

FITCH AFFIRMS LBBW'S IDRS; INDIVIDUAL RATING OFF RWN

Fitch Ratings-Frankfurt/London-03 December 2010: Fitch Ratings has affirmed Germany-based Landesbank Baden-Wuerttemberg's (LBBW) Long-term Issuer Default Rating (IDR) at 'A+' with Stable Outlook. Fitch has simultaneously affirmed LBBW's Individual Rating at 'C/D' and removed it from Rating Watch Negative (RWN), reflecting lower-than-expected impairment charges. The agency has affirmed LBBW's Support Rating at '1' and its guaranteed obligations at 'AAA'.

The Long-term debt of Baden-Wuerttemberg L-Finance N.V. have been affirmed at 'AAA', based on the grandfathering of the guarantee provided by LBBW's owners, specifically the State of Baden-Wuerttemberg (BW). LBBW Dublin Management GmbH's (issued by the former Sachsen LB Europe plc) long-term debt have been affirmed at 'AAA', based on the grandfathering of the guarantee by the Freistaat Sachsen. A full rating breakdown is provided below.

The rating of the grandfathered debt and the IDRs are entirely based on the agency's view on the creditworthiness of the German Laender underpinned by the stability of the German solidarity system and linking their creditworthiness to that of the Federal Republic of Germany ('FRG', rated 'AAA'/Stable/'F1+').

LBBW's IDRs reflect the stable ownership structure with BW (directly and indirectly 40.5% owner), the Savings Banks Association of Baden-Wuerttemberg (40.5%) and the City of Stuttgart (18.9%).

The ratings continue to benefit from the bank's strong relationship with the state of BW. Fitch believes that the implicit support that underpins LBBW's IDRs is not showing signs of weakening. Fitch expects this structure to remain stable in the medium term, even though LBBW will change its current legal status from an institution under public law to that of a joint stock corporation, improving corporate governance.

In addition, Fitch said that it does not expect forthcoming changes to Germany's bank resolution legislation to have any direct implications for owners' support for their banks, even if the owner is a German state. After the German Restructuring Act (Restrukturierungsgesetz) has passed through the Parliament (Bundestag) and Federal Assembly (Bundesrat), Fitch expects implementation to commence at the beginning of 2011.

LBBW's Individual Rating had been placed on RWN in December last year when LBBW's asset quality was deteriorating, but better-than-expected growth in the German economy has helped stabilise the loan book more quickly than expected and impairment charges are lower than Fitch had anticipated. Although gross new loan impairment charges remain high compared with LBBW's modest recurring earnings, Fitch expects impairments to have peaked in 2009.

In this context, the bank remains vulnerable to event risk because of concentration risks in key sectors and low recurring profitability, which the Individual Rating of 'C/D' takes into account. A 'C/D' Individual Rating indicates high sub-investment grade on an unsupported basis. Fitch considers that it will remain a challenge to stabilize LBBW's recurring earnings under its restructuring plan. LBBW plans to shrink its balance sheet total by 40% compared with end-2008.

LBBW, Germany's largest Landesbank serves corporate and private clients and is Stuttgart's local savings bank. It is also the central bank for the savings banks in BW, Rheinland Pfalz, and Sachsen, and the main bank for BW and the City of Stuttgart.

In Fitch's rating criteria, a bank's standalone risk is reflected in Fitch's Individual ratings and the prospect of external support is reflected in Fitch's Support ratings. Collectively these ratings drive

Fitch's Long- and Short-term IDRs.

LBBW:

Long-term IDR affirmed at 'A+'; Outlook Stable

Short-term IDR affirmed at 'F1+'

Support Rating Floor affirmed at 'A+'

Individual Rating affirmed at 'C/D' off RWN

Support Rating affirmed at '1'

Guaranteed obligations affirmed at 'AAA'

Baden-Wuerttemberg L-Finance N.V. and LBBW Dublin Management GmbH:

Grandfathered Long-term debt affirmed at 'AAA'

LBBW Dublin Management GmbH:

EUR5bn commercial paper programme affirmed at 'F1+' and withdrawn

The rating has been withdrawn as the programme is inactive and no issues are outstanding.

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Additional information is available at www.fitchratings.com.

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 16 August 2010, "Short-Term Ratings Criteria for Corporate Finance", dated 2 November 2010, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=547685

Short-Term Ratings for Corporate Finance

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=568726

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