

Press release

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Profit in accordance with HGB (German Commercial Code) allows LBBW partial replenishment of loss participation on profit participation certificates / Loss in accordance with IFRS due to sovereign exposures

- According to its preliminary figures, LBBW reports a profit before taxes of around EUR 300 million for 2010 in accordance with HGB
- Partial replenishment of the loss participation on profit participation certificates and silent partners' contributions
- Excellent performance in the customer business in 2010
- Systematic risk reduction: credit-substitute business and risk weighted assets reduced far more than planned
- Consolidated tier 1 ratio improved markedly to 11.4 per cent, overall ratio 15.3 per cent
- IFRS result includes valuation losses on sovereign exposures as at reporting date of around EUR 700 million
- This results in a preliminary loss before taxes in accordance with IFRS of around EUR 340 million

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On the basis of the preliminary figures in its unconsolidated financial statements in accordance with HGB, Landesbank Baden-Württemberg (LBBW) reported a net profit before taxes of around EUR 300 million in 2010 after a loss of EUR 2.148 billion in the previous year. Because of the positive result in accordance with HGB, there will presumably be a partial replenishment of the nominal value of its profit participation certificates and silent partners' contributions. The 2010 business year was characterised by an excellent customer business and a significant decline in the risk-provisioning requirement. However, there are continued strains resulting from the EU sovereign debt crisis. In order to further reduce the bank's dependence on the financial markets, the credit-substitute business, in which the valuation losses were incurred on sovereign exposures, was again reduced by around one quarter. According to its preliminary estimate, LBBW expects a consolidated loss before taxes of around EUR 340 million under IFRS (2009: minus EUR 1.214 billion). The difference with respect to the result reported in the unconsolidated financial statements in accordance with HGB is mainly due to the fact that the continuing and pronounced fluctuations in the financial markets are reflected far more in the result under IFRS than under HGB. The IFRS financial statements show valuation losses of around EUR 700 million as at reporting date due solely to sovereign exposures.

"We are extremely satisfied with the operational customer business. We are on the right track with our focus on customer-oriented banking services," said Hans-Jörg Vetter, Chairman of LBBW's Board of Managing Directors. Corporate as well as private banking operations both performed better than planned. At the same time, loan-loss risk provisioning

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could be reduced – also thanks to the gratifying economic trend particularly in Baden-Württemberg – at group level to below EUR 500 million after EUR 1.5 billion in the previous year.

At the same time, restructuring progress was pushed ahead systematically. The measures taken to reduce costs helped reduce administrative expenses in the group by over seven per cent to around EUR 1.75 billion. The bank is also on track as regards workforce downsizing. So far, around 1,100 employees have made use of voluntary severance offers.

Major progress was also made reducing risks. The volume of the credit-substitute business was cut again last year by EUR 19 billion to around EUR 55 billion (31.12.2010). Overall, the risk-weighted assets in the group were reduced by as much as EUR 33 billion to EUR 121 billion. This cutback helped bring about a significant improvement in the group's capital ratios. The tier 1 ratio as at 31.12.2010 was extremely solid at 11.4 per cent (previous year: 9.8 per cent), the overall ratio rose from 13.3 per cent in the previous year to 15.3 per cent.

Overall, Landesbank Baden-Württemberg is optimistic for the year 2011. “We are seeing a strong start in operating business in 2011” said Hans-Jörg Vetter. “We therefore expect that LBBW – if there are no further dramatic slumps in the financial markets – will be in the black this year under IFRS as well as under HGB.”

The above-mentioned figures are reported on a preliminary basis and may still be changed especially as the period

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between the end of the reporting period and the date that the financial statements are authorised for issue is still ongoing. The audit has not been completed yet.

The consolidated annual financial statements will be presented as announced at the press conference on annual results on 20 April.