

Investor Letter

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Effect of the Downgrading of the State of Baden-Württemberg on LBBW's rating

The rating agency Standard & Poor's announced on 6.12.2004 that the rating of the State of Baden-Württemberg will be changed from AAA to AA+. Thereby Standard & Poor's still assigned to the State of Baden-Württemberg a very high financial security.

At the same time, the rating for long term unsecured obligations and Hypothekenpfandbriefe (mortgage bonds, currently without independent Rating) of LBBW were lowered from AAA to AA+. This downgrading is exclusively due to the change in the rating of the State of Baden-Württemberg and does not result, as stressed by Standard & Poor's, from a change in the financial and business profile of LBBW.

The rating on LBBW's öffentliche Pfandbriefe (public sector bonds) remains unaffected by the downgrading of the State of Baden-Württemberg. The öffentlichen Pfandbriefe retain the AAA rating (outlook stable) and thus have a particularly high financial security.

Standard & Poor's expressly confirms in its press release of 6.12.2004 the future rating of A+ from July 19, 2005 (so called shadow rating). With this rating LBBW will remain the Landesbank with the highest credit standing also after the maintenance obligation (Anstaltslast) and the guarantee

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obligation (Gewährträgerhaftung) will cease. LBBW intends not only to maintain this strong position but to further improve it.

To summarize it can be noted, that the downgrading of the long term rating of LBBW is only a result of the change in the rating of the State of Baden-Württemberg, irrespective of the unchanged earning power of LBBW. With a AA+ the long term rating of LBBW will also have a very high financial security in the future.