

## Investor Letter

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### **LBBW reiterates a strong business franchise and credit profile**

After several successful business years and a positive development at the start of 2007, Landesbank Baden-Württemberg reiterates the positive composition of its credit profile and the healthy growth outlook for its banking franchise.

LBBW has emerged as one of the premier financial institutions in all of Germany, finding noteworthy success across its diversified range of business activities. The bank has strengthened its position in its core market in recent years through the integration of BW Bank, a Euro 20 billion bank that catered to high net worth individuals. LBBW has also enlarged its geographic area by incorporating Landesbank Rhineland-Palatinate, a Euro 67.7 billion institution, into the group.

“We are systematically developing LBBW into a capital-market and customer-driven financial services group offering a full range of products and services,” said Dr. Siegfried Jaschinski, Chairman of the Board of Managing Directors.

LBBW is the leading financial services provider in southwestern Germany with significant retail, corporate, and financial market client franchises, ensuring very strong commitment from its state- and savings bank-based

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ownership. LBBW's customer base includes 1.2 million retail clients and 25,000 small-to-medium sized corporations. It has 223 branches and offices, and is also a major participant across Germany in the leasing and real estate markets via subsidiaries.

Vibrant economic growth in Germany is adding to the bank's momentum as business activity in Baden-Württemberg outpaces that of the rest of the country. Baden-Württemberg GDP rose 3.5% in 2006, compared with 2.9% for Germany as a whole, the strongest pace in seven years. Baden-Württemberg is one of Europe's wealthiest regions, with per capita nominal GDP at 135.4% of the European Union average in 2006.

With Euro 428.3 billion in assets at the end of December, the bank ranks among the largest in Germany. In 2006, LBBW increased Net Income by 21% to Euro 828 million, pushed its return on equity up to 16.1% from 15.1% and carried Tier 1 Capital of 7.2%. Reflecting the conservative and strong nature of the bank's risk profile, 93% of the value of the group loan portfolio is rated investment grade.

LBBW also continues to work closely with the savings banks of Baden-Württemberg and Rhineland-Palatinate with whom it has collective service partnership on an individual contractual basis spanning 11 different business areas. LBBW is the central banker for the savings banks in Baden-Württemberg, and LRP provides a similar role for the savings banks in Rhineland-Palatinate. The 81 savings banks in these two states have total assets of Euro 215.7 billion and a combined 3,514 retail branches. Supporting these banks

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and leveraging their distribution networks with new products remains a top priority.