LBBW

Breaking new ground

Disclosure report for the first half of 2023

Disclosure report H1 2023

1 General provisions (Article 431 – 434a CRR)

As a »large institution«, LBBW also discloses information on a quarterly or semi-annual basis, as required, in addition to the annual disclosure report.

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).

CRR II (Capital Requirements Regulation – Regulation (EU) No. 2019/876) and CRD V (Capital Requirements Directive V – Directive (EU) 2019/878) took effect in stages from 27 June 2019. Further significant amendments took effect on 28 June 2021, and LBBW implemented them in the disclosure report accordingly. Hereinafter, for the purposes of this report, Regulation (EU) No 575/2013 is supplemented by the revisions of Regulation (EU) No 2019/876 and defined as “CRR”.

Part of the regulatory disclosure of ESG risks in accordance with Article 449a CRR was completed for the first time as at 31 December 2022. As per the law, further disclosures under Article 449a CRR will be made in stages in subsequent years.

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

- Key metrics and overview of risk-weighted exposure amounts
- Own funds
- Countercyclical capital buffers
- Leverage ratio
- Liquidity requirements
- Credit and dilution risk and credit quality
- Use of credit risk mitigation techniques
- Use of the standardized approach
- Use of the IRB approach to credit risk
- Specialized lending and equity exposure under the simple risk-weighted approach
- Exposure to counterparty credit risks
- Exposure to securitization positions
- Use of the standardized approach and of the internal models for market risk
- Exposures to interest rate risk on positions not held in the trading book
- Regulatory disclosure of ESG risks

The figures published in the disclosure report have been rounded to the next million in accordance with commercial principles. Amounts under EUR 500,000 are therefore shown as »0«. Accordingly, rounding differences may arise through aggregation.

2 Disclosure of key metrics and overview of risk-weighted exposure amounts (Articles 438, 447 CRR)

2.1 Key metrics (Articles 438b, 447a-g CRR)

Common Equity Tier 1 capital, Tier 1 capital, total capital and the total risk-weighted exposure amount are virtually unchanged overall as against the previous quarter. As a result, there were only marginal changes - the Common Equity Tier 1 ratio and the Tier 1 ratio declined by 0.1% to 14.4% and 15.2% respectively and the total capital ratio by 0.2% to 19.9%. A detailed explanation of the changes can be found in sections *2.2 Overview of risk-weighted exposure amounts (Article 438d CRR)* and *3.1 Composition of regulatory own funds (Article 437a, d-f CRR)*.

The leverage ratio on the basis of the CRR transitional provisions (phase-in) came to 4.2% as at 30 June 2023 (as at 31 March 2023: 3.9%). The leverage ratio exposure (phase-in) declined by EUR 24bn last quarter. This is particularly attributable to the reduction in transactions with sovereigns and central banks.

In the second quarter of 2023, the liquidity coverage ratio (LCR) ranged between 130% and 137% as at the reporting dates.

As at 30 June 2023, the net stable funding ratio (NSFR) declined slightly compared to the previous quarter as a result of a surplus of new lending business compared to funding activities.

EUR million	30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	13,496	13,554	13,708	12,511	12,644
Tier 1 capital	14,239	14,298	14,452	13,255	13,387
Total capital	18,628	18,789	18,934	17,770	17,966
Risk-weighted exposure amounts					
Total risk-weighted exposure amount	93,643	93,663	93,645	89,296	91,154
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	14.4	14.5	14.6	14.0	13.9
Tier 1 ratio (%)	15.2	15.3	15.4	14.8	14.7
Total capital ratio (%)	19.9	20.1	20.2	19.9	19.7
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.83	1.83	1.83	1.83	1.88
of which to be made up of CET1 capital (percentage points)	1.03	1.03	1.03	1.03	1.06
of which to be made up of Tier 1 capital (percentage points)	1.37	1.37	1.37	1.37	1.41
Total SREP own funds requirements (%)	9.83	9.83	9.83	9.83	9.88
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.50	2.50	2.50	2.50	2.50
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
Institution specific countercyclical capital buffer (%)	0.63	0.57	0.06	0.03	0.03
Systemic risk buffer (%)	0.10	0.10			
Global systemically important institution buffer (%)					
Other systemically important institution buffer	0.75	0.75	0.75	0.75	0.75
Combined buffer requirement (%)	3.98	3.92	3.31	3.28	3.28
Overall capital requirements (%)	13.81	13.75	13.14	13.11	13.16
CET1 available after meeting the total SREP own funds requirements (%)	7.83	7.89	8.06	7.47	7.28
Leverage ratio					
Total exposure measure	342,130	366,180	305,958	320,327	310,645
Leverage ratio (%)	4.2	3.9	4.7	4.1	4.3
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)					
of which to be made up of CET1 capital (percentage points)					
Total SREP leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)					
Overall leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
Liquidity coverage ratio					
Total high-quality liquid assets (HQLA) (weighted value - average)	105,436	101,963	95,118	90,438	88,768
Cash outflows - total weighted value	100,221	99,330	95,033	90,535	86,383
Cash inflows - total weighted value	20,515	21,129	21,102	20,769	19,810
Total net cash outflows (adjusted value)	79,708	78,199	73,932	69,765	66,572
Liquidity coverage ratio (%)	132.5	130.5	129.2	130.1	134.0
Net stable funding ratio					
Total available stable funding	166,648	168,596	158,803	144,450	140,261
Total required stable funding	145,987	142,624	142,516	129,526	126,169
NSFR ratio (%)	114.2	118.2	111.4	111.5	111.2

Figure 1: EU KM1 – Key metrics template

2.2 Overview of risk-weighted exposure amounts (Article 438d CRR)

LBBW uses the internal ratings-based approach (foundation IRB approach) approved by the Federal Financial Supervisory Authority (BaFin) for calculating the own funds requirements for counterparty risks arising from the main exposure classes.

Equity exposures are reported exclusively under the IRB approach. They are reported in accordance with the simple risk-weighted approach, applying the corresponding risk weight. Significant investments in financial sector entities must be risk-weighted at 250%.

The own funds requirements for securitization transactions take place in accordance with the securitization regulations. A distinction is made between SEC-ERBA (Securitization – External Ratings-Based Approach), SEC-IAA (Securitization – Internal Assessment Approach) and SEC-SA (Securitization – Standardized Approach).

The own funds requirements for market price risks for the general interest rate risk, general share price risk and associated option price risks of LBBW (Bank) are calculated based on an internal market price risk model also approved by the regulatory authority. This also includes the own funds requirements for the stressed VaR. The other market price risks are calculated using the standardized approach.

Own funds requirements for operational risks are calculated using the standardized approach.

The following table sets out the total risk exposure amounts 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:

- Disclosure of the use of the standardized approach, section 9
- Disclosure of the use of the IRB approach to credit risk, section 10
- Disclosure of exposures to counterparty credit risk, section 12

EUR million	Total risk exposure amounts (TREA) 30/06/2023	Total risk exposure amounts (TREA) 31/03/2023	Total own funds requirements 30/06/2023
Credit risk (excluding CCR)	*73,523*	*74,255*	*5,882*
of which the standardized approach	11,057	12,099	885
of which the foundation IRB (FIRB) approach	60,042	59,727	4,803
of which slotting approach	116	56	9
of which equities under the simple risk-weighted approach	1,516	1,562	121
of which the advanced IRB (AIRB) approach			
Counterparty credit risk - CCR	*5,494*	*5,237*	*439*
of which the standardized approach	2,895	2,436	232
of which internal model method (IMM)			
of which exposures to a CCP	139	103	11
of which credit valuation adjustment - CVA	1,349	1,205	108
of which other CCR	1,111	1,492	89
Settlement risk	*23*	*14*	*2*
Securitization exposures in the non-trading book (after the cap)	*2,497*	*2,458*	*200*
of which SEC-IRBA approach	739	777	59
of which SEC-ERBA (including IAA)	1,031	934	83
of which SEC-SA approach	110	132	9
of which 1,250%/deduction	616	615	49
Position, foreign exchange and commodities risks (market risk)	*6,352*	*5,943*	*508*
of which the standardized approach	4,284	3,551	343
of which IMA	2,068	2,392	165
Large exposures			
Operational risk	*6,371*	*6,371*	*510*
of which basic indicator approach			
of which the standardized approach	6,371	6,371	510
of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight - for informative purposes)	*2,540*	*2,531*	*203*
Total	*94,259*	*94,278*	*7,541*

Figure 2: EU OV1 – Overview of risk weighted exposure amounts

The total risk-weighted exposure amount is almost unchanged compared to the end of the previous year on account of mutually offsetting effects. These are largely the result of business performance and rating improvements. In market risks determined in accordance with the Internal Model, the regulatory adjustment decreased because the regulatory add-on factor no longer applied. This factor was a result of increased backtesting outliers in the market risk model in connection with the Ukraine crisis that are now no longer included in the one-year history.

In the presentation of securitization exposures, exposures subject to capital deduction and thus not backed with RWAs must also be reported in this template. The total RWAs shown in the template are therefore EUR 616m higher than the total risk-weighted exposure amount actually reported and shown in the *template EU KM1 – Key metrics template*.

3 Disclosure of own funds (Article 437 CRR and EBA/GL/2018/01)

3.1 Composition of regulatory own funds (Article 437a, d-f CRR)

The following table shows the composition of regulatory own funds. The table also includes regulatory adjustments, regulatory ratios and relevant capital buffers.

The “Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation” column in Figure 3 reconciles the components of the Bank’s own funds under CRR with the balance sheet. Figure 4 shows the relevant items of the balance sheet with figures according to IFRS and FINREP (Financial Reporting).

The Equity Tier 1 (CET 1) of the LBBW Group is virtually unchanged as against the end of the previous year. This is essentially because most of the net profit in 2022 has already been taken into account in advance. This was offset by the change in transitional provisions for IFRS 9 issues, which affected the regulatory deductible items. The decline in Tier 2 (T2) capital was due chiefly to the redemption of a USD 300m bond, as well as the same-day write-down and development of the euro.

The total risk-weighted exposure amount is also virtually unchanged as against the end of the previous year.

Due to the aforementioned facts, LBBW’s CET1 ratio, T1 ratio and total capital ratio saw an immaterial decrease compared with the previous period. Explanations regarding the changes in the total risk exposure amount can be found in section »2.2 Overview of total risk exposure amounts«.

No restrictions are applied to the calculation of own funds in accordance with CRR (point (e) of Article 437 CRR). The calculation of capital ratios does not include any elements of own funds calculated on a basis other than that stipulated in the CRR (point (f) of Article 437 CRR).

EUR million Capital instruments	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	11,724	
of which paid-in capital	3,484	j
of which capital reserves	8,240	k
of which other		
Retained earnings	2,730	l
Accumulated other comprehensive income (and other reserves)	- 83	m + n + o
Funds for general banking risk		
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		
Minority interests (amount allowed in consolidated CET1)		
Independently reviewed interim profits net of any foreseeable charge or dividend		
Common Equity Tier 1 (CET1) capital before regulatory adjustments	*14,371*	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	- 226	
Intangible assets (net of related tax liability) (negative amount)	- 227	a + b
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	- 142	c
Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		
Negative amounts resulting from the calculation of expected loss amounts	- 6	
Any increase in equity that results from securitized assets (negative amount)		
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	- 19	
Defined-benefit pension fund assets (negative amount)	-14	
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	- 49	
of which qualifying holdings outside the financial sector (negative amount)		
of which securitization positions (negative amount)	- 49	
of which free deliveries (negative amount)		
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		
Amount exceeding the 17.65% threshold (negative amount)		
of which direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
of which deferred tax assets arising from temporary differences		
Losses for the current financial year (negative amount)		
Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
Other regulatory adjustments	- 192	
Total regulatory adjustments to Common Equity Tier 1 (CET1)	- 876	
Common Equity Tier 1 (CET1) capital	13,496	
Additional Tier 1 (AT1) capital: instruments		
Capital instruments and the related share premium accounts	744	p

EUR million Capital instruments	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
of which classified as equity under applicable accounting standards	744	
of which classified as liabilities under applicable accounting standards		
Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1		
Amount of qualifying items referred to in Article 494a (1) subject to phase out from AT1		
Amount of qualifying items referred to in Article 494b (1) subject to phase out from AT1		
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		
of which instruments issued by subsidiaries subject to phase out		
Additional Tier 1 (AT1) capital before regulatory adjustments	744	
Additional Tier 1 (AT1) capital: regulatory adjustments		
Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)		
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		
Other regulatory adjustments to AT1 capital		
Total regulatory adjustments to Additional Tier 1 (AT1) capital		
Additional Tier 1 (AT1) capital	744	
Tier 1 capital (T1 = CET1 + AT1)	14,239	
Tier 2 (T2) capital: instruments		
Capital instruments and the related share premium accounts	4,186	e + f + g + h
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR		
Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2		
Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2		
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		
of which instruments issued by subsidiaries subject to phase out		
Credit risk adjustments	398	
Tier 2 (T2) capital before regulatory adjustments	4,584	
Tier 2 (T2) capital: regulatory adjustments		
Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	- 25	
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
Other regulatory adjustments to T2 capital	-170	
Total regulatory adjustments to Tier 2 (T2) capital	*-195*	
Tier 2 (T2) capital	*4,388*	
Total capital (TC = T1 + T2)	*18,628*	
Total risk-weighted exposure amount	93,643	

EUR million Capital instruments	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios and requirements including buffers		
Common Equity Tier 1	14.4	
Tier 1	15.2	
Total capital	19.9	
Institution CET1 overall capital requirements	9.5	
of which capital conservation buffer requirement	2.5	
of which countercyclical capital buffer requirement	0.6	
of which systemic risk buffer requirement	0.1	
of which global systemically important institution (G-SII) or other systemically important institution (O-SII) buffer requirement	0.8	
of which additional own funds requirements to address the risks other than the risk of excessive leverage	1.0	
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	7.8	
Amounts below the thresholds for deduction (before risk weighting)		
Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	523	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	278	
Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	740	d
Applicable caps on the inclusion of provisions in Tier 2		
Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)		
Cap on inclusion of credit risk adjustments in T2 under standardized approach	140	
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	626	
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	398	

Figure 3: EU CC1 – Composition of regulatory own funds

3.2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements (Article 437a CRR)

The following table compares the components of the Bank's own funds relevant for the CRR report on the basis of the accounting and regulatory scopes of consolidation. It includes only those items of the balance sheet which are relevant for the calculation of the Bank's own funds in accordance with CRR. Accordingly, it does not show all the components reported on the face of the balance sheet.

The disclosure of the shareholders' equity rows in the following templates EU CC2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements is not relevant for LBBW, as LBBW has no shareholders' equity.

EUR million	Balance sheet as in published financial statements (IFRS)	Under regulatory scope of consolidation (FINREP)	Reference
	As at period end		
Assets – Breakdown by asset classes according to the balance sheet in the published financial statements			
Intangible assets	*211*	*201*	
of which goodwill			a
of which other intangible assets	211	201	b
Deferred income tax assets	*956*	*994*	
of which from unused tax losses	142	138	c
of which from temporary differences	813	856	d
Equity and liabilities			
Financial liabilities designated at fair value	*3,440*	*3,440*	
of which subordinated liabilities	358	358	e
of which capital generated from profit-participation rights			f
Subordinated capital	*4,795*	*4,795*	
of which subordinated liabilities	3,922	3,922	g
of which typical silent partners' contributions	873	873	h
of which capital generated from profit-participation rights			i
Equity	*15,658*	*15,648*	
of which share capital	3,484	3,484	j
of which capital reserve	8,240	8,240	k
of which retained earnings	2,906	2,730	l
of which other income	-234	-32	
of which revaluation reserve	-320	-95	
of which revaluation reserve for equity investments	-45	180	m
of which revaluation reserve for debt instruments	-275	-275	n
of which currency translation reserve	36	12	o
of which additional equity components (Additional Tier 1)	745	745	p

Figure 4: EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

3.3 Comparison of own funds and capital and leverage ratio applying and not applying transitional provisions for IFRS 9 in conjunction with Article 473a CRR II (EBA/GL/2018/01)

The calculation of capital ratios does not include any elements of own funds calculated on a basis other than that stipulated in the CRR (point (f) of Article 437 CRR).

LBBW has been phasing in IFRS 9 since March 2020, which is causing a temporary increase in Common Equity Tier 1 capital. LBBW is therefore required to disclose the following values both applying and not applying the transitional provisions.

Ratios in %	30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022
Available capital (amounts)					
Common Equity Tier 1 (CET1) capital	13,496	13,554	13,708	12,511	12,644
Common Equity Tier 1 (CET1) capital not applying transitional provisions for IFRS 9 or similar expected credit losses	13,324	13,374	13,391	12,242	12,375
Tier 1 capital	14,239	14,298	14,452	13,255	13,387
Tier 1 capital not applying transitional provisions for IFRS 9 or similar expected credit losses	14,068	14,117	14,135	12,985	13,118
Total capital	18,628	18,789	18,934	17,770	17,966
Total capital not applying transitional provisions for IFRS 9 or similar expected credit losses	18,626	18,787	18,924	17,762	17,957
Risk-weighted assets					
Total amount of risk-weighted assets	93,643	93,663	93,645	89,296	91,154
Total amount of risk-weighted assets not applying transitional provisions for IFRS 9 or similar expected credit losses	93,826	93,855	93,975	89,577	91,434
Capital ratios					
CET1 capital (as a percentage of the total risk exposure amount)	14.4	14.5	14.6	14.0	13.9
Common Equity Tier 1 capital (as a percentage of the total risk exposure amount) not applying transitional provisions for IFRS 9 or similar expected credit losses	14.2	14.2	14.2	13.7	13.5
Tier 1 capital (as a percentage of the total risk exposure amount)	15.2	15.3	15.4	14.8	14.7
Tier 1 capital (as a percentage of the total risk exposure amount) not applying transitional provisions for IFRS 9 or similar expected credit losses	15.0	15.0	15.0	14.5	14.3
Total capital (as a percentage of the total risk exposure amount)	19.9	20.1	20.2	19.9	19.7
Total capital (as a percentage of the total risk exposure amount) not applying transitional provisions for IFRS 9 or similar expected credit losses	19.9	20.0	20.1	19.8	19.6
Leverage ratio					
Leverage ratio total exposure measure	342,130	366,180	305,958	320,327	310,645
Leverage ratio	4.2	3.9	4.7	4.1	4.3
Leverage ratio not applying transitional provisions for IFRS 9 or similar expected capital losses	4.1	3.9	4.6	4.1	4.2

Figure 5: Comparison of own funds and capital and leverage ratio applying and not applying

4 Disclosure of countercyclical capital buffers (Article 440 CRR)

4.1 Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (Article 440(a) CRR)

The composition of the institution-specific countercyclical capital buffer must be disclosed on a semi-annual basis. The CET1 capital cover of the total countercyclical capital buffer of all relevant countries is capped at 2.5%.

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 2023 are shown in the following table.

The “Other countries” item groups 103 countries whose share in the weighted own funds requirements is only 7.7%. These are therefore regarded as non-material and not listed individually in accordance with Article 432(1) CRR.

	General credit exposures		Relevant credit exposures – market risk				Own funds requirements						
EUR million Breakdown by country	Exposure value KSA	Exposure value IRB	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitization exposures – exposure value for non-trading book	Total exposure value	Relevant credit risk exposures – credit risk	Relevant credit exposures – market risk	Relevant credit exposures – securitization positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund require-ments weights (%)	Counter-cyclical buffer rate (%)
Germany	19,701	92,270	7,253		10,116	129,340	3,715	101	135	3,950	49,380	66.87	0.75
France	21	3,434	733		96	4,284	138	17	2	158	1,974	2.67	0.50
United Kingdom	109	2,753	844		29	3,736	108	20	1	128	1,602	2.17	1.00
Luxembourg	26	7,698	358			8,082	216	12		228	2,854	3.86	0.50
Netherlands	90	8,115	219			8,424	252	7		259	3,238	4.39	1.00
Austria	100	2,835	273		104	3,312	115	4	3	121	1,516	2.05	
Switzerland	117	2,471	413		35	3,037	81	5	1	87	1,088	1.47	
USA	215	11,877	753		151	12,996	398	16	7	421	5,260	7.12	
Australia	1	126	9			136	2	0		2	29	0.04	1.00
Bulgaria	0					0	0			0	0	0.00	1.50
Denmark	1	349	7			358	13	0		13	158	0.21	2.50
Estonia	0					0	0			0	0	0.00	1.00
Hong Kong	2	553	55			611	21	0		21	262	0.35	1.00
Ireland	13	531	9			553	21	2		23	284	0.39	0.50
Iceland	0					0	0			0	0	0.00	2.00
Croatia	0		0			0	0	0		0	0	0.00	0.50
Norway	2	1,464	64			1,530	14	1		14	180	0.24	2.50
Romania	4	8				12	0			0	6	0.01	0.50
Sweden	3	475	81		54	612	17	2	1	19	239	0.32	2.00
Slovakia	2		3			4	0	0		0	2	0.00	1.00
Czech Republic	4	219	7			230	5			5	66	0.09	2.50
Other countries	1,011	13,208	3,550		143	17,910	395	57	4	456	5,702	7.72	
Total	*21,421*	*148,386*	*14,632*		*10,729*	*195,168*	*5,511*	*243*	*153*	*5,907*	*73,840*	*100*	

Figure 6: EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

4.2 Amount of institution-specific countercyclical capital buffer (Article 440(b) CRR)

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

Amount of institution-specific countercyclical capital buffer	Amount
Total risk exposure amount (EUR million)	93,643
Institution specific countercyclical capital buffer rate (%)	0.63
Institution specific countercyclical capital buffer requirements (EUR million)	586

Figure 7: EU CCyB2 – Amount of institution-specific countercyclical capital buffer

5 Disclosure of the leverage ratio (Article 451 CRR)

5.1 Summary reconciliation of accounting assets and leverage ratio exposures (Article 451(1) b CRR)

		Applicable amount EUR million
1	*Total assets as per published financial statements*	*364,124*
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-2,718
3	(Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference)	
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	
5	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a (1) CRR)	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	-3,505
9	Adjustment for securities financing transactions (SFTs)	1,943
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	29,210
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a (1) CRR)	
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a (1) CRR)	
12	Other adjustments	-46,925
13	*Total exposure measure*	*342,130*

Figure 8: EU LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

5.2 Leverage ratio common disclosure (Article 451(1) a-b, c, (2), (3) CRR)

Row *EU-22e* entirely comprises exposures arising from passing-through promotional loans to other credit institutions, if the promotional loans were granted by an entity set up by the central government, regional government or local authority of a Member State through an intermediate credit institution.

EUR million		CRR leverage ratio exposures 30/06/2023	31/12/2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	321,641	287,263
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-9,303	-9,435
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)	-267	-98
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	312,071	277,729
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	12,164	12,640
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardized approach		
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	11,552	11,827
EU-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardized approach		
EU-9b	Exposure determined under Original Exposure Method		
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-9,975	-9,749
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardized approach)		
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)		
11	Adjusted effective notional amount of written credit derivatives	4,831	4,952
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-3,529	-3,493
13	Total derivatives exposures	15,042	16,177
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting) after adjustment for sales accounting transactions	29,758	25,975
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-3,674	-6,502
16	Counterparty credit risk exposure for SFT assets	1,957	1,609
EU-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Article 429e (5) and Article 222 CRR		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	Total securities financing transaction exposures	28,041	21,083
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	75,347	78,807
20	(Adjustments for conversion to credit equivalent amounts)	-46,137	-48,083
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)		
22	Off-balance sheet exposure	29,210	30,724
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a (1) CRR)	-13,055	-10,937
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on- and off- balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) – public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) – promotional loans)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-26,009	-25,642
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-3,170	-3,177
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a (1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a (1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	(Total exempted exposures)	-42,234	-39,755
Capital and total exposure measure			
23	Tier 1 capital	14,239	14,452
24	Total exposure measure	342,130	305,958
Leverage ratio			
25	Leverage ratio (%)	4.16	4.72

EUR million		CRR leverage ratio exposures 30/06/2023	31/12/2022
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.16	4.72
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.16	4.72
26	Regulatory minimum leverage ratio requirement (%)	3.00	3.00
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU-26b	Of which to be made up of CET1 capital		
27	Leverage ratio buffer requirement (%)		
EU-27a	Overall leverage ratio requirement (%)	3.00	3.00
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		

Figure 9: EU LR2 – LRCom: Leverage ratio common disclosure

The promotional loans are granted in order to promote the public policy objectives of the central government, regional government or local authority in a Member State. These are stipulated in the respective articles of association of the promotional institutions. At LBBW, promotional loans are passed through both to other credit institutions and to customers.

The leverage ratio on the basis of the CRR transitional provisions (phase-in) came to 4.2% as at 30 June 2023 (as at 31 December 2022: 4.7%). The leverage ratio exposure (phase-in) was EUR 342.1bn as at 30 June 2023 (EUR 306.0bn as at 31 December 2022).

The change in the leverage ratio exposure compared to the prior period (31 December 2022) is essentially due to the increase in other assets (EUR 31.9bn) and SFTs (EUR 6.9bn).

5.3 Breakdown of on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures) (Article 451(1) b CRR)

		CRR leverage ratio exposures EUR million
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures) of which:	273,614
EU-2	Trading book exposures	16,744
EU-3	Banking book exposures of which	256,870
EU-4	Covered bonds	15,426
EU-5	Exposures treated as sovereigns	90,253
EU-6	Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns	957
EU-7	Institutions	12,265
EU-8	Secured by mortgages of immovable properties	49,596
EU-9	Retail exposures	5,623
EU-10	Corporates	77,473
EU-11	Exposures in default	893
EU-12	Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	4,383

Figure 10: EU LR3 – LRSpl: Split up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

The “Exposures treated as sovereigns” item mainly includes exposures to central banks.

6 Disclosure of liquidity requirements (Article 451a CRR)

With Commission Implementing Regulation (EU) 2021/637 of 15 March 2021, the European Commission laid down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council with respect to liquidity risk. In addition, the regulation includes specifications and requirements as to which information institutions must disclose with regard to the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

The LCR shows the short-term resilience of the liquidity profile and is thereby defined as the ratio of liquid assets (liquidity buffer) to total net cash outflows over the next 30 days.

The NSFR ensures that institutions have an adequate ratio of stable funding by requiring the available stable funding – the liabilities side of the balance sheet – to at least equal the required stable funding – the assets side of the balance sheet.

6.1 Quantitative information of LCR (Article 451a (2) CRR)

LCR disclosure

Levels and components of LCR

In line with Annex XIII of Commission Implementing Regulation (EU) 2021/637, LBBW is required to disclose quantitative information on the components of LCR. The average liquidity coverage ratio is calculated by taking the average liquidity coverage ratios of the last twelve months before the end of each quarter. Based on LCR data collated as the end of each month, the unweighted and weighted values (simple average values over twelve month-values before the end of each quarter) look as follows.

The LCR over the entire disclosure period was consistently above the minimum ratio of 100% required for 2023.

EUR million	Total unweighted value				Total weighted value			
Quarter ending on	**30/06/23**	**31/03/23**	**31/12/22**	**30/09/22**	**30/06/23**	**31/03/23**	**31/12/22**	**30/09/22**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
High-quality liquid assets								
Total high-quality liquid assets (HQLA)					105,436	101,963	95,118	90,438
Cash outflows								
Retail deposits and deposits from small business customers of which:	22,897	22,932	22,938	22,972	1,597	1,638	1,660	1,679
stable deposits	9,734	9,902	9,994	10,015	487	495	500	501
less stable deposits	8,306	8,557	8,726	8,860	1,109	1,142	1,160	1,177
Unsecured wholesale funding	116,283	113,770	108,177	103,243	74,008	73,213	69,784	66,501
Operational deposits (all counterparties) and deposits in networks of cooperative banks	24,927	26,293	26,642	26,561	6,286	6,617	6,681	6,647
Non-operational deposits (all counterparties)	71,865	67,421	62,692	59,167	48,231	46,540	44,260	42,339
Unsecured debt	19,491	20,056	18,843	17,515	19,491	20,056	18,843	17,515
Secured wholesale funding					2,566	2,701	2,595	2,527
Additional requirements	41,455	40,873	39,074	37,119	12,905	12,419	11,391	10,430
Outflows related to derivative exposures and other collateral requirements	5,957	5,625	5,198	4,656	4,438	4,176	3,826	3,452
Outflows related to loss of funding on debt products	325	214	155	97	325	214	155	97
Credit and liquidity facilities	35,173	35,034	33,721	32,366	8,142	8,029	7,410	6,881
Other contractual funding obligations	6,337	6,495	6,750	6,703	6,147	6,288	6,544	6,478
Other contingent funding obligations	38,060	37,252	36,584	35,913	2,998	3,071	3,059	2,920
TOTAL CASH OUTFLOWS					*100,221*	*99,330*	*95,033*	*90,535*
Cash inflows								
Secured lending (e.g. reverse repos)	14,906	14,918	15,116	14,716	1,600	1,627	1,631	1,678
Inflows from fully performing exposures	16,407	16,916	17,202	17,020	10,068	10,370	10,571	10,434
Other cash inflows	11,062	11,185	10,743	10,322	8,847	9,133	8,900	8,657
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
(Excess inflows from a related specialized credit institution)								
TOTAL CASH INFLOWS	*42,375*	*43,019*	*43,061*	*42,058*	*20,515*	*21,129*	*21,102*	*20,769*
Fully exempt inflows								
Inflows subject to 90% cap								
Inflows subject to 75% cap	37,065	37,320	37,124	36,094	20,514	21,129	21,102	20,769
Total adjusted value								
LIQUIDITY BUFFER					105,436	101,963	95,118	90,438
TOTAL NET CASH OUTFLOWS					79,708	78,199	73,932	69,765
LIQUIDITY COVERAGE RATIO					132.5%	130.5%	129.2%	130.1%

Figure 11: EU LIQ1 – Quantitative information of LCR

6.2 Qualitative information on LCR, which complements template EU LIQ1 (Article 451a (2) CRR)

The LCR is shaped by a diversified funding mix across various maturities (short and long), product groups (secured and unsecured), and investor groups (private customers, corporate customers, public sector, and financial customers). It offers all the usual liability products on a secured and unsecured basis in various maturity segments. In addition, the open-market transactions offered by central banks can be used if necessary.

The short-term maturities from the funding mix and potential additional liquidity outflows are countered by an adequate buffer of highly liquid assets and expected incoming payments from maturing exposures. The structural funding requirements are derived from the expected business performance (funding planning) on the basis of economic planning and complemented by short-term fine-tuning measures for the purposes of LCR management.

In the second quarter of 2023, the LCR ranged corridor between 130% and 137% as at the reporting dates.

Liquidity in the market remains high but has declined on account of current central bank monetary policy to tackle inflation. LBBW still has a high liquidity buffer, significant parts of which are held as cash balances at central banks. Like other market participants, LBBW also participated in the ECB’s longer-term tender (TLTRO III) in previous years and has a good standing in the market and can obtain the necessary amount of unsecured funding. LBBW repaid a significant share of the refinancing volume raised through the long-term tender.

As well as participating in the ECB’s longer-term tender, the main sources of funding are currently deposits from private and corporate customers and investments by affiliated savings banks and German institutional investors. Potential concentrations are monitored by way of investor lists.

In addition, the long-term funding requirement is covered by Pfandbriefe and unsecured issues, which are highly attractive to investors due to the bank’s good market standing and the partial configuration as green or social bonds.

The bank’s liquidity buffer comprises a strategic buffer aligned to the requirements of the business model (e.g. call risks from non-maturity deposits, loan commitments, intended maturity transformation), supplemented by buffer stocks that can be adjusted at short notice.

For the strategic buffer, the bank manages a stock of highly liquid securities that are funded structurally. In addition, short-term liquidity buffers are held in the form of cash balances at central banks or in connection with securities received via repurchase agreements and lending transactions.

LBBW enters into derivative exposures at customer request and to hedge risks from its own business portfolio (e.g. interest rate risks). In the event of adverse market conditions, a portion of these derivative exposures has to be secured with cash on the basis of collateralization agreements. LBBW calculates these outflows using the “historical look-back approach” (HLBA) as defined in Commission Delegated Regulation (EU) 2017/208. As at 30 June 2023, the average share of outflows calculated based on the HLBA amounted to around 4% of total net outflows.

LBBW manages compliance with the LCR across all currencies. At the moment, the US dollar is a significant currency in the sense of Article 415 (2) CRR.

All LBBW Group liquidity risks classified as material, including subsidiaries which are material for the liquidity risk, are managed centrally or in close collaboration with LBBW Treasury. With the exception of Berlin Hyp, the impact of the other subsidiaries on the LCR was generally marginal during the disclosure period.

LBBW sees no further positions that might be relevant for its liquidity profile which are not included in the figures or in the text of the present disclosure report.

6.3 Disclosure of net stable funding ratio (NSFR) (Article 451a (3) CRR)

The net stable funding ratio (NSFR) as defined by Regulation (EU) No 575/2013) in conjunction with Regulation (EU) 2019/876 is a structural liquidity ratio that took effect as at 28 June 2021 to ensure that the institution has a stable funding structure. Compliance with the ratio requires that the amount of permanently available weighted liabilities and own funds – available stable funding (ASF) – at least matches the amount of the permanent funding requirement from weighted assets and off-balance sheet exposures – required stable funding (RSF).

The regulatory requirement of a minimum requirement is binding for LBBW, including the subsidiaries within the Group, from 28 June 2021.

At LBBW, disclosures on the NSFR are based on the regulatory scope of consolidation within the meaning of CRR.

The disclosure presents the figures as at the end of each quarter of the relevant disclosure period. The annual and semi-annual disclosures therefore present two quarters – the quarter as at the reference date of disclosure and the preceding quarter.

The management of the NSFR is embedded into the management of LBBW balance-sheet structure. Permanent fulfillment of the NSFR requirement is a core requirement in economic and funding planning (five-year perspective). The ratio is this a significant influencing factor on the definition of the funding requirement on the liabilities side. The aim of the funding mix strategy is to achieve balanced diversification in relation to product and investor groups. To this end, all the usual liability products are offered on a secured and unsecured basis in various maturity segments.

As well as long-term capital market issues, NSFR management is supplemented by active daily management of short-term deposits and loans of non-finance customers. When necessary or in the case of favorable opportunities, open-market transactions offered by central banks can also be used.

The NSFR was largely stable in the first half of 2023. Traditionally high funding volumes at the start of the year pushed up the ratio (118.2% as at 31 March 2023), which then declined again slightly as a result of a surplus of new lending business compared to funding activities (114.2% as at 30 June 2023).

The interdependent assets and liabilities included in the NSFR currently comprise promotional business in the form of pass-through and transmitted loans and derivative clearing activities for customers. For the transmitted promotional loans, LBBW recognizes both a liability to the development bank and a receivable in the same amount from the final borrower, public savings banks. Derivative clearing activities for customers are also recognized as interdependent. In total, the volume of interdependent assets and liabilities was EUR 40,032m each as at 30 June 2023 (31 June 2023: EUR 40,633m), of which EUR 36,204m (31 March 2023: EUR 36,096m) from promotional business and EUR 3,828m (31 March 2023: EUR 4,537m) from derivative clearing activities.

30/06/2023 EUR million	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	15,037			5,272	20,309
Own funds	15,037			5,272	20,309
Other capital instruments					
Retail deposits		22,367	481	151	21,351
Stable deposits		12,596	128	80	12,168
Less stable deposits		9,770	353	71	9,183
Wholesale funding		157,294	25,569	71,281	122,593
Operational deposits		21,227	0	0	4,328
Other wholesale funding		136,067	25,569	71,281	118,264
Interdependent liabilities		3,037	2,015	34,979	0
Other liabilities		5,679	1	2,395	2,395
NSFR derivative liabilities					
All other liabilities and capital instruments not included in the above categories		5,679	1	2,395	2,395
Total available stable funding (ASF)					*166,648*
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					4,070
Assets encumbered for a residual maturity of one year or more in a cover pool		911	1,078	33,131	29,852
Deposits held at other financial institutions for operational purposes		1	0	0	1
Performing loans and securities		57,090	17,924	87,090	100,489
Performing securities financing transactions with financial customers collateralized by Level 1 HQLA subject to 0% haircut		9,347	16	7	592
Performing securities financing transactions with financial customer collateralized by other assets and loans and advances to financial institutions		19,207	7,588	18,879	24,140
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs of which:		19,659	7,341	28,205	46,907
with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk		315	43	1,139	6,948
Performing residential mortgages of which:		591	289	8,329	
with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk		591	289	8,329	
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		6,473	2,028	12,733	14,954
Interdependent assets		3,037	2,015	34,979	0
Other assets		25,889	60	5,150	8,739
Physical traded commodities				724	616
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		853	25	901	1,511
NSFR derivative assets		0			0
NSFR derivative liabilities before deduction of variation margin posted		17,632			882
All other assets not included in the above categories		7,404	35	3,525	5,730
Off-balance sheet items		32,259	5,498	33,391	2,837
Total RSF					*145,987*
Net stable funding ratio (%)					114.2%

Figure 12: EU LIQ2 – Disclosure of net stable funding ratio (NSFR) 30/06/2023

The disclosure of the net stable funding ratio for the previous period as of 31 March 2023 is presented below.

31/03/2023 EUR million	Unweighted value by residual maturity No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items					
Capital items and instruments	15,095			5,524	20,619
Own funds	15,095			5,524	20,619
Other capital instruments					
Retail deposits		22,211	596	181	21,342
Stable deposits		12,511	181	98	12,155
Less stable deposits		9,701	414	84	9,187
Wholesale funding		181,135	25,125	69,635	124,169
Operational deposits		23,684	0	0	4,816
Other wholesale funding		157,451	25,125	69,635	119,353
Interdependent liabilities		3,589	2,104	34,939	0
Other liabilities:		4,569	3	2,466	2,467
NSFR derivative liabilities					
All other liabilities and capital instruments not included in the above categories		4,569	3	2,466	2,467
Total available stable funding (ASF)					*168,596*
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					4,380
Assets encumbered for a residual maturity of one year or more in a cover pool		1,026	1,127	31,165	28,320
Deposits held at other financial institutions for operational purposes		1	0	0	0
Performing loans and securities:		54,719	20,818	86,826	99,509
Performing securities financing transactions with financial customers collateralized by Level 1 HQLA subject to 0% haircut		10,808	0	6	699
Performing securities financing transactions with financial customer collateralized by other assets and loans and advances to financial institutions		19,625	8,978	17,327	23,388
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs of which:		17,675	6,710	29,671	46,586
with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk		535	92	1,659	7,055
Performing residential mortgages of which:		383	409	7,941	
with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk		383	409	7,941	
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		4,394	3,719	12,682	14,727
Interdependent assets		3,589	2,104	34,939	0
Other assets		25,705	55	4,023	7,511
Physical traded commodities				229	195
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		896	0	93	841
NSFR derivative assets		0			0
NSFR derivative liabilities before deduction of variation margin posted		17,855			893
All other assets not included in the above categories		6,954	55	3,700	5,582
Off-balance sheet items		31,427	5,226	35,750	2,903
Total RSF					*142,624*
Net stable funding ratio (%)					118.2%

Figure 13: EU LIQ2 – Disclosure of net stable funding ratio (NSFR) 31/03/2023

7 Disclosure of exposures to credit risk and dilution risk and of credit quality (Article 442 CRR)

The following figure shows the credit quality of performing and non-performing exposures and related provisions. Further on, there is a breakdown by maturity, sector and country. The disclosure is based on the values of the FINREP report.

7.1 Performing and non-performing exposures and related provisions (Article 442c, e CRR)

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collaterals and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
EUR million		of which Stage 1	of which Stage 2		of which Stage 2	of which Stage 3		of which Stage 1	of which Stage 2		of which Stage 2	of which Stage 3			
Cash balances at central banks and other demand deposits	71,604	71,600	4				-0	-0	-0						
Loans and advances	*203,334*	*181,580*	*19,873*	*1,523*	*1*	*1,444*	*-946*	*-551*	*-395*	*-630*	*-0*	*-623*	*-205*	*78,104*	*425*
Central banks	124	124													
General governments	8,979	8,186	11				-10	-10	-0					2,564	
Credit institutions	48,903	48,719	138	24		24	-23	-21	-2	-21		-21		9	
Other financial corporations	26,487	24,537	943	65		1	-66	-45	-21	-1		-1	-4	10,169	64
Non-financial corporations	106,768	89,960	16,772	1,376	0	1,361	-778	-427	-351	-584	-0	-577	-184	57,993	344
of which SMEs	35,437	28,918	6,518	326	0	315	-221	-145	-75	-118	-0	-113	-0	27,850	169
Households	12,073	10,054	2,010	58	0	58	-69	-48	-22	-24	-0	-24	-17	7,369	17
Debt securities	*37,985*	*37,313*	*128*	*6*		*6*	*-7*	*-7*	*-0*	*-6*		*-6*			
Central banks	385	385					-0	-0							
General governments	6,272	6,253					-1	-1							
Credit institutions	26,280	26,158	122				-5	-4	-0						
Other financial corporations	4,786	4,261					-1	-1							
Non-financial corporations	263	257	6	6		6	-0	-0	-0	-6		-6			
Off-balance sheet exposure	*77,050*	*62,226*	*5,462*	*190*	*7*	*123*	*-228*	*-156*	*-73*	*-64*	*-0*	*-43*		*2,831*	*8*
Central banks	0	0					-0	-0							
General governments	3,045	2,918	0				-0	-0	-0					304	
Credit institutions	7,298	6,564	14				-2	-2	-0					2	
Other financial corporations	8,725	7,449	279				-5	-3	-2					424	
Non-financial corporations	54,591	42,151	4,934	189	7	122	-219	-150	-69	-64	-0	-43		2,046	8
Households	3,391	3,144	235	1	0	1	-2	-1	-1	-0	-0			54	
Total	*389,975*	*352,719*	*25,468*	*1,719*	*8*	*1,573*	*-1,182*	*-713*	*-468*	*-700*	*-0*	*-672*	*-205*	*80,935*	*433*

Figure 14: EU CR1 – Performing and non-performing exposures and related provisions

7.2 Residual maturity of exposures (Article 442g CRR)

The following table shows net exposure values by maturity. Net value is the gross carrying amount less allowances/impairments.

	Net exposure value					
EUR million	**On demand**	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
Loans and advances	*5,252*	*45,413*	*64,649*	*87,810*	*158*	*203,282*
Debt securities		*5,254*	*21,474*	*11,250*		*37,979*
Total	*5,252*	*50,667*	*86,123*	*99,060*	*158*	*241,260*

Figure 15: EU CR1-A – Maturity of exposures

7.3 Changes in the stock of non-performing loans and advances (Article 442f CRR)

The following table shows the stock of non-performing loans and advances as at 30 June 2023 in accordance with FINREP.

The difference between the disclosed non-performing values and the values as if the definition of defaulted in accordance with Article 178 CRR was applied was immaterial as at 30 June 2023.

EUR million	**Gross carrying amount**
Initial stock of non-performing loans and advances	*1,362*
Inflows to non-performing portfolios	524
Outflows from non-performing portfolios	-363
Outflows due to write-offs	-1
Outflow due to other situations	-362
Final stock of non-performing loans and advances	*1,523*

Figure 16: EU CR2 – Changes in the stock of non-performing loans and advances

Disclosure of template *EU CR2a – Changes in the stock of non-performing loans and advances and related net accumulated recoveries* is not relevant for LBBW, as LBBW’s NPL ratio is currently below 5%.

7.4 Credit quality of forborne exposures (Article 442c CRR)

EUR million	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Non-performing forborne						
	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
Cash balances at central banks and other demand deposits								
Loans and advances	*1,182*	*631*	*629*	*622*	*-15*	*-259*	*956*	*216*
Central banks								
General governments	0				-0			
Credit institutions								
Other financial corporations	0	1	1	1	-0	-0	0	0
Non-financial corporations	1,178	625	625	618	-15	-257	953	214
Households	3	5	4	4	-0	-2	3	2
Debt securities								
Loan commitments given	129	24	24	24	-2	-5		
Total	*1,311*	*655*	*654*	*647*	*-17*	*-265*	*956*	*216*

Figure 17: EU CQ1 – Credit quality of forborne exposures

Disclosure of template *EU CQ2 – Quality of forbearance is* not relevant for LBBW, as LBBW’s NPL ratio is currently below 5%.

7.5 Quality of non-performing exposures by geography (Article 442c, e CRR)

The following table breaks down exposure by country. The 15 largest countries in terms of “gross carrying amounts of on-balance sheet exposures” and the 10 largest countries in terms of “nominal amounts of off-balance sheet exposures” are classified as significant. The countries shown represent more than 90% of the total gross carrying amounts of on-balance sheet exposures and more than 90% of the nominal amounts of off-balance sheet exposures. The other countries as well as supranational organizations are shown under “Others/supranational organizations”. These are therefore regarded as non-material and not listed individually in accordance with Article 432 (1) CRR.

Disclosure of columns b (Gross carrying/nominal amount – of which non-performing) and d (Gross carrying/nominal amount – of which subject to impairment) of the following template *EU CQ4 – Quality of non-performing exposures by geography* is not relevant for LBBW, as LBBW’s NPL ratio is currently below 5%.

EUR million	Gross carrying/nominal amount	Of which non-performing and defaulted	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
On-balance sheet exposures	*242,849*	*1,529*	*-1,584*		*-5*
Germany	131,630	1,022	-1,165		-5
USA	17,448	150	-156		
United Kingdom	16,007	0	-18		
France	14,529	16	-41		
Luxembourg	8,744	61	-19		
Netherlands	8,288	8	-36		
Canada	5,614	0	-13		
Austria	3,944	70	-8		
Singapore	3,319	0	0		
Republic of Korea	2,577		-1		
Poland	2,516	2	-12		
Switzerland	2,335	1	-1		
Sweden	1,782		-3		
Australia	1,738		0		
Ireland	1,670	0	-2		
Others/supranational organizations	20,709	199	-109		
Off-balance sheet exposure	*77,240*	*182*		*-292*	
Germany	56,276	163		-249	
Ireland	4,087			0	
France	2,938	0		-1	
Switzerland	2,443			-4	
USA	2,254			-22	
Austria	2,100	19		-5	
Netherlands	1,124			-7	
Luxembourg	697			-1	
Republic of Korea	523			0	
United Kingdom	505			0	
Others/supranational organizations	4,292	0		-2	
Total	*320,090*	*1,711*	*-1,584*	*-292*	*-5*

Figure 18: EU CQ4 – Quality of non-performing exposures by geography

7.6 Credit quality of loans and advances to non-financial corporations by industry (Article 442c, e CRR)

In the following table, the loans and advances to non-financial corporations are grouped by industry using the NACE code on the basis of the principal activity of the business partner.

Disclosure of columns b (Gross carrying amount – of which non-performing) and d (Gross carrying amount – of which loans and advances subject to impairment) of the following template *EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry* is not relevant for LBBW, as LBBW's NPL ratio is currently below 5%.

EUR million Industry sector	Gross carrying amount	Of which non-performing and defaulted	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
Agriculture, forestry and fishing	116	5	-1	
Mining and quarrying	424	0	-2	
Manufacturing	16,232	632	-488	-5
Electricity, gas, steam and air conditioning supply	6,054	33	-57	
Water supply	2,451	1	-3	
Construction	2,506	25	-53	
Wholesale and retail trade	6,371	154	-121	
Transport and storage	3,250	26	-22	
Accommodation and food service activities	110	0	-1	
Information and communication	3,087	4	-27	
Financial and insurance activities				
Real estate activities	51,379	321	-368	
Professional, scientific and technical activities	8,911	99	-114	
Administrative and support service activities	4,455	34	-63	
Public administration and defense, compulsory social security				
Education	246	0	-3	
Human health services and social work activities	1,246	38	-27	
Arts, entertainment and recreation	320	1	-2	
Other services	986	2	-6	
Total	*108,144*	*1,376*	*-1,357*	*-5*

Figure 19: EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry

Disclosure of template *EU CQ6 – Collateral valuation – loans and advances* is not relevant for LBBW, as LBBW's NPL ratio is currently below 5%. Disclosure of template *EU CQ7 – Collateral obtained by taking possession and execution processes* is not relevant for LBBW, as LBBW currently has no such collateral. Disclosure of template *EU CQ8 – Collateral obtained by taking possession and execution processes – vintage* breakdown is not relevant for LBBW, as LBBW's NPL ratio is currently below 5%.

8 Disclosure of the use of credit risk mitigation techniques (Article 453a-f CRR)

8.1 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (Article 453a-f CRR)

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.

EUR million	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	*197,933*	*78,529*	*67,941*	*10,588*	
Debt securities	*37,992*				
Total	*235,925*	*78,529*	*67,941*	*10,588*	
of which non-performing exposures	1,105	425	327	98	
of which defaulted	1,104	425			

Figure 20: EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

The change in the unsecured carrying amounts as against the previous period is primarily due to the increase in on-demand or current receivables (essentially cash balances at central banks).

9 Disclosure of the use of the standardized approach (Articles 444, 453g-i CRR)

9.1 Standardized approach – Credit risk exposure and CRM effects (Articles 444e, 453g-i CRR)

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.

	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWA density	
EUR million Exposure class	On-balance sheet exposures	Off-balance sheet exposure	On-balance sheet exposures	Off-balance sheet exposure	RWAs	RWA density (%)
Central governments or central banks	235		596	35		
Regional government or local authorities	1,974	103	2,675	188	1	0.04%
Public sector entities	756	915	568	334	77	8.49%
Multilateral development banks						
International organizations	516		516			
Institutions	34,363	3,548	36,000	1,786	133	0.35%
Corporates	9,447	2,789	7,365	362	5,116	66.20%
Retail	5,622	2,947	5,426	227	3,793	67.10%
Secured by mortgages on immovable property	4,998	17	4,998	12	1,748	34.90%
Exposures in default	71	7	65	1	89	133.83%
Exposures associated with particularly high risk	3		3		4	150.00%
Covered bonds	475		475		5	1.05%
Institutions and corporates with a short-term credit assessment						
Collective investment undertakings	25		25		30	119.34%
Equity						
Other items	61		61		61	99.98%
Total	*58,547*	*10,326*	*58,773*	*2,947*	*11,057*	*17.92%*

Figure 21: EU CR4 – standardized approach – Credit risk exposure and CRM effects

9.2 Standardized approach (Article 444e CRR)

EUR million Exposure classes	Risk weight 0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Others	Total	Of which unrated
Central governments or central banks	632															632	207
Regional government or local authorities	2,856				6											2,863	934
Public sector entities	520				383		0			0						903	16
Multilateral development banks																	
International organizations	516															516	
Institutions	37,309				356		119			2						37,786	36,414
Corporates	485				1,734	107	710	64		4,628	0					7,728	4,162
Retail	0								5,653							5,653	4,617
Secured by mortgages on immovable property						4,711	299									5,010	4,704
Exposures in default										21	45					66	58
Exposures associated with particularly high risk											3					3	3
Covered bonds	425			50												475	12
Institutions and corporates with a short-term credit assessment																	
Unit or shares in collective investment undertakings															25	25	20
Equity																	
Other items	0									61						61	498
Total	*42,743*			*50*	*2,478*	*4,817*	*1,129*	*64*	*5,653*	*4,713*	*47*				*25*	*61,719*	*51,644*

Figure 22: EU CR5 – standardized approach

10 Disclosure of the use of the IRB approach to credit risk (Articles 438, 452, 453g-j CRR)

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.

A distinction between F-IRB and A-IRB is not currently relevant for LBBW.

10.1 IRB approach – Credit risk exposures by exposure class and PD range (Article 452g CRR)

The following table shows IRB credit risk exposures by exposure class and PD ranges set by the regulator. RWA density is the ratio of risk-weighted assets to exposures after taking into account credit conversion factors and credit risk mitigation.

The column “Number of obligors” shows the number of obligors of individual PDs listed in the table. The column “Density of risk-weighted exposure amount” refers to the ratio of risk-weighted assets to exposures post credit conversion factors and credit risk mitigation.

F-IRB EUR million PD scale	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk-weighted exposure amount after SME supporting factor	Density of risk-weighted exposure amount	Expected loss amount	Value adjustments and provisions
Exposure class Central governments and central banks												
0.00 to <0.15	85,852	1,981	0.48	91,894	0.00	2,022	45.03	3	696	0.01	1	-24
0.00 to <0.10	85,445	1,981	0.48	91,487	0.56	2,018	45.03	3	560	0.01	1	-24
0.10 to <0.15	407			407	0.11	4	45.00	3	135	0.33	0	0
0.15 to <0.25												
0.25 to <0.50	119	19		80	0.39	2	45.00	3	52	0.66	0	-1
0.50 to <0.75												
0.75 to <2.50	0	0	0.20	0	0.98	2	45.00	3	0	0.97	0	0
0.75 to <1.75	0	0	0.20	0	0.98	2	45.00	3	0	0.97	0	0
1.75 to <2.5												
2.50 to <10.00	75	65	0.57	5	8.04	3	45.00	3	9	1.89	0	0
2.5 to <5	0			0	4.44	1	45.00	3	0	1.53	0	0
5 to <10	75	65	0.57	5	8.04	2	45.00	3	9	1.89	0	0
10.00 to <100.00	43	593	0.20	0	12.05	4	45.00	3	0	2.19	0	0
10 to <20	43	593	0.20	0	12.05	4	45.00	3	0	2.19	0	0
20 to <30												
30.00 to <100.00												
100.00 (default)												
Subtotal	*86,090*	*2,657*	*0.42*	*91,979*	*0.00*	*2,033*	*45.03*	*3*	*757*	*0.01*	*1*	*-26*

F-IRB EUR million PD scale	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk-weighted exposure amount after SME supporting factor	Density of risk-weighted exposure amount	Expected loss amount	Value adjustments and provisions
Exposure class Institutions												
0.00 to <0.15	26,904	1,540	0.55	27,698	0.05	302	26.47	2	4,001	0.14	4	-6
0.00 to <0.10	25,384	1,224	0.55	26,015	0.05	265	26.01	2	3,549	0.14	3	-5
0.10 to <0.15	1,520	315	0.52	1,684	0.12	37	33.49	2	452	0.27	1	-1
0.15 to <0.25	670	27	0.38	688	0.18	30	34.54	2	283	0.41	0	0
0.25 to <0.50	60	24	0.37	68	0.43	13	45.00	3	61	0.89	0	0
0.50 to <0.75	1	8	0.35	4	0.55	6	45.00	3	3	0.82	0	0
0.75 to <2.50	231	44	0.47	252	1.11	17	45.00	2	317	1.26	1	0
0.75 to <1.75	227	44	0.47	248	1.10	16	45.00	2	312	1.26	1	0
1.75 to <2.5	4			4	2.00	1	45.00	3	5	1.22	0	
2.50 to <10.00												
2.5 to <5												
5 to <10												
10.00 to <100.00	113	6	0.66	4	18.36	6	45.00	3	12	2.65	0	-1
10 to <20	113	6	0.66	4	18.36	6	45.00	3	12	2.65	0	-1
20 to <30												
30.00 to <100.00												
100.00 (default)	0			0	100.00	1	45.00	3			0	0
Subtotal	*27,979*	*1,648*	*0.54*	*28,715*	*0.07*	*375*	26.87	2	4,677	0.16	6	-7

F-IRB EUR million PD scale	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk-weighted exposure amount after SME supporting factor	Density of risk-weighted exposure amount	Expected loss amount	Value adjustments and provisions
Exposure class Corporates – SMEs												
0.00 to <0.15	3,352	2,055	0.29	4,091	0.08	2,268	35.13	3	649	0.16	1	-3
0.00 to <0.10	2,201	1,656	0.28	2,856	0.07	1,732	33.92	3	398	0.14	1	-1
0.10 to <0.15	1,151	399	0.34	1,235	0.12	536	37.92	3	251	0.20	1	-2
0.15 to <0.25	839	297	0.29	693	0.18	562	39.04	3	179	0.26	1	-2
0.25 to <0.50	1,296	833	0.33	1,511	0.33	1,202	40.77	2	577	0.38	2	-3
0.50 to <0.75	434	333	0.38	542	0.39	470	27.81	2	281	0.52	1	-2
0.75 to <2.50	916	356	0.21	810	0.80	885	29.80	1	552	0.68	4	-5
0.75 to <1.75	718	270	0.23	640	0.69	666	30.69	1	435	0.68	3	-4
1.75 to <2.5	199	86	0.15	170	1.20	219	26.45	1	117	0.69	1	-2
2.50 to <10.00	350	151	0.39	346	3.35	316	37.59	2	312	0.90	5	-10
2.5 to <5	281	103	0.38	286	2.92	248	36.89	2	242	0.85	4	-8
5 to <10	69	48	0.42	60	5.41	68	40.90	2	70	1.16	1	-2
10.00 to <100.00	133	24	0.41	68	11.66	152	35.30	2	96	1.41	4	-2

F-IRB EUR million PD scale	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk-weighted exposure amount after SME supporting factor	Density of risk-weighted exposure amount	Expected loss amount	Value adjustments and provisions
10 to <20	76	15	0.29	55	9.96	76	36.32	2	79	1.43	3	-1
20 to <30	51	8	0.67	9	10.27	46	27.41	1	12	1.26	1	-1
30.00 to <100.00	5	2	0.17	4	37.53	30	39.59	2	6	1.45	1	0
100.00 (default)	106	37	0.20	82	100.00	65	44.87	3			37	-27
Subtotal	*7,427*	*4,087*	*0.30*	*8,143*	*1.47*	*5,920*	*35.69*	*2*	*2,645*	*0.32*	*55*	*-54*
Exposure class Corporates – Specialized lending												
0.00 to <0.15	8,214	671	0.77	8,280	0.10	63	38.12	3	1,844	0.22	3	-10
0.00 to <0.10	4,256	432	0.78	4,175	0.07	35	38.34	3	753	0.18	1	-4
0.10 to <0.15	3,958	240	0.75	4,105	0.13	28	37.90	3	1,091	0.27	2	-6
0.15 to <0.25	3,280	217	0.81	3,448	0.19	17	37.07	3	1,056	0.31	2	-7
0.25 to <0.50	7,912	1,529	0.62	8,574	0.34	30	36.71	2	3,801	0.44	12	-36
0.50 to <0.75	2,980	341	0.80	3,250	0.55	16	34.21	2	1,918	0.59	8	-18
0.75 to <2.50	3,366	469	0.70	3,534	1.06	24	32.59	2	2,649	0.75	16	-35
0.75 to <1.75	2,694	336	0.75	2,862	0.91	20	32.69	2	2,081	0.73	11	-14
1.75 to <2.5	672	133	0.59	671	1.67	4	32.17	2	568	0.85	5	-21
2.50 to <10.00	787	13	0.75	753	4.03	11	35.74	2	835	1.11	12	-6
2.5 to <5	568	12	0.76	578	3.34	9	34.61	2	591	1.02	7	-5
5 to <10	219	1	0.50	175	6.31	2	39.45	2	244	1.39	5	0
10.00 to <100.00	158			139	23.26	3	38.63	3	345	2.47	13	-7
10 to <20	42			23	20.65	1	45.00	3	100	4.29	3	-2
20 to <30	116			116	23.78	2	37.35	3	244	2.11	10	-5
30.00 to <100.00												
100.00 (default)	324	11	0.80	333	100.00	2	39.12	3			130	-60
Subtotal	*27,021*	*3,252*	*0.70*	*28,312*	*1.75*	*166*	*36.38*	*2*	*12,447*	*0.44*	*196*	*-178*
Exposure class Corporates – Other												
0.00 to <0.15	22,920	28,105	0.43	34,051	0.09	2,488	42.69	3	9,409	0.28	13	-13
0.00 to <0.10	14,920	15,346	0.39	20,207	0.08	1,350	41.65	3	4,559	0.23	5	-8
0.10 to <0.15	8,000	12,759	0.47	13,844	0.12	1,138	44.21	3	4,850	0.35	8	-5
0.15 to <0.25	5,266	7,636	0.43	8,349	0.20	1,031	44.18	3	3,792	0.45	7	-6
0.25 to <0.50	7,828	7,036	0.48	10,704	0.34	1,433	43.84	2	6,561	0.61	17	-14
0.50 to <0.75	944	808	0.39	1,104	0.53	336	35.83	2	888	0.80	3	-3
0.75 to <2.50	3,450	2,536	0.39	3,594	1.34	730	40.19	2	3,732	1.04	22	-32
0.75 to <1.75	2,336	2,105	0.37	2,563	1.11	534	41.49	2	2,580	1.01	13	-24
1.75 to <2.5	1,115	431	0.46	1,031	1.92	196	36.97	2	1,152	1.12	9	-8
2.50 to <10.00	1,708	713	0.43	1,120	4.88	299	42.88	2	1,746	1.56	24	-18
2.5 to <5	556	212	0.43	344	3.35	150	43.28	2	478	1.39	5	-4
5 to <10	1,152	501	0.42	776	5.56	149	42.71	2	1,269	1.64	19	-15
10.00 to <100.00	1,204	324	0.50	411	17.23	184	36.11	2	805	1.96	25	-20
10 to <20	697	302	0.50	272	14.86	108	42.31	2	607	2.24	17	-12
20 to <30	505	18	0.51	135	21.80	47	24.60	2	194	1.43	8	-7
30.00 to <100.00	3	3	0.42	4	22.31	29	8.23	1	3	0.72	0	0
100.00 (default)	860	139	0.60	785	100.00	250	44.71	3			351	-331
Subtotal	*44,181*	*47,298*	*0.43*	*60,119*	*1.74*	*6,751*	*42.81*	*2*	*26,932*	*0.45*	*463*	*-437*
Total (all exposures classes)	*192,698*	*58,941*	*0.44*	*217,268*	*0.78*	*15,245*	*40.54*	*2*	*47,459*	*0.22*	*722*	*-702*

Figure 23: EU CR6-B – IRB approach – Credit risk exposures by exposure class and PD range

10.2 IRB approach – Effect on the risk-weighted exposure amounts of credit derivatives used as CRM techniques (Article 453g, j CRR)

The following section shows credit risk exposures reported under the IRB approach, excluding counterparty credit risks.

The following table shows the effect on RWAs of credit derivatives used for credit risk mitigation. Since LBBW has not used any credit derivatives for credit risk mitigation, both columns are identical.

EUR million Exposure class	Pre-credit derivatives risk-weighted exposure amount	Actual risk-weighted exposure amount
Exposures under F-IRB	*58,658*	*58,658*
Central governments and central banks	2,633	2,633
Institutions	4,679	4,679
Corporates	51,347	51,347
of which Corporates – SMEs	4,647	4,647
of which Corporates – Specialized lending	17,063	17,063
Exposures under A-IRB		
Central governments and central banks		
Institutions		
Corporates		
of which Corporates – SMEs		
of which Corporates – Specialized lending		
Retail		
of which Retail – SMEs - Secured by immovable property collateral		
of which Retail – non-SMEs - Secured by immovable property collateral		
of which Retail – Qualifying revolving		
of which Retail – SMEs - Other		
of which Retail – Non-SMEs - Other		
Total (including F-IRB exposures and A-IRB exposures)	*58,658*	*58,658*

Figure 24: EU CR7: IRB approach – Effect on the risk-weighted exposure amounts of credit derivatives used as CRM techniques

10.3 IRB approach – Disclosure of the extent of the use of CRM techniques (Article 453g, j CRR)

Disclosure of the following template *EU CR7A – Changes in the stock of non-performing loans and advances and related net accumulated recoveries for A-IRB* is not relevant for LBBW, as LBBW is not an A-IRB institution.

		Credit risk mitigation techniques											Credit risk mitigation methods in the calculation of RWEAs EUR million	
		Funded Credit Protection (FCP)						Funded Credit Protection (FCP)			Unfunded Credit Protection (UFCP)			
F-IRB	Total exposures EUR million	Part of exposures covered by financial collaterals (%)	Part of exposures covered by other eligible collaterals (%)	Part of exposures covered by immovable property collaterals (%)	Part of exposures covered by receivables (%)	Part of exposures covered by other physical collateral (%)	Part of exposures covered by other funded credit protection (%)	Part of exposures covered by cash on deposit (%)	Part of exposures covered by life insurance policies (%)	Part of exposures covered by instruments held by a third party (%)	Part of exposures covered by guarantees (%)	Part of exposures covered by credit derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
Central governments and central banks	92,926										1.17			2,633
Institutions	28,769	0.73									1.20			4,679
Corporates	129,260	0.50	33.04	32.72		0.32	0.03				6.29			51,347
of which Corporates – SMEs	16,660	0.58	47.81	47.72		0.09	0.17				5.10			4,647
of which Corporates – Specialized lending	42,129	0.18	55.59	55.13		0.46	0.01				2.34			17,063
of which Corporates – Other	70,470	0.68	16.06	15.78		0.28	0.01				8.94			29,637
Total	*250,954*	*0.34*	*17.02*	*16.85*		*0.16*	*0.02*				*3.81*			*58,658*

Figure 25: EU CR7-A – IRB approach – Disclosure of the extent of the use of credit risk mitigation techniques

10.4 RWEA flow statements of credit risk exposures under the IRB approach (Article 438h CRR)

The following table shows the development of RWEAs of risk exposures under the IRB approach between 31 March 2023 and 30 June 2023.

EUR million	Risk-weighted exposure amount
Risk-weighted exposure amount as at the end of the previous reporting period	*62,042*
Asset size (+/-)	930
Asset quality (+/-)	-172
Model updates (+/-)	-185
Methodology and policy (+/-)	
Acquisitions and disposals (+/-)	-39
Foreign exchange movements (+/-)	23
Other (+/-)	-191
Risk weighted exposure amount as at the end of the reporting period	*62,408*

Figure 26: EU CR8 – RWEA flow statements of credit risk exposures under the IRB approach

The “Asset size” item shows the organic change in the journal, including new business and outstanding receivables. The “Asset quality” item 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. The “Model updates” item shows changes resulting from implementing models, changes to the scope of the model and model improvements. The “Methodology and policy” item shows changes caused by adjustments to calculation methods resulting from changes to regulatory policies. The “Foreign exchange movements” item shows changes arising from fluctuating exchange rates. The “Other” item shows all further changes which cannot be explicitly allocated to one of the exposures listed.

11 Disclosure of specialized lending and equity exposure under the simple risk weight approach (Article 438e CRR)

11.1 Specialized lending: Project finance (slotting approach) (Article 438e CRR)

		Specialized lending : Project finance (slotting approach)					
EUR million Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk-weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years		4	50%	2	1	
	Equal to or more than 2.5 years		0	70%	0	0	0
Category 2	Less than 2.5 years	0	1	70%	1	1	0
	Equal to or more than 2.5 years	4		90%	4	3	0
Category 3	Less than 2.5 years	0	0	115%	0	0	0
	Equal to or more than 2.5 years	1		115%	1	1	0
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	*Less than 2.5 years*	*0*	*5*		*3*	*2*	*0*
	Equal to or more than 2.5 years	*5*	*0*		*5*	*4*	*0*

Figure 27: EU CR10.1 – Specialized lending : Project finance (slotting approach)

11.2 Specialized lending: Income-producing real estate and high volatility commercial real estate (slotting approach) (Article 438e CRR)

	Specialized lending : Income-producing real estate and high volatility commercial real estate (slotting approach)						
EUR million Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk-weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years	0		50%	0	0	
	Equal to or more than 2.5 years	7		70%	7	5	0
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years			90%			
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years	8		115%	8	7	0
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years	7		250%	7	18	1
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	*Less than 2.5 years*	*0*			*0*	*0*	
	Equal to or more than 2.5 years	*22*			*22*	*31*	*1*

Figure 28: EU CR10.2 – Specialized lending: Income-producing real estate and high volatility commercial real estate (slotting approach)

11.3 Specialized lending: Object finance (slotting approach) (Article 438e CRR)

	Specialized lending : Object finance (slotting approach)						
EUR million Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk-weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years			70%			
Category 2	Less than 2.5 years	5	31	70%	28	19	0
	Equal to or more than 2.5 years	55		90%	55	46	0
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years	13		115%	13	15	0
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	*Less than 2.5 years*	*5*	*31*		*28*	*19*	*0*
	Equal to or more than 2.5 years	*67*			*67*	*61*	*1*

Figure 29: EU CR10.3 – Specialized lending: Object finance (slotting approach)

Template *EU CR10.4 - Specialized lending: Commodities finance (slotting approach)* is not presented as it is a zero report as at 30 June 2023.

11.4 Equity exposures under the simple risk-weighted approach (Article 438e CRR)

	Equity exposures under the simple risk-weighted approach					
Categories	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk-weighted exposure amount**	**Expected loss amount**
Private equity exposures	718	4	190%	721	1,370	6
Exchange-traded equity exposures	47		290%	47	137	0
Other equity exposures	2	0	370%	2	9	0
Total	*767*	*4*		*771*	*1,516*	*6*

Figure 30: EU CR10.5 – Equity exposures under the simple risk-weighted approach

12 Disclosure of exposures to counterparty credit risk (Article 438h, 439 CRR)

12.1 Analysis of CCR exposure by approach (Article 439f-g, k, m CRR)

The methods used to calculate the regulatory requirements pursuant to the CRR are shown in the following table. LBBW uses SA-CCR (for derivatives) and the financial collateral comprehensive method (for SFTs) to calculate RWAs.

EUR million	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU - Original Exposure Method (for derivatives)								
EU - Simplified SA-CCR (for derivatives)								
SA-CCR (for derivatives)	2,389	5,019		1.4	20,210	10,065	10,037	2,895
IMM (for derivatives and SFTs)								
of which securities financing transactions netting sets								
of which derivatives and long settlement transactions netting sets								
of which from contractual cross-product netting sets								
Financial collateral simple method (for SFTs)								
Financial collateral comprehensive method (for SFTs)					34,302	30,847	30,847	1,059
VaR for SFTs								
Total					*54,512*	*40,912*	*40,883*	*3,953*

Figure 31: EU CCR1 – Analysis of CCR exposure by approach

The effective expected positive exposure is not shown because it is not relevant for LBBW.

12.2 Transactions subject to own funds requirements for CVA risk (Article 439h CRR)

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

EUR million	Exposure value	RWEA
Total transactions subject to the Advanced method		
(i) VaR component (including the 3× multiplier)		
(ii) stressed VaR component (including the 3× multiplier)		
Transactions subject to the Standardized method	2,965	1,349
Transactions subject to the Alternative approach (based on the Original Exposure Method)		
Total transactions subject to own funds requirements for CVA risk	*2,965*	*1,349*

Figure 32: EU CCR2 – Transactions subject to own funds requirements for CVA risk

12.3 Standardized approach – CCR exposures by regulatory exposure class and risk weights (Article 439l CRR)

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

EUR million	Risk weight											
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
Central governments or central banks												
Regional government or local authorities	2											2
Public sector entities					0							0
Multilateral development banks												
International organizations												
Institutions	975				0							975
Corporates									142	10		152
Retail								7				7
Institutions and corporates with a short-term credit assessment						0			1			1
Other items												
Total exposure value	*977*				*0*	*0*		*7*	*143*	*10*		*1,136*

Figure 33: EU CCR3 – Standardized approach – CCR exposures by regulatory exposure class and risk weights

12.4 IRB approach – CCR exposures by exposure class and PD scale (Article 439l 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 “Density of risk-weighted exposure amount” refers to the ratio of risk-weighted assets to exposures post credit conversion factors and credit risk mitigation.

EUR million /PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Exposure class Central governments and central banks							
0.00 to <0.15	1,652	0.00	121	41.75	2	7	0.42
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)							
Subtotal	*1,652*	*0.00*	*121*	*41.75*	*2*	*7*	*0.42*
Exposure class Institutions							
0.00 to <0.15	19,445	0.06	176	14.27	1	1,085	5.58
0.15 to <0.25	9,197	0.17	17	6.88	1	454	4.94
0.25 to <0.50	459	0.34	6	6.23	1	25	5.50
0.50 to <0.75							
0.75 to <2.50	352	0.93	7	3.88	1	29	8.17
2.50 to <10.00							
10.00 to <100.00							
100.00 (default)							
Subtotal	*29,454*	*0.11*	*206*	*11.71*	*1*	*1,593*	*5.41*
Exposure class Corporates							
0.00 to <0.15	5,840	0.07	766	24.59	1	790	49.63
0.15 to <0.25	1,252	0.14	324	28.91	2	531	106.80
0.25 to <0.50	788	0.35	395	45.00	3	474	154.44
0.50 to <0.75	59	0.64	91	45.00	3	43	199.16
0.75 to <2.50	628	1.12	177	12.66	1	178	189.97
2.50 to <10.00	516	3.90	67	8.26	1	172	252.90
10.00 to <100.00	8	16.69	20	30.73	3	10	504.64
100.00 (default)	16	100.00	13	45.00	3	0	0.00
Subtotal	*9,106*	*0.58*	*1,853*	*25.38*	*1*	*2,197*	*85.91*
Total (all CCR relevant exposure classes)	*40,211*	*0.21*	*2,180*	*16.04*	*1*	*3,797*	*9.44*

Figure 34: EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale

12.5 Composition of collateral for CCR exposures (Article 439e CRR)

The following table gives a breakdown of all types of collateral posted or received by banks 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 SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
EUR million	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency	638	19,106	245	12,368				
Cash – other currencies		1,651		574				
Domestic sovereign debt						386		0
Other sovereign debt		239				10,609		
Government agency debt		202				206		
Corporate bonds		591				4,120		3,046
Equity securities						8,641		2,261
Other collateral		1,082	1,367	3		3,087		14,294
Total	*638*	*22,871*	*1,612*	*12,945*		*27,049*		*19,601*

Figure 35: EU CCR5 – Composition of collateral for CCR exposures

12.6 Credit derivatives exposures (Article 439j CRR)

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 2023.

EUR million **Notionals**	Protection bought	Protection sold
Single-name credit default swaps	6,571	4,656
Index credit default swaps		
Total return swaps	2,253	
Credit options		
Other credit derivatives	1,713	244
Total notionals	*10,537*	*4,901*
Fair values		
Positive fair value (asset)	*19*	*62*
Negative fair value (liability)	*-958*	*-13*

Figure 36: EU CCR6 – Credit derivatives exposures

The above table (EU CCR6) divides credit derivatives by protection bought and protection sold. Fair values are shown separately as positive and negative values. There is no distinction between types of credit derivative.

Disclosure of table *EU CCR7 – RWEA flow statements of CCR exposures under the IMM is not relevant for LBBW*, as there is no internal model for counterparty credit risks.

12.7 Exposures to CCPs (Article 439i CRR)

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

EUR million	Exposure value	RWEA
Exposures to QCCPs (total)		*139*
Exposures for trades at QCCPs (excluding initial margin and default fund contributions), of which:	382	8
(i) OTC derivatives	382	8
(ii) Exchange-traded derivatives		
(iii) SFTs		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin	245	
Non-segregated initial margin	32	1
Prefunded default fund contributions	340	131
Unfunded default fund contributions		
Exposures to non-QCCPs (total)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions), of which		
(i) OTC derivatives		
(ii) Exchange-traded derivatives		
(iii) SFTs		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions		

Figure 37: EU CCR8 – Exposures to CCPs

The decline in the exposure from OTC derivatives and the rise in the *prefunded default fund contributions* exposure compared to the previous period reflect changes in portfolio items. The *segregated initial margin* exposure value is attributable to Berlin Hyp.

13 Disclosure of exposures to securitization positions (Article 449 CRR)

LBBW has not concluded any additional synthetic securitizations in the 2023 reporting year to date.

In all synthetic securitizations, LBBW meets the risk retention obligation by holding an originator share of at least 5% of the nominal value of each securitized exposure in accordance with Article 6 (3) a) of the Securitization Regulation. The remaining exposure after deduction of the risk retention is tranched in line with the securitization structure. The total mezzanine/first loss tranches are placed in the market.

The securitized exposures are assigned exclusively to the IRB, so the internal ratings-based approach (SEC-IRBA) applies to the calculation of risk-weighted exposure amounts.

13.1 Securitization exposures in the non-trading book (Article 449j CRR)

The following table (template EU-SEC1) shows LBBW's non-trading book positions in its role as sponsor, broken down by the underlying exposure class. Total amounts are split into traditional and synthetic securitizations, as well as into STS securitizations and non-STS securitizations. LBBW did not transact any securitization positions without the transfer of receivables in the reporting year.

As part of the traditional securitizations, LBBW acts as sponsor in the Weinberg ABCP program. The volume of the corresponding ABCP transactions is shown in table EU SEC1 under "Institution acts as sponsor" / "Traditional".

	Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
	Traditional				Synthetic		Subtotal	Traditional			Subtotal	Traditional			Subtotal
	STS		Non-STS												
EUR million		of which SRT		of which SRT		of which SRT		STS	Non-STS	Synthetic		STS	Non-STS	Synthetic	
Total exposures					5,500	5,500	5,500	3,437	251		3,688	1,333			1,333
Retail (total)												*173*			*173*
residential mortgage															
credit card															
other retail exposures												173			173
Re-securitization															
Wholesale (total)					*5,500*	*5,500*	*5,500*	*3,437*	*251*		*3,688*	*1,160*			*1,160*
loans to corporates					5,500	5,500	5,500					444			444
commercial mortgage															
lease and receivables								3,437	251		3,688	717			717
other wholesale															
Re-securitization															

Figure 38: EU-SEC1 – Securitization exposures in the non-trading book

Disclosure of template *EU SEC2 – Securitization exposures in the trading book* is not relevant for LBBW, as LBBW currently has no trading book exposures in its portfolio.

Furthermore, LBBW does not have any retained or assumed re-securitization positions from this.

13.2 Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor (Article 449k CRR)

	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
EUR million	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1,250% RW	1,250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250% RW
Total exposures	6,667	2,383	89		49	5,451	3,228	460	49	739	958	46		59	77	4	
Traditional transactions	1,215	2,383	89				3,228	460			958	46			77	4	
Securitization	1,215	2,383	89				3,228	460			958	46			77	4	
Retail																	
of which STS																	
Wholesale	1,215	2,383	89				3,228	460			958	46			77	4	
of which STS	1,104	2,333					2,977	460			861	46			69	4	
Re-securitization																	
Synthetic transactions	5,451				49	5,451			49	739				59			
Securitization	5,451				49	5,451			49	739				59			
Retail																	
Wholesale	5,451				49	5,451			49	739				59			
Re-securitization																	

Figure 39: EU-SEC3 – Securitization exposures in the non-trading book and associated regulatory capital requirements - Institution acting as originator or as sponsor

13.3 Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor (Article 449k CRR)

	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
EUR million	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1,250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250% RW
Total exposures	1,316	17					716	617			73	64			6	5	
Traditional transactions	1,316	17					716	617			73	64			6	5	
Securitization	1,316	17					716	617			73	64			6	5	
Retail	173						173				17				1		
of which STS	173						173				17				1		
Wholesale	1,144	17					543	617			56	64			4	5	
of which STS	1,144	17					543	617			56	64			4	5	
Re-securitization																	
Synthetic transactions																	
Securitization																	
Retail																	
Wholesale																	
Re-securitization																	

Figure 40: EU-SEC4 – Securitization exposures in the non-trading book and associated regulatory capital requirements - Institution acting as investor

13.4 Exposures securitized by the institution - Exposures in default and specific credit risk adjustments (Article 449l CRR)

EUR million	Exposures securitized by the institution - Institution acts as originator or as sponsor: Total outstanding nominal amount	Of which exposures in default	Total amount of specific credit risk adjustments made during the period
Total exposures	9,543	11	0
Retail (total)			
residential mortgage			
credit card			
other retail exposures			
Re-securitization			
Wholesale (total)	9,543	11	0
loans to corporates	5,855		
commercial mortgage			
lease and receivables	3,688	11	0
other wholesale			
Re-securitization			

Figure 41: EU-SEC5 – Exposures securitized by the institution - Exposures in default and specific credit risk adjustments

14 Disclosure of the use of the standardized approach and of the internal models for market risk (Articles 435, 445 and 455 CRR)

14.1 Market risk under the standardized approach (Article 445 CRR)

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.

EUR million	RWEAs
Outright products	
Interest rate risk (general and specific)	2,310
Equity risk (general and specific)	532
Foreign exchange risk	1,085
Commodity risk	293
Options	
Simplified approach	
Delta-plus approach	64
Scenario approach	
Securitization (specific risk)	
Total	*4,284*

Figure 42: EU MR1 – Market risk under the standardized approach

14.2 Market risk under the internal Model Approach (IMA) (Article 455e CRR)

EUR million	RWEAs	Own funds requirements
VaR (higher of values a and b)	*590*	*47*
Previous day's VaR (VaRt-1)		17
Multiplication factor (mc) x average of previous 60 working days (VaRavg)		47
SVaR (higher of values a and b)	*1,478*	*118*
Latest available SVaR (SVaRt-1)		36
Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		118
IRC (higher of values a and b)		
Most recent IRC measure		
12 weeks average IRC measure		
Comprehensive risk measure (higher of values a, b and c)		
Most recent risk measure of comprehensive risk measure		
12 weeks average of comprehensive risk measure		
Comprehensive risk measure - floor		
Other		
Total	*2,068*	*165*

Figure 43: EU MR2-A – Market risk under the Internal Model Approach (IMA)

14.3 RWEA flow statements of market risk exposures under the IMA (Article 438h CRR)

EUR million	VaR	SVaR	IRC	Compre-hensive risk measure	Other	Total RWAs	Total own funds requirements
RWAs at previous period end	*775*	*1,617*				*2,392*	*191*
Regulatory adjustment	560	1,193				1,753	140
RWAs at the previous quarter-end (end of the day)	*215*	*424*				*639*	*51*
Movement in risk levels	-7	20				13	1
Model updates/changes							
Methodology and policy							
Acquisitions and disposals							
Foreign exchange movements							
Other	5					5	0
RWAs at the end of the reporting period (end of the day)	*213*	*444*				*657*	*53*
Regulatory adjustment	377	1,034				1,411	113
RWAs at the end of the reporting period	*590*	*1,478*				*2,068*	*165*

Figure 44: EU MR2-B – RWEA flow statements of market risk exposures under the IMA

The values for RWEAs decreased significantly compared to the previous quarter. The main cause of this is the fact that the regulatory add-on factor for the internal model no longer applies, reducing the regulatory adjustment.

14.4 IMA values for trading portfolios (Article 455d CRR)

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

EUR million	
VaR (10 day 99%)	
Maximum value	31
Average value	23
Minimum value	15
Period end	23
sVaR (10 day 99%)	
Maximum value	46
Average value	37
Minimum value	30
Period end	36
IRC (99.9%)	
Maximum value	
Average value	
Minimum value	
Period end	
Comprehensive risk measure (99.9%)	
Maximum value	
Average value	
Minimum value	
Period end	

Figure 45: EU MR3 – IMA values for trading portfolios

14.5 Comparison of VaR estimates with gains/losses (Article 455g CRR)

Backtesting and validation

LBBW's market risk model is subject to an extensive validation program implemented within Risk Control by the Independent Validation Unit, which is organizationally independent of model development. In this validation program, the potential model risks are identified in the stochastics of the market factors (including distribution model, risk factor model), in the implemented valuation procedures (measurement model) and in the relevant market data (market data model), and are measured in terms of their materiality using tailor-made analyses. These analyses comprise benchmarking and backtesting. Benchmarking compares the productive model against benchmark models that are (objectively) improved in one or more model components in order to quantify incorrect VaR forecasts (from one or more model weakness(es)). In contrast, backtesting constitutes statistical backtesting of risk predictions with hypothetical (clean backtesting) and actual changes in portfolio value (dirty backtesting), which excludes credit, debit and additional valuation adjustments). In this context, the hypothetical changes in portfolio value are so separate that backtesting allows not only a statement on the forecast quality of the model as a whole, but also isolated statements on the quality of the distribution model, the risk factor model and the measurement model. If the validation indicates material model risks, these are made transparent to the model developers and recipients of the reports so that necessary model optimization measures can be initiated promptly.

The CRR portfolio, which comprises trading transactions whose own funds requirements for general equity and general interest rate risks takes place via the internal risk model, shows three outliers in the past 250 trading days for the clean P/L. On the basis of the dirty P/L, there were two outliers for the CRR portfolio. In backtesting, models representing 32.6% of total own funds requirements for market price risks are compared backwards.

The table below gives an overview of the outliers in clean backtesting:

Date	Excess amount in EUR m	Cause
22 July 2022	0.1	Interest rate movement
10 Aug. 2022	1.5	Change in credit spreads, interest rate movement
29 Sep. 2022	3.4	Change in credit spreads, interest rate movement

The table below gives an overview of the outliers in dirty backtesting:

Date	Excess amount in EUR m	Cause
10 Aug. 2022	0.1	Change in credit spreads, interest rate movement
15 March 2023	2.0	Interest rate movement, change in exchange rate

The outliers were attributable to market fluctuations in connection with news on central banks, inflation, the Ukraine conflict and the banking confidence crisis in spring 2023.

For a better overview, clean backtesting and dirty backtesting are illustrated in two charts (1) and (2).

Clean backtesting CRR portfolio for the period 7 July 2022 – 30 June 2023 in EUR million

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

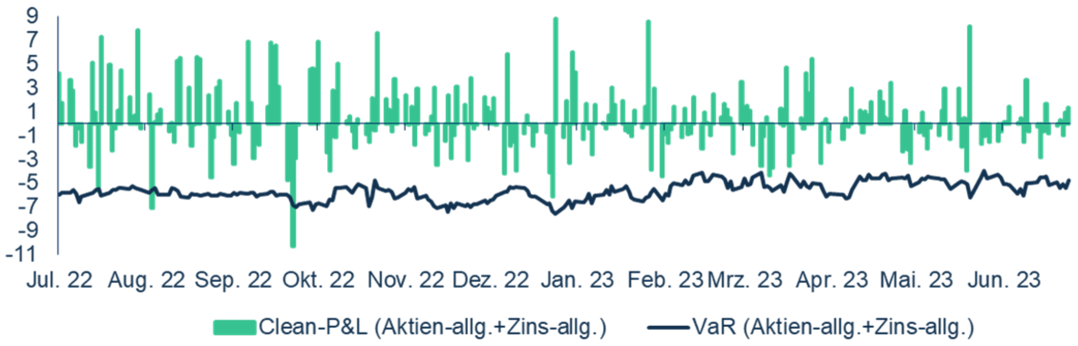

Figure 46: EU MR4 – Comparison of VaR estimates with gains/losses (1)

Dirty backtesting CRR portfolio for the period 7 July 2022 – 30 June 2023 in EUR million

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

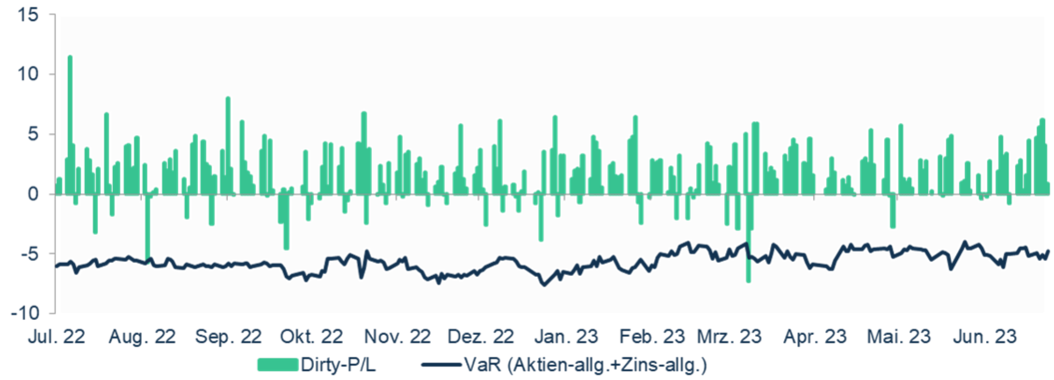

Figure 47: EU MR4 – Comparison of VaR estimates with gains/losses (2)

15 Disclosure of exposures to interest rate risk on positions not held in the trading book (Article 448 CRR)

15.1 Exposures to interest rate risk on positions not held in the trading book (Article 448 CRR)

As a matter of principle, all new customer exposures are funded on a matching maturities basis with minimum delay, based on their legal maturities. Treasury accepts further strategic positions in a framework established by the Board of Managing Directors as a whole on the basis of LBBW's business strategy. These items include risks in the form of cash flow incongruities (structural risks) and risks from leveraging interest rate gaps between individual market segments (basic risk).

Quantification

All relevant interest-bearing and/or interest-sensitive positions in the non-trading book are included in measurements of potential changes in economic value in accordance with LBBW's own procedures for measuring interest rate risks. These also include definitions for handling early loan repayments. The effect of hedges against interest rate risks, including internal hedges that meet the requirements of Article 106 (3), is also taken into account.

The daily valuation is on an individual-transaction and portfolio basis respectively. For deposit transactions with private and corporate customers, behavior-based records are taken into account by using the deposit base theory in conjunction with the concept of moving averages. These records are updated on a monthly basis.

Interest rate risks are measured daily according to value-at-risk (VaR) on the basis of a Monte Carlo simulation. Here, changes in the value of the non-trading book as a whole or even for individual portfolios are specified for each currency using randomly selected interest rate scenarios. Together with the confidence level, the distribution arising from this serves to determine the VaR (confidence level of 99% and holding period of one trading day). The VaR expresses the potential loss which with 99% probability will not be exceeded within a trading day. The calculated risks of the non-trading book are taken into account in risk-bearing capacity on the basis of the relevant parameterization.

In addition to daily reporting, further stress and worst-case scenarios are calculated on a weekly basis. All scenarios help to show the future effects of extreme events on the financial markets which are not sufficiently presented in the VaR normal impact event on the respective book. Extreme historic market fluctuations and self-defined scenarios are used in this respect. Scenarios that specifically quantify the effects of interest rate changes on the economic value of positions in the non-trading book are also included.

In order to measure the influence of interest rate changes on net interest income, projections for interest income and expenses are calculated in various scenarios. The scenarios are divided between scenarios with a constant balance sheet (balance sheet with new business to replace expiring transactions) and scenarios with a dynamic balance sheet. In addition to the interest projections for a constant balance sheet in combination with parallel shifts, interest projections are also calculated for a constant balance sheet in combination with the four other regulatory scenarios.

The quarterly ICAAP looks at multi-period scenarios (5 years) based on a dynamic balance sheet. These scenarios include both cross-risk type and interest-specific scenarios. The interest-specific scenarios comprise a scenario in which interest rates increase and a scenario with constant interest rates.

The interest projections relate to the complete external interest rate. The interest projections require assumptions on the development of market data as well as assumptions on the development of the balance sheet. A distinction is drawn between a constant and a dynamic balance sheet. For a constant balance sheet, expiring transactions are replaced by similar new transactions. This approach is also applied to the hedges. Further assumptions on-balance sheet development are not required.

For the dynamic balance sheet, assumptions must be made regarding balance sheet development. These assumptions are part of the definition of the respective scenario.

Net interest income is part of monthly reporting. In addition, effects of shock scenarios (see disclosures iii) are calculated and reported on a quarterly basis for the constant balance sheet and the effects of dynamic interest rate developments ascertained in the ICAAP.

Modeling for ancillary agreements and non-maturity deposits is based on specific models.

Ancillary agreements

The scope of the analysis for modeling ancillary agreements includes all fixed-rate euro loans with material ancillary agreements. For materiality reasons, other currencies are not currently in the focus of ancillary agreement modeling. This overall portfolio is divided by type of termination right and into the customer groups retail and non-retail. In the case of termination rights, a distinction is made – as far as possible – between BGB and contractual termination rights.

In the modeling of special repayments, the starting nominal of a transaction is selected as the reference value for the modeled prepayment rate. As special repayment rights' dependence on interest rates is historically limited, especially in the current low interest rate environment, they are covered by a non-interest model. The basic assumption of the modeling is always that the expected prepayment rate for active special repayment rights (in relation to the starting nominal) is independent of time and interest rates. A standard expected prepayment rate is assumed for all transactions whose special repayment right is active at time t; a prepayment rate of zero is assumed for all other transactions.

In the modeling of Section 489 BGB special termination rights until the end of margin pegging (margin pegging here is the same as interest rate pegging), only the next possible termination right is relevant for this portfolio segment. The modeling uses a prepayment model, which seems particularly reasonable in light of the special termination character of the Section 489 BGB special termination rights. Interest-based models are used as the interest rate environment has considerable influence on the termination decision. The starting nominal is of subordinate importance for special termination rights. Ignoring partial terminations, the central parameter is the termination rate, i.e. the probability of termination. In a portfolio view, the termination rate corresponds to a prepayment rate in relation to the current outstanding nominal. It therefore stands to reason to select the currently outstanding capital balance $K(t)$ as the reference value for the modeled prepayment rate. The basic assumption of the modeling is that the expected prepayment rate for active special termination rights comprises two components: an interest-based, one-time rate and a non-interest, periodic core deposit rate. Both prepayment rates relate to the outstanding capital balance.

Non-maturity deposits

Non-maturity deposits are presented using a core deposit model in combination with a replication model.

In the quantification of interest rate risk, the stock of non-maturity deposits (NMD stock) is broken down into the stable portion, the core deposits, and a complementary and directly interest-sensitive volatile portion due to transactions in NMD accounts that fluctuate due to regular deposits and withdrawals. The volatile portion is expressed by a fluctuation range. The method selected to obtain a constant, specific behavior-based term for NMDs is the creation of a replication portfolio, which allocates the volume of the core deposits to long-term investments and generates a moving average return. The method of compiling a replication portfolio is intended to create a portfolio of products of differing terms that replicates the cash flows of the NMDs sufficiently closely and has a constant average term, on which the NMDs are based.

The creation of the portfolio does not account for all potentially possible mix ratios, but only those that can practically be used and can meaningfully be used under the given term restrictions.

Interest rate risks in the non-trading book

In accordance with Article 448 (1) a) and b), the result of changes in the net interest income and changes in the value of equity under the shock scenarios in accordance with EBA/GL/2018/02 must be disclosed.

EUR million	Changes of the economic value of equity		Changes of the net interest income	
Supervisory shock scenarios	Current period	Last period	Current period	Last period
Parallel up	-780	-864	323	49
Parallel down	246	398	-242	-180
Steepener	60	33		
Flattener	-280	-233		
Short-term shock up	-468	-463		
Short-term shock down	223	235		

Figure 48: EU IRRBB1 – Interest rate risks of non-trading book activities

Present value perspective

The changes in stress results compared to past periods are essentially due to general market and interest rate developments. The present value loss potential declined in the comparative period at the same time as interest rates increased.

Given the regulatory requirement that only half of the positive stress effects may be taken into account, there is a considerable difference between the absolute stress results for the increasing interest rate and declining interest rate scenario.

Periodic perspective

The changes in net interest income (NII) in a 12-month analysis for the shock scenarios result primarily from the non-maturity deposits (NMDs).

16 Regulatory disclosure of ESG risks (Article 449a CRR)

16.1 Qualitative information on ESG risks

Strategy

Through its long-term strategic focus and development, LBBW aims to play a proactive role in the fundamental economic and social shift towards sustainability. The restructuring and creation of five strategic levers in summer 2022 once again fleshed out and emphasized this. In particular, the “sustainable transformation” and “contribution to society” levers highlight LBBW’s ESG ambitions. The business strategy analyzes the impact of sustainability efforts on individual business areas’ strategic focus in detail.

LBBW’s long-term environmental, social and governance targets (ESG targets) include achieving the goals of the Paris Agreement. Specific targets to be met by 2030 were set for selected sectors with high greenhouse gas emissions (GHG) (sector-specific transformation) that clarify LBBW’s aspirations in discussions with customers.

The strategic levers are monitored at operational unit level using incentive systems (balanced scorecard), which includes ESG-specific key figures. The results of the balanced scorecard are relevant to remuneration and so are used internally as a management tool. In doing so, LBBW stresses the importance of its sustainability targets.

To meet the internal sustainability targets and account for resulting risks, general principles were outlined in the Group risk strategy, which aligns with the business strategy, that provide a framework for all sustainability activities at the LBBW Group and provide further details in the form of guidelines and exclusions. Considerable further changes and improvements were made to the Group-wide risk appetite statement in terms of ESG. All applicable regulations are set out in the ESG risk section of the non-financial risk strategy.

LBBW pays close attention to implementing the EU Taxonomy to ensure that it gives this due consideration in its business strategy, product design processes and in collaboration with customers. The EU Taxonomy continues to influence LBBW’s further development of its ESG framework to assess sustainability. These requirements are implemented within the framework of the sustainability project. Full implementation - inclusion of the review of taxonomy compliance in the credit process - provides enhanced information that significantly increases transparency regarding the sustainability of business partners and their activities.

Excerpt from the risk appetite statement:

Sustainable business model

(1) The LBBW Group acts in the best and long-term interest of its customers and stakeholders and thus intends to make a substantial contribution to society.

(2) Exposures are to be scaled, taking into account the LBBW Group's risk-bearing capacity. Concentration risks are to be identified and deliberately managed using suitable processes. Risks to the Group's going concern status must be excluded.

(3) The overall portfolio is to be actively managed, taking account of concentration risks, to improve resilience during times of crisis. Especially in the credit portfolio, concentration risks are to be managed at sector, size class and country level.

(4) Transactions that could hurt the bank's reputation in the long term are to be avoided. The sustainability policy of the LBBW Group must be observed.

(5) LBBW works only with products and on markets whose risks it understands and has mastered.

Sustainable transformation

(6) Sustainable transformation is our strategic lever. We ensure that sustainability criteria are met for customer financing. We want to support our customers as they transition to more sustainable business models.

(7) As part of a voluntary climate commitment, together with other players in the German financial sector LBBW agreed to facilitate the necessary economic transformation to achieve carbon neutrality by no later than 2050 and to support this with its investment and credit portfolio.

In particular, LBBW will:

- establish carbon neutral banking operations by no later than 2050 (Scope 1 and 2) and make the portfolio (Scope 3) carbon neutral,
- set and publish sector-specific and scenario-based climate targets for 2030 for the sectors in the portfolio responsible for the most greenhouse gas emissions in order to ensure targets are met,
- measure the climate impact of its credit and investment portfolio on an ongoing basis and manage it in line with national and international climate targets.
- successively expand its sustainable business volume,
- establish clear principles for the lending business, guidelines and exclusions.

To implement its sustainability policy and meet sustainability targets, LBBW established principles and guidelines as a reference framework. Our commitment to upholding human rights is described here as follows: "LBBW recognizes the United Nations' Universal Declaration of Human Rights for all people throughout the world and expects its contractual partners to do the same." In its lending guidelines and guidelines for retail customer advice, LBBW includes sustainability aspects in relation to respect for human rights.

LBBW has set the following exclusions for environmental, social and governance criteria. LBBW does not consider companies that produce cluster munitions, delivery systems for cluster munitions and/or anti-personnel mines. LBBW is also withdrawing from business with the coal industry and no longer lends to companies that build new coal-fired power plants or coal mines. In addition, clear thresholds have been set for energy suppliers regarding the share of energy or revenue generated by coal. LBBW does not support financing related to pornography, controversial forms of gambling or uranium mining without sufficient environmental and safety standards. There are also lending guidelines for agriculture and forestry, which set out rules for the use of the raw materials palm oil, soy, cotton and logging, as well as guidelines for oil and gas, fishing and aquaculture and cattle breeding in South America. Furthermore, LBBW does not provide general corporate finance to companies involved in the production of biological or chemical weapons. The regulations are frequently updated to include new guidelines. The detailed exclusions and ESG criteria are regularly updated throughout the year in LBBW's sustainability regulations.

Governance

Rigorously applying these to the existing Group structure guarantees systematic sustainability management at LBBW. Responsibility lies with the Group’s Board of Managing Directors. The Board of Managing Directors established the following project and line-based committees to advance systematic sustainability management and establish it in ongoing processes:

- The core responsibilities of the Board of Managing Directors Sustainability Committee include overall management and strategic ongoing development of sustainability at a Group level. It is also responsible for making decisions on recommendations made by the Sustainability Committee. This committee generally meets once per quarter.
- The Sustainability Committee has a coordinating and an advisory role and works on preparing decisions for the Board of Managing Directors Sustainability Committee. The LBBW Sustainability Committee is responsible for creating transparency and networks across business units to further reinforce and expand the importance of sustainability. The Sustainability Committee also acts as the steering committee for relevant flagship projects and substantial overall impact in connection with sustainability.

ESG risks affect all risk types. Accordingly, sustainability risks are monitored and managed on an ongoing basis in business operations using existing risk processes. At Board of Managing Directors level, the Risk Committee (risk monitoring, determining risk methodology), the Asset Liability Committee (interest (banking book), management of FX, liquidity, capital and balance sheet structuring of the LBBW Group) and the Credit Committee (credit decisions in accordance with credit/trade decision-making system) should be noted here.

Responsibility for ongoing consideration of sustainability risk (ESG) is divided among the units in accordance with the three lines of defense. Operational responsibility in the first line of defense lies with the areas responsible for the transaction, depending on the type of risk (in particular credit and transaction-related reputational risk). Overall, first-line of defense responsibility lies with OE 85 COO Capital Markets, ESG Group Transformation department, in cooperation with the respective sales management units. The monitoring function in the second line of defense is split between Risk Control, Group Compliance (second line of defense for compliance and reputation risks) and COO Risk Management. As the third line of defense, Internal Auditing monitors the first and second lines and assesses the appropriateness and effectiveness of risk management.

In its lending guidelines and guidelines for retail customer advice, LBBW includes sustainability aspects, including in relation to respect for human rights. LBBW’s customer relationship managers work together with their customers to explore their goals – including those beyond investing – and subsequently prepare a personalized financial plan. The focus here is on holistic investment advice.

LBBW provides detailed and readily understandable information about various forms of investment and any associated risks and prepares a suitability report for each investment consultation. In this report, banks are required to set out in writing why the recommendation they have made – e.g. to buy a or sell a product is suitable for the respective customer and fits their investment

Our advisors are not assigned sales targets for individual securities products. Sales targets must always align with customer interests. LBBW advises on financial matters in every phase of customers’ lives.

Our sustainable approach to financial advisory services and the rules for systematic implementation and review are set out in the “Guidelines for Retail Customer Advice at BW-Bank”; see (www.bw-bank.de). Our consultations take a holistic approach, focusing on the individual needs of each and every customer. We take our customers’ suggestions on board and use these to continuously improve.

Specific work instructions and process guidelines provide the framework for the advisory process. Product selection guidelines and review mechanisms ensure that we always put our customers’ interests first.

LBBW is committed to the United Nation’s Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the labor standards of the International Labour Organization (ILO), the German General Anti-Discrimination Act (Allgemeines Gleichbehandlungsgesetz (AGG)), the “UK Modern Slavery Act” and the German Supply Chain Act (Lieferkettensorgfaltspflichtengesetz (LkSG)).

Compliance with these commitments in day-to-day business is ensured through binding guidelines, review processes in the lending business and in supplier management:

- The ILO’s eight core labor standards on fair working conditions apply for all LBBW Group employees, provided these have been ratified by the country in question. We also expect our suppliers and their sub-contractors to comply with human rights and workers’ rights.

- We have set binding standards for many company areas and activities as part of our sustainability management. Our suppliers and service providers are also required to meet sustainable criteria. All suppliers must confirm the “Sustainability agreement for LBBW suppliers” at the time of registration and sign it when entering into contracts. The agreement requires them to comply with what LBBW considers essential environmental and social criteria. For example, LBBW expects suppliers to ensure fair working conditions. Suppliers must accept a breach of social or environmental standards set out in the sustainability agreement (e.g. in relation to human rights violations such as child labor) as grounds for extraordinary termination.
- LBBW is committed to its responsibility for human rights and the environment in its own supply chains and requires its own suppliers to uphold human rights and protect the environment as required by the German Supply Chain Act (Lieferkettensorgfaltspflichtengesetz (LkSG)). In addition, LBBW expects its suppliers to suitably address this expectation throughout the supply chain. A human rights officer was appointed at LBBW with effect from 1 January 2023. This officer reports to and advises the Board of Managing Directors on human rights issues and environmental risks.
- All employees are required to complete an e-learning tool to implement the German General Anti-Discrimination Act (Allgemeines Gleichbehandlungsgesetz (AGG)). No form of discrimination is tolerated at LBBW and when working with employees, customers, business partners, suppliers or other persons. LBBW has a zero-tolerance policy for all forms of gender discrimination, including verbal, physical and sexual harassment. We ensure this through the “Works Agreement on Protection from Discrimination and a Cooperative Environment in the Workplace” and our Code of Conduct. LBBW expressly encourages its employees to be transparent about any irregularities and has established a whistleblowing process for this purpose: breaches of statutory regulations or internal guidelines and punishable offenses within LBBW can be anonymously reported to the Compliance department or to an external, independent ombudsman appointed by LBBW. This is possible across the Group at branches and downstream companies of the LBBW Group.

As well as compliance with statutory requirements and a focus on internationally recognized standards, LBBW is also committed to responsible corporate governance with effective and transparent governance processes, the protection of international human rights and freedom of association and the elimination of discrimination through its membership in the UN Global Compact and its adherence to the German Sustainability Code, the UN Women Empowerment Principles and the UN Principles for Responsible Banking (UN PRB).

Risk management

Risk inventory

ESG risks that arise in connection with LBBW's business model are systematically evaluated as part of the Group risk inventory. ESG risks are cross-sectional risks that can affect different risk types. The risk inventory assesses the relevance of ESG risk drivers for the material risk types. As part of the Group risk inventory, LBBW carries out a complete risk inventory once a year in terms of ESG risk drivers. Environmental risk covers climate and environmental risks, which can have a transitory or physical impact. The risk inventory first evaluates how they may affect the risk types. Criteria are selected for each risk driver, which can be used to transparently and clearly evaluate the exposure's vulnerability. Depending on the risk type, data calculated internally by the bank (GHG intensity) or publicly available data from established NGOs such as the Human Freedom Index, the World Bank's hazard maps of physical risks and the Sustainability Accounting Standards Board (SASB) Materiality Map are used to assess the impact. If the share of the portfolio affected exceeds materiality thresholds, the risk type is classified as material. As a result, the effects of transitory and physical climate risks on credit risk in particular were deemed material in the short, medium and long term. We assume that transitory and physical risks result in increased investment and changes to our customers' business models and could thus primarily hurt their operating income. In addition, the impact of these risks on reputation risk was considered relevant. Events in our customers' environment (e.g. labor conditions, environmental standards) can also affect LBBW's reputation. Risk management therefore places particular focus on these channels.

On the other hand, risks from changes in biodiversity and risks relating to additional ESG topics on credit risks were considered less relevant from a risk perspective at present. LBBW also believes the impact of ESG risk drivers on market risks, liquidity risks and operational risks, as well as on real estate, development, investment and model risks, is less relevant currently.

Risk management and monitoring

ESG analyses are already an integral part of the entire risk management, from the risk inventory and methods to measurement, reporting and scenario analyses. To give due consideration to ESG as an interdisciplinary topic, employees work in agile teams across departments and divisions. The internal ESG manual in risk management provides a brief overview of the methods and processes with references to the relevant detailed regulations. Interested employees can view the document on a sustainability page of the intranet, alongside links to all relevant regulations.

LBBW employs various methods and tools to systematically evaluate ESG risks in relation to individual transactions and portfolios and to determine the impact on relevant divisions and segments. The carbon tool, physical risk tool and ESG check list are tools developed in-house that are constantly being expanded and help meet internal and external requirements.

Transition risks are material factors affecting LBBW's credit risk. Based on an external report on the lending portfolio's GHG footprint prepared by the consulting firm MACS Energy & Water GmbH, which specializes in sustainability in the financial sector, Scope 1 and 2 GHG emissions are calculated for each counterparty using the carbon tool. If no individual customer data are available, aggregate sector data based on EUROSTAT data are used instead. This process ensures full portfolio coverage. The customer's financed GHG emissions are then calculated taking into account LBBW's share of financing. Where appropriate, this is based on the Partnership for Carbon Accounting Financials (PCAF) standard.

The financed emissions to be published here under Article 449a of the Capital Requirements Regulation (CRR) relate to the sub-portfolio of credit exposures in the banking book towards corporate customers (in particular excluding derivatives and line agreements). As at 30 June 2023, financed emissions calculated in this way totaled 5.9 million tons of CO2e. A breakdown of these financed emissions by sector can be found in *Template 1: Banking book- Indicators of potential climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity*.

LBBW developed the physical risk tool to analyze the impact of chronic and acute physical climate risks on credit risk. For real estate collateral and project finance for a specific location, the impact of individual physical risk drivers (e.g. flooding) is assessed for individual locations using a four-point scale. For companies, the process varies depending on regional dependency. Companies with a regional focus are evaluated using hazard maps aggregated for the company headquarters' region. Major international companies often have many regionally diversified production locations. Physical risks at these companies are assessed on a sector basis using the SASB Materiality Map and the IPCC AR5 report. A breakdown of the portfolios affected by high physical risks by region can be found in the disclosure report as at 30 June 2023 in *Template 5: Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk*.

To identify and assess ESG-related credit risks and reputation risks, LBBW applies sustainability-related review criteria in the loan application process. ESG is also taken into account for new products as part of the “New Product Process” (NPP).

The media, relevant news agencies and selected social media channels have been continuously monitored for a long time and the Board of Managing Directors and key decision-makers are specifically informed of potential implications for LBBW’s reputation. Where necessary, the bank responds with an active communication strategy. ESG is increasingly important here.

LBBW uses portfolio-specific check lists to evaluate potential ESG risks in credit exposures. In environmental, social and governance risk clusters, it has identified questions that support Risk Management in identifying and evaluating potential ESG risks. Sub-scores and an overall ESG score are calculated by evaluating the questions. If the thresholds set out in the credit risk strategy are exceeded, the next-highest person responsible must make a decision in accordance with the decision-making system for lending and trading transactions. Material risks already specifically identified for the customers are taken into account in the internal rating procedure. Loan applications are also examined in terms of compliance and sustainability risks based on internal lending rules. In certain cases, an opinion must be requested from Group Compliance and/or the specialized ESG Group Transformation department. These opinions may also be requested in the case of uncertainty or topics for which there are not yet any binding rules or review criteria.

ESG scenarios already constitute a separate scenario class in LBBW’s conceptual framework for stress tests and scenarios. ESG scenario analyses are prepared for several medium and long-term time periods and serve primarily as an early warning and way of identifying where action is required in the long term, as well as a basis for strategic discussions.

The Board of Managing Directors is informed of transition risks once a quarter and on physical risks at least once a year by way of risk reports. These reports explain and discuss the most important developments in transitory and physical risks at portfolio, sector, division and customer level, with a particular focus on sector pathways.

Data management and quality

To facilitate efficient data management, LBBW is currently developing a centralized ESG data architecture, known as the ESG core, as a “single point of truth”, under the guidance of IT. In the future, this will aggregate, standardize and process all ESG data, internally and externally. Expansion of the ESG core began in 2022 with the integration of data for disclosure requirements. The central data model was expanded to include financed emissions in spring 2023. The ESG core will be gradually refined and expanded.

Data availability and quality, as well as the fact that there is still not a fully developed market standard for all aspects of ESG risk and measurement, continue to pose challenges. Despite the increasing use of external data providers and stepping up the use of specific customer data where available, the banking industry will remain reliant on estimates, models and approximations in many areas for the next few years. Accordingly, fluctuations in results and changes in estimates over time cannot be ruled out.

16.2 Template 1: Banking book– Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

	Gross carrying amount (million EUR)					Accumulated impairment, accumulated negative changes in fair value of gross carrying amount (EUR million) due to credit risk and provisions (EUR million)			GHG financed emissions (Scope 1, Scope 2 and Scope 3 emissions of the counterparty) (in tons of CO2 equivalent)							
Sector/subsector		Of which exposures towards companies excluded from EU Paris-aligned benchmarks**	Of which environmentally sustainable (CCM)	Of which Stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions	GHG emissions: Percentage based on company-specific reporting***	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity
Exposures towards sectors that highly contribute to climate change*	89,115	2,100		14,490	1,205	– 1,128	– 294	– 493	5,861,892		17%	57,861	20,299	7,443	3,513	4.90
A – Agriculture, forestry and fishing	*116*			*23*	*5*	*– 1*	*– 0*	*– 1*	*65,748*		*16%*	*79*	*35*	*1*		*4.28*
B – Mining and quarrying	*424*	*80*		*103*	*0*	*– 2*	*– 1*	*– 0*	*231,294*		*73%*	*262*	*157*	*6*		*4.37*
B.05 - Mining of coal and lignite	11	11		10		– 0	– 0		4,927		0%	5		6		6.29
B.06 - Extraction of crude petroleum and natural gas	69	69		39		– 0	– 0		45,820		100%	0	68			5.31
B.07 - Mining of metal ores	11			0		– 0	– 0		4,760		0%	11				4.00
B.08 - Other mining and quarrying	60			8	0	– 0	– 0	– 0	28,210		0%	50	11			3.31
B.09 - Mining support service activities	273			45		– 2	– 0		147,577		83%	196	78			4.31
C – Manufacturing	*16,283*	*515*		*4,049*	*640*	*– 500*	*– 154*	*– 262*	*1,681,074*		*17%*	*12,949*	*3,017*	*313*	*4*	*2.89*
C.10 - Manufacture of food products	1,530			233	14	– 14	– 4	– 3	85,403		5%	1,049	410	70		3.78
C.11 - Manufacture of beverages	298			64	110	– 6	– 1	– 5	16,287		0%	169	129			3.87
C.12 - Manufacture of tobacco products	1	0		0		– 0	– 0		67		0%	1	0			3.33
C.13 - Manufacture of textiles	525			151	6	– 18	– 9	– 0	22,157		0%	159	365			5.93
C.14 - Manufacture of wearing apparel	61			20	12	– 8	– 0	– 8	2,391		1%	57	5			1.58
C.15 - Manufacture of leather and related products	7			6	0	– 0	– 0	– 0	289		0%	7	0			0.27
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	591			175	12	– 5	– 2	– 1	54,479		14%	324	250	16		4.70
C.17 - Manufacture of paper and paper products	567			262	15	– 19	– 14	– 0	171,904		4%	365	194	8		3.79

Sector/subsector	Gross carrying amount (million EUR)					Accumulated impairment, accumulated negative changes in fair value of gross carrying amount (EUR million) due to credit risk and provisions (EUR million)			GHG financed emissions (Scope 1, Scope 2 and Scope 3 emissions of the counterparty) (in tons of CO2 equivalent)							
		Of which exposures towards companies excluded from EU Paris-aligned benchmarks**	Of which environ-mentally sustain-able (CCM)	Of which Stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions	GHG emissions: Percentage based on company-specific reporting***	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity
C.18 - Printing and reproduction of recorded media	119			21	3	– 2	– 0	– 1	4,138		0%	85	33			3.70
C.19 - Manufacture of coke and refined petroleum products	105	105		2		– 1	– 0		38,999		0%	101	4			1.96
C.20 - Manufacture of chemicals and chemical products	948	58		316	6	– 37	– 26	– 1	214,361		21%	596	280	72		4.90
C.21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations	676	60		19	6	– 13	– 1	– 1	3,651		18%	646	27	2		2.86
C.22 - Manufacture of rubber products	1,005			265	28	– 17	– 5	– 9	89,134		3%	673	329	4		3.45
C.23 - Manufacture of other non-metallic mineral products	583			91	2	– 11	– 1	– 1	447,913		17%	479	104		0	2.66
C.24 - Manufacture of basic metals	613			90	9	– 14	– 1	– 7	277,973		30%	543	37	33		2.13
C.25 - Manufacture of fabricated metal products, except machinery and equipment	1,111	36		331	56	– 34	– 2	– 29	44,409		1%	913	177	19	1	2.75
C.26 - Manufacture of computer, electronic and optical products	766	10		143	3	– 6	– 1	– 3	17,034		16%	659	85	23	0	2.85
C.27 - Manufacture of electrical equipment	424	10		62	1	– 3	– 1	– 1	5,668		12%	370	49	4		2.11
C.28 - Manufacture of machinery and equipment n.e.c.	2,149	4		550	59	– 47	– 5	– 36	34,966		22%	1,989	143	15	3	2.10
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	2,836	229		708	289	– 229	– 74	– 152	126,648		41%	2,597	215	24	0	1.62
C.30 - Manufacture of other transport equipment	600			251	2	– 5	– 3	– 1	8,172		6%	526	66	7		1.72
C.31 - Manufacture of furniture	120	2		41	3	– 2	– 1	– 0	1,731		0%	71	48			4.57
C.32 - Other manufacturing	581	1		237	3	– 7	– 3	– 3	12,327		3%	511	55	15		2.58
C.33 - Repair and installation of machinery and equipment	67			10	1	– 1	– 0	– 0	971		0%	58	9			2.16
D – Electricity, gas, steam and air conditioning supply	*6,063*	*959*		*888*	*33*	*– 57*	*– 14*	*– 18*	*2,053,733*		*9%*	*2,155*	*1,299*	*2,459*	*150*	*8.87*

Sector/subsector	Gross carrying amount (million EUR)					Accumulated impairment, accumulated negative changes in fair value of gross carrying amount (EUR million) due to credit risk and provisions (EUR million)			GHG financed emissions (Scope 1, Scope 2 and Scope 3 emissions of the counterparty) (in tons of CO2 equivalent)							
		Of which exposures towards companies excluded from EU Paris-aligned benchmarks**	Of which environ-mentally sustain-able (CCM)	Of which Stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions	GHG emissions: Percentage based on company-specific reporting***	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity
D35.1 - Electric power generation, transmission and distribution	5,847	863		871	32	– 54	– 13	– 17	1,867,313		10%	2,085	1,234	2,378	150	8.90
D35.11 - Production of electricity	4,711	653		845	32	– 50	– 13	– 17	1,150,510		9%	1,699	931	1,993	88	8.68
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	96	96		16		– 2	– 0		144,897		0%	26	42	28		8.75
D35.3 - Steam and air conditioning supply	119			0	1	– 2	– 0	– 0	41,523		0%	44	23	52		7.85
E – Water supply; sewerage, waste management and remediation activities	*2,486*			*25*	*1*	*– 3*	*– 0*	*– 0*	*164,467*		*0%*	*553*	*540*	*708*	*685*	*14.31*
F – Construction	*2,541*			*161*	*25*	*– 53*	*– 7*	*– 16*	*74,737*		*9%*	*1,947*	*271*	*107*	*216*	*4.56*
F.41 - Construction of buildings	1,447			39	2	– 17	– 1	– 1	43,417		0%	1,107	121	77	142	4.29
F.42 - Civil engineering	490			41	14	– 20	– 1	– 11	14,954		0%	345	56	24	66	6.58
F.43 - Specialized construction activities	604			81	9	– 17	– 5	– 3	16,367		39%	496	94	7	7	3.58
G – Wholesale and retail trade; repair of motor vehicles and motorcycles	*6,371*	*317*		*722*	*154*	*– 121*	*– 4*	*– 104*	*221,757*		*13%*	*5,528*	*545*	*297*	*1*	*2.62*
H – Transportation and storage	*3,343*	*201*		*927*	*26*	*– 22*	*– 9*	*– 2*	*527,361*		*41%*	*1,478*	*1,320*	*259*	*287*	*7.51*
H.49 - Land transport and transport via pipelines	1,259	201		101	25	– 5	– 1	– 1	116,830		32%	480	333	159	287	10.98
H.50 - Water transport	49			39		– 2	– 2		42,400		0%	39	10	0		3.50
H.51 - Air transport	471			231	0	– 2	– 2	– 0	274,728		49%	141	330			5.59
H.52 - Warehousing and support activities for transportation	1,536			555	1	– 13	– 5	– 1	90,346		44%	805	630	100		5.43
H.53 - Postal and courier activities	29			1	0	– 0	– 0	– 0	3,056		83%	12	17			5.38
I – Accommodation and food service activities	*110*			*16*	*0*	*– 1*	*– 0*	*– 0*	*2,415*		*0%*	*39*	*67*	*3*		*5.86*
L – Real estate activities	*51,379*	*27*		*7,576*	*321*	*– 368*	*– 106*	*– 90*	*839,307*		*8%*	*32,870*	*13,047*	*3,290*	*2,171*	*4.74*
Exposures towards sectors other than those that highly contribute to climate change*	126,030	130		3,231	267	– 338	– 69	– 117				81,743	22,437	12,418	9,432	5.76
K – Financial and insurance activities	*106,728*	*24*		*1,204*	*89*	*– 97*	*– 22*	*– 21*				*66,810*	*19,697*	*10,925*	*9,296*	*6.13*
Exposures to other sectors (NACE codes J, M – U)	*19,302*	*106*		*2,028*	*178*	*– 241*	*– 47*	*– 96*				*14,933*	*2,740*	*1,493*	*135*	*3.70*

Sector/subsector	Gross carrying amount (million EUR)					Accumulated impairment, accumulated negative changes in fair value of gross carrying amount (EUR million) due to credit risk and provisions (EUR million)			GHG financed emissions (Scope 1, Scope 2 and Scope 3 emissions of the counterparty) (in tons of CO2 equivalent)							
		Of which exposures towards companies excluded from EU Paris-aligned benchmarks**	Of which environ-mentally sustain-able (CCM)	Of which Stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions	GHG emissions: Percentage based on company-specific reporting***	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity
TOTAL	*215,145*	*2,229*		*17,721*	*1,472*	*– 1,466*	*– 363*	*– 610*	*5,861,892*		*17%*	*139,604*	*42,736*	*19,860*	*12,945*	*5.40*

* In accordance with the Commission Delegated Regulation EU) 2020/1818 supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation – Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006
** Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818
*** GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting
Figure 49: Template 1: Banking book – Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

Gross carrying amounts are reported in the maturity column (years) in EUR million. The “Of which environmentally sustainable (CCM)” and “Of which Scope 3 financed emissions” columns are shown only for the sake of completeness. As per the law, the corresponding values will be disclosed for the first time as at 31 December 2023 and 30 June 2024.

The sharp rise in the gross carrying amount of *exposures towards sectors other than those that highly contribute to climate change* and the *total gross carrying amount* compared to the previous period is essentially due to the first-time recognition of exposures to sector K.

The carbon tool developed by LBBW is used to calculate emissions of greenhouse gases (GHG) financed by LBBW for the entire credit portfolio. The carbon tool calculates financed emissions in tons of CO2 equivalents for each customer that are attributable to LBBW based on the Partnership for Carbon Accounting Financials (PCAF) method. Here, a customer’s total emissions are weighted by the ratio of LBBW’s exposure relative to the customer’s enterprise value. Where possible, the calculation is based on customer-specific data. These are either obtained from external providers or determined internally on the basis of company publications. If no customer-specific data are available, sector intensity is used to estimate GHG emissions per financing volume. This intensity is based on aggregate sector data from EUROSTAT and is made available to LBBW by the consulting firm MACS Energy & Water GmbH. Only financed Scope 1 and 2 emissions are considered at present, but a gradual expansion to include Scope 3 is planned for individual NACE sectors in accordance with PCAF requirements. The potential impact of the risk exposures on credit, market, operating, reputation and liquidity risks is explained in more detail in section 16.1 in the Risk management section.

16.3 Template 2: Banking book – Indicators of potential climate change transition risk: Loans collateralized by immovable property – Energy efficiency of the collateral

	Total gross carrying amount (in EUR million)															
		Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
Counterparty sector		**0; <= 100**	**> 100; <= 200**	**> 200; <= 300**	**> 300; <= 400**	**> 400; <= 500**	**> 500**	**A**	**B**	**C**	**D**	**E**	**F**	**G**		**Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated**
Total EU area	*61,295*	*25,189*	*23,547*	*5,555*	*516*	*406*	*420*	*3,906*	*3,933*	*3,286*	*3,290*	*1,831*	*770*	*599*	*43,681*	*36,016*
of which loans collateralized by commercial immovable property	44,006	17,577	17,567	3,731	510	335	419	3,283	3,011	2,073	1,827	1,163	484	437	31,727	26,030
of which loans collateralized by residential immovable property	17,290	7,613	5,980	1,825	6	71	1	622	922	1,212	1,463	668	286	162	11,953	9,987
of which collateral obtained by taking possession: residential and commercial immovable properties																
of which level of energy efficiency (EP score in kWh/m² of collateral) estimated	36,016	16,559	14,127	4,704	258	64	304								36,016	36,016
Total non-EU area	*6,994*	*2,031*	*2,589*	*373*		*404*									*6,994*	*2,101*
of which loans collateralized by commercial immovable property	6,542	1,892	2,368	360		404									6,542	2,009
of which loans collateralized by residential immovable property	452	139	220	13											452	93
of which collateral obtained by taking possession: residential and commercial immovable properties																
Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated	2,101	1,027	843	50		182									2,101	2,101

Figure 50: Template 2: Banking book – Indicators of potential climate change transition risk: Loans collateralized by immovable property – Energy efficiency of the collateral

16.4 Template 3: Banking book – Indicators of potential climate change transition risk: Alignment metrics

Disclosing this template is not yet mandatory for the current period. The following table provides information based on current knowledge. The tables and related information will be disclosed in line with CRR by no later than June 2024 as scheduled.

For high carbon sectors, LBBW has measured and analyzed portfolio alignment with the Paris climate targets. This analysis was conducted for a total of seven sectors (electricity, motor vehicles manufacturers, motor vehicles suppliers, aviation, cement, steel and commercial real estate) and the information presented in the table below. Other sectors specified by CRR requirements not included in the analysis are not listed in the voluntary disclosure.

Physical carbon intensity (CO2/output) was used as the metric for the electricity, motor vehicles manufacturers, aviation, cement, steel and commercial real estate sectors. The average revenue share attributable to components for combustion engines is used as the key figure in the motor vehicles suppliers sector (see "Alignment metric" column). The selected metric determines the part of the value chain considered in the sector in question. In the case of electricity (CO2/MWh), for example, only companies that produce MWh, i.e. energy, are considered. This approach reflects the focus on the main sectors and, in turn, the information in the "NACE sector" column. Under CRR requirements, additional NACE sectors per sector are to be included, but these require additional, different metrics.

No comparative value can be derived from the IEA NZE scenario for the automotive supplier sector and so no information on the difference can be shown in the corresponding column.

Sector	NACE Sectors (a minima)	Portfolio gross carrying amount (Mn EUR)	Alignment metric	Year of reference	Distance to IEA NZE2050 in % *	Target (year of reference + 3 years)
Electricity	D35.11	4,381	241 kg CO2/MWh	2022	75%	
Motor vehicles manufacturers	C29.1	1,429	158 g CO2/km	2022	53%	
Motor vehicles suppliers	C29.32	2,266	22% revenue share attributable to components for combustion engines	2022	-	
Aviation	H51.1	1,088	83 g CO2/pkm	2022	8%	
Cement, clinker and lime production	C23.51	202	587 kg CO2/t cement	2022	32%	
Iron and steel, coke, and metal ore production	C24.1	107	1215 kg CO2/t steel	2022	32%	

* Point in Time (PiT) distance to 2030 NZE2050 scenario in % (for each metric)

Alignment metrics are stated as at 31 December 2022 (latest available sustainability figures). With a weighting with the exposure as at 30 June 2023, the alignment metrics are as follows (distance to IEA NZE2050 in %)
Energy: 249 kg CO2/MWh (80%), automotive manufacturers: 158 g CO2/km (53%), automotive suppliers: 22% revenue share attributable to components for combustion engines(-), aviation: 83 g CO2/pkm (8%), cement, clinker and lime production : 584 kg CO2 / t cement (31%), steel: 1,213 kg CO2/t steel (32%)

Figure 51: Template 3: Banking book – Indicators of potential climate change transition risk: Alignment metrics

One major difference compared to the information to be disclosed in the template is that LBBW has set and published sector-specific targets to be met by 2030, but no information is currently available for the 3-year target in the "Target (year of reference + 3 years)" column in the template.

16.5 Template 4: Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms

Gross carrying amount in EUR million (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity in years	Number of top 20 polluting firms included
246	0.11%		1.62	6

*For counterparties among the top 20 carbon emitting companies in the world

Figure 52: Template 4: Banking book – Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms

The *total gross carrying amount* from the *ESG template 1* is used to calculate the ratio.

The “Of which environmentally sustainable (CCM)” column is shown only for the sake of completeness. As per the law, the corresponding values will be disclosed for the first time as at 31 December 2023.

The top 20 list from the Climate Accountability Institute (2018 / www.climateaccountability.org) was used to determine exposure to the top carbon emitting companies.

16.6 Template 5: Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk

	Gross carrying amount (million EUR)													
		Of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket				Of which exposures sensitive to impact from chronic climate change events	Of which exposures sensitive to impact from acute climate change events	Of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Impairment, accumulated negative changes in fair value due to credit risk and provisions		
Germany		<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity							Of which Stage 2 exposures	Of which non-performing exposures
A – Agriculture, forestry and fishing	108	26	9	1		3.71	28	2	6	3	1	– 1	– 0	– 0
B – Mining and quarrying	68	9	0			3.16		8	1	3		– 0	– 0	
C – Manufacturing	10,714	850	287	18		3.37	1,014	115	25	228	5	– 5	– 1	– 1
D – Electricity, gas, steam and air conditioning supply	3,296	112	59	249	24	12.29		339	104	11		– 0	– 0	
E – Water supply; sewerage, waste management and remediation activities	2,427	101	112	180	140	14.79	106	413	13	1	0	– 0	– 0	– 0
F – Construction	2,044	89	11	13		3.75		104	9	8	1	– 1	– 0	– 0
G – Wholesale and retail trade; repair of motor vehicles and motorcycles	4,936	451	43			1.42	316	168	10	46	1	– 1	– 0	– 1
H – Transportation and storage	2,097	75	56	1	0	4.94	45	71	17	62	0	– 2	– 1	– 0
L – Real estate activities	30,008	1,378	824	208	57	5.84	42	2,219	206	158	0	– 9	– 1	– 0
Loans collateralized by residential immovable property	15,047	705	304	38	44	5.81	10	1,080	1	63	0	– 4	– 1	– 0
Loans collateralized by commercial immovable property	30,897	913	1,158	133	13	5.83	169	1,838	212	90	3	– 8	– 0	– 0
Repossessed collaterals														
Other relevant sectors (breakdown below where relevant)														

Figure 53: Template 5: Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk – Germany

European Union (excluding Germany)	Gross carrying amount (million EUR)													
		Of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket				Of which exposures sensitive to impact from chronic climate change events	Of which exposures sensitive to impact from acute climate change events	Of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity							Of which Stage 2 exposures	Of which non-performing exposures
A – Agriculture, forestry and fishing	0	0				0.03	0			0		– 0	– 0	
B – Mining and quarrying	0													
C – Manufacturing	1,810	102				0.71	63	33	7	2	0	– 0	– 0	– 0
D – Electricity, gas, steam and air conditioning supply	1,220	16	36	240	5	12.69		40	258	3		– 0	– 0	
E – Water supply; sewerage, waste management and remediation activities	0													
F – Construction	228	64		23	66	14.32		0	153	0		– 0	– 0	
G – Wholesale and retail trade; repair of motor vehicles and motorcycles	692	147				0.77	145	2	0	0		– 0	– 0	
H – Transportation and storage	487	0				0.04		0		0		– 0	– 0	
L – Real estate activities	13,410	1,821	585			3.89	270	1,211	926	93		– 9	– 0	
Loans collateralized by residential immovable property	2,243	404	205			5.06	77	219	313			– 4		
Loans collateralized by commercial immovable property	13,109	1,800	451			3.59	221	1,224	806	93		– 6	– 0	
Repossessed collaterals														
Other relevant sectors (breakdown below where relevant)														

Figure 54: Template 5: Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk – European Union (excluding Germany)

	Gross carrying amount (million EUR)													
		Of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket									Impairment, accumulated negative changes in fair value due to credit risk and provisions		
Rest of world		**<= 5 years**	**> 5 years <= 10 years**	**> 10 years <= 20 years**	**> 20 years**	**Average weighted maturity**	**Of which exposures sensitive to impact from chronic climate change events**	**Of which exposures sensitive to impact from acute climate change events**	**Of which exposures sensitive to impact both from chronic and acute climate change events**	**Of which Stage 2 exposures**	**Of which non-performing exposures**		**Of which Stage 2 exposures**	**Of which non-performing exposures**
A – Agriculture, forestry and fishing	7	7				4.64	7	0		4	3	– 0	– 0	
B – Mining and quarrying	357													
C – Manufacturing	3,758	381	208			3.27	277	311	1	116	120	– 8	– 2	– 5
D – Electricity, gas, steam and air conditioning supply	1,546		128	79		9.67	54	152		124		– 0	– 0	
E – Water supply; sewerage, waste management and remediation activities	58	38				0.97	36	3		3		– 0	– 0	
F – Construction	269	12				4.03	3	8			1	– 0		– 0
G – Wholesale and retail trade; repair of motor vehicles and motorcycles	743	142				0.37	17	125	0	1		– 0	– 0	
H – Transportation and storage	759	18				0.90		18		17		– 0	– 0	
L – Real estate activities	7,960	125	19	4	0	3.13		148		8		– 0	– 0	
Loans collateralized by residential immovable property	452	0		0	0	7.66		0						
Loans collateralized by commercial immovable property	6,542	0	15	4		7.45		19	0	0		– 0	– 0	
Repossessed collaterals														
Other relevant sectors (breakdown below where relevant)														

Figure 55: Template 5: Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk – Rest of world

The three tables show the gross carrying amounts that are highly impacted by physical risks according to the physical risk developed by LBBW for the regions of Germany, the European Union (excluding Germany) and the rest of the world. Three different approaches are taken here:

- Location-based valuation of real estate collateral and project finance for a specific location,
- Regional valuation of companies with a regional focus,
- Sector valuation for geographically diversified companies.

The acute climate risks of inland and coastal flooding, heavy rain, forest fires, landslides and tropical cyclones and the chronic climate risks of drought, heat and rising sea levels are considered in all approaches. If impact is high for at least one of these risk aspects, the related gross carrying amounts in the table are classified as high impact. To ensure the risk-adequate valuation, the drivers of acute and chronic risks for the LBBW portfolio were re-assessed in the current period using a more detailed analysis. This reduces the portfolio affected by high physical risks. The individual approaches are described in more detail in the following section.

Location-based valuation of real estate collateral and project finance for a specific location

Real estate collateral and project finance for a specific location are affected only by physical risks at their location. Accordingly, the items are valued using highly accurate access to hazard maps. Here, LBBW uses publicly available hazard maps from the World Bank and the European Joint Research Centre that depict a potentially catastrophic event for each of the selected risk types (e.g. a 100-year event). LBBW converts the hazard values obtained here into a qualitative assessment for high impact.

Regional valuation of companies with a regional focus

LBBW initially classifies its customers on the basis of their regional dependency. For this, it prefers to use granular information from the rating systems. If this is unavailable, company size is used as an approximation. In the case of companies with a regional focus identified here, it is assumed that the production sites, supply chains and customer groups are located predominantly in a single region and so the physical risk of the company can also be assessed via this region. For this purpose, the companies are first located in the appropriate region on the basis of their headquarters. The European Union’s NUTS 3 classification is used in Europe. Counties are considered in the US and the highest sub-national units for the rest of the world. The second stage is to estimate the extent to which physical risks are affected for all of these regions. A region is considered highly impacted if at least 10% of its area is highly impacted.

Sector valuation for geographically diversified companies

Companies without a strong regional dependency are assumed to be geographically diversified. As production sites, supply chains and customers are distributed across many locations, these companies are not fundamentally affected by acute climate risks, which always relate to a clearly defined region. By contrast, they can be highly impacted by chronic climate risks as these can create systematic problems for certain sectors. Accordingly, geographically diversified companies are assessed via their sector. The basis for assessing individual sectors is the Sustainability Accounting Standards Board (SASB)’s Materiality Map and the Intergovernmental Panel on Climate Change (IPCC Ar5)’s Fifth Assessment Report.

16.7 Template 10 – Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations				
	Non-financial corporations				
	of which loans collateralized by commercial immovable property				
	Other counterparties				
Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	63	YES	NO	This relates to wind farm financing. The purpose of the mitigating action is to reduce CO2 emissions and, in turn, protect the climate. The wind farms financed are located outside the EU and are not subject to the NFRD requirement and so they are not taken into account under the Taxonomy Regulation. The term of the loan is used as a timeline for the action.
	Non-financial corporations	300	YES	NO	
	Non-financial corporations	1,517	YES	NO	This relates to project finance for wind and solar farms. The purpose of the mitigating action is to reduce CO2 emissions and, in turn, protect the climate. The companies are not subject to the NFRD requirement and so they are not taken into account under the Taxonomy Regulation. The term of the loan is used as a timeline for the action.
	of which loans collateralized by commercial immovable property				
	Households				
	of which loans collateralized by residential immovable property				
	of which building renovation loans				
	Other counterparties				

*No information is disclosed regarding the bonds on account of current discussions regarding the distinction from European green bonds.

Figure 56: Template 10 – Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

Attestation by the Board of Managing Directors pursuant to Article 431 CRR

With approval granted by the responsible member of the Board of Managing Directors Stefanie Münz, it is hereby attested that this disclosure has been made in accordance with the formal policies adopted by Landesbank Baden-Württemberg and internal processes, systems and controls.

List of abbreviations

ABCP	Asset-backed commercial paper
ASF	Available stable funding
AT1	Additional Tier 1 capital
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory
BCBS	Basel Committee on Banking Supervision
CCF	Credit conversion factor
CCP	Central counterparty
CCM	Climate change mitigation
CCR	Counterparty credit risk
CDS	Credit default swap
CET1	Common Equity Tier 1
CLN	Credit linked note
COREP	Common solvency ratio reporting
Co2e	CO2 equivalents
CR	Credit risk
CRD	Capital Requirements Directive
CRM	Credit risk mitigation
CRR	Capital Requirements Regulation
CSD	Central securities depository
CVA	Credit valuation adjustment
DSGV	Deutscher Sparkassen- und Giroverband (German Savings Banks Finance Group)
EAD	Exposure at default
EBA	European Banking Authority
EEPE	Effective expected positive exposure
EIF	European Investment Fund
EL	Expected loss
EPS	Energy performance score
ERBA	External ratings-based approach
ESG	Environmental, social and governance
EEA	European Economic Area
FBE	Forborne exposure
FCP	Funded credit protection
FINREP	Financial reporting
FX	Foreign exchange
GL	Guideline
HLBA	Historical look-back approach
IAA	Internal assessment approach
ICAAP	Internal capital adequacy assessment process
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
SME	Small and medium-sized enterprises
CRSA	Credit risk standardized approach
KWG	Kreditwesengesetz (German Banking Act)
LCR	Liquidity coverage ratio
LGD	Loss given default
MTN	Medium term notes
NACE	Nomenclature Générale des Activités Économiques
NFRD	Non-Financial Reporting Directive
NII	Net interest income
NMD	Non-maturity deposits
NPL	Non-performing loans
NSFR	Net stable funding ratio
O-SII	Other systemically important institutions
OTC	Over the counter
P/L	Profit and loss
PD	Probability of default
PFE	Potential future exposure
RC	Replacement cost
RSF	Required stable funding
RWA	Risk-weighted assets
RWEA	Risk-weighted exposure amount
SA-CCR	Standardized approach for counterparty credit risk
SASB	Sustainability Accounting Standards Board
SFT	Securities financing transaction
SREP	Supervisory review and evaluation process
SRT	Significant risk transfer
STS	Simple, transparent and standardized securitizations
sVaR	Stressed value-at-risk
sVaRavg	Average stressed value-at-risk
T1 / T2	Tier 1 capital / Tier 2 capital
TC	Total capital
GHG	Greenhouse gas emissions
TLTRO	Targeted longer-term refinancing operations
VaR	Value-at-risk
VdP	Verband deutscher Pfandbriefbanken (Association of German Pfandbrief Banks)
VÖB	Bundesverband Öffentlicher Banken Deutschlands (Association of German Public Banks)

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Breaking new ground

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