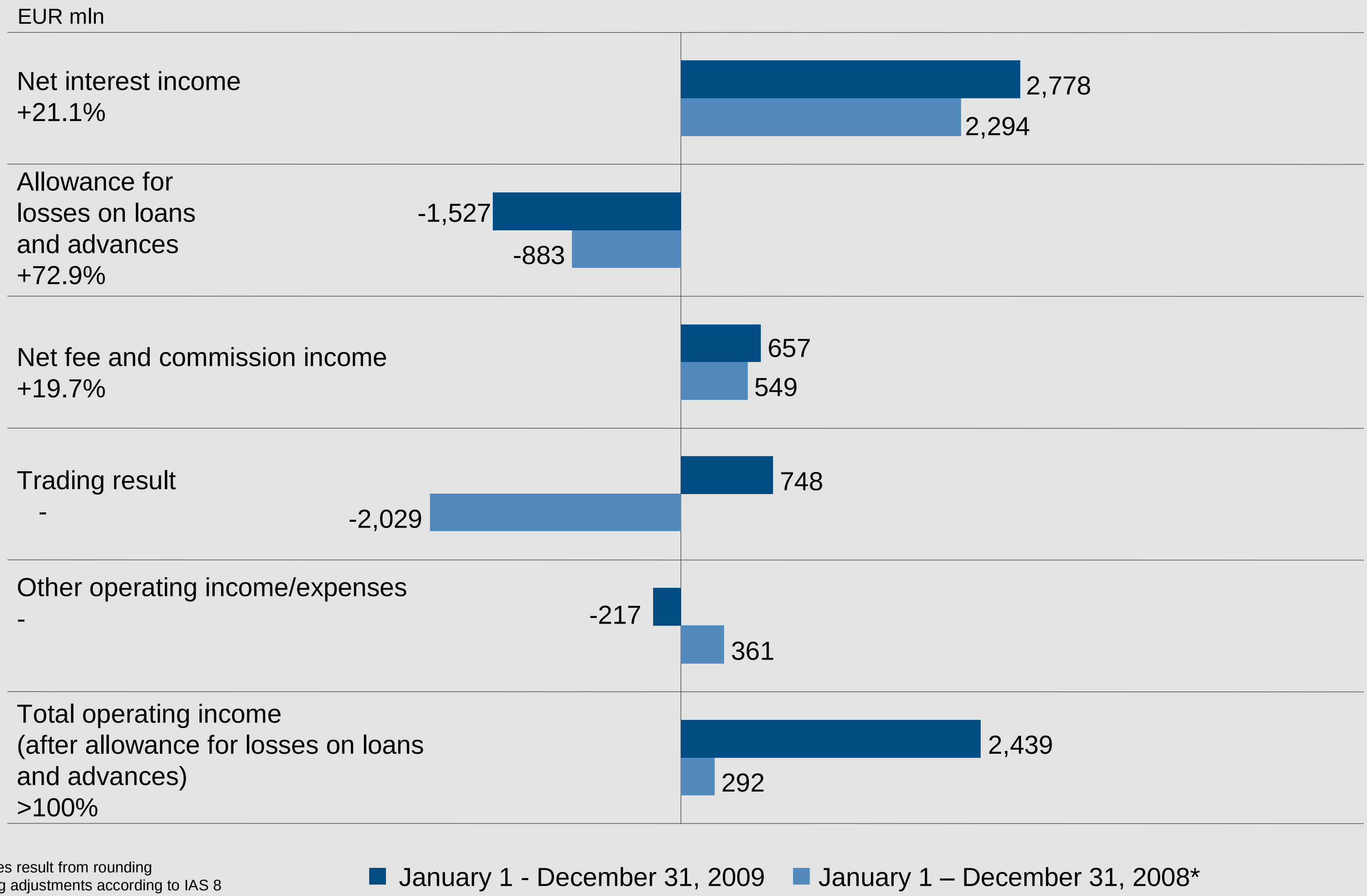
2. Capital and Funding

3. Results for the fiscal year 2009 and Q1 2010

4. Asset quality

5. Outlook

Operating business showed a pleasant trend



Differences result from rounding
* Including adjustments according to IAS 8

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Result in line with restructuring plan

Improvement in net interest income

- Amounted to EUR 2,778 mln (+21.1% compared to the previous year)
- Solid income in the operating business, in particular in the corporate customer and capital markets business

Rise in net commission income

- Was with EUR 657 mln +19.7% higher than previous year's level
- In the second half of 2009, a guarantee fee of approx. EUR 160 mln on a pro-rata basis had to be paid for the first time for the guarantee provided by the state of Baden-Württemberg
- Increases in the brokerage, securities and custody business as well as in the international business had a positive effect
- The net commission income benefitted from non-recurrent effects

Net trading income improved distinctly

- Amounted to EUR 748 mln after a loss of EUR 2,108 mln in the previous year
- The result reflects the stabilization of the financial markets in addition to a solid customer-driven business

Other operating income below the previous year's level

- Amounted to EUR -217 mln (compared to EUR 361 mln in the previous year)
- Was adversely affected primarily by write-downs on project developments of LBBW's real-estate subsidiary in the amount of approx. EUR 300 mln

- However **unsatisfactory result** with a **consolidated loss after tax of EUR 1,482 mln (IFRS)**
- Reasons:
  - Considerable increase in the allowance for losses on loans and advances due to the weak economic trend
  - Numerous extraordinary expenses included in the result (e.g. in the context of the restructuring process, impairment losses on goodwill)
- Different effects resulted from the valuation of the securities and derivatives portfolio: further impairments on structured products (ABS) were compensated by reversals of impairment losses in particular of credit derivatives (CDS) => on balance, no new burdens due to the financial market crisis

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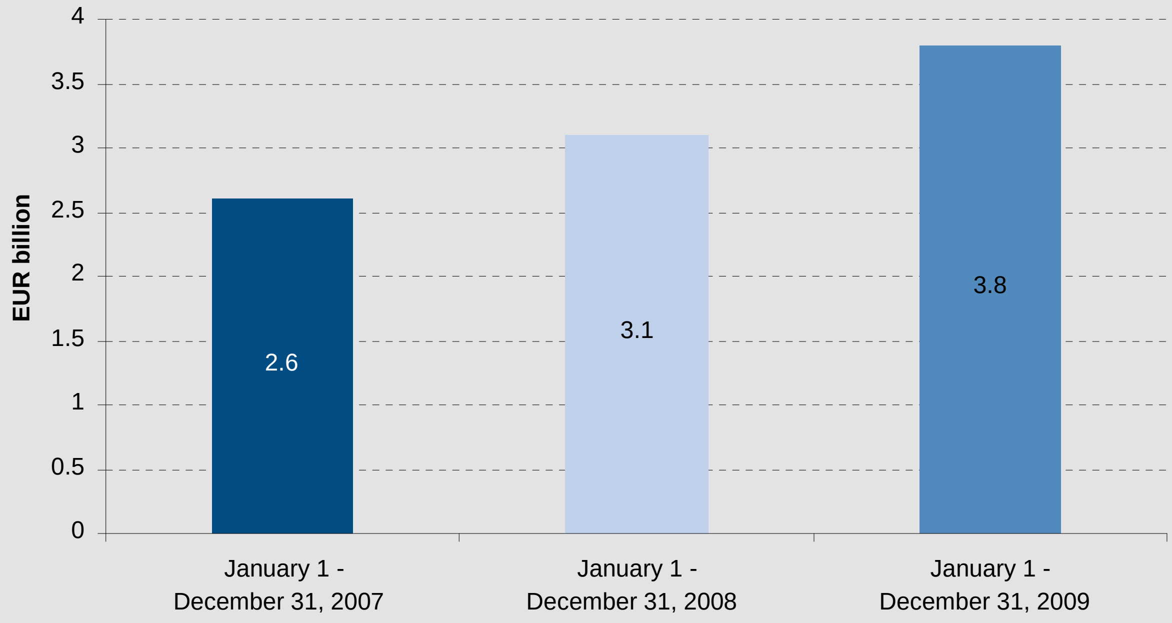
LBBW on track in its customer business

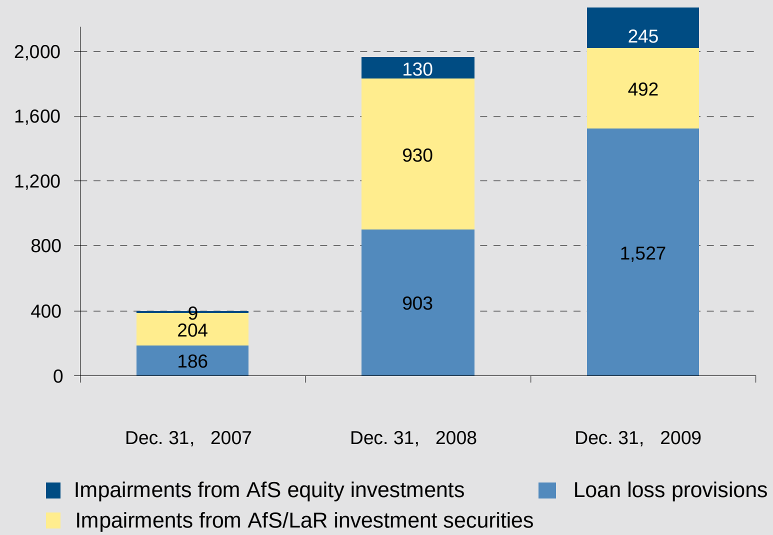
Total operating profit of the customer-related segments (before allowance on losses for loans and advances)
EUR billion



- Operating income in the customer-related segments Corporates, Financial Markets and Retail Clients rose by **around 24.3%** compared to the previous year **summing up to approx. EUR 3.8 bn**
- Marked increases in proceeds in the corporate customer business as well as the customer-driven financial markets business

Impairments

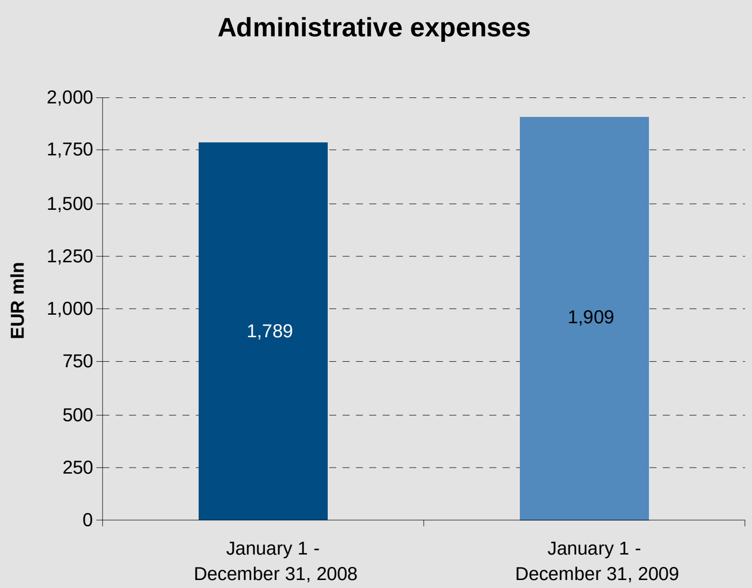
Impairments
EUR mln

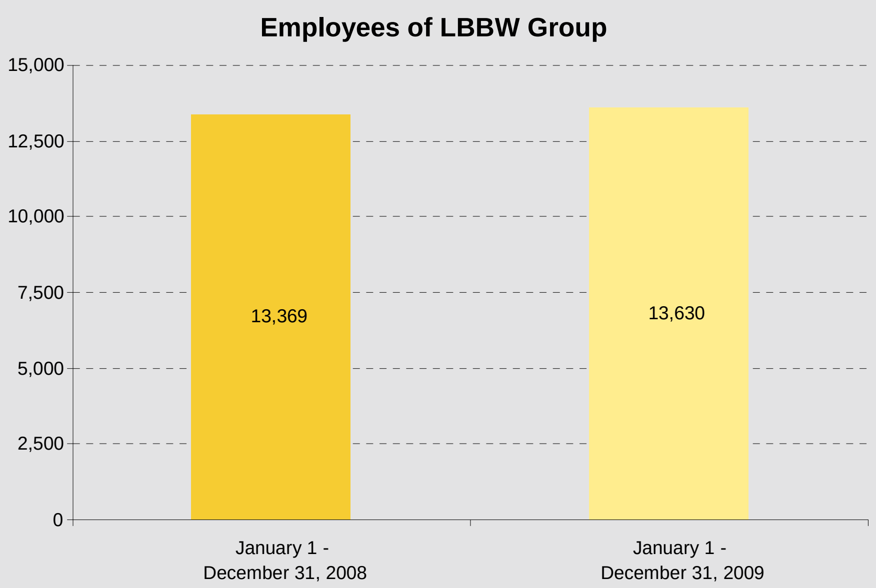


Economic development reflects also in LBBW's risk situation

- Impairments from AfS/LaR investment securities almost have halved compared to the previous year
- Loan loss provisions considerably increased to make allowance for the higher risks due to the economic situation

Substantial cost cuts planned





- Administrative expenses rose by +6.7% to EUR -1,909 mln
- Increase in personnel expenses due to:
  - increase in collectively agreed pay rates
  - rise in the number of employees due to an extension of the scope of consolidation
- Increased depreciations on intangible assets also led to a rise of the administrative expenses
- Cost reductions resulting from the planned restructuring lead to annual savings of ca. EUR 700 mln p.a. gradually until 2013
- Planned job cuts of ca. 2,500 jobs until 2013

Segment Corporates

EUR mln	01.01. - 31.12.2009	01.01. - 31.12.2008
Net interest income	1,460	1,098
Net fee and commission income	509	353
Net trading income[1)]	12	3
Other operating income[2)]	170	208
Operating income	**2,151**	**1,662**
Administrative expenses	-673	-644
Allowances for losses on loans and advances	-1,162	-495
Net income/loss from investment securities and other items[3)]	-145	-116
Operating income/loss	**172**	**408**
Impairment losses on goodwill	-519	0
Restructuring expenses	0	0
Consolidated loss/profit before tax	**-348**	**408**
Return on Equity[4)] (RoE) (in %)	**3.2%**	**8.0%**
Cost Income Ratio (CIR) (in %)	**31.3%**	**38.7%**

1) The net income/loss from hedging transactions and the net income/loss from financial instruments designated at fair value are shown as part of the net trading income/loss

2) The net income from investment property is shown as part of the other operating income

3) Includes the following income statement items: net income/loss from investment securities, net income/loss from profit/loss transfer agreements, and net income from investments accounted for using the equity method. In 2009, the Corporates segment includes EUR -51 million (previous year: EUR 6 million of investments accounted for using the equity method.

4) Excluding impairment losses on goodwill and restructuring expenses

- Segment corporates includes business activities with corporate customers and real estate business
- **Operating income** with distinct increase of 29% resp. EUR 489 mln
- <u>Due to:</u>
  - **Higher net commission income**, mainly from structuring and capital market financings in the form of bond and promissory note loan
  - **Margins widening**
- However **increased allowances for losses on loans and advances** due to economic slump
- In particular real estate, export and leveraged finance financings are affected by the higher allowances for losses on loans and advances
- **Operating income** amounts to **EUR 172 mln** (-58% compared to the previous year)
- Taking into account the impairment losses on goodwill, allocated to this segment, results in a **consolidated loss before tax** in 2009

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Segment Retail Clients

EUR mln	01.01. - 31.12.2009	01.01. - 31.12.2008
Net interest income	376	402
Net fee and commission income	217	245
Net trading income[1)]	1	0
Other operating income[2)]	1	3
Operating income	**595**	**650**
Administrative expenses	-491	-516
Allowances for losses on loans and advances	-41	-62
Net income/loss from investment securities and other items[3)]	0	0
Operating income/loss	**64**	**72**
Impairment losses on goodwill	0	0
Restructuring expenses	0	0
Consolidated loss/profit before tax	**64**	**72**
Return on Equity[4)] (RoE) (in %)	**6.9%**	**7.2%**
Cost Income Ratio (CIR) (in %)	**82.5%**	**79.4%**

1) The net income/loss from hedging transactions and the net income/loss from financial instruments designated at fair value are shown as part of the net trading income/loss

2) The net income from investment property is shown as part of the other operating income

3) Includes the following income statement items: net income/loss from investment securities, net income/loss from profit/loss transfer agreements, and net income from investments accounted for using the equity method.

4) Excluding impairment losses on goodwill and restructuring expenses

- **Operating income** amounts to EUR 595 mln and is in particular due to ongoing margin pressure EUR 55 mln (-8%) **below the previous year's level**
- Due to:
  - **Securities business**, charged by the financial crisis and the withholding tax
  - **Deposit business**, affected by the low interest level
- The decrease in earnings can't be offset completely by lower allowances for losses on loans and advances (EUR -41 mln/ previous year: EUR -62 mln) as well as administrative expenses below the previous year's level
- **Consolidated income before tax** amounts to **EUR 64 mln** (previous year: EUR 72 mln)

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Segment Financial Markets

EUR mln	01.01. - 31.12.2009	01.01. - 31.12.2008
Net interest income	601	775
Net fee and commission income	92	92
Net trading income[1)]	373	-94
Other operating income[2)]	-2	-18
Operating income	**1,064**	**754**
Administrative expenses	-335	-365
Allowances for losses on loans and advances	-79	-157
Net income/loss from investment securities and other items[3)]	-12	0
Operating income/loss	**639**	**233**
Impairment losses on goodwill	0	0
Restructuring expenses	0	0
Consolidated loss/profit before tax	**639**	**233**
Return on Equity[4)] (RoE) (in %)	**41.8%**	**13.9%**
Cost Income Ratio (CIR) (in %)	**31.5%**	**48.3%**

1) The net income/loss from hedging transactions and the net income/loss from financial instruments designated at fair value are shown as part of the net trading income/loss

2) The net income from investment property is shown as part of the other operating income

3) Includes the following income statement items: net income/loss from investment securities, net income/loss from profit/loss transfer agreements, and net income from investments accounted for using the equity method.

4) Excluding impairment losses on goodwill and restructuring expenses

- **Operating income increased** by EUR 310 mln to EUR 1,064 mln
- Due to:
  - Expansion of the customer-driven business; growth drivers are in particular interest rate derivatives as well as bond resp. promissory note loan issuances
  - Extraordinary market situations
- The allowances for losses on loans and advances decreased in 2009 to almost half of its previous year’s level which had been affected by counterparty defaults
- These developments lead to a **significant increase of the consolidated profit before tax** by around EUR 400 mln to EUR 639 mln

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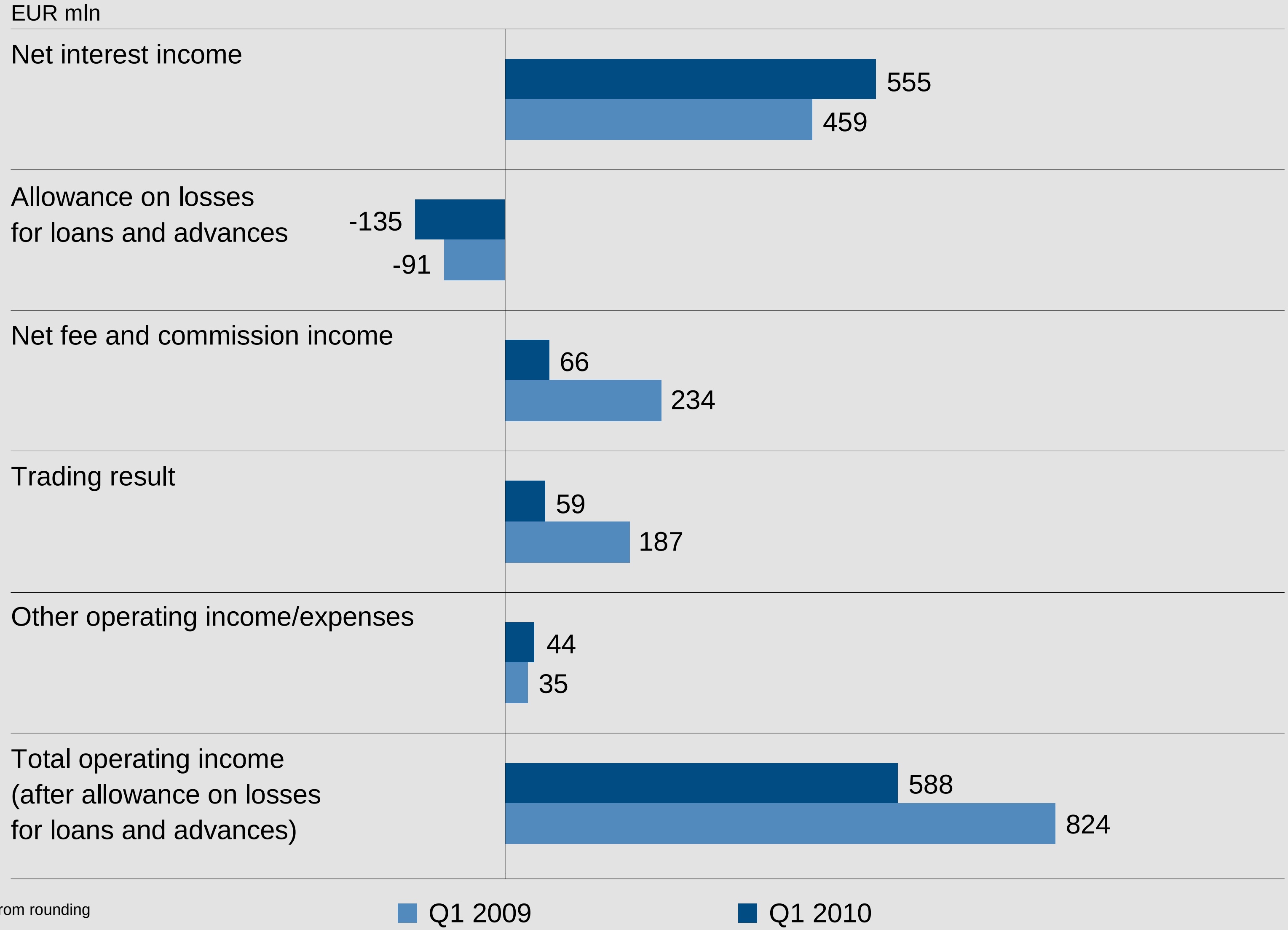
Development in the first quarter 2010

- Original banking business still stable
- Retail clients are reluctant in the securities business
- Retained demand for loans in corporate customer business
- Expansion of business with small to medium sized enterprises on track
- High volatility in markets persists due to the crisis
- Consolidated profit after tax of EUR 136 mln in the first quarter 2010, but this could not be extrapolated for the full year

Development in the first quarter 2010



Differences result from rounding

Agenda

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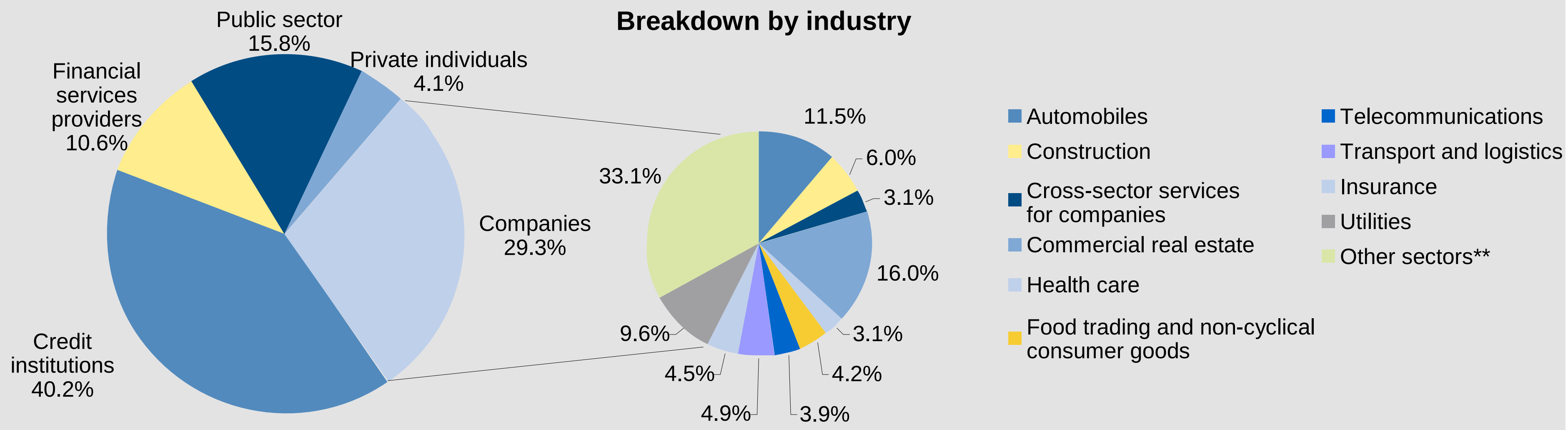
Loan portfolio of LBBW Group: breakdown by industry



Breakdown of the exposure of EUR 511.7 bn as of December 31, 2009

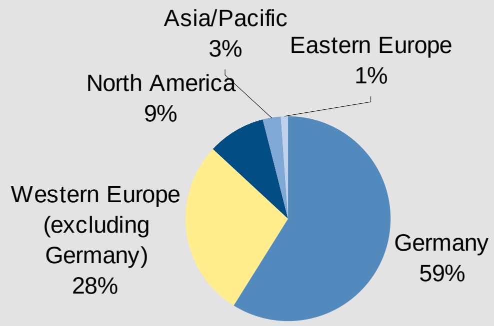
- Portfolio volume was calculated based on the management approach, i.e. internal risk management*
- Portfolio volume decreased by EUR 37.6 bn due to intentional cutback of the capital market business and systematic cutback of exposures in non-core business areas of LBBW
- Financial institutions represent the largest part of the portfolio, with business with savings banks and Landesbanken accounting for around a third of this
- The portfolio of corporate customers shows the existing diversification of industries
  - The credit risk of the largest industry “Commercial real estate” is generally reduced by extensive collateral
  - Due to the risk oriented classification of industry, the second largest industry “Automobiles” includes also the exposure to e.g. suppliers and machine building companies with focus on the automobile industry
  - Over 90% of the third largest industry “Utilities” include are of a very high to high credit-qualtiy, often with municipal background (e.g. municipal utilities)

* Key reasons for differences between the figures used for internal management and for external financial reporting are different bases of consolidation and the definition of the loan volume as „exposure“ (utilization resp. fair values plus open external commitments)

** Sectors with a share <3% of the companies portfolio are summarized under “Other sectors”

LBBW's loan portfolio by region

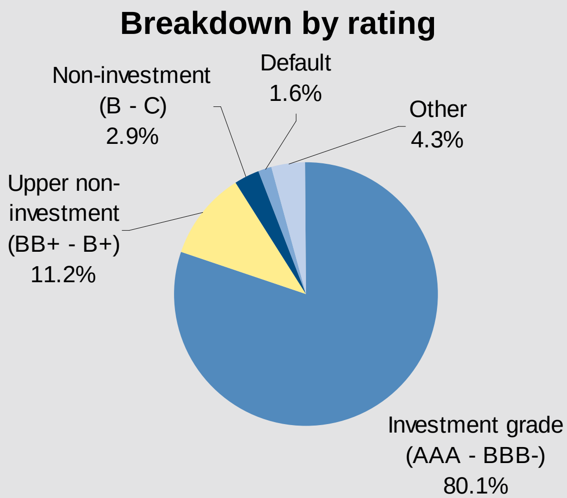
Breakdown by region



Breakdown of the exposure of EUR 511.7 bn as of December 31, 2009

- LBBW aims to focus on core markets Baden-Württemberg, Rhineland-Palatinate and Saxony in private, SME, and large client business, as well as on the function as a central bank to the savings banks
- 89% of the foreign investments are in Western Europe and North America and in countries with no (euro-zone) or only very limited transfer risk
- Exposure in Eastern Europe, Latin America, Africa and in supranational institutions count in total less than 2% of the entire portfolio

LBBW's loan portfolio by rating



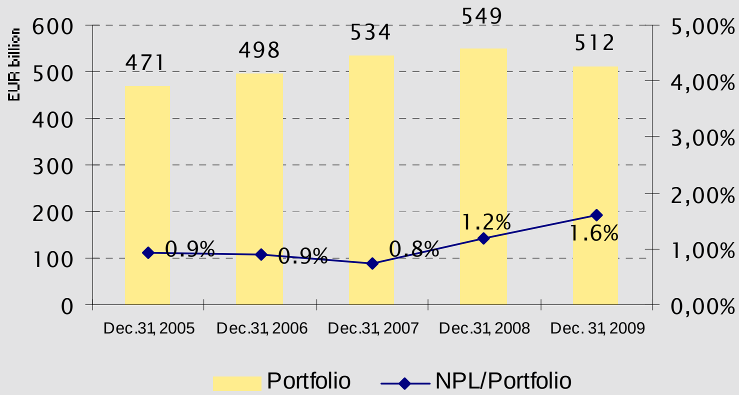
Breakdown of the exposure of EUR 511.7 bn as of December 31, 2009

- Portfolio quality remains on a high level as of the reporting date:
  - 80.1% of the entire portfolio is attributable to business with customers with very good to good credit quality (investment grade)
  - Due to the economic and financial crisis the share of defaults increases to 1.6% of the entire portfolio (previous year: 1.2%)
  - 4.3% are in the category "Other". This category comprises business with customers, for which a rating/scoring isn't available, e.g. due to risk relevance. This item also includes a portfolio share of 0.3% without an internal risk estimation

Differences result from rounding

Non-performing loans (NPLs)

NPL-Quote
Percent

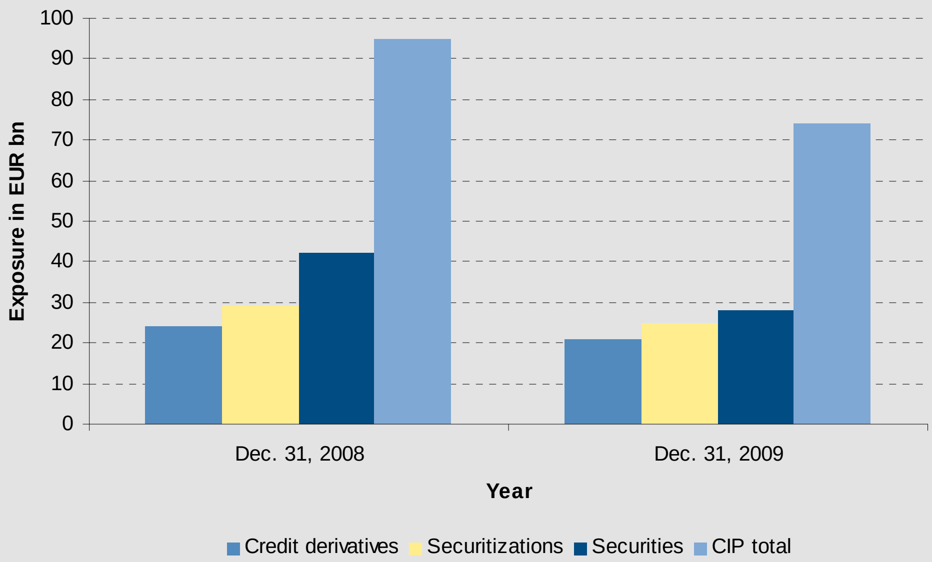


Non-performing loans slightly increased

- Exposure reduced to EUR 512 bn (previous year: EUR 549 bn)
- In the wake of the economic and financial crisis, the share represented by commitments where there has been a default on payment increased to 1.6% of the overall portfolio (previous year: 1.2%)

Credit Investment Portfolio

Development of the volume of the Credit Investment Portfolio



Breakdown of the CI-Portfolio (nominal values)

	Dec. 31, 2008	Dec. 31, 2009
Credit derivatives	24 bn EUR	21 bn EUR
Securitizations	29 bn EUR	25 bn EUR
Securities	42 bn EUR	28 bn EUR
CIP total	**95 bn EUR**	**74 bn EUR**

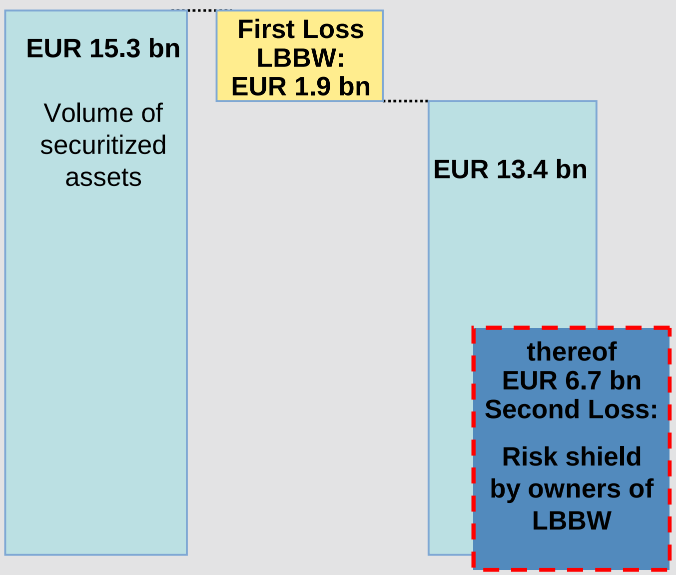
- Non-core investments were concentrated in the Credit Investment Portfolio and are separately supervised
- Due to the complete cutback of the Credit Investment Portfolio, there will be a risk reduction as well as a capital relief
- Compared to 2008, the Credit Investment Portfolio was already cut back from EUR 95 bn to EUR 74 bn in 2009 and thus stronger reduced than planned

Risk shield provided by the State of Baden-Württemberg

The risk shield of the State of Baden-Württemberg as of June 30, 2009 applies to two separate portfolios:

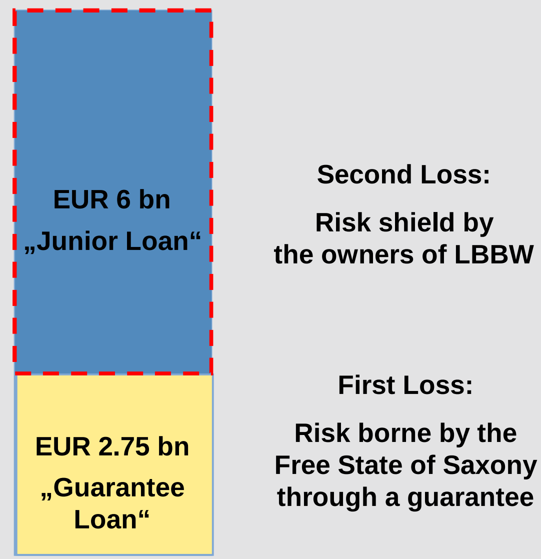
(1) LBBW securitization portfolio: EUR 15.3 bn

Selected assets in the amount of EUR 15.3 bn of LBBW's ABS portfolio are guaranteed up to a loss of EUR 6.7 bn by the State of Baden-Württemberg. The first loss amount borne by LBBW is EUR 1.9 bn:



(2) LBBW funding for SEALINK: EUR 6 bn

In Sealink Funding Ltd. assets of former Sachsen LB are bundled. The SPV funds itself via loans. The junior loan tranche (EUR 6 bn) provided by LBBW is protected by the risk shield and the guarantee loan (EUR 2.75 bn) also borne by LBBW is guaranteed by the Free State of Saxony:



- LBBW Group has an ABS portfolio amounting to EUR 24.5 bn as of December 31, 2009
- Selected assets of the entire portfolio in the amount of EUR 15.3 bn are guaranteed up to a loss of EUR 6.7 bn
- Guaranteed assets remain on LBBW's balance sheet
- The guarantee can be terminated at the request of LBBW at any time

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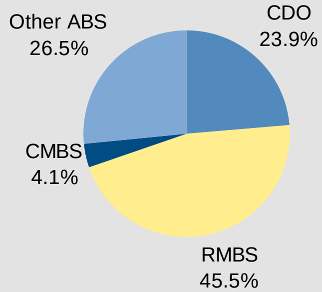
Securitization portfolio of LBBW Group – after risk shield

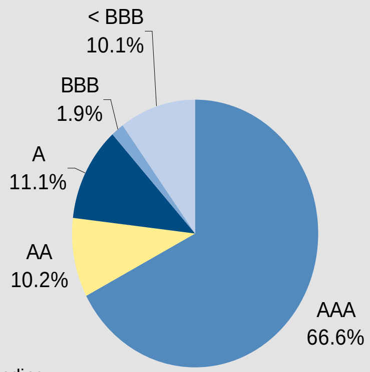
Breakdown of the remaining securitization portfolio of EUR 9.2 bn by asset classes

as of December 31, 2009



Breakdown of the remaining securitization portfolio of EUR 9.2 bn by rating

as of December 31, 2009



Differences result from rounding

Remaining securitization portfolio*

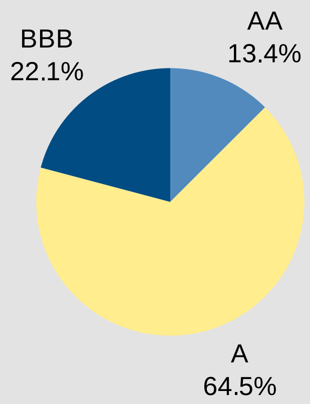
- LBBW Group's entire securitization portfolio, which is not guaranteed by the risk shield, amounts to EUR 9.2 billion
- Still high rating level of the portfolio:
  - A good portion relates to AAA-rated positions
  - Only a minor share of 10% is not rated in the investment grade area
  - Hedges are in place for 3% of the stated volume, provided by monoline insurers (2%) and state institutions (1%)
- The remaining portfolio is highly concentrated on the European market: 64% of the ABS investments were made on these markets

* according to management approach

Breakdown of customer transactions

Breakdown of the customer transactions of EUR 1.8 bn according to internal rating score

as of December 31, 2009



Differences result from rounding

Customer transactions

- LBBW Group in total: EUR 1.8 bn, thereof:
  - Trade receivables: around EUR 0.8 bn
  - Interest bearing receivables: approx. EUR 1.1 bn
- Securitization of trade and interest bearing receivables, particularly leasing receivables, primarily from SMEs
- This customer-driven business has almost exclusively internal ratings in the investment grade area
- The exposure stems mostly from Germany
- Receivables are purchased from special purpose entities for which LBBW provides liquidity lines of EUR 1.8 bn
- The exposure shall be maintained and increased in the future. It is part of the realignment in the capital market related SME business

Agenda

Outlook

- Currently implementation of an extensive reorganization plan
  - Plan was approved by the EU Commission in mid-December 2009
  - At the same time, final approval of the capital increase granted by the owners in the amount of EUR 5 bn as well as the risk shield in the amount of EUR 12.7 bn granted by the federal state of Baden-Württemberg
- LBBW has a solid capital base again
- In the future, focus on customer-driven core activities:
  - Business with corporate customers, private customers and savings banks
  - Efficient capital market products and real estate finance in selected markets
- Profitable growth in the customer business envisaged
- For the current year, the difficult conditions for the finance sector persist
- Financial crisis has not yet been fully coped with as the latest distortions regarding government bonds in the euro area show
- LBBW expects an improvement of its result in 2010
- An explicit forecast for the current year is not possible at this point in time, though

LBBW

Future scope of the business activities was developed according to clear criteria

Qualitative criteria

Quantitative general framework

Sufficient abilities to strengthen the risk bearing capacity/equity formation

- Target Tier 1 ratio: ca. 8 - 10%
- Adequate return on equity:
  - Target return on equity: ~ 10 - 12%

Realignment assures sustainable growth and profitability

Realignment until 2013

- Reduction of total assets of ca. 40%
- Distinct cutback of costs of ca. EUR 700 mln p.a. in the Group until 2013 intended
- Generation of lean structures with a shorter decision making process
- Change of the legal form of the company into a corporation under German or European law
- Introduction of an independent supervisory board according to the ideal of the Corporate Governance Code

„New LBBW“

- Focus on the customer-related core business with growth perspectives
  - Focus on the stable business with corporates, retail customers and savings banks in the regional core markets
  - Supported by efficient real estate financing and capital market products, also for institutional customers
- Healthy growth in the core business
  - Partner for small and midsize enterprises
  - Providing a sufficient supply of credit
  - Effective preservation of the remaining jobs
- Realignment assures LBBW’s sustainable stability through growth in selected core areas

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