

Press release

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7 May 2013

LBBW releases figures for the 1st quarter of 2013

In the first three months of 2013, Landesbank Baden-Württemberg (LBBW) continued to perform satisfying in a difficult market environment. Net profit before tax came to EUR 88 million in the first quarter. In addition, an amount of around EUR 100 million was spent on further reducing legacy risks. The strong first quarter of the previous year (net profit before tax: EUR 147 million) had also benefited from spread tightening in the financial markets. "Against the backdrop of the ongoing difficult market conditions with extremely low interest-rate levels and reasonably muted borrowing demand in the corporate sector, we have reason to be very satisfied with the first quarter. Also because we were able to invest once again in reducing legacy risks. This is something we will be continuing," said Hans-Jörg Vetter, Chairman of the Board of Managing Directors of LBBW.

At the end of the first quarter, which was characterized by respectable customer business, credit substitute business was reduced compared to the same date in the previous year by EUR 12 billion to EUR 21 billion. At the beginning of the restructuring process, this portfolio had a volume of EUR 95 billion. Compared to the end of the first quarter 2012 the total risk weighted assets were reduced from EUR 104 billion to EUR 95 billion. As a result, the core capital ratio rose to 15.5 percent as at 31 March 2013.

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The figures at a glance

Despite the low general interest rates and the reduction of risk weighted assets, **net interest income** increased by EUR 28 million over the same period in the previous year to EUR 463 million in the first three months of 2013.

Net fee and commission income climbed to EUR 136 million due to, among other things, a recovery in securities business.

At EUR 42 million, **the net gains/losses from financial instruments measured at fair value** fell substantially short of the previous year. The figure for the previous year had been buoyed by the very favorable conditions in the capital markets as well as narrowing spreads.

Other operating income/expenses climbed to EUR 30 million (previous year: EUR 9 million).

At EUR 50 million, **allowances for losses on loans and advances** were slightly up on the previous year (EUR 47 million) but remained at a generally low level.

Net gains/losses from financial investments contracted to EUR -46 million. This was mainly due to losses deliberately realized on the sale of foreign securities forming part of credit substitute business.

Administrative expenses in the first quarter of 2013 were reduced by EUR 22 million over the previous year to EUR 410 million. This decline was driven by both personnel and material expenses.

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The **operating result** amounted to EUR 165 million (previous year: EUR 223 million). After deducting EUR 77 million in commission costs for the risk shield provided by the State of Baden-Württemberg, **net consolidated profit before tax** came to EUR 88 million (previous year: EUR 147 million). Income tax expenses equaled EUR 19 million. Accordingly, LBBW generated **net profit after tax** of EUR 69 million for the first quarter of 2013.

Outlook

As stated at the financial statement press conference at the end of April, the Bank expects to be able to report a clearly positive result for 2013. Given the persistent uncertainties in the financial markets and with respect to regulatory matters, it is currently not possible to provide any specific profit forecast for the full year at this stage.

Figures for the LBBW Group for Q1 2013

	Q1 2013 in EUR m	Q1 2012 in EUR m	Change	
			EUR m	in %
Net interest income	463	435	28	6.5
Net fee and commission income	136	125	11	8.3
Net gains/losses from financial instruments measured at fair value through profit or loss	42	164	-122	-74.6
Other operating income/expenses	30	9	21	> 100
Total operating income/expenses	671	733	-62	-8.4
Allowances for losses on loans and advances	-50	-47	-3	6.3
Net gains/losses from financial investments, net income/expenses from investments accounted for using the equity method and from profit/loss transfer agreements	-46	-31	-15	51.7
Administrative expenses	-410	-432	22	-5.0
Operating result	165	223	-58	-26.3
Guarantee commission for the State of Baden- Württemberg	-77	-76	-1	1.3
Net consolidated profit/loss before tax	88	147	-59	-40.4
Income tax	-19	-23	4	-20.6
Net consolidated profit/loss	69	124	-55	-44.2

	31/03/2013 in EUR bn	31/03/2012 in EUR bn	Change	
			EUR bn	in %
Risk weighted assets	95	104	-9	-8.0
Total assets	323	358	-35	-9.9

	31/03/2013 in %	31/03/2012 in %
Core capital ratio (Tier 1 ratio)	15.5	13.9
Total ratio in accordance with SolvV	19.5	18.1

	31/03/2013	31/03/2012
Employees	11,537	11,751

Figures may be subject to rounding differences. Percentages are based on the exact values.