Disclosure report in accordance with CRR/CRD IV.

As at 30 June 2015.

Landesbank Baden-Württemberg

Contents.

1 Fundamentals.

The Basel Committee on Banking Supervision has published a comprehensive package of reforms known as »Basel III« for the purpose of reinforcing regulation, supervision and risk management in the banking sector. Among other things, the reforms provide for international standards to be applied to banks' risk weighted capital, the introduction of a global liquidity standard, the calculation of a leverage ratio and broader disclosure requirements.

The Basel rules have been implemented as European law in Regulation (EU) No. 575/2013 of the European Parliament and of the Council (CRR - Capital Requirements Regulation) of 26 June 2013, taking effect from 1 January 2014.

The first intra-year disclosure took place as at 30 June 2015, in accordance with the Guideline of the European Banking Authority (EBA/GL2014/14 of 23 December 2014), which was transposed into national law by Circular No. 05/2015 of the German Federal Financial Supervisory Authority. This Guideline imposes a duty for intra-year disclosure on banks which exceed specific relevance values.

LBBW prepares the disclosure report in aggregate form at the Group level in its function as a parent company. The figures reported in this report are based on the basis of consolidation in accordance with supervisory law. The figures are calculated in accordance with the International Financial Reporting Standards (IFRS).

With this publication Landesbank Baden-Württemberg (LBBW) meets the obligation to intra-year reporting set out in the above Guideline if the bank's consolidated risk exposures pursuant to Art. 429 of Regulation (EU) No. 575/2013 exceed EUR 200 billion.

This report includes the quantitative information required as at the closing date on

- Own funds
- Capital ratios
- Own funds requirements
- Information on risk exposures calculated in accordance with the IRB approach
- Leverage ratio

The figures published in the disclosure report have been rounded to the next million in accordance with commercial principles. Accordingly, rounding differences may arise through aggregation.

2 Own funds and own funds requirements. (Articles 437 and 438 CRR)

Structure of own funds.

The following table sets out the LBBW Group's own funds pursuant to IFRS, as well as the regulatory adjustments and capital ratios.

EUR million

Capital instruments	30 June 2015	31 Dec. 2014
Common Equity Tier 1 (CET1) before regulatory adjustments	12 845	12 607
Regulatory adjustments to Common Equity Tier 1 CET1) as a whole	– 709	– 592
Common Equity Tier 1 (CET1)	**12 135**	**12 015**
Additional Tier 1 (AT1) before regulatory adjustments	1 255	1 394
Regulatory adjustments to Additional Tier 1 (AT1) as a whole	– 372	– 437
Additional Tier 1 (AT1)	**883**	**957**
Tier 1 (T1 = CET1 + AT1)	**13 018**	**12 972**
Tier 2 (T2) before regulatory adjustments	3 671	3 433
Regulatory adjustments to Tier 2 (T2) as a whole	– 139	– 90
Tier 2 (T2) as a whole	**3 531**	**3 343**
Total capital (TC = T1 + T2)	**16 550**	**16 315**
Risk weighted assets as a whole	**80 606**	**82 182**
Capital ratios and buffers		
CET1 capital ratio (expressed as a percentage of the total risk exposure amount)	**15.1**	**14.6**
T1 capital ratio (expressed as a percentage of the total risk exposure amount)	**16.2**	**15.8**
Total capital ratio (expressed as a percentage of the total risk exposure amount)	**20.5**	**19.9**

Figure 1: Type and amounts of capital instruments.

Changes in own funds when compared with 31 Dec. 2014.

Common Equity Tier 1 (CET1) of the LBBW Group increased due to profit retention. Additional Tier 1 (AT1) capital decreased due to the maturities of silent participations and fluctuations in amounts deductible and their inclusion on account of the transitional provisions according to CRR. Tier 2 (T2) capital was strengthened in June 2015 by the new issue of a subordinated bond as part of the MTN program amounting to EUR 500 million.

This issue has a 10-year term, carries a fixed interest coupon and does not provide for any ordinary call rights.

By contrast, the amortization of Tier 2 capital components on the day and, in keeping with AT1, the fluctuation of amounts deductible and the changes to their inclusion on account of the transitional provisions pursuant to the CRR have the opposite effect.

The profit retained in accordance with the decision on the appropriation of profits is CET1 capital, and thus increases all capital ratios. The reduction in AT1 capital has an impact on the T1 and total capital ratios, the issue of T2 capital merely has a positive effect on the total capital ratio.

Own funds requirements.

The following table summarizes the own funds requirements and risk-weighted exposure values in terms of the risk types that are relevant under the regulatory framework (counterparty risk, market price risk and operational risks).

EUR million	Risk-weighted exposure value 30 June 2015	Own funds requirement 30 June 2015	Risk-weighted exposure value 31 Dec. 2014	Own funds requirement 31 Dec. 2014
1 Credit risks				
1.1 Credit risk standard approach				
Central governments	0	0	4	0
Regional governments and local authorities	1	0	3	0
Other public-sector agencies	58	5	55	4
Multilateral development banks	0	0	0	0
International organizations	0	0	0	0
Banks	904	72	731	58
Corporates	4 247	340	4 690	375
Retail business	4 303	344	4 743	379
Items secured by real estate	2 053	164	2 018	161
Past due items	344	28	391	31
Items exposed to particularly high risk	2	0	4	0
Covered bonds issued by banks	0	0	0	0
Risk exposure to banks and corporates with a short-term credit rating	0	0	0	0
Undertakings for collective investment (UCI)	2	0	0	0
Other items	484	39	491	39
Total credit risk standard approach	**12 397**	**992**	**13 130**	**1 050**
1.2 IRB approaches				
Central governments	3 170	254	3 200	256
Banks	6 236	499	6 603	528
Corporates - SMEs	2 653	212	2 824	226
Corporates - specialized lending exposures	9 700	776	10 118	809
Corporates - miscellaneous	23 244	1 859	23 060	1 845
Retail business - of which secured with real estate liens, SMEs	0	0	0	0
Retail business - of which secured with real estate liens, non-SMEs	0	0	0	0
Retail business - of which qualified, revolving	0	0	0	0
Retail business - of which other, SMEs	0	0	0	0
Retail business - of which other, non-SMEs	0	0	0	0
Other assets not relating to credit	1 744	140	1 482	119
Total IRB approaches	**46 747**	**3 740**	**47 286**	**3 783**
1.3 Securitization positions				
Securitization positions under CRS approach	9	1	11	1
of which resecuritizations	0	0	0	0
Securitization positions under IRB approach	780	62	879	70
of which resecuritizations	0	0	0	0
Total securitization positions	**789**	**63**	**890**	**71**
1.4 Equity investments				
Equity investments under IRB approach	2 848	228	3 028	242
of which Internal Model Method	0	0	0	0
of which PD/LGD approach	129	10	196	16
of which simple risk weight approach	1 702	136	1 669	134
of which exchange-traded equity investments	53	4	54	4
of which not exchange-traded but forming part of a sufficiently diversified equity investment portfolio	1 633	131	1 597	128
of which other equity investments	16	1	18	1
Equity investments under CRSA	1 149	92	1 154	92
of which investments held with method continuation/grandfathering	1 149	92	1 154	92
Total equity investments	**3 997**	**320**	**4 182**	**335**
1.5 Risk position amount for contributions to a default fund for a CCP	**10**	**1**	**11**	**1**
Total credit risks	**63 940**	**5 115**	**65 500**	**5 240**

EUR million	Risk-weighted exposure value 30 June 2015	Own funds requirement 30 June 2015	Risk-weighted exposure value 31 Dec. 2014	Own funds requirement 31 Dec. 2014
2. Settlement/delivery risk				
Settlement/delivery risk in the banking book	0	0	1	0
Settlement/delivery risk in the trading book	0	0	0	0
Total settlement/delivery risk	**0**	**0**	**1**	**0**
3 Market price risks				
Standard approach	3 642	291	3 251	260
of which interest rate risks	2 572	206	2 343	187
of which general and special price risks (net interest position)	2 572	206	2 343	187
of which securitization positions with special price risk in trading book	0	0	0	0
of which special price risk in correlation trading portfolio	25	2	23	2
of which equity risks	403	32	465	37
of which currency risks	609	49	404	32
of which risks from commodities positions	58	5	37	3
Internal Model Method	6 026	482	5 811	465
Total market price risks	**9 668**	**773**	**9 061**	**725**
4 Operational risks				
Basic indicator approach	0	0	0	0
Standard approach	4 787	383	5 065	405
Advanced measurement approach	0	0	0	0
Total operational risks	**4 787**	**383**	**5 065**	**405**
5 Total risk exposure for credit valuation adjustments	**2 212**	**177**	**2 554**	**204**
6 Total risk exposure resulting from large exposure in the trading book	**0**	**0**	**0**	**0**
7 Other	**0**	**0**	**0**	**0**
Total	**80 606**	**6 449**	**82 182**	**6 575**

Figure 2: Own funds requirements (Article 438 CRR).

Change in own funds requirements when compared with 31 Dec. 2014.

The reduction in own funds requirements results essentially from the decline in risk weighted exposure values for the credit risk, due to repayments and maturities. The total amount of exposure values for operational risks decreased on account of the annual recalculation. The exposure values for market price risks recorded the opposite trend on account of the business performance.

3 Counterparty default risk under the IRB approach. (Article 452 CRR)

Regulatory capital backing is based on the following rating systems in line with the IRB approach:

- Banks
- Country and transfer risks
- Insurance companies
- Project finance
- Corporates
- International real estate finance
- Sparkassen-ImmobiliengeschäftsRating
- DSGV-Haftungsverbund
- Sparkassen-StandardRating
- Specific special rating classes
- IAA procedure for measuring securitization positions
- Leasing
- Leveraged finance
- Aircraft finance
- International administrative authorities
- Funds

The CRS approach is used for all other portfolios of LBBW (Bank) and all other companies included in the regulatory basis of consolidation of the LBBW Group with the exception of the equity investment portfolio. The IRB approach is applied to the investment portfolios of all subsidiaries.

All rating methods yield a one-year local-currency PD. Any transfer risk is taken into account in the foreign currency (foreign currency PD). These PDs are transferred to a rating class using the master scale applied uniformly within Sparkassen-Finanzgruppe. The master scale comprises a total of 18 rating classes; of these, the first class is broken down into a further eight sub-classes and rating class 15 into a further three sub-classes for specific rating methods. Ratings 16 to 18 indicate default.

LBBW exposure positions which are classified as retail business are not yet measured using the IRB approach. Approval for the use of own internally estimated loss quotas (IRB-Retail) has been sought. In the future, all materially significant portfolios and subsidiaries will be measured using the IRB approach. These portfolios are being migrated to the IRB approach for both the LBBW Group and LBBW (Bank) in close consultation with the responsible competent authorities.

Exposure amounts by probability of default class under the IRB approach.

The following table sets out the exposure classes covered by the IRB approach: central governments, banks, corporates including the specialized lending exposures and SMEs sub-classes as well as equity investments. The following parameters are applied:

- Total exposure values and the exposure values of non-drawn loan commitments
- Average probabilities of default (PDs) weighted with the exposure values
- Average risk weights weighted with the exposure values
- Total exposure values weighted with the respective average risk weights

Change of exposure values in the IRB approach when compared with 31 Dec. 2014.

Compared with the reporting date of 31 December 2014, a rise in the exposure values of the exposure class of central governments in PD classes 1 [(AAAA) – (A-)] was primarily recorded. This increase results mainly from higher deposits with central banks. Due to the rating of these exposures with a PD of 0, this rise did not result in an increase in the risk-weighted exposure value or in the own funds requirements in this exposure class.

EUR million Exposure class	Exposure values	of which outstanding credit commitments	Average PD in %	Average risk weight in %	Exposure amount weighted with risk weight
PD classes 1 [(AAAA) - (A-)]/0.00 % to <= 0.10 %					
Central governments	50 353	758	0.01	1.69	852
Banks	33 983	10	0.07	6.68	2 270
Corporates	34 439	4 870	0.06	18.16	6 253
of which SMEs	1 799	53	0.06	13.36	240
of which specialized lending exposures	6 825	141	0.06	22.77	1 554
of which purchased receivables	0	0	0.00	0.00	0
Equity investments	136	0	0.09	74.76	101
Total	**118 911**	**5 638**			**9 476**
PD classes 2–5/0.11 % to <= 0.47 %					
Central governments	621	0	0.20	43.92	273
Banks	7 241	123	0.19	26.99	1 954
Corporates	33 051	5 481	0.22	39.33	12 998
of which SMEs	1 708	112	0.26	38.96	665
of which specialized lending exposures	6 234	488	0.23	46.24	2 882
of which purchased receivables	0	0	0.00	0.00	0
Equity investments	12	0	0.26	115.95	14
Total	**40 924**	**5 604**			**15 238**
PD classes 6–10/0.48 % to <= 3.62 %					
Central governments	568	0	1.25	91.65	520
Banks	2 883	16	0.96	51.20	1 476
Corporates	12 687	1 294	1.25	92.49	11 733
of which SMEs	1 694	106	1.22	77.73	1 316
of which specialized lending exposures	3 019	171	1.57	106.62	3 219
of which purchased receivables	0	0	0.00	0.00	0
Equity investments	5	0	1.29	259.65	14
Total	**16 143**	**1 310**			**13 744**
PD classes 11–15/3.63 % to <= 99.99 %					
Central governments	16	0	19.78	252.79	42
Banks	42	0	8.62	160.85	68
Corporates	1 418	95	9.96	186.60	2 646
of which SMEs	222	7	7.56	141.64	315
of which specialized lending exposures	526	9	12.43	208.21	1 095
of which purchased receivables	0	0	0.00	0.00	0
Equity investments	0	0	0.00	0.00	0
Total	**1 477**	**95**			**2 755**
PD classes 16–18/100 % (default)					
Central governments	2	0	100.00	-	0
Banks	5	0	100.00	-	0
Corporates	2 588	42	100.00	-	0
of which SMEs	159	2	100.00	-	0
of which specialized lending exposures	568	2	100.00	-	0
of which purchased receivables	0	0	0.00	-	0
Equity investments	0	0	0.00	-	0
Total	**2 595**	**42**			**0**
Central governments	51 561	758	0.03	3.27	1 686
Banks	44 155	149	0.17	13.06	5 768
Corporates	84 182	11 782	3.54	39.95	33 630
of which SMEs	5 582	280	3.61	45.45	2 537
of which specialized lending exposures	17 172	811	4.07	50.96	8 751
of which purchased receivables	0	0	0.00	0.00	0
Equity investments	153	0	0.15	84.45	129
Total	**180 050**	**12 689**			**41 214**

Figure 3: Exposure values used for ratings (excluding retail) under the IRB approach (Article 452 (e) and (j) (ii) CRR).

4 Leverage ratio. (Article 451 CRR)

The leverage ratios taking into account transitional rules (phased in) are disclosed for the first time as at 30 June 2015. No comparison figures as at 31 March 2015 or 31 December 2014 are shown.

The calculation of the ratio is based on the requirements of the Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio.

LBBW takes account of the risk of excessive indebtedness by including the leverage ratio in its planning and management process. Based on LBBW's business and risk strategy and their implementation in medium-term planning, an internal future target for the leverage ratio is derived. The management of the leverage ratio is embedded in the management of the LBBW Group's balance-sheet structure. At monthly intervals LBBW's comprehensive internal management reporting is used to report on the development of the leverage ratio and key influencing factors. If required, the management approaches of the leverage ratio that have been identified for LBBW are discussed in the Asset Liability Committee (ALCo) from a comprehensive angle. The ALCo submits proposals for specific management measures to the Group's Board of Managing Directors where appropriate. Decisions are taken by the Group's Board of Managing Directors.

EUR million	Figures to be used
Total of assets reported in the annual financial statements	278 603
Adjustment for equity investments consolidated for accounting purposes but not forming part of the supervisory basis of consolidation	– 1 923
(Adjustment for fiduciary assets reported in the balance sheet in accordance with the accounting provisions in force but which are excluded from the overall exposure measurement in accordance with Article 429 (13) of Regulation (EU) No. 575/2013)	0
Adjustments for derivative financial instruments	– 12 140
Adjustments for securities financing transactions (SFTs)	12 299
Adjustment for off-balance-sheet transactions (i.e. conversion of off-balance-sheet transactions into credit equivalent amounts)	15 825
(Adjustment for risk exposures from intragroup receivables which are excluded from the overall exposure measurement in accordance with Article 429 (7) of Regulation (EU) No. 575/2013)	0
(Adjustments for risk exposures which are excluded from the overall exposure measurement in accordance with Article 429 (14) of Regulation (EU) No. 575/2013.	0
Other adjustments	
Phase-in	– 104
Overall exposure measurement of the leverage ratio	
Phase-in	**292 560**

Figure 4: Comparison between balance sheet and overall exposure value measurement.

EUR million	Risk exposure values of the CRR leverage ratio
Balance-sheet exposures (except for derivatives and securities financing transactions (SFTs))	
On-balance-sheet items (excluding derivatives, securities financing transactions (SFTs) and fiduciary assets but including collateral)	219 353
(Assets deducted in the calculation of Tier 1 capital)	
Phase-in	– 1 027
Total of balance-sheet risk exposures (except for derivatives, securities financing transactions (SFTs) and fiduciary assets)	
Phase-in	218 326
Derivative risk exposures	
Replacement costs for all derivatives transactions (i.e. adjusted for eligible margins received in cash)	9 134
Premiums for the potential future replacement value with regard to all derivatives transactions (mark-to-market measurement method)	7 324
Risk exposure valued in accordance with the Original Exposure Method	0
Added amount of collateral provided for derivatives transactions if they are deducted from balance sheet assets in accordance with the accounting provisions currently in force	0
(Deduction in the case of margins in derivatives transactions received in cash)	– 7 084
(Excluded risk exposures from transactions settled on behalf of customers via a qualified central counterparty (QCCP))	0
Adjusted effective nominal value of written credit derivatives	12 801
(Adjusted offsetting of effective nominal value and premium deductions for credit derivatives issued)	– 5 161
Total derivative risk exposures	**17 014**
Risk exposures from securities financing transactions (SFTs)	
Gross assets from securities financing transactions (SFTs; without recognition of netting) after adjustment for transactions booked as sales	37 309
(Netted amounts of cash liabilities and receivables from gross assets from securities financing transactions (SFTs))	0
Premium on the counterparty default risk from securities financing transactions (SFTs)	4 087
Exception for securities financing transactions (SFTs): premium on the counterparty default risk in accordance with Article 429b (4) and Article 222 of Regulation (EU) No. 575/2013	0
Risk exposures from transactions realized as an agent	0
(Excluded risk exposures from securities financing transactions (SFTs) settled on behalf of customers via a qualified central counterparty (QCCP))	0
Total of risk exposures from securities financing transactions	**41 396**
Other off-balance-sheet risk exposures	
Off-balance-sheet risk exposures at their gross nominal value	43 707
(Adjustments for the conversion into credit equivalent amounts)	– 27 882
Other off-balance-sheet risk exposures	**15 825**
Risk exposures excluded pursuant to Article 429 (7) and (14) CRR (balance sheet and off balance sheet)	
Group internal risk exposures (individual basis) excluded pursuant to Article 429 (7) of Regulation (EU) No. 575/2013 (balance sheet and off balance sheet)	0
Risk exposures excluded pursuant to Article 429 (14) of Regulation (EU) No. 575/2013 (balance sheet and off balance sheet)	0
Equity and total risk exposures	
Tier 1 capital	
Phase-in	13 018
Overall exposure measurement of the leverage ratio	
Phase-in	292 560
Leverage ratio	
Phase-in	4.4 %
Application of transitional provisions and value of derecognized fiduciary items	
Value of derecognized fiduciary items in accordance with Article 429 (13) of Regulation (EU) No. 575/2013	0

Figure 5: Uniform disclosure schema for the leverage ratio.

EUR million	Risk exposure values of the CRR leverage ratio
Total balance-sheet exposures (except for derivatives, securities financing transactions (SFTs) and excluded exposures)	**212 269**
of which risk exposures of the trading book	**39 388**
of which risk exposures of the banking book	**172 882**
of which covered bonds	52
of which risk exposures treated as risk exposures towards central governments	33 956
of which risk exposures to regional authorities, multilateral development banks, international organizations and public-sector bodies which are NOT treated as risk exposures towards central governments	6 199
of which banks	42 227
of which collateralized by real estate liens	17 599
of which risk exposures from the retail business	6 500
of which corporates	53 680
of which defaulted exposures	2 025
of which other exposure classes (e.g. equity investment exposures, securitization exposures and other asets which are not loan commitments)	10 644

Figure 6: Breakdown of balance-sheet risk exposures (excluding derivatives, securities financing transactions (SFT) and excluded risk exposures).

List of abbreviations.

AT 1	Additional Tier 1 Capital
CET 1	Common Equity Tier 1
CRR	Capital Requirements Regulation
EBA	European Banking Authority
IAA	Internal Assessment Approach
IRBA	Internal Ratings Based Approach
SME	Small and medium-sized enterprises
CRSA	Credit Risk Standard Approach
LGD	Loss given Default
UCI	Undertakings for collective investment
PD	Probability of Default
T 2	Tier 2 capital
CCP	Central counterparty

Index of tables.

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