LBBW

Breaking New Ground

Disclosure report for the first half of 2018

2018

1 General requirements (Article 431 – 434 CRR)

Due to the requirements pursuant to Part Eight of the CRR (Capital Requirements Regulation – Regulation (EU) No. 575/2013) and the CRD IV (Capital Requirements Directive IV – Directive 2013/36/EU), institutions must prepare a disclosure report at least once a year.

In accordance with the regulations of European banking supervision, institutions with consolidated risk exposures exceeding EUR 200 billion according to Article 429 CRR must publish a disclosure report each quarter in line with the Guideline of the European Banking Authority (EBA/GL2014/14 from 23 December 2014). The EBA Guideline EBA/GL/2016/11 also extended requirements to include the information published during the year.

LBBW fulfills its obligation to prepare the disclosure report in aggregate form at group level in its function as a parent company. The basis for the figures given in this report is the regulatory basis of consolidation. Figures are calculated in accordance with the International Financial Reporting Standards (IFRS).

Figures contained in this report are based on the currently valid framework. In particular, the presentation of own funds thus still includes transitional provisions which are still relevant.

This report provides quantitative information required as at the end of the reporting period regarding:

- Own funds
- Capital ratios
- Development of risk weighted assets
- Credit quality of assets
- Non-performing exposures
- Credit mitigation techniques
- RWA flow statement of credit risks in accordance with the IRB approach
- Counterparty credit risk
- Market risks
- RWA flow statement of market risk exposures under the Internal Model Method (IMM)
- Leverage ratio
- Liquidity coverage 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 capital requirements (Articles 437 and 438 CRR)

2.1 Own funds

LBBW is not exercising the option given in Article 473a (1–6) CRR to phase in the effects resulting from the first-time adoption of IFRS 9 in CET 1.

The following table shows the own funds of the LBBW Group under IFRS, associated regulatory adjustments and capital ratios.

EUR million **Capital instruments**	**30.06.2018**	**31.03.2018**
Common equity Tier 1 (CET 1) capital before regulatory adjustments	12,876	12,858
Regulatory adjustments to common equity Tier 1 (CET 1) capital as a whole	– 1,013	– 1,022
Common equity Tier 1 (CET 1) capital	*11,864*	*11,835*
Additional Tier 1 (AT1) capital before regulatory adjustments	920	920
Regulatory adjustments to additional Tier 1 (AT1) as a whole	-	-
Additional Tier 1 (AT1)	*920*	*920*
Tier 1 (T1 = CET 1 + AT1)	*12,784*	*12,756*
Tier 2 (T2) before regulatory adjustments	4,361	4,205
Regulatory adjustments to Tier 2 (T2) capital as a whole	– 25	– 25
Tier 2 (T2) capital as a whole	*4,336*	*4,180*
Total capital (TC = T1 + T2)	*17,121*	*16,936*
Total risk weighted assets	*79,100*	*78,177*
Capital ratios		
CET 1 capital ratio (expressed as a percentage of the total risk exposure amount)	**15.0**	**15.1**
T1 capital ratio (expressed as a percentage of the total risk exposure amount)	**16.2**	**16.3**
Total capital ratio (expressed as a percentage of the total risk exposure amount)	**21.6**	**21.7**

Figure 1: Type and amounts of capital instruments

Changes to own funds as against 31 March 2018

The common equity Tier I (CET 1) of the LBBW Group increased marginally as against the last quarter. This is primarily a result of the transfer of the profit for 2017 to retained earnings as determined by the Supervisory Board. This was offset by the decline of the revaluation reserve.

There were no changes to eligible additional Tier I capital (AT1). Subordinated capital was strengthened in the second quarter of 2018 through the issue of another subordinated bond of AUD 250 million within the scope of the MTN program. The amortization to the day of Tier 2 capital components had a counteracting effect.

The changes impacting on CET 1 capital have an effect on all capital ratios. The issue of Tier 2 capital only had a positive effect on the total capital ratio.

Due to the aforementioned facts and the increase in risk weighted assets, LBBW's CET 1 capital ratio, Tier 1 capital ratio and total capital ratio fell slightly quarter-on-quarter. The calculation of capital ratios does not include any elements of own funds calculated on a basis other than that stipulated in the CRR (Article 437 (1) (f) CRR).

2.2 Countercyclical capital buffer

The institution-specific countercyclical capital buffer shall be published in the disclosure report at least once a year pursuant to Commission Delegated Regulation (EU) No. 2015/1555. As the UK introduced a countercyclical capital buffer on 27 June 2018, this table will also be published during the year.

Under the applicable transitional rules pursuant to Section 64r of the German Banking Act, the CET 1 capital cover of the total countercyclical capital buffer of all relevant countries is capped at 1.875 % in 2018.

The countries that had a countercyclical capital buffer as at 30 June 2018 are shown in the following table.

	Countercyclical capital buffer in %	
Country	**30.06.2018**	**31.12.2017**
United Kingdom	0.500	0.000
Hong Kong	1.875	1.250
Iceland	1.250	1.250
Norway	2.000	2.000
Sweden	2.000	2.000
Slovakia	0.500	0.500
Czech Republic	0.500	0.500

Figure 2: Countercyclical capital buffer

The countries with the greatest risk exposure in accordance with the guidelines for the countercyclical buffer and those that imposed a countercyclical capital buffer in 2018 are shown in the following table.

EUR million Breakdown by country	General credit risk exposures		Risk exposures in the trading book		Securitization risk exposures		Capital requirements					
	Risk exposure value CRSA	Risk exposure value IRB	Total of purchase and sales positions in the trading book	Values of risk exposures in the trading book (internal models)	Risk exposure value CRSA	Risk exposure value IRB	Of which: general credit risk exposures	Of which: risk exposures in the trading book	Of which: securiti-zation positions	Total	Weighting of the own fund require-ments per country	Countercy-clical capital buffer ratio
Germany	17,099	70,276	3,638	-	15	2,998	3,230	55	51	3,337	0.74792	-
Austria	41	1,480	130	-	-		50	1	-	51	0.01139	-
Switzerland	86	2,481	77	-	-	35	71	3	1	74	0.01656	-
Luxembourg	37	1,860	375	-	-		65	8	-	73	0.01634	-
Netherlands	27	1,635	280	-	-		58	10	-	68	0.01535	-
USA	63	11,086	201	-	-	428	270	5	7	282	0.06322	-
United Kingdom	41	1,152	2,736	-	-	31	54	22	31	107	0.02390	0.00012
Hong Kong	1	30	0	-	-	-	1	0	-	1	0.00014	0.00000
Iceland	0	2	-	-	-	-	0		-	0	0.00003	0.00000
Norway	1	1,711	545	-	-	-	11	4	-	15	0.00337	0.00007
Sweden	1	39	61	-	-	146	2	1	1	4	0.00084	0.00002
Slovakia	2	0	-	-	-	-	0	-	-	0	0.00003	0.00000
Czech Republic	7	39	-	-	-	-	2	-	-	2	0.00049	0.00000
Other	925	9,372	2,688	0	0	223	406	39	3	448	0.10043	-
Total 30 June 2018	*18,332*	*101,163*	*10,731*	*-*	*15*	*3,862*	*4,220*	*148*	*94*	*4,461*	*1.00000*	*0.00021*
Total 31 December 2017	*17,337*	*91,886*	*10,354*	*0*	*15*	*3,800*	*4,143*	*238*	*87*	*4,468*	*1.00000*	*0.00009*

Figure 3: Determining the institution-specific countercyclical capital buffer (pursuant to Article 140 CRD)

The amount of LBBW's institution-specific countercyclical capital buffer is shown in the following figure.

Institution-specific countercyclical capital buffer	30.06.2018	31.12.2017
Total risk exposure in EUR million	79,100	75,728
Institution-specific ratio of countercyclical capital buffer in percent	0.021	0.009
Requirements of the institution-specific countercyclical capital buffer in EUR million	17	7

Figure 4: Institution-specific countercyclical capital buffer (Article 140 CRD)

2.3 Own funds requirements

The following table sets out the risk weighted assets and own funds requirements for risk types that are relevant from a prudential point of view.

Significant investments in financial sector entities to which a 250% risk weight must be applied along with deferred taxes resulting from temporary differences are reported in the line »Amounts below the thresholds for deductions«.

A breakdown by exposure class is provided as follows:

- Credit risks in CRS, chapter 3.1
- Credit risks in IRB, chapter 3.2
- Counterparty credit risks, chapter 5

	RWAs		Minimum capital requirements	
EUR million	30.06.2018	31.03.2018	30.06.2018	31.03.2018
Credit risk (excl. CCR)	*60,503*	*58,315*	*4,840*	*4,665*
of which under the standardized approach	10,521	12,098	842	968
of which under the foundation IRB approach (FIRB)	48,565	44,693	3,885	3,575
of which under the advanced IRB approach (AIRB)	-	-	-	-
of which equity in the IRB approach using the simple risk weighted approach or the IMA	1,416	1,524	113	122
Counterparty credit risk (CCR)	*4,259*	*4,765*	*341*	*381*
of which under the mark-to-market	2,477	2,747	198	220
of which under original exposure	-	-	-	-
of which under the standardized method	-	-	-	-
of which under the internal model method (IMM)	-	-	-	-
of which risk-weighted exposure amount for contributions to the default fund for a CCP	162	155	13	12
of which CVA	1,620	1,862	130	149
Settlement risk	*0*	*0*	*0*	*0*
Securitization exposures in the banking book (after application of the cap)	*1,172*	*1,144*	*94*	*92*
of which under the IRB approach	443	442	35	35
of which under the IRB supervisory formula approach (SFA)	-	49	-	4
of which under the internal assessment approach (IAA)	726	650	58	52
of which under the standardized approach	3	3	0	0
Market risk	*4,662*	*5,408*	*373*	*433*
of which under the standardized approach	2,088	2,857	167	229
of which under IMA	2,574	2,551	206	204
Large exposures	-	-	-	-
Operational risk	*4,685*	*4,685*	*375*	*375*
of which under the basic indicator approach	-	-	-	-
of which under the standardized approach	4,685	4,685	375	375
of which under the advanced measurement approach	-	-	-	-
Amounts below the thresholds for deductions (subject to 250 % risk weight)	*3,820*	*3,860*	*306*	*309*
Adjustment of floor	-	-	-	-
Total	*79,100*	*78,177*	*6,328*	*6,254*

Figure 5: EU OV1 – Overview of risk weighted assets (RWA) (Article 438 (c) to (f) CRR)

The total amount of risk increased slightly quarter-on-quarter. This was primarily a result of the significant increase in the credit risk, in particular from new business and as a result of adjusted ratings for transactions reported under »Corporates« using the IRB approach. In particular, this was offset by the significant reduction in risk positions reported in the »Corporates« exposure class under the CRSA. The significant decline in market risks also reduced the total risk exposure. This resulted mainly from the reduction of position risks for investment units.

The following table shows risk weighted assets for specialized lending exposures reported using the IRB approach and for equity investments reported using the IRB approach that are subject to a fixed risk weight.

EUR million	Specialized lending exposures					
Remaining maturity / Regulatory categories	**On-balance-sheet amount**	**Off-balance-sheet amount**	**Risk weight in %**	**Exposure amount**	**RWAs**	**Expected losses**
Category 1						
Less than 2.5 years	26	0	50	26	13	-
Equal to or more than 2.5 years	-	1	70	1	0	0
Category 2						
Less than 2.5 years	14	0	70	14	10	0
Equal to or more than 2.5 years	53	20	90	68	61	1
Category 3						
Less than 2.5 years	10	0	115	10	11	0
Equal to or more than 2.5 years	43	1	115	43	49	1
Category 4						
Less than 2.5 years	-	-	250	-	-	-
Equal to or more than 2.5 years	-	-	250	-	-	-
Category 5						
Less than 2.5 years	-	-	-	-	-	-
Equal to or more than 2.5 years	-	-	-	-	-	-
Total - 30 June 2018	*145*	*22*		*162*	*145*	*2*
Less than 2.5 years	50	0		50	34	0
Equal to or more than 2.5 years	95	22		112	111	2
Total - 31 December 2017	*180*	*1*		*182*	*156*	*2*

	Equities under the simple risk-weighted approach					
Categories	**On-balance-sheet amount**	**Off-balance-sheet amount**	**Risk weight in %**	**Exposure amount**	**RWAs**	**Capital requirements**
Private equity exposures	721	-	190	721	1,370	110
Exchange traded equity exposures	16	-	290	16	46	4
Other equity exposures	-	-	370	-	-	-
Total - 30 June 2018	*737*	-		*737*	*1,416*	*113*
Total - 31 December 2017	*788*			*788*	*1,513*	*121*

Figure 6: EU CR10 – IRB specialized lending exposures and equity investments with a fixed risk weight

LBBW does not have any equity investments in insurance companies, hence no disclosure requirement of template EU INS1.

3 Credit risk (Articles 442, 444, 452 CRR)

3.1 Applying the standardized approach to credit risks

External credit rating assessments from the following ratings agencies are applied to calculate regulatory capital requirements under the credit risk standardized approach:

- Standard & Poor's Ratings Services
- Moody's Investors Service
- Fitch Ratings Ltd

These are applied on a standardized basis for all relevant CRSA exposure classes.

Where a credit assessment exists for the position of an exposure in CRSA, it is used to determine the risk weight to be assigned to the position (Article 139 (1) CRR). Where no such rating exists, the risk is weighted using the credit assessment for a comparable exposure or using a general credit assessment for the issuer (Article 139 (2) CRR).

Comparable exposures are exposures which must be met by the same obligor of the CRSA exposure and for which a credit assessment exists for a specific issuing program.

At LBBW, possible further (comparable) exposures to the same obligor with an issuer or issue credit assessment are calculated automatically using customer-related information. The reporting software uses predefined selection criteria to assign an external rating to the exposure.

In all other cases, the exposures are treated as unrated.

In the following table, CRSA exposure at default (EAD), excluding counterparty credit risks, is reported after credit risk mitigation and credit conversion factors. Exposures are broken down by risk category and risk weight. The table does not include 2%, 4%, 10% or 370% risk weights, since LBBW has no exposures in any of these risk weight categories. Exposures for which there is no credit assessment from a recognized external rating assessment institution and which therefore have no specific risk weight pursuant to Articles 113 to 134 CRR, are included in the column »of which without rating«.

Equity investments made before 1 January 2008 were subject to grandfathering arrangements until 31 December 2017. During this period, it was possible to recognize these exposures in CRS with a risk weight of 100% for non-significant investments and 250% for significant investments. This is reflected in the decline of 100% in the column risk weight and of 250% in the column risk weight which is no longer filled. As of this year, all investments are reported in IRB.

The decline of exposures reported with a risk weight of 100% as against the previous period is primarily due to the decrease in other exposures in the »Corporates «exposure class.

EUR million Exposure classes	Risk weight in % 0	20	35	50	70	75	100	150	250	1,250	Other	Deduc- ted	Total	Of which unrated
Central governments or central banks	249	-	-	-	-	-	-	-	-	-	-	-	249	249
Regional governments or local authorities	1,313	2	-	-	-	-	-	-	-	-	-	-	1,315	1,313
Public-sector entities	0	103	-	-	-	-	0	-	-	-	-	-	104	79
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	27,279	2,275	-	14	-	-	1	-	-	2	-	-	29,572	29,412
Corporates	-	871	24	324	392	-	3,908	0	-	0	-	-	5,519	4,241
Retail business	-	-	-	-	-	5,248	-	-	-	-	-	-	5,248	5,248
Secured by mortgages on immovable property	-	-	4,692	110	-	-	-	-	-	-	-	-	4,803	4,803
Exposures in default	-	-	-	-	-	-	58	81	-	-	-	-	140	140
Items exposed to a particularly high risk	-	-	-	-	-	-	-	5	-	-	-	-	5	5
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	0	-	-	-	-	0	-
Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	5	-	-	-	-	-	37	-	-	-	-	-	42	42
Total - 30 June 2018	*28,846*	*3,251*	*4,716*	*449*	*392*	*5,248*	*4,004*	*87*	-	*3*	-	-	*46,996*	*45,532*
Total - 31 December 2017	*27,700*	*5,352*	*5,033*	*479*	*383*	*5,163*	*5,443*	*84*	*362*	*0*	*2*	-	*50,001*	*48,316*

Figure 7: EU CR5 – CRSA – Breakdown by risk category and risk weight (Article 444 (e) CRR))

3.2 Applying the IRB approach to credit risks

The following section shows credit risk exposures reported under the IRB approach, excluding counterparty credit risks. The following table shows IRB credit risk exposures by exposure class and PD ranges set by the regulator.

The column »Number of obligors« shows the number of obligors of individual PDs listed in the table. The column »RWA density« refers to the ratio of risk weighted assets to exposures post credit conversion factors and credit risk mitigation.

An increase in deposits with central banks led to an increase in exposures reported under the IRB exposure class »central governments and central banks« as against the previous period. The increase in the exposure classes »institutions« and »corporates« reflects the general performance.

EUR million Exposure class/PD range		Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF in %	EAD post CRM and post CCF	Average PD in %	Number of obligors
Central governments and central banks							
	0.00 to <0.15	63,836	4,263	73.62	70,438	0.00	2,157
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-
	0.50 to <0.75	91	-	-	91	0.59	1
	0.75 to <2.50	94	42	20.01	102	1.37	6
	2.50 to <10.00	62	1	50.00	2	6.36	4
	10.00 to <100.00	10	12	21.48	11	19.69	4
	100.00 (Default)	-	-	-	-	-	-
Sub-total - 30 June 2018		*64,093*	*4,319*	*72.93*	*70,643*	*0.01*	*2,172*
Sub-total - 31 December 2017		*52,157*	*4,224*	*74.04*	*58,464*	*0.01*	*2,185*
Institutions							
	0.00 to <0.15	37,056	1,283	46.41	37,490	0.07	300
	0.15 to <0.25	874	103	66.72	943	0.17	22
	0.25 to <0.50	692	103	49.64	742	0.31	35
	0.50 to <0.75	301	44	23.41	312	0.59	22
	0.75 to <2.50	543	30	35.46	554	0.91	29
	2.50 to <10.00	1	7	11.59	1	2.96	4
	10.00 to <100.00	-	7	20.00	1	13.24	3
	100.00 (Default)	1	-	-	1	100.00	1
Sub-total - 30 June 2018		*39,468*	*1,576*	*46.85*	*40,045*	*0.10*	*416*
Sub-total - 31 December 2017		*35,058*	*1,333*	*46.69*	*35,653*	*0.10*	*417*
Corporates – SMEs							
	0.00 to <0.15	2,670	1,251	22.09	2,839	0.07	2,651
	0.15 to <0.25	545	271	28.39	605	0.17	737
	0.25 to <0.50	1,359	836	25.49	1,530	0.32	1,793
	0.50 to <0.75	555	283	21.49	605	0.59	846
	0.75 to <2.50	1,029	469	33.47	1,094	1.24	1,667
	2.50 to <10.00	331	135	54.32	285	4.15	501
	10.00 to <100.00	71	23	31.41	43	15.92	173
	100.00 (Default)	197	16	62.17	199	100.00	227
Sub-total - 30 June 2018		*6,757*	*3,283*	*26.63*	*7,200*	*3.38*	*8,595*
Sub-total - 31 December 2017		*6,661*	*3,275*	*26.15*	*7,122*	*4.03*	*9,288*

Average LGD in %	Average maturity	RWAs	RWA density in %	EL	Value adjustments and provisions
40.79	838	593	0.84	1	0
-	-	-	-	-	-
-	-	-	-	-	-
45.00	900	72	79.41	0	-
45.00	900	113	111.11	1	0
45.00	900	3	172.58	0	0
45.00	900	30	281.84	1	0
-	-	-	-	-	-
40.81	*838*	*813*	*1.15*	*2*	*0*
42.70	*870*	*1,286*	*2.20*	*2*	*0*
26.65	524	4,374	11.67	7	0
28.16	815	296	31.35	0	0
34.37	802	377	50.84	1	0
43.54	877	286	91.82	1	0
43.61	614	514	92.78	2	– 1
45.00	900	2	141.41	0	0
45.00	900	3	234.24	0	0
45.00	900	-	-	0	– 1
27.19	*540*	*5,852*	*14.61*	*11*	*– 3*
23.28	*538*	*5,242*	*15.39*	*10*	*– 2*
38.79	900	455	16.03	1	0
41.40	900	188	31.14	0	0
41.34	900	662	43.26	2	– 1
42.95	900	359	59.30	2	0
43.23	900	902	82.42	6	– 2
43.59	900	331	116.22	5	– 4
40.37	900	71	165.36	3	– 1
44.23	900	-	-	88	– 83
40.93	*900*	*2,968*	*41.22*	*107*	*– 92*
40.88	*900*	*3,085*	*43.32*	*128*	*– 83*

Exposure class/PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF in %	EAD post CRM and post CCF	Average PD in %	Number of obligors
Corporates – specialized lending						
0.00 to <0.15	7,891	526	60.07	8,100	0.08	405
0.15 to <0.25	1,578	307	73.84	1,788	0.17	65
0.25 to <0.50	3,247	577	69.35	3,640	0.30	153
0.50 to <0.75	1,515	124	73.09	1,598	0.59	70
0.75 to <2.50	1,240	252	72.63	1,422	1.29	94
2.50 to <10.00	381	35	74.44	308	3.47	25
10.00 to <100.00	214	13	75.00	166	17.52	26
100.00 (Default)	68	-	-	67	100.00	17
Sub-total - 30 June 2018	*16,134*	*1,833*	*68.28*	*17,089*	*0.91*	*855*
Sub-total - 31 December 2017	*15,294*	*1,353*	*67.39*	*15,888*	*1.01*	*852*
Corporates – other						
0.00 to <0.15	29,614	18,493	45.99	37,982	0.08	2,175
0.15 to <0.25	5,298	5,145	45.10	7,498	0.17	974
0.25 to <0.50	9,417	7,581	53.19	13,015	0.31	1,892
0.50 to <0.75	1,860	1,164	43.85	2,240	0.59	597
0.75 to <2.50	3,248	2,063	54.18	3,586	1.25	1,095
2.50 to <10.00	1,278	601	59.68	966	3.70	376
10.00 to <100.00	521	187	60.25	212	15.38	184
100.00 (Default)	529	107	56.76	539	100.00	329
Sub-total - 30 June 2018	*51,765*	*35,341*	*48.15*	*66,038*	*1.13*	*7,622*
Sub-total - 31 December 2017	*45,660*	*34,016*	*46.77*	*58,977*	*1.28*	*7,138*
Equity exposures under IRB approach						
0.00 to <0.15	41	-	-	41	0.11	7
0.15 to <0.25	8	-	-	8	0.17	2
0.25 to <0.50	17	-	-	17	0.39	4
0.50 to <0.75	12	-	-	12	0.59	3
0.75 to <2.50	0	-	-	0	0.88	1
2.50 to <10.00	2	-	-	2	6.67	2
10.00 to <100.00	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-
Sub-total - 30 June 2018	*80*			*80*	*0.43*	*19*
Sub-total - 31 December 2017	*34*	-	-	*34*	*0.19*	*20*
Total (all portfolios) - 30 June 2018	*178,298*	*46,353*	*49.69*	*201,095*	*0.59*	*19,679*
Total (all portfolios) - 31 December 2017	*154,864*	*44,201*	*48.48*	*176,137*	*0.70*	*19,900*

	Average LGD in %	Average maturity	RWAs	RWA density in %	EL	Value adjustments and provisions
	41.87	900	1,980	24.44	3	– 1
	43.64	900	736	41.15	1	0
	43.86	900	2,045	56.20	5	– 1
	41.16	900	1,179	73.76	4	0
	44.70	900	1,487	104.59	8	– 3
	43.78	900	428	139.06	5	– 2
	45.09	900	400	240.62	13	– 7
	43.90	900	-	-	30	– 10
	42.72	*900*	*8,255*	*48.31*	*68*	*– 23*
	42.71	*900*	*7,243*	*45.59*	*70*	*– 23*
	38.56	759	7,769	20.45	11	– 6
	41.38	848	2,954	39.40	5	– 4
	44.49	898	7,556	58.05	18	– 11
	44.51	896	1,781	79.54	6	– 4
	44.47	900	3,796	105.86	20	– 9
	41.29	900	1,314	136.06	15	– 14
	31.98	900	358	168.90	9	– 5
	44.13	900	-	-	238	– 247
	40.64	*813*	*25,528*	*38.66*	*323*	*– 300*
	40.30	*833*	*22,137*	*37.72*	*329*	*– 270*
	65.00	1,800	31	75.54	0	-
	65.00	1,800	8	102.49	0	-
	65.00	1,800	23	137.84	0	-
	65.00	1,800	20	160.51	0	-
	65.00	1,800	1	182.98	0	-
	65.00	1,800	6	299.18	0	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	65.00	*1,800*	*89*	*111.01*	*0*	-
	65.00	*1,800*	*32*	*94.30*	*0*	-
	38.22	*778*	*43,505*	*21.63*	*513*	*– 418*
	37.89	*794*	*39,025*	*22.35*	*539*	*– 378*

Figure 8: EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range (Article 452 (e) to (g) CRR)

The following table shows the development of RWAs of risk exposures under the IRB approach between 31 March 2018 and 30 June 2018.

EUR million	RWAs	Capital requirements
RWAs - 31 March 2018	*50,077*	*4,006*
Asset size	1,096	88
Asset quality	– 495	– 40
Model updates	3,037	243
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	289	23
Other	– 203	– 16
RWAs - 30 June 2018	*53,801*	*4,304*

Figure 9: EU CR8 – RWA flow statements of credit risks under the IRB approach (Article 438 (d) CRR and Article 92 (3) (a) CRR)

»Amount of risk exposures« shows the organic change in the journal, including new business and outstanding receivables. »Asset quality« shows the changes in the measured quality of the investments resulting from changes to the obligor risk such as changes to the ratings or similar effects. »Model updates« show changes resulting from implementing models, changes to the scope of the model and model improvements.

Changes in RWAs from model updates are due mainly to internal models for corporate customers and real estate financing. These are partially temporary effects which will be phased out again throughout 2018.

»Methodology and policy« show changes caused by adjustments to calculation methods resulting from changes to regulatory policies. »Acquisitions and disposals« show changes to the size of the book resulting from acquisitions or disposals of companies. »Foreign exchange movements« show changes arising from fluctuating exchange rates. »Other« shows all further changes which cannot be explicitly allocated to one of the exposures listed.

3.3 Credit quality of exposures

The following tables show the credit quality of on-balance-sheet and off-balance-sheet exposures, not including counterparty credit risk, broken down by exposure class and credit risk approach. The reported credit risk adjustments are last year's audited figures for COREP reporting. Further on, there is a breakdown by sector and country.

Defaulted exposures under the CRS approach are shown both in the »defaulted exposures« exposure class and in the original exposure class before default. However, the figure is only included once in the total exposures under the CRS approach.

An increase in deposits with central banks led to an increase in the net value of exposures reported under the IRB exposure class »central governments and central banks« as against the previous period. The increase in the exposure classes »institutions« and »corporates« reflects the general performance.

EUR million Exposure class	Gross carrying values of Defaulted exposures	 Non-defaulted exposures	Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the reporting period	Net values 30.06.2018	Net values 31.12.2017
Central governments or central banks	-	69,269	0	-	-	0	69,269	57,216
Institutions	1	57,357	3	-	-	1	57,355	48,034
Corporates	917	115,969	415	-	-	39	116,470	107,914
of which specialized lending	68	18,496	23	-	-	0	18,541	17,231
of which SMEs	213	10,167	92	-	-	9	10,288	10,351
Retail business	-	-	-	-	-	-	-	-
of which secured by mortgages on immovable property	-	-	-	-	-	-	-	-
of which SMEs	-	-	-	-	-	-	-	-
of which non-SMEs	-	-	-	-	-	-	-	-
of which qualified, revolving	-	-	-	-	-	-	-	-
of which other retail	-	-	-	-	-	-	-	-
of which SMEs	-	-	-	-	-	-	-	-
of which non-SMEs	-	-	-	-	-	-	-	-
Equity exposures	-	1,545	-	-	-	-	1,545	1,232
Other non credit obligation assets	-	2,383	0	-	-	0	2,383	2,288
Total amount under IRB approach	*918*	*246,523*	*418*	-	-	*40*	*247,022*	*216,685*
of which credits [7]	795	157,842	361	-	-	23	158,277	126,738
of which debt securities[7]	-	39,311	1	-	-	0	39,311	31,103
of which off-balance-sheet exposures [7]	123	46,260	57	-	-	17	46,326	41,567
Central governments or central banks	0	2	0	-	-	0	2	2
Regional governments or local authorities	-	277	0	-	-	0	276	396
Public-sector entities	0	193	0	-	-	0	193	277
Multilateral development banks	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-
Institutions	-	31,163	0	-	-	0	31,162	31,855
Corporates	153	10,060	113	-	3	– 4	10,100	11,588
of which SMEs	16	1,586	3	-	-	– 4	1,599	1,502
Retail	147	8,809	52	-	4	– 6	8,904	8,706
of which SMEs	32	1,817	6	-	-	– 2	1,843	1,732
Secured by mortgages on immovable property	-	4,810	2	-	-	– 1	4,809	5,162
of which SMEs	-	144	0	-	-	0	144	134
Exposures in default	300	-	150	-	-	– 11	150	151
Items associated with particularly high risk	-	5	-	-	-	-	5	-
Covered bonds	-	-	-	-	-	-	-	-
Risk exposure to institutions and corporates with a short-term credit rating	-	0	-	-	-	-	0	0
Collective investments undertakings	-	-	-	-	-	-	-	2

EUR million Exposure class	Gross carrying values of Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the reporting period	Net values 30.06.2018	Net values 31.12.2017
Equity exposures	-	-	-	-	-	-	-	414
Other items	-	42	-	-	-	-	42	36
Total amount under the Standardized Approach	*300*	*55,360*	*167*	-	*6*	*– 10*	*55,493*	*58,439*
of which credits *)	293	46,648	164	-	0	– 11	46,777	44,038
of which debt securities *)	-	12	-	-	-	-	12	183
of which off-balance-sheet exposures *)	7	8,017	1	-	-	0	8,023	6,618
Total	*1,217*	*301,883*	*585*	-	*6*	*30*	*302,515*	*275,124*
of which credits *)	1,088	204,490	525	-	0	12	205,053	170,776
of which debt securities *)	-	39,324	1	-	-	0	39,323	31,286
of which off-balance-sheet exposures *)	129	54,277	58	-	-	17	54,349	48,185

Figure 10: EU CR1-A - Credit quality of exposures by exposure classes and instruments (Article 442 (g) and (h) CRR)

*) figures in accordance with FINREP

The grouping of exposures by industry shown in the following table is in accordance with the applicable Bundesbank industry key. Activities which are especially relevant to LBBW have been removed from the industry classification and are shown separately. »Other manufacturing« includes manufacturing activities whose individual volume does not exceed 1 % of total risk exposure. »Other industries« includes all Bundesbank industries whose individual volume does not exceed 1% of total risk exposure.

EUR million Industry sector	Gross carrying values of		Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges in the reporting period	Net values 30.06.2018	Net values 31.12.2017
	Defaulted exposures	Non-defaulted exposures						
Central banks and banks	1	116,323	7	-	0	4	116,316	102,429
Other financial institutions	47	27,734	40	-	0	- 2	27,741	23,800
Other financial and insurance services	29	15,334	2	-	0	0	15,361	7,029
Public administration, defense, social security	0	20,308	4	-	0	4	20,303	23,550
Private households	26	12,760	30	-	2	- 7	12,755	13,416
Real estate and housing	112	25,918	47	-	0	2	25,983	24,634
Energy supplies	44	5,895	17	-	0	- 2	5,922	5,663
Mechanical engineering	108	6,682	46	-	0	13	6,744	7,807
Automotive production including components	22	5,313	13	-	0	- 3	5,322	4,657
Other manufacturing	274	19,322	142	-	1	19	19,454	17,591
Professional, scientific and technical activities	32	14,084	23	-	1	- 16	14,092	13,004
Trade, maintenance and repair of motor vehicles	169	8,529	114	-	0	- 1	8,584	8,668
Information and communication	15	4,726	10	-	0	4	4,731	4,265
Transport and storage	3	2,978	3	-	0	- 3	2,977	2,917
Water supply, waste-water and waste management	3	3,033	4	-	0	1	3,033	2,715
Other sectors	332	12,946	80	-	3	17	13,197	12,979
Total	*1,217*	*301,883*	*585*	-	*6*	*30*	*302,515*	*275,124*

Figure 11: EU CR1-B - Credit quality of exposures by industry sector (Article 442 (g) and (h) CRR)

The following table breaks down exposure by country and geographic area. Significant countries are listed separately. Twelve European countries, two American countries and one Asian country were defined as significant countries with the largest respective risk exposure.

EUR million	Gross carrying amounts of							
Countries	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges in the reporting period	Net values 30.06.2018	Net values 31.12.2017
Total Europe	*1,157*	*264,556*	*566*	-	*6*	*24*	*265,147*	*248,438*
Germany	1,020	201,681	504	-	6	26	202,197	189,431
Finland	1	1,320	0	-	-	0	1,321	1,174
France	2	10,509	1	-	-	0	10,510	7,812
United Kingdom	4	19,728	4	-	-	0	19,728	18,719
Ireland	20	1,975	0	-	-	- 3	1,995	2,044
Italy	0	1,590	0	-	-	0	1,590	1,681
Luxembourg	15	2,320	5	-	-	- 1	2,330	2,348
Netherlands	5	4,542	1	-	-	0	4,547	3,023
Norway	0	1,928	0	-	-	0	1,928	1,617
Austria	0	2,925	1	-	-	0	2,924	2,696
Sweden	0	1,907	0	-	-	0	1,907	1,582
Switzerland	2	7,292	2	-	-	0	7,291	6,096
Other countries Europe	87	6,840	47	-	-	1	6,880	10,216
Total America	*52*	*24,797*	*13*	-	-	*4*	*24,836*	*20,779*
Canada	0	1,796	0	-	-	0	1,796	1,358
USA	5	20,968	5	-	-	3	20,968	17,484
Other countries – America	46	2,033	8	-	-	1	2,072	1,938
Total Asia/Pacific	*9*	*6,379*	*4*	-	-	*1*	*6,383*	*5,537*
China	0	1,526	0	-	-	0	1,526	913
Other countries - Asia/Pacific region	9	4,853	4	-	-	1	4,858	4,625
Total other countries	*0*	*6,151*	*2*	-	-	*1*	*6,149*	*370*
Other countries – Other	0	6,151	2	-	-	1	6,149	370
Total	*1,217*	*301,883*	*585*	-	*6*	*30*	*302,515*	*275,124*

Figure 12: EU CR1-C - Credit quality of exposure by country and geographic area (Article 442 (g) and (h) CRR)

3.4 Non-performing exposures

Definitions of impaired performance.
An exposure is deemed to be impaired when there is objective evidence of impairment (an »impairment trigger«). Objective evidence of impairment includes, in particular, significant financial difficulties of the obligor, a breach of contract (the obligor is in default or past due payments of interest and/or principal) or a greater likelihood of the obligor filing for bankruptcy. LBBW is guided by the regulatory definition of default in respect of the decisive definition of default for accounting purposes as »impaired«. An exposure shall be deemed to be defaulted in the sense of the regulatory definition in Article 178 CRR when at least one of the following events has taken place:

- there has been a default in payment/overdraft of > 90 days
- there is unlikeliness to pay (doubts about obligor's creditworthiness)
- the exposure has been rescheduled/restructured
- there has been a sale of the credit obligation
- it has been called/repaid
- the obligor has filed for bankruptcy
- the exposure has been fully written off.

Credit exposures past due are exposures which are past due by a certain number of days at individual transaction level. Such exposures then lead to the default of the obligor if the obligor has breached the materiality threshold by more than 90 consecutive days on the sum of all the credit lines available to that obligor. Amounts past due are regarded as material and relevant if they exceed a minimum threshold of 2.5 % (at least EUR 100) of all the credit lines available to the obligor.

Transactions which are not impaired and are reported as being past due by more than 90 days at individual transaction level are mostly significant exposures for which there are objective indications for impairment, but for which an individual valuation does not lead to any provision. The estimated expected cash flows as part of this valuation are in line with and/or exceed the carrying amount, hence no impairment is required (e.g. if there is sufficient collateral).

The following table shows the development of allowances for losses on loans and advances in the first half of 2018.

EUR million	Accumulated specific credit risk adjustments	General credit risk adjustments
Opening balance - 31 December 2017	*619*	*118*
Effect of first-time adoption of IFRS 9	– 8	214
Increases due to amounts set aside for estimated loan losses during the period	32	40
Decreases due to amounts reversed for estimated loan losses during the period	– 19	– 10
Decreases due to amounts taken against accumulated credit risk adjustments	– 43	0
Transfers between credit risk adjustments	0	0
Impact of exchange rate differences	0	1
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	0	0
Closing balance - 30 June 2018	*581*	*362*
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	7	0
Specific credit risk adjustments directly recorded to the statement of profit or loss	– 7	0

Figure 13: EU CR2-A - Changes in holdings of general and specific credit risk adjustments (Article 442 (i) CRR)

The following table shows the holdings of defaulted and impaired loans and debt securities as at 30 June 2018 in accordance with FINREP.

EUR million	Gross carrying values of defaulted exposures
Opening balance 31 December 2017	*1,201*
Loans and debt securities that have defaulted or been impaired since the last reporting period	197
Returned to non-defaulted status	– 133
Amounts written off	– 14
Other changes	– 222
Closing balance 30 June 2018	*1,030*

Figure 14: EU CR2–B - Changes in the holdings of defaulted and impaired loans and debt securities (Article 442 (i) CRR)

Figures shown under »other changes« primarily include effects of first-time adoption from the transition to IFRS 9.

The following table shows the past-due exposures in accordance with FINREP broken down according to the number of days of the oldest past-due exposure per customer.

EUR million	Gross carrying values ≤ 30 days	>30 days ≤ 60 days	60 days ≤ 90 days	90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	664	71	121	41	166	403
Debt securities	-	-	-	-	-	-
Total - 30 June 2018	*664*	*71*	*121*	*41*	*166*	*403*
Total - 31 December 2017	*293*	*43*	*64*	*58*	*136*	*440*

Figure 15: EU CR1-D - Maturity structure of past-due exposures (Article 442 (g) and (h) CRR)

Restructuring of exposures

A credit shall be classified as a deferred exposure (FBE – exposures with concessions in view of financial difficulties) if the following conditions apply:

- The debtor faces or is about to face financial difficulties, and
- The bank then makes concessions towards the debtor for which it does not receive any compensation from the debtor and these concessions are justified by the financial difficulties.

LBBW defines rescheduling as the crisis-led and unavoidable (loss-making) restructuring of a loan (debt restructuring) with the aim of bringing about a cure of the customer or individual exposures.

The following table shows non-performing and forborne exposures according to FINREP, split by debt securities, loans and advances and off-balance-sheet exposures.

EUR million	Gross carrying amounts of performing and non-performing exposures							Accumulated impairments and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
				Of which non-performing				On performing exposures		On non-performing exposures			
		Of which performing but past due > 30 days and <= 90 days	Of which performing, forborne		Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne	On non-performing exposures	Of which forborne exposures
Debt securities	21,624	-	-	-	-	-	-	7	-	-	-	-	-
Loans and advances	201,263	85	364	1,179	1,072	926	387	322	4	555	148	229	179
Off-balance-sheet exposures	55,551	-	-	66	56	-	-	46	0	46	0	11	0
Total 30 June 2018	*278,437*	*85*	*364*	*1,246*	*1,128*	*926*	*387*	*375*	*5*	*602*	*148*	*240*	*179*
Total 31 December 2017	*250,798*	*106*	*390*	*1,429*	*1,400*	*1,075*	*469*	*128*	*5*	*610*	*171*	*329*	*262*

Figure 16: EU CR1-E - Non-performing and forborne exposures (Article 442 (g) and (i) CRR)

The increase in impairment losses on performing exposures as against the end of the previous year is chiefly due to the transition to IFRS 9.

4 Credit risk mitigation techniques (Article 453 CRR)

4.1 Main types of collateral

Collateral primarily used by LBBW is:

In lending business:

- Real estate liens
- Eligible guarantees
- Financial assets (securities, cash collateral)

In the capital markets business:

- Financial collateral (securities, cash collateral)
- Eligible guarantees
- Netting agreements for derivatives plus collateral agreements

Credit derivatives:

- credit default swaps
- Total return swaps
- credit linked notes (CLN) to the extent of their cash funding, and
- instruments that may be composed of such credit derivatives or that are economically effectively similar

Netting
At LBBW, risk mitigation measures in connection with derivative counterparty risk exposures are applied by means of contractual netting and collateralization agreements and the use of central counterparties (e.g. LCH Clearnet Ltd).

The following table shows secured and unsecured exposures for exposures not including counterparty credit risk, as well as the collateral, financial guarantees and derivatives used for credit risk mitigation.

The rise in collateral is essentially due to the growth in securities financing transactions with central governments, central banks and banks.

EUR million Exposure class	Exposures unsecured – carrying amount	Exposures secured – carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Central governments or central banks	62,370	6,899	6,793	64	-
Institutions	22,521	34,834	28,750	329	-
Corporates	*88,174*	*28,297*	*17,374*	*4,738*	-
of which specialized lending exposures	12,970	5,571	4,142	297	-
of which SMEs	6,133	4,156	2,969	486	-
Retail business	-	-	-	-	-
of which secured by mortgages on immovable property	-	-	-	-	-
of which SMEs	-	-	-	-	-
of which non-SMEs	-	-	-	-	-
of which qualified, revolving	-	-	-	-	-
of which other retail	-	-	-	-	-
of which SMEs	-	-	-	-	-
of which non-SMEs	-	-	-	-	-
Equity exposures	1,545	-	-	-	-
Other non credit obligation assets	2,383	-	-	-	-
Total amount under IRB approach - 30 June 2018	*176,993*	*70,030*	*52,917*	*5,131*	-
of which credits [1]	103,598	54,678	39,686	3,917	-
of which debt securities [1]	26,243	13,068	12,617	178	-
of which off-balance-sheet exposures [1]	415	172	62	61	-
Total amount under IRB approach - 31 December 2017	*159,234*	*57,451*	*43,690*	*4,426*	-
Central governments or central banks	2	-	-	-	-
Regional governments or local authorities	276	-	-	-	-
Public-sector entities	156	37	3	33	-
Multilateral development banks	-	-	-	-	-
International organizations	-	-	-	-	-
Institutions	30,469	694	690	1	-
Corporates	4,780	5,273	2,404	2,683	-
of which SMEs	1,543	42	20	54	-
Retail business	7,758	1,044	145	292	-
of which SMEs	1,736	78	24	0	-
Secured by mortgages ob immovable property	-	4,809	4,809	-	-
of which SMEs	-	144	144	-	-
Exposures in default	111	39	31	2	-
Items associated with particularly high risk	5	-	-	-	-
Covered bonds	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	0	-	-	-	-
Collective investment undertakings	-	-	-	-	-
Equity exposures	-	-	-	-	-
Other items	42	-	-	-	-
Total amount under the standardized approach- 30 June 2018	*43,598*	*11,895*	*8,082*	*3,011*	-

EUR million Exposure class	Exposures unsecured – carrying amount	Exposures secured – carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
of which credits *)	35,955	10,693	8,042	2,927	-
of which debt securities *)	8	4	4	-	-
of which off-balance-sheet exposures *)	111	39	31	2	-
Total amount under the standardized approach - 31 December 2017	*45,609*	*12,830*	*8,846*	*3,099*	-
Total - 30 June 2018	*220,590*	*81,925*	*60,999*	*8,142*	-
of which credits *)	139,553	65,371	47,727	6,844	-
of which debt securities *)	26,251	13,072	12,621	178	-
of which off-balance-sheet exposures *)	526	211	93	63	-
Total - 31 December 2017	*204,843*	*70,282*	*52,536*	*7,525*	-

Figure 17: EU CR3 – Credit risk mitigation techniques – overview (Article 453 (f) and (g) CRR)

*) figures in accordance with FINREP

4.2 Credit risk mitigation techniques under the standardized approach

The following table shows exposures to be reported before and after credit conversion factor and credit risk mitigation as well as RWA and RWA density. RWA density is the ratio of risk weighted assets to exposures after taking into account credit conversion factors and credit risk mitigation.

EUR million Exposure class	Exposures before credit conversion factor and credit risk mitigation On-balance-sheet amount	 Off-balance-sheet amount	Exposures post credit conversion factor and credit risk mitigation On-balance-sheet amount	 Off-balance-sheet amount	RWAs and RWA density RWAs	 RWA density in %
Central governments or central banks	2	-	249	0	-	-
Regional governments or local authorities	200	76	1,274	41	0	0.03
Public-sector entities	127	65	93	10	21	19.96
Multilateral development banks	-	-	-	-	-	-
International organizations	-	-	-	-	-	-
Institutions	28,067	3,096	28,065	1,506	492	1.67
Corporates	8,696	1,357	5,293	226	4,419	80.07
Retail business	5,397	3,405	4,977	271	3,678	70.08
Secured by morgages on immobable property	4,797	11	4,797	6	1,686	35.10
Exposures in default	143	6	138	1	180	129.17
Exposures associated with particularly high risk	5	-	5	-	8	150.00
Covered bonds	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	150.00
Collective investment undertakings	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other items	42	-	42	-	37	88.98
Total - 30 June 2018	*47,477*	*8,017*	*44,934*	*2,062*	*10,521*	*22.39*
Total - 31 December 2017	*51,167*	*7,272*	*48,260*	*1,744*	*13,318*	*26.63*

Figure 18: EU CR4 – Standardized approach – credit risk and impact of credit risk mitigation (Article 444 (e) CRR)

4.3 Credit risk mitigation techniques under IRB

The following table shows the effect on RWAs of credit derivatives used for credit risk mitigation. Since LBBW had no credit derivatives for regulatory purposes to mitigate credit risk in the first half of 2018, both columns are identical.

	30.06.2018		31.12.2017	
EUR million **Exposure class**	**Pre-credit derivatives RWAs**	**Actual RWAs**	**Pre-credit derivatives RWAs**	**Actual RWAs**
Exposures under FIRB	*48,144*	*48,144*	*41,886*	*41,886*
Central governments and central banks	2,813	2,813	3,075	3,075
Institutions	5,899	5,899	5,322	5,322
Corporates – SMEs	3,114	3,114	3,297	3,297
Corporates – specialized lending	8,614	8,614	7,611	7,611
Corporates – other	27,704	27,704	22,581	22,581
Exposures under AIRB	-	-	-	-
Central governments and central banks	-	-	-	-
Institutions	-	-	-	-
Corporates – SMEs	-	-	-	-
Corporates – specialized lending	-	-	-	-
Corporates – other	-	-	-	-
Retail – secured by real estate SMEs	-	-	-	-
Retail – not secured by real estate SMEs	-	-	-	-
Retail – qualifying revolving	-	-	-	-
Retail – other SMEs	-	-	-	-
Retail – other non-SMEs	-	-	-	-
Equity exposures under IRB approach	3,324	3,324	2,572	2,572
Other assets excl. loan commitments	2,333	2,333	2,198	2,198
Total	*53,801*	*53,801*	*46,655*	*46,655*

Figure 19: EU CR7 – IRB approach – Effect on the RWAs of credit derivatives used as credit mitigation techniques (Article 453 (g) CRR)

5 Counterparty credit risk (Article 439 CRR)

LBBW only uses the mark-to-market method to calculate RWA. The methods used to calculate the regulatory requirements pursuant to the CRR are shown in the following table.

EUR million	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark-to-market		10,143	9,366			14,398	2,477
Original exposure	-					-	-
Standardized approach		-			-	-	-
IMM (for derivatives and securities financing transactions)			-	-	-	-	-
of which securities financing transactions			-	-	-	-	-
of which derivatives and long settlement transactions			-	-	-	-	-
of which from contractual cross-product netting			-	-	-	-	-
Financial collateral simple method (for securities financing transactions)						-	-
Financial collateral comprehensive method (for securities financing transactions)						-	-
VaR for securities financing transactions						-	-
Total - 30 June 2018							*2,477*
Total - 31 December 2017							*2,477*

Figure 20: EU-CCR1 - Analysis of counterparty credit risk by approach (Article 439 (e), (f) and (i) CRR)

The following table shows the RWAs for the credit valuation adjustment (CVA) capital charge by approach.

EUR million	Exposure value	RWAs
Total portfolio subject to the advanced method	-	-
i) VaR component (including the 3x multiplier)		-
ii) SVaR component (including the 3x multiplier)		-
All portfolios subject to the standardized method	3,299	1,620
Based on the original exposure method	-	-
Total subject to the CVA capital charge - 30 June 2018	*3,299*	*1,620*
Total subject to the CVA capital charge - 31 December 2017	*3,798*	*1,922*

Figure 21: EU CCR2 – Credit Valuation Adjustment capital charge (Article 439 (e) and (f) CRR)

The following table shows the counterparty credit risk exposures reported in the CRSA by exposure class and right weight.

EUR million	Risk weight in %						Total	Of which unrated
Exposure class	**0**	**20**	**50**	**75**	**100**	**150**		
Central governments or central banks	-	-	-	-	-	-	-	-
Regional governments or local authorities	12	-	-	-	-	-	12	12
Public-sector entities	-	22	-	-	-	-	22	16
Multilateral development banks	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-
Institutions	1,525	380	-	-	-	-	1,905	1,527
Corporates	-	0	-	-	270	-	271	270
Retail business	-	-	-	11	-	0	11	11
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-
Total - 30 June 2018	*1,538*	*402*	-	*11*	*270*	*0*	*2,221*	*1,836*
Total - 31 December 2017	*1,581*	*281*	-	*10*	*220*	-	*2,091*	*1,836*

Figure 22: EU CCR3 – Standardized approach – counterparty credit risk exposures by regulatory portfolio and risk weight (Article 444 (e) CRR in conjunction with Article 92 (3) (a) and (f) CRR)

The following table provides all relevant parameters used for the calculation of counterparty credit risk capital requirements in the IRB approach. The presentation is by exposure class and by fixed PD ranges, as set by the regulator. The column »Number of obligors« shows the number of obligors of individual PDs listed in the table. The column »RWA density« refers to the ratio of risk weighted assets to exposures post credit conversion factors and credit risk mitigation.

EUR million Exposure class / PD range	EAD post CRM	Average PD in %	Number of obligors	Average LGD in %	Average maturity	RWAs	RWA density in %
Central governments or central banks							
0.00 to <0.15	5,111	0.00	153	28.76	900	18	0.34
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	0	1.98	1	45.00	900	0	121.40
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total 30 June 2018	*5,111*	*0.00*	*154*	*28.76*	*900*	*18*	*0.35*
Sub-total 31 December 2017	*5,583*	*0.00*	*158*	*29.40*	*900*	*61*	*1.10*
Institutions							
0.00 to <0.15	4,051	0.07	171	31.95	900	959	23.67
0.15 to <0.25	152	0.17	14	35.42	900	63	41.48
0.25 to <0.50	84	0.35	14	14.19	900	17	20.55
0.50 to <0.75	14	0.59	4	19.01	900	5	35.71
0.75 to <2.50	3	1.67	4	32.33	900	2	80.67
2.50 to <10.00	6	2.96	2	17.71	900	3	53.39
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total 30 June 2018	*4,310*	*0.09*	*209*	*31.67*	*900*	*1,050*	*24.36*
Sub-total 31 December 2017	*4,571*	*0.08*	*201*	*34.76*	*900*	*1,164*	*25.47*
Corporates – SMEs							
0.00 to <0.15	27	0.05	78	45.00	900	5	17.08
0.15 to <0.25	12	0.17	47	45.00	900	5	39.77
0.25 to <0.50	44	0.30	103	45.00	900	21	48.09
0.50 to <0.75	4	0.59	29	37.10	900	2	53.49
0.75 to <2.50	19	1.16	106	44.97	900	16	84.56
2.50 to <10.00	1	4.75	18	45.00	900	1	131.09
10.00 to <100.00	0	12.83	4	45.00	900	1	148.62
100.00 (Default)	1	100.00	11	45.00	900	0	0.00
Sub-total 30 June 2018	*107*	*1.12*	*396*	*44.73*	*900*	*50*	*46.50*
Sub-total 31 December 2017	*128*	*1.51*	*433*	*44.75*	*900*	*65*	*50.70*

EUR million Exposure class / PD range	EAD post CRM	Average PD in %	Number of obligors	Average LGD in %	Average maturity	RWAs	RWA density in %
Corporates – specialized financing							
0.00 to <0.15	148	0.07	80	44.30	900	36	24.36
0.15 to <0.25	15	0.17	8	45.00	900	6	42.52
0.25 to <0.50	57	0.30	28	45.00	900	34	58.89
0.50 to <0.75	29	0.59	28	45.00	900	23	79.41
0.75 to <2.50	50	1.39	18	45.00	900	54	107.39
2.50 to <10.00	1	4.88	4	45.00	900	1	157.22
10.00 to <100.00	15	20.00	8	45.00	900	38	252.53
100.00 (Default)	9	100.00	3	45.00	900	0	0.00
Sub-total 30 June 2018	*325*	*4.17*	*177*	*44.91*	*900*	*192*	*59.16*
Sub-total 31 December 2017	*320*	*1.45*	*174*	*44.92*	*900*	*190*	*59.30*
Corporates – other							
0.00 to <0.15	1,244	0.09	515	37.72	900	307	24.72
0.15 to <0.25	256	0.17	209	44.47	900	108	42.12
0.25 to <0.50	347	0.29	333	43.52	900	190	54.64
0.50 to <0.75	38	0.59	82	44.89	900	30	79.21
0.75 to <2.50	58	1.19	172	45.00	900	60	102.20
2.50 to <10.00	14	4.11	24	44.64	900	20	147.85
10.00 to <100.00	8	17.13	7	45.00	900	19	238.78
100.00 (Default)	0	100.00	9	45.00	900	0	0.00
Sub-total 30 June 2018	*1,966*	*0.29*	*1,351*	*40.06*	*900*	*734*	*37.35*
Sub-total 31 December 2017	*1,576*	*0.29*	*1,292*	*43.66*	*900*	*616*	*39.07*
Equity exposures IRB approach							
0.00 to <0.15	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total 30 June 2018	-	-	-	-	-	-	-
Sub-total 31 December 2017	-	-	-	-	-	-	-
Total - 30 June 2018	*11,818*	*0.21*	*2,287*	*32.29*	*900*	*2,044*	*17.33*
Total - 31 December 2017	*12,178*	*0.17*	*2,258*	*34.01*	*900*	*2,096*	*17.21*

Figure 23: EU CCR4 – IRB approach – counterparty credit risk exposures by portfolio and PD range (Article 452 (e) CRR and Article 92 (3) (a) and (f) CRR)

The following table shows the impact of netting and collateral held. At LBBW, securities financing transactions are not treated in accordance with counterparty credit risk rules, but rather as secured credit business in the context of the financial collateral comprehensive method.

EUR million	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	33,293	23,150	10,143	5,023	5,120
Securities financing transactions	-	-	-	-	-
Cross-product netting	-	-	-	-	-
Total - 30 June 2018	*33,293*	*23,150*	*10,143*	*5,023*	*5,120*
Total - 31 December 2017	*31,405*	*20,920*	*10,485*	*4,912*	*5,573*

Figure 24: EU CCR5-A – Impact of netting and collateral held on exposure values (Article 439 (e) CRR)

The following table gives a breakdown of all types of collateral posted or received by institutions to reduce counterparty credit risk. »Segregated« means collateral that is held in a bankruptcy-remote manner within the meaning of Article 300 CRR. »Unsegregated« refers to collateral that is not held in a bankruptcy-remote manner.

	Collateral used in derivative transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of posted collateral			
EUR million	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Derivatives	-	5,421	519	4,763	-	-
Securities financing transactions	-	-	-	-	-	-
Cross-product netting	-	-	-	-	-	-
Total - 30 June 2018	-	*5,421*	*519*	*4,763*	-	-
Total - 31 December 2017	-	*4,881*	*601*	*5,029*	-	-

Figure 25: EU CCR5-B – Composition of collateral for exposures to counterparty credit

The following table sets out the notional amounts and fair values of the credit derivatives bought and sold for the Bank's own credit portfolio and for the trading portfolio by type of credit derivative (based on notional value). Credit derivatives from brokering activities were not traded by LBBW in the first half of 2018.

EUR million	Credit derivative hedges: Protection bought	Credit derivative hedges: Protection sold	Other credit derivatives: 30.06.2018	Other credit derivatives: 31.12.2017
Notionals				
Single-name credit default swaps	-	-	6,486	7,914
Index credit default swaps	-	-	3,197	2,851
Total return swaps	-	-	497	486
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total notionals	-	-	*10,181*	*11,251*
Fair values	-	-	*248*	*342*
Positive fair value (asset)	-	-	*83*	*128*
Negative fair value (liability)	-	-	*165*	*214*

Figure 26: EU CCR6 – Credit derivatives exposures (Article 439 (g) and (h) CRR)

The above table (EU CCR6) only differentiates between protection bought and protection sold in the case of credit derivative hedges. LBBW interprets the credit derivatives to be shown in these columns as those used for hedging purposes for credit risks in the banking book. As at 30 June 2018, LBBW had no such transactions in its portfolio.

Since LBBW only uses the mark-to-market method, there is no need for Table EU CCR7 RWA flow statements of counterparty credit risk exposures under the Internal Model Method (IMM).

The following table shows exposures to central counterparties (CCPs), broken down by qualifying and non-qualifying CCPs and by exposure class.

»Qualifying« means that the CCP meets the requirements outlined in Article (4) (1) (88) CRR for the settlement of derivative transactions.

	30.06.2018		31.12.2017	
EUR million	**EAD post CRM**	**RWAs**	**EAD post CRM**	**RWAs**
Exposures to qualifying CCPs (total)		*237*		*234*
Exposures for trades at qualifying CCPs (excl. initial margin and default fund contributions); of which	3,718	74	4,886	98
i) OTC derivatives	2,461	49	3,216	64
ii) Exchange-traded derivatives	1,256	25	1,670	33
iii) Securities financing transactions	-	-	-	-
iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	519		601	
Non-segregated initial margin	17	0	27	1
Prefunded default fund contributions	189	162	156	136
Alternative calculation of own funds requirements for exposures		-		-
Exposures to non-qualifying CCPs (total)		-		-
Exposures for trades at non-qualifying CCPs (excl. initial margin and default fund contributions); of which	-	-	-	-
i) OTC derivatives	-	-	-	-
ii) exchange-traded derivatives	-	-	-	-
iii) securities financing transactions	-	-	-	-
iv) netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-		-	
Non-segregated initial margin	-	-	-	-
Prefunded default fund contributions	-	-	-	-
Non-prefunded default fund contributions	-	-	-	-

Figure 27: EU CCR 8 – Exposures to central counterparties (Article 439 (e) and (f) CRR)

6 Market risk (Article 445 and 455 CRR)

6.1 Market risks in the standardized approach

LBBW calculates the capital requirements for market price risks for general interest rate and equity risk including option price risks using the Internal Model Method. Specific risks along with currency and commodity risks are calculated using the Standardized Approach.

	30.06.2018		31.12.2017	
EUR million	**RWAs**	**Capital requirements**	**RWAs**	**Capital requirements**
Outright products				
Interest rate risk (general and specific)	1,308	105	2,874	230
Equity risk (general and specific)	269	22	101	8
Foreign exchange risk	448	36	377	30
Commodity risk	45	4	32	3
Options				
Simplified approach	-	-	-	-
Delta-plus method	18	1	18	1
Scenario approach	-	-	-	-
Securitization (specific risk)	-	-	-	-
Total	*2,088*	*167*	*3,402*	*272*

Figure 28: EU MR1 – Market risk under the standardized approach (Article 445 CRR)

The decline in RWAs as against 31 December 2017 resulted mainly from the reduction of exposure risks for investment units.

6.2 Market risks under the Internal Model Method

Internal model in accordance with CRR

LBBW calculates value-at-risk (VaR) and stressed VaR from market price risks with a confidence level of 99% and a ten-day holding period by using the square root of time for scaling up to ten days. A parameter of 95% and one-day holding period are used for bank internal management. Both VaR and stressed VaR are calculated using a procedure based on a Monte Carlo simulation. In most cases, the simulation enables LBBW not only to simply approximate market-induced value fluctuations but to measure them fully, even for complex transactions. Historical time series for the preceding 250 days are weighted equally in covariance estimates. The aforementioned stressed VaR is also used to calculate the capital requirement.

LBBW's market price risk model is also uniformly used for all sub-portfolios and for the Group's subsidiaries that are integrated in Group-wide standardized management based on the value-at-risk risk indicator. At present, none of LBBW's subsidiaries are classified as relevant in terms of market price risk. In the risk-calculation simulation, the deviation of the risk factors is calculated using the following models: equity prices, FX rates and interest-rate volatility using log yields, CDS spreads and interest rates using absolute yields and equity/FX volatilities using relative yields.

Trading portfolios and the strategic interest rate position of the banking book can be affected by potentially detrimental developments in market interest rates. In addition to parallel shifts and turns in the interest curve, basic risks arising from movements in the relevant fixed-income markets relative to each other are also included in risk calculations.

Credit spread risks from securities are measured on the basis of the general and specific issuer risk. This risk category includes trading and banking book transactions that are sensitive to creditworthiness. Apart from securities and debt securities, these include money-market transactions in the banking book as well as loans on the commercial side where the obligors have an external rating. For the purpose of measuring general risk, these instruments are allocated to rating- and sector-dependent curves. In addition, the specific issuer risk for securities is calculated by reference to the spread (and spread volatility) of individual counterparties.

Reference borrowers are allocated to CDS sector curves for credit spread risks from credit derivatives. The allocated CDS sector curves are deflected for the general interest rate risk and the residual maturities for the specific risk.

LBBW's internal risk model has been approved by the competent authority for general interest rate and equity risks including option price risks in the form of volatility risks. The internal risk model for capital requirements does not include any specific risks. The CRR portfolio forms the basis for calculating own funds requirements. The CRR portfolio corresponds to the trading book without funds not represented transparently.

Backtesting and validation

LBBW's market risk model is subject to an extensive validation program in which potential model risks in the stochastics of the market factors (including distribution model, risk factor selection and mapping), in the implemented measurement models and in the relevant market data (especially market data calibrated within the Bank) are identified and their materiality assessed using customized validation analyses. The validation analyses are performed by the Risk Model Validation organizational unit within Group Risk Control, which is independent of model development. The analyses are guided by the materiality of the model risks and performed at regular intervals (at least twice yearly) and on an ad hoc basis in the event of material structural changes occurring in the model design, on the market or in the portfolio composition.

Particular importance is attached to the backtesting analysis within the validation program. This statistical backward comparison of the actual changes to the portfolio not only focuses on the VaR forecast using binomial test [1], but is also based on the entire distribution forecast. According to regulatory requirements. it is based on the one hand on changes in portfolio value excluding new business and intraday trades, net interest income and commissions and fees (so-called Clean P/L) and on the other on changes in portfolio value excluding commissions and fees (so-called Dirty P/L), which are derived directly from the economic P/L. Valuation reserves in the Clean P/L are not taken into account in backtesting analysis. Valuation reserves are included in the Dirty P/L.

If the backtesting or validation analyses indicate material model risks, they are made transparent to all parties integrated in the market risk management process (model developers, model users (operational market risk controlling) and recipients of the model results (Risk Committee, trading)) so that the neces-

1 Regulatory Backtesting, EU No. 575/2013, Article 366

sary model optimization measures can be initiated efficiently. Model optimization measures are carried out according to the model change policy and communicated to the regulatory authorities.

The CRR portfolio, which comprises trading transactions whose own funds requirements for general equity and interest rate risks takes place via the internal risk model, shows one outlier in the past 250 trading days for the Clean P/L on 8 June 2018. The overshoot amounted to EUR 0.71 million. This reflected increased market volatility on account of political developments in Italy. On the basis of the Dirty P/L five outliers were recorded for the CRR portfolio. The first outlier occurred on 29 August 2017 with an overshoot of EUR 1.15 million, and was caused by a strong fluctuation in the EUR/USD exchange rate. The second outlier was on 30 August 2017. In this case, the overshoot amounted to EUR 1.17 million. Once again, it reflected a sharp fluctuation in the EUR/USD exchange rate and a change in the credit valuation adjustment which is calculated monthly. The next overshoot is dated 8 December 2017 and amounted to EUR 4.58 million; there was a further outlier on 28 December amounting to EUR 4.99 million. Both outliers in December 2017 reflect changes in the valuation adjustments. The fifth outlier is dated 28 May 2018 and amounted to EUR 0.49 million. This outlier was caused by strong market fluctuations triggered by the political situation in Italy. In backtesting, models representing 55.2% of total own funds requirements for market price risks are compared backwards.

Clean backtesting CRR portfolio for the period 30 June 2017 – 29 June 2018 in EUR million

VaR parameters: 99 % confidence level, 1-day holding period

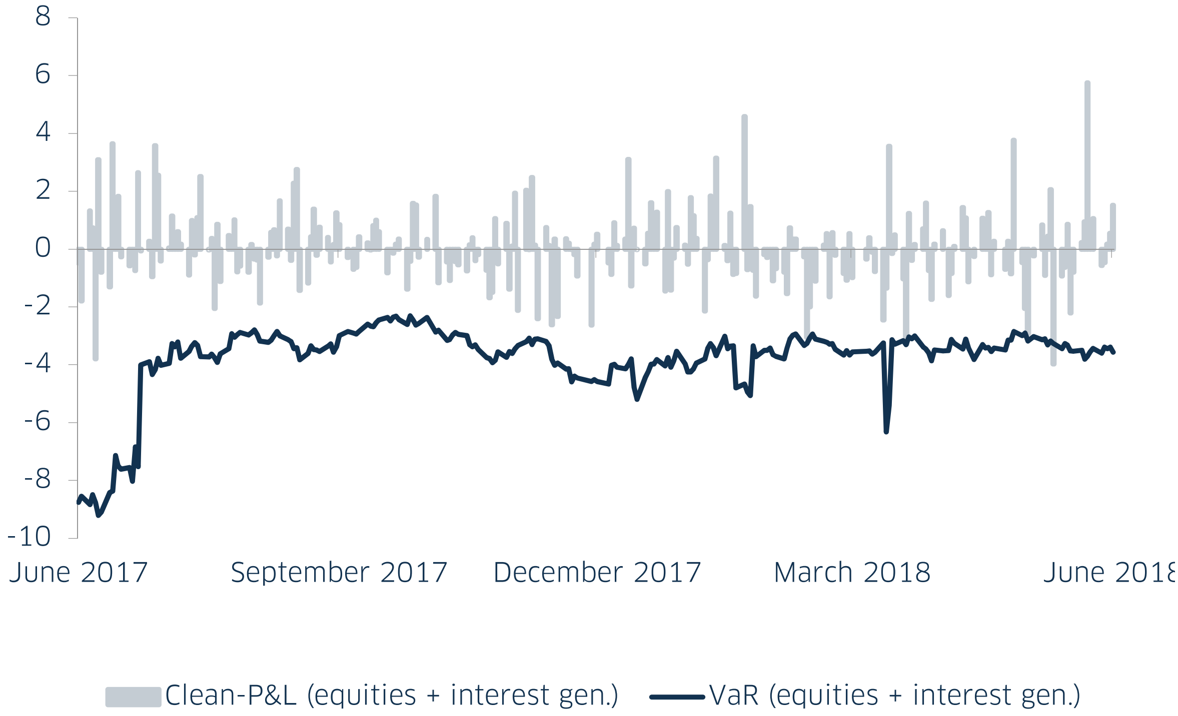

Figure 29: Value at risk of the CRR portfolio under the Internal Model Method and hypothetical buy-and-hold losses (Article 455 (g) CRR

Dirty backtesting CRR portfolio for the period 30 June 2017 – 29 June 2018 in EUR million

VaR parameters: 99 % confidence level, 1-day holding period

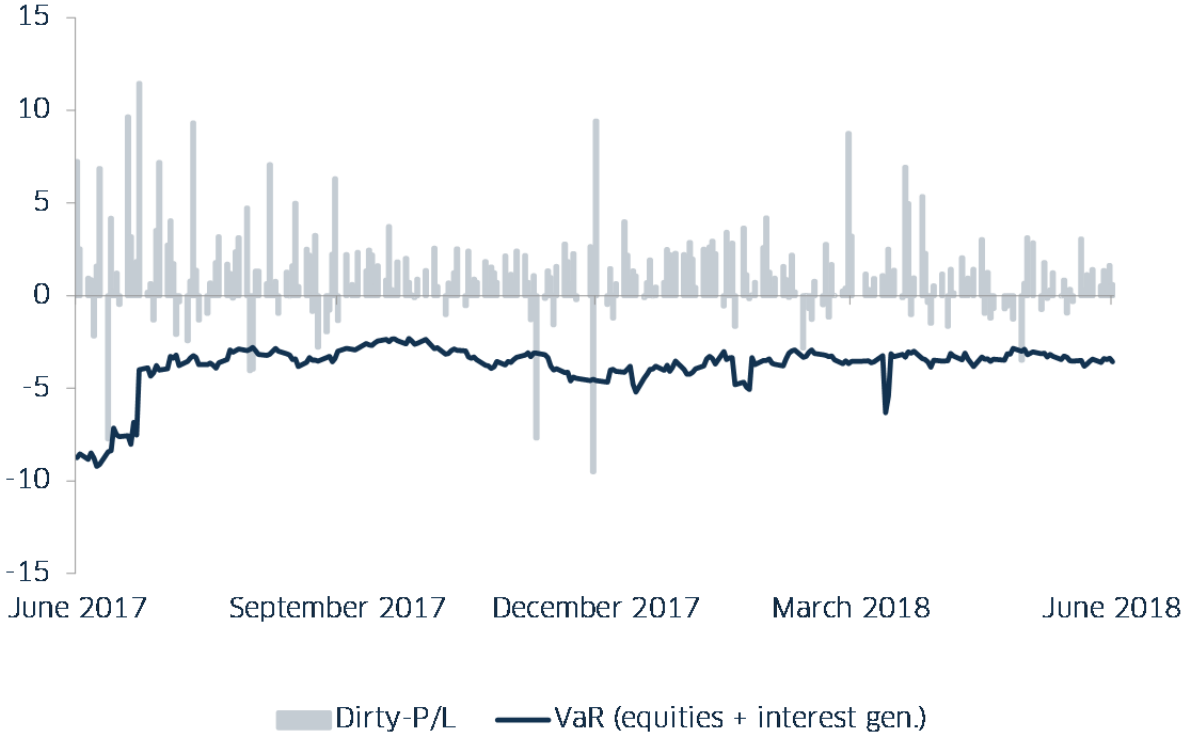

Figure 30: Value at risk of the CRR portfolio under the Internal Model Method and actual portfolio changes excluding commissions and fees (Article 455 (g) CRR

The following table shows the components relevant for the calculation of own funds requirements for market risks that are determined using the Internal Model Method.

	30.06.2018		31.12.2017	
EUR million	**RWAs**	**Capital requirements**	**RWAs**	**Capital requirements**
VaR (higher of values a) and b))	**517**	**41**	**436**	**35**
a) Previous day's VaR (Article 365 (1) CRR (VaRt-1))	141	11	181	14
b) Average of the daily VaR (Article 365 (1) CRR) on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 CRR	517	41	436	35
SVaR (higher of values a) and b))	**2,057**	**165**	**1,770**	**142**
a) Latest sVaR (Article 365 (2) CRR (sVaRt-1))	597	48	661	53
b) Average of the sVaR (Article 365(2) CRR) during the preceding 60 business days	2,057	165	1,770	142
IRC (higher of values a and b)	**-**	**-**	**-**	**-**
a) Most recent IRC value (incremental default and migration risks calculated in accordance with Article 370 and Article 371 CRR)	-	-	-	-
b) Average of the IRC number over the preceding 12 weeks	-	-	-	-
Internal model for correlation trading portfolio (higher of values a), b) and c))	**-**	**-**	**-**	**-**
a) Most recent risk number for the correlation trading portfolio (Article 377 CRR)	-	-	-	-
b) Average of the risk number for the correlation trading portfolio over the preceding 12 weeks	-	-	-	-
c) 8 % of the own funds requirement in the standardized approach on the most recent risk number for the correlation trading portfolio (Article 338 (4) CRR)	-	-	-	-
Other				
Total	*2,574*	*206*	*2,206*	*176*

Figure 31: EU MR2-A – Market risk under the Internal Model Method (Article 455 (e) CRR

The following table shows the holdings of VaR and of the stressed VaR as at 30 June 2018.

EUR million	VaR	sVaR	IRC	Internal model for correlation trading activities	Other	Total RWAs	Total own fund requirements
RWAs - 31 March 2018	*502*	*2,049*	-	-	-	*2,551*	*204*
Regulatory adjustments	– 361	– 1,480	-	-	-	– 1,841	– 147
RWA at the previous quarter-end (end of the day)	*141*	*569*	-	-	-	*710*	*57*
Movement in risk levels	1	28	-	-	-	29	2
Model updates / changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Changes in market data	0	-	-	-	-	0	0
RWAs at the end of the reporting period (end of the day)	*141*	*597*	-	-	-	*738*	*59*
Regulatory adjustments	376	1,460	-	-	-	1,836	147
RWAs - 30 June 2018	*517*	*2,057*				*2,574*	*206*

Figure 32: EU MR2-B – RWA flow statement of market risk exposures under the Internal Model Method (IMM) (Article 455 (e) CRR)

The following table shows the normal VaR and stressed VaR for the trading book (99%/10 days) at institution level.

EUR million	30.06.2018	31.12.2017
VaR (10 days 99 %)		
Maximum value	18	30
Average value	12	16
Minimum value	10	9
Value at the end of the reporting period	11	16
sVaR (10 day 99 %)		
Maximum value	66	83
Average value	45	64
Minimum value	36	40
Value at the end of the reporting period	46	53
IRC (99.9 %)		
Maximum value	-	-
Average value	-	-
Minimum value	-	-
Value at the end of the reporting period	-	-
Comprehensive risk capital charge (99.9 %)		
Maximum value	-	-
Average value	-	-
Minimum value	-	-
Value at the end of the reporting period	-	-

Figure 33: EU MR3 – IMA values for trading portfolios (Article 455 (d) CRR

There was also a decline in market price risk in the Bank's trading book. This was largely the result of a reduction in securities.

7 Leverage ratio (Article 451 CRR)

Disclosure of the leverage ratio as at 30 June 2018 is based on the stipulations of the Commission Delegated Regulation (EU) No. 2015/62 of 10 October 2014 amending the CRR with regard to the leverage ratio. The capital measure is based on Tier 1 capital taking into account the transitional provisions (phase-in) (Article 499 (1) (b) CRR).

1 Description of procedures to monitor the risk of excessive indebtedness	Description under LRQua 1
2 Description of factors which had an impact on the disclosed leverage ratio during the period under review	Description under LRQua 2

Figure 34: Disclosure of qualitative elements

7.1 LRQua 1: Description of procedures to monitor the risk of excessive indebtedness

LBBW takes account of the risk of excessive indebtedness by including the leverage ratio in its planning and management process. An internal future target for the leverage ratio is calculated on the basis of LBBW's business and risk strategy and its implementation in medium-term planning. 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 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) in detail. 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.

7.2 LRQua 2: Description of factors which had an impact on the disclosed leverage ratio during the period under review

The leverage ratio on the basis of the CRR transitional provisions (phase-in) came to 4.6% at 30 June 2018 (as at 31 March 2018: 4.6%). The leverage ratio exposure (phase-in) fell fractionally from EUR 279.9 billion as at 31 March 2018 to EUR 276.7 billion as at 30 June 2018 (down EUR 3.2 billion).

The decline of the leverage ratio exposure particularly reflects the drop in securities financing transactions and lower charges from derivatives transactions (mark-to-market measurement method).

EUR million		Figures to be used
1	Total assets according to the published accounts	258,530
2	Adjustment for corporates that are consolidated for accounting purposes but do not form part of the regulatory basis of consolidation	– 2,707
3	(Adjustment for fiduciary assets recognized in the balance sheet according to the applicable accounting provisions but which under Article 429 (13) of Regulation (EU) No. 575/2013 are excluded from the leverage ratio total exposure measure)	-
4	Adjustment for derivative financial instruments	– 5,363
5	Adjustment for securities financing transactions (SFTs)	5,323
6	Adjustment for off-balance-sheet items (i.e. conversion of off-balance-sheet exposures into credit equivalent amounts)	21,034
EU-6a	(Adjustments for intra-group risk exposures which are excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No. 575/2013)	-
EU-6b	(Adjustments for risk exposures which are excluded from the leverage ratio total exposure measure in accordance with Article 429 (14) of Regulation (EU) No. 575/2013)	-
7	Other adjustments	– 145
8	*Leverage ratio total exposure measure*	*276,672*

Figure 35: Comparison between balance sheet and overall exposure value measurement

EUR million		Exposure value of the CRR leverage ratio
On-balance-sheet risk exposures (excluding derivatives and SFTs)		
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets but including collateral)	209,824
2	(Asset amounts deducted in the calculation of Tier 1 capital)	– 598
3	Total of on-balance-sheet risk exposures (excluding derivatives, SFTs and fiduciary assets) (total of rows 1 and 2)	209,226
Risk exposures from derivatives		
4	Future exposure for all derivatives transactions (i.e. excluding eligible additional contributions received in cash)	6,303
5	Premiums for the potential future exposure for all derivatives transactions (mark-to-market measurement method)	10,244
EU-5a	Risk exposure valued in accordance with the Original Exposure Method	-
6	Addition of amount of collateral furnished in connection with derivatives that is deducted from total assets according to the applicable accounting standard	-
7	(Deductions from receivables for additional contributions in cash for derivatives transactions)	– 5,283
8	(Excluded CCP portion of customer-cleared trading positions)	– 1,911
9	Adjusted effective nominal value of written credit derivatives	6,104
10	(Netting of adjusted effective nominal values and deduction of premiums for written credit derivatives)	– 3,187
11	Total risk exposures from derivatives (total of rows 4 to 10)	12,269
Risk exposures from securities financing transactions (SFTs)		
12	Gross assets from SFTs (without recognition of netting) after adjustment for transactions booked as sales	32,366
13	(Netted amounts of cash liabilities and receivables from gross assets from SFTs)	– 3,318
14	Counterparty default risk exposures for SFT assets	5,095
EU-14a	Divergent treatment of SFTs; counterparty default risk exposure in accordance with Article 429b (4) and Article 22 of Regulation (EU) No. 575/2013	-
15	Risk exposures from transactions realized as an agent	-
EU-15a	(Excluded CCP portion of customer-cleared SFT risk exposures)	-
16	Total of risk exposures from securities financing transactions (total of rows 12 to 15a)	34,143
Other off-balance-sheet risk exposures		
17	Off-balance-sheet risk exposures at their gross nominal value	54,050
18	(Adjustments for the conversion into credit equivalent amounts)	– 33,016
19	Other off-balance-sheet risk exposures (total of rows 17 and 18)	21,034
(On-balance-sheet and off-balance-sheet risk exposures which may be excluded pursuant to Article 429 (14) of Regulation (EU) No. 575/2013)		
EU-19a	(On-balance-sheet and off-balance-sheet) intra-group risk exposures (individual basis) which are excluded pursuant to Article 429 (7) of Regulation (EU) No. 575/2013	-
EU-19b	(On-balance-sheet and off-balance-sheet risk exposures which may be excluded pursuant to Article 429 (14) of Regulation (EU) No. 575/2013)	-
Equity and leverage ratio total exposure measure		
20	Tier 1 capital	12,784
21	Leverage ratio total exposure measure (total of rows 3, 11, 16, 19, EU-19a and EU– 19b)	276,672
Leverage ratio		
22	Leverage ratio	4.6%
Application of transitional provisions and value of derecognized fiduciary items		
EU-23	Transitional provision chosen for the definition of the capital measure	Phase-in
EU-24	Amount of fiduciary assets removed from the balance sheet in accordance with Article 429 (11) of Regulation (EU) No. 575/2013	-

Figure 36: Uniform disclosure schema for the leverage ratio

EUR million		Exposure at default of the CRR leverage ratio
EU-1	*Total of on-balance-sheet risk exposures (excluding derivatives, SFTs and excluded risk exposures), of which:*	204,014
EU-2	*Risk exposures in the trading book*	10,684
EU-3	*Risk exposures in the trading book, of which:*	193,330
EU-4	Covered bonds	3,774
EU-5	Risk exposures treated as risk exposures towards sovereigns	58,107
EU-6	Risk exposures to regional authorities, multilateral development banks, international organizations and public-sector bodies which are not treated as risk exposures towards sovereigns	252
EU-7	Institutions	39,527
EU-8	Collateralized by real estate liens	17,049
EU-9	Risk exposures from retail business	5,397
EU-10	Corporates	63,787
EU-11	Defaulted exposures	639
EU-12	Other risk exposures (e.g. equity exposures, securitizations and other assets that are not loan commitments)	4,799

Figure 37: Breakdown of balance-sheet risk exposures (excluding derivatives, securities financing transactions (SFTs) and excluded risk exposures)

8 Liquidity coverage ratio (Article 435 CRR)

In line with Annex II of EBA/GL/2017/01, LBBW is required to disclose quantitative information on the components of the liquidity coverage ratio (LCR). The lines liquidity buffer, total net cash outflows and the liquidity coverage ratio are classified as extremely changeable elements in accordance with the Guideline and disclosed on a quarterly basis. Based on LCR data collated as the end of each month, the adjusted values (simple average values over 12 month-values before the end of each quarter) look as follows.

LBBW's liquidity ratio as at 30 June 2018 averaged 140 % (as at 31 March 2018: 142 %).

EUR million	**Total weighted value (average)**			
Quarter ends on	**30.09.2017**	**31.12.2017**	**31.03.2018**	**30.06.2018**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
Total adjusted value				
Liquidity buffer	53,654	58,727	59,253	59,184
Total net cash outflows	41,072	42,493	41,895	42,415
Liquidity coverage ratio (%)	130	139	142	140

Figure 38: EU LIQ1 - Weighted total values of LCR

Appendix - country allocation

Other countries – Europe	Other countries – America	Other countries – Asia and Oceania	Other countries – Other
Albania	Argentina	Afghanistan	Algeria
Andorra	Bahamas	Armenia	Angola
Belarus	Barbados	Australia	Benin
Bosnia-Herzegovina	Bermuda	Azerbaijan	Botswana
Bulgaria	Bolivia	Bahrain	Burundi
Croatia	Brazil	Bangladesh	Cameroon
Cyprus	Cayman Islands	Brunei	Chad
Czech Republic	Chile	Burundi	Egypt
Denmark	Columbia	Cambodia	Eritrea
Estonia	Costa Rica	China	Ethiopia
Faroe Islands	Cuba	Fiji	Gambia
Finland	Curacao	Georgia	Ghana
Greece	Dominican Republic	Hong Kong	International organizations
Guernsey	Ecuador	India	Kenya
Hungary	El Salvador	Indonesia	Libya
Iceland	Grenada	Iran	Madagascar
Ireland	Guatemala	Iraq	Mali
Isle of Man	Honduras	Israel	Mauritius
Jersey	Jamaica	Japan	Morocco
Latvia	Mexico	Jordan	Mozambique
Liechtenstein	Nicaragua	Kazakhstan	Namibia
Lithuania	Panama	Kuwait	Nigeria
Macedonia	Paraguay	Kyrgyzstan	South Africa
Malta	Peru	Lebanon	Syria
Moldavia	Saint Kitts and Nevis	Malaysia	Tanzania
Montenegro	Saint Pierre and Miquelon	Maldives	Togo
Norway	Trinidad and Tobago	Nepal	Tunisia
Poland	Uruguay	New Zealand	Uganda
Portugal	Venezuela	Oman	Zambia
Romania	Virgin Islands	Pakistan	Zimbabwe
Russia		Philippines	
Serbia		Qatar	
Slovakia		Republic of Korea	
Slovenia		Saudi Arabia	
Sweden		Singapore	
Turkey		Sri Lanka	
Ukraine		Taiwan	
Vatican		Thailand	
		United Arab Emirates	
		Uzbekistan	
		Vietnam	

List of abbreviations

ALCo	Asset liability committee
AT1	Additional Tier 1 capital
AUD	Australian dollar
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht
BCBS	Basel Committee on Banking Supervision
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
CDS	Credit default swap
CET1	Common equity Tier 1
CLN	Credit linked note
COREP	Common solvency ratio reporting
CR	Credit risk
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CRS	Credit risk standard approach
CVA	Credit valuation adjustment
EAA	European Economic Area
EAD	Exposure at default
EBA	European Banking Authority
EEPE	Effective expected positive exposure
EL	Expected loss
EU	European Union
FBE	Forborne exposure
FINREP	Financial reporting
FX	Foreign exchange
GL	Guideline
IFRS	International Financial Reporting Standards
IMA	Internal Model Approach
IMM	Internal Model Method
IRBA	Internal ratings based approach
IRC	Incremental Default and Migration Risk Charge
KWG	German Banking Act
LCR	Liquidity coverage ratio
LGD	Loss given default
MTN	Medium term notes
P/L	Profit and loss
PD	Probability of default
RWAs	Riskweighted assets
SMEs	Small and medium-sized enterprises
sVaR	Stressed value-at-risk
T2	Tier 2 capital
UCI	Undertakings for collective investment
USD	United States dollar
VaR	Value-at-risk

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LBBW

Breaking New Ground

Landesbank Baden-Württemberg
Headquarters

Stuttgart
70144 Stuttgart, Germany
Am Hauptbahnhof 2
70173 Stuttgart, Germany
Phone +49 (-0) 711 127-0
Fax +49 (0) 711 127-43544
www.LBBW.de
kontakt@LBBW.de

Mannheim
P. O. Box 100352
68003 Mannheim, Germany
Augustaanlage 33
68165 Mannheim, Germany
Phone +49 (0) 621 428-0
Fax +49 (0) 621 428-72591
www.LBBW.de
kontakt@LBBW.de

Karlsruhe
76245 Karlsruhe, Germany
Ludwig-Erhard-Allee 4
76131 Karlsruhe, Germany
Phone +49 (0) 721 142-0
Fax +49 (0) 721 142-23012
www.LBBW.de
kontakt@LBBW.de

Mainz
55098 Mainz, Germany
Grosse Bleiche 54– 56
55116 Mainz, Germany
Tel.: +49 (0) 6131 64 37800
Fax: +49 (0) 6131 64 35701
www.LBBW.de
kontakt@LBBW.de