

17 November 2011

LBBW Presents Consolidated (IFRS) Figures as of 30 September 2011

- **Consolidated profit before tax of EUR 410 million after nine months**
- **Profitable business with private and corporate clients**
- **Operating result after nine months up more than four-fold over the previous year**
- **Heavy pressure exerted on earnings in the third quarter by severe turbulence in the financial markets**
- **Reduction in risk-weighted assets ahead of schedule, core capital ratio a solid 13.4 percent**
- **Restructuring progressing according to schedule**

Despite worsening market turmoil in the third quarter, Landesbank Baden-Württemberg (LBBW) generated IFRS consolidated profit before tax of EUR 410 million after the first nine months of 2011 (previous year: loss of EUR 138 million). Consolidated net profit after tax came to EUR 245 million (previous year: loss of EUR 147 million). Operating result rose more than four-fold over the previous year to EUR 644 million. Business with private and corporate clients in particular again proved to be a reliable pillar for Group earnings. At the same time, allowances for losses on loans and advances eased for economic reasons. The sovereign debt crisis, particularly with respect to Greece, is exerting considerable strain. Even so, the core capital ratio stood at a solid 13.4 percent at the end of the third quarter.

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Speaking on the Bank's business performance, Hans-Jörg Vetter, Chairman of the Board of Managing Directors of LBBW said: "We have made good progress in realigning LBBW. Client business also remains strong. Our business model, which is now targeted at generating sustained client business, has proven itself even under extreme market conditions. This progress is being overshadowed to a substantial degree by the dramatic market turmoil."

In the third quarter, LBBW sustained a consolidated loss of EUR 191 million before tax due to tension in the financial markets. This includes charges of around EUR 200 million taken as of the balance sheet date on highly volatile credit default swaps (CDS) for sovereign debt, which must be recognized at their fair value under IFRS. In addition, further writedowns of Greek sovereign bonds were taken to now around 40 percent of the nominal value. All told, the Bank took charges of around EUR 750 million in connection with the sovereign debt crisis in its income statement for the first nine months of the year.

"This strain shows once more that there is no alternative to the realignment of the Bank initiated in 2009 and the abandonment of non-client banking business," said Hans-Jörg Vetter. "LBBW's future lies solely in client business. We will continue to grow on a target-oriented basis in this segment and at the same time systematically implement the restructuring plan. Legacy liabilities will continue to be rigorously run down."

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Massive reduction in risk-weighted assets, restructuring on schedule

The Bank has again improved its risk profile substantially since the beginning of the year, reducing risk-weighted assets by a total of EUR 16 billion to EUR 105 billion. The credit investment portfolio, which had a volume of EUR 95 billion at the end of 2008, has been trimmed this year from EUR 54 billion to EUR 38 billion. As a result, the Bank has made swifter progress in reducing this non-client business than planned. The reduction in risk-weighted assets has additionally strengthened LBBW's capital ratios. The core capital ratio stood at 13.4 percent at the end of the third quarter, up from 11.4 percent at the beginning of the year. The total ratio improved from 15.3 percent to 17.8 percent. As already communicated, the Bank is conducting talks with its owners concerning the question of converting or strengthening the silent participations next year against the backdrop of the substantially more stringent new capital backing requirements.

All told, LBBW's restructuring efforts are continuing to proceed according to schedule on the basis of the concept approved by the EU Commission. Substantial progress has been made in the currently ongoing sales process for LBBW Immobilien GmbH, with a decision on the buyer of the 21,500 apartments to be made this year if possible. LBBW had previously already sold further shares, including interests in DekaBank and the energy exchange EEX, in the first half of the year. There was a further reduction in administrative expenses. Staff costs were cut by EUR 35 million compared with the same period in the previous year. As of 30 September LBBW had 12,382 employees, 679 fewer than at the beginning of the year. All in all, contracts have been signed for the termination of around 1,500 full-time equivalent employees in connection with

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restructuring activities. On an encouraging note, this has been achieved solely by means of voluntary measures such as employment termination contracts and early-retirement arrangements as well as natural fluctuation. The restructuring plan provides for around 2,500 jobs to be cut in the Group by 2013.

Overview of income and expense items after nine months

Net interest income came to EUR 1.775 billion in the first nine months of the current year and was therefore up 8.0 percent on the same period in the previous year. This includes the effects of good operating business as well as non-recurring factors.

Allowances for losses on loans and advances visually remained at a very low level thanks to LBBW's conservative risk policy for years and what until recently has been a very strong economy. The balance of new additions and reversals has resulted in the dissolution of allowances for losses on loans and advances of EUR 7 million since the beginning of the year. Further charges totaling around EUR 210 million from corporate financing are included in the net income/loss from investment securities.

Net fee and commission income declined by 13.3 percent over the previous year to EUR 404 million. This reflects investor restraint on account of market uncertainty.

Net trading income came to EUR 157 million at the end of September but came under pressure in the third quarter from the aforementioned writedowns of around EUR 200 million taken on credit default swaps. All told, net trading income

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improved substantially over the previous year in the first nine months due to intensified efforts in the first half of the year in particular to reduce credit default swaps by making use of narrowing spreads.

Other operating income came to EUR 119 million as of 30 September and was thus 14.7 percent up on the previous year.

Administrative expenses were down slightly year on year by 1.1 percent to EUR 1.289 billion. Staff costs recorded a drop of 4.5 percent to EUR 757 million. Regarding material expenses, the ongoing cost-cutting program led to significant savings in many areas. However, material expenses rose by EUR 22 million year on year to EUR 427 million solely as a result of the bank levy included in this item on a pro rata basis totaling EUR 43 million. Excluding the bank levy, administrative expenses would have been down by well over 4 percent overall.

The **net loss from investment securities** came in at EUR 526 million after the first nine months (previous year: net profit from investment securities EUR 92 million). Income from the sale of equity investments, particularly in the first half of the year, was offset by charges resulting from exposure to the Southern European countries.

All told, the **operating result** for the LBBW Group after the first nine months totaled EUR 644 million (previous year: EUR 146 million). Taking into account the restructuring result and commission expenses for the risk shield provided by the state of Baden-Württemberg, **consolidated profit before tax** came to EUR 410 million. Tax expense amounted to EUR 165 million. This means that LBBW posted **consolidated profit** after tax of EUR 245 million in the first nine months.

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At EUR 387.5 million, the **Group's total assets** as of 30 September 2011 were above the figure of EUR 374.4 billion reported at the start of the year; this was essentially due to exchange-rate and interest-rate effects.

Overview of the operating segments

The **Corporates** segment posted a year-on-year improvement of EUR 45 million in its operating income to EUR 1.681 billion. Despite the substantial run-down of its non-core-bank business, which is progressing faster than planned, and the accompanying decline in income, a year-on-year increase in operating income was achieved. Alongside the very low level of allowances for losses on loans and advances totaling EUR 34 million, due to economic conditions, administrative expenses were also reduced despite the additional charges arising from the bank levy. The segment generated an overall very pleasing profit before tax of EUR 1.110 billion in the first nine months, equivalent to a substantial increase versus the previous year (EUR 712 million).

The **Retail/Savings Banks** segment, which pools the private client business and LBBW's savings bank central bank function, achieved a profit before tax of EUR 142 million. This corresponds to an increase of around 25 percent year on year (EUR 113 million). A perceptible reduction in costs as a result of the stringent implementation of the restructuring measures and the net reversal of allowances for losses on loans and advances contributed to this result. At EUR 453 million, operating income was largely stable (previous year: EUR 460 million).

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The extremely difficult market setting weighed on the earnings performance of the **Financial Markets** segment. Consequently, operating income declined by EUR 46 million to EUR 461 million. Moreover, administrative expenses came under pressure from the bank levy for the first time. All told, profit before tax fell to EUR 201 million, down from EUR 257 million in the previous year.

Outlook

LBBW expects conditions for financial institutions to remain difficult. The uncertainty on the financial markets remains very clearly perceptible even after the recent political progress made in tackling the European debt crisis. Moreover, the macroeconomic setting can be expected to become bleaker. The Bank - provided that the sovereign debt crisis does not widen further - reaffirms its full-year forecast for 2011 and expects to be able to report a profit both pursuant to IFRS and in accordance with HGB.

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Business Figures for the LBBW Group as of 30 September 2011 pursuant to IFRS

	1 Jan. - 30 Sep. 2011 EUR million	1 Jan. - 30 Sep. 2010 EUR million	Change	
			in EUR million	in %
Net interest income	1,775	1,643	132	8.0
Allowances for losses on loans and advances	7	-346	353	--
Net fee and commission income	404	466	-62	-13.3
Net trading income/loss	157	-497	654	---
Other operating income	119	104	15	14.7
Total operating income (after allowance for losses on loans and advances)	2,462	1,370	1,092	79.7
Administrative expenses	-1,289	-1,304	15	-1.1
Net income/loss from investment securities	-526	92	-618	---
Net income/loss from investments accounted for using the equity method and from profit/loss transfer agreements	-3	-12	9	-75.7
Operating result	644	146	498	>100.0
Impairment of goodwill	-15	0	-15	---
Restructuring result	9	-54	63	---
Guarantee commission state of Baden-Württemberg	-229	-230	1	-0.4
Consolidated profit/loss before tax	410	-138	548	---
Income tax expense	-165	-9	-156	>100.0
Consolidated profit for the period(+) Consolidated loss for the period (-)	245	-147	392	---

	30 Sep. 2011 in %	31 Dec. 2010 in %
Core capital ratio	13.4	11.4
Total ratio	17.8	15.3

	30.9.2011 EUR billion	31.12.2010 EUR billion	Change	
			EUR billion	in %
Total assets	387.5	374.4	13.1	3.5

Differences are the result of rounding. Percentages are based on the exact values.

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	30.9.2011	31.12.2010	Change	
			absolute	in %
Group staff	12,382	13,061	-679	-5.2

	30.9.2011 in %	30.9.2010 in %
Cost/income ratio	52.5	76.0
Return on equity	8.1	1.8

LBBW's individual financial statements (prepared in accordance with the German Commercial Code (HGB)) as at year-end are the basis for the distribution and revaluation/loss participation of the profit participation certificates. LBBW does not publish any financial statements under the German Commercial Code as of 30 September.