

3 December 2003

Press release by S & P concerning the rating of the unguaranteed obligations of the German Landesbanks

Ladies and Gentlemen,

On 24 November 2003 the rating agency Standard & Poor's (S & P) published a press release concerning the future ratings of the German Landesbanks. The press release refers to the ratings of long-term unsecured obligations of the German Landesbanks, which are not subject to Maintenance Obligation (***Anstaltslast***) and Guarantee Obligation (***Gewährträgerhaftung***), both of which are currently effective without any restrictions. According to S & P, the ratings for these unguaranteed obligations will, from today's point of view, range between A+ to BBB. In addition, the rating agency announced that it will release individual ratings for each Landesbank in July 2004, i.e. one year before Maintenance Obligation and Guarantee Obligation will be abolished.

In the days before the above-mentioned press release was published, unofficial information on the individual ratings for each Landesbank, as planned by S & P, was published in the media. We do not want to comment this unofficial information in detail as S & P refrained from publishing the individual ratings. However, it can be stated that, according to the current assessment of S & P, Landesbank Baden-Württemberg seems to have a top position among the German Landesbanks.

Where do the S & P ratings (A+ to BBB) have no influence?

First, we would like to make it clear that all obligations incurred by LBBW (a) before 18 July 2001 or (b) in the transitional period from 18 July 2001 to 18 July 2005 (maturing no later than 31 December 2015) are fully subject to the Guarantee Obligation of the state of Baden-Württemberg, the Savings Banks Association of Baden-Württemberg and the state capital Stuttgart.

For these obligations, the ratings listed in the table below will remain unchanged:

| Rating categories | Moody's | S & P | Fitch |
|-------------------------------|----------------|------------------|--------------|
| Long Term | Aaa | AAA ¹ | AAA |
| Short Term | P-1 | A-1+ | F1+ |
| Financial Strength/Individual | B- | - | B/C |
| Public Sector Pfandbriefe | Aaa | AAA | - |

¹ negative outlook

We would like to emphasize that the Pfandbrief rating of S & P listed in the above table does not depend on the Guarantee Obligation, as S & P in this case bases its rating exclusively on the cover pool assets. Thus, the Pfandbrief rating does not depend upon such securities being issued before 18 July 2005 (and maturing no later than 31 December 2015).

As a final remark on this matter, we would like to point out that the rating of the state of Baden-Württemberg remains unchanged. Obligations of the state are rated AAA (negative outlook) by S & P.

What do the S & P ratings (A+ to BBB) affect?

The ratings published by S & P only affect such obligations of LBBW as will be entered into (a) after the transitional period (18 July 2001 to 18 July 2005) or (b) during the transitional period but maturing after 31 December 2015. Such obligations are “unguaranteed” obligations of LBBW, i.e. not covered by the Guarantee Obligation of the state of Baden-Württemberg, the Savings Banks Association of Baden-Württemberg and the state capital Stuttgart.

S & P’s press release confirms, as we see it, LBBW’s business model and the resulting top position among the German Landesbanks. In light of this press release LBBW is very confident that it can reach a rating in the AA area on the basis of its business model by 2005.

In the following you can see a summary of the core elements of LBBW’s business model:

- LBBW operates as regional commercial bank with a retail franchise in Baden-Württemberg (and neighboring states). It has a solid and well-diversified customer base, i.e. private and corporate customers, especially small and medium-sized companies.
- In the territory of the state capital Stuttgart, LBBW, as the market leader, fulfils the functions of a savings bank, which essentially contributes to its special importance in the greater Stuttgart area.

- The second pillar of LBBW's business model is the customer-oriented capital market business, which is selectively complemented by different areas of wholesale banking.
- Where foreign offices are maintained by LBBW, they primarily serve to support our corporate customers which are active abroad and to facilitate transactions in the world's key capital markets.

On the basis of the described business model, LBBW is further strengthening its earnings power. An extensive streamlining of the organization has been concluded and far-reaching cost cutting measures have already shown considerable success. In addition, LBBW slims down its holdings portfolio, putting the focus on the Baden-Württemberg area. The close cooperation with the savings banks in Baden-Württemberg will be further enhanced through individual service agreements. And, by integrating Baden-Württembergische Bank AG (BW Bank), LBBW leaves all options open.

With respect to the credit portfolio of LBBW, the risk situation is – also as seen by the rating agencies – absolutely in order. In the future, LBBW will not go down the credit ladder. It is rather envisioned to maintain or optimize the credit risk LBBW is taking, even if this will reduce the balance sheet size.

Conclusion

LBBW feels confirmed in its choice of business model by the S & P press release and the resulting rating for unguaranteed obligations and considers the assessment of the rating agency a challenge. The items mentioned by S & P in the press release have already been taken up by LBBW and we are thus confident that LBBW has a realistic chance to achieve a rating in the AA area by 2005.

Please do not hesitate to contact us if you have any questions.

Yours sincerely

Landesbank Baden-Württemberg