



8/29/2018 - Result as of 30 June 2018

LBBW Group

Result as of 30 June 2018

LB BW
Breaking new ground

Important notice

This presentation serves general information and advertising purposes. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and it is not subject to any prohibition on dealing ahead of or after the dissemination of investment research. This presentation does not constitute an investment recommendation or information recommending or suggesting an investment strategy. It does not constitute information which, directly or indirectly, expresses a particular investment proposal in respect of a financial instrument or an issuer or which proposes a particular investment decision; and it does not constitute information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or issuers.

This presentation and the information therein were prepared and provided for information purposes only. They are not (directly or indirectly) intended or to be construed as and do not constitute a direct or indirect offer, recommendation or solicitation to buy, hold or sell any securities or other financial instrument, or an invitation to make an offer to buy, to subscribe for or otherwise acquire any securities or other financial instrument or to provide or obtain any financial services.

The information contained herein does not claim to be comprehensive or complete. This presentation is not a prospectus or sales prospectus or a comparable document or a comparable information and therefore does not contain all material information which is necessary for making an investment decision. Any offer of securities, other financial instruments or financial services would be made pursuant to offering materials to which prospective investors would be referred.

This presentation contains information and statements, taken or derived from generally available sources (other than LBBW). This applies especially (but is not limited) to market, industry and customer data and reports. LBBW believes such sources to be reliable. LBBW is not able to verify the information from such sources, however, and has not verified it. Therefore LBBW does not give any warranty or guarantee, makes no representation and does not assume or accept any responsibility or liability with regard the accuracy or completeness of such information, which was taken or derived from such sources.

This presentation contains forward-looking statements. Forward-looking statements are all statements, information and data which are not statements, information and data of historical facts. They include in particular (but are not limited to) statements, information and data relating to plans, objectives or expectations, relating to future results or developments, or relating to assumptions in connection with such statements, information or data, with regard to LBBW, LBBW Group, products, services, industries or markets. Forward-looking statements are based on plans, estimates, projections, objectives and assumptions as and to the extent they are available to the management of LBBW in advance to and for such statements. Forward-looking statements are only valid on such basis and only as of the date they are made. LBBW undertakes no obligation to update or revise any forward-looking statement (e.g. in case of new information or events).

Forward-looking statements, by their very nature, are subject to risks and uncertainties. A number of factors could cause actual developments and results to differ materially from the forward-looking statements and in particular in a materially negative way. Such factors include, but are not limited to, changes in the conditions on the financial markets in Germany, Europe or other countries or regions in which LBBW operates, holds substantial assets or from which it derives substantial revenues; developments of assets prices and market volatility, potential defaults of borrowers and trading counterparties, implementation of strategic initiatives, effectiveness of policies and procedures, regulatory changes and decisions, political or economic developments in Germany or elsewhere. Therefore this presentation does make any statement or prediction in relation to any actual development or result (in particular (but not limited to) values, prices, portfolios, financial items or other figures or circumstances). Changes in underlying assumptions have a material impact on expected or calculated developments. Earlier or later presentations may differ from this presentation in relation to forward-looking statements, in particular in relation to developments and results as well as assumptions. LBBW undertakes no obligation to notify recipients of this presentation with regard to such differences or presentations.

Past performance is not a reliable indicator for future performance. Exchange rates, volatility of financial instruments and other factors can have a negative affect on it. The presentation of data and performance related to the past or the depiction of awards for the performance of products are thus not a reliable indicator for the future performance.

All information in this presentation relates to the date of preparation of this document only (and historic information to its respective relevant date) and is subject to change at any time, without such change being announced or published and without the recipient of this presentation being informed thereof in any other way. There is no representation, guarantee or warranty or other statement for or in respect of the continuing accuracy of the information. The information herein supersedes any prior versions hereof and any prior presentation and will be superseded by any subsequent versions hereof, any subsequent presentations, and any offering materials. LBBW has no obligation to update or periodically review the presentation. LBBW has no obligation to inform any recipient of any subsequent presentation or subsequent versions hereof.

This presentation does not constitute investment, legal, accounting or tax advice. It is no assurance or recommendation that a financial instrument, investment or strategy is suitable or appropriate for the individual circumstances of the recipient. Any transaction should only be effected after an own assessment by the investor of the investor's individual financial situation, the suitability for the investor and the risks of the investment. This presentation can not replace personal advice. It does not consider the individual situation of the investor. Each recipient should, before making an investment decision, make further enquiries with regard to the appropriateness of investing in any financial instruments and of any investment strategies, and with regard to further and updated information with respect to certain investment opportunities and should seek the advice of an independent investment adviser for individual investment advice and the advice of a legal and tax advisor. To the extent that this Presentation contains indications with regard to tax effects it is noted that the actual tax effects are subject to the individual circumstances of the investor and subject to any future changes.

This presentation and its contents must not be further published, reproduced, redistributed, disclosed or passed on to any third party, in whole or in part, for any purpose, without the prior consent of LBBW. Please note that the distribution of Information relating to issuers of financial instruments, and offer and sale of financial instruments may not be permitted in all countries (in particular not in the U.S.A. or to U.S. persons). Persons who obtain possession of this document have to inform themselves about national restrictions and have to comply with them.

LBBW with good starting position and further implementation of the strategic cornerstones



Economic development slightly weakened but upward trend still intact; **interest rates** still extremely low; moreover challenges due to intense **competition** as well as **regulatory requirements** and **digitalization**



LBBW as **mid-sized universal bank** well-positioned; continued stringent implementation of the **strategic cornerstones** of business focus, digitalization, sustainability and agility



Consolidated profit before tax as of 30 June 2018 at **€282 mln** and thus above PY in spite of despite continuing pressure on margins and a difficult capital markets environment; for **2018** LBBW still anticipates a consolidated profit before tax **in a mid three-digit million range**



Capitalization still at a **comfortable** level with **capital ratios well in excess of the requirements**, increase in RWA due to **growth in customer business**



Good portfolio quality helps to achieve low risk provisioning level; **risk-bearing capacity** at a **comfortable** level and further improved



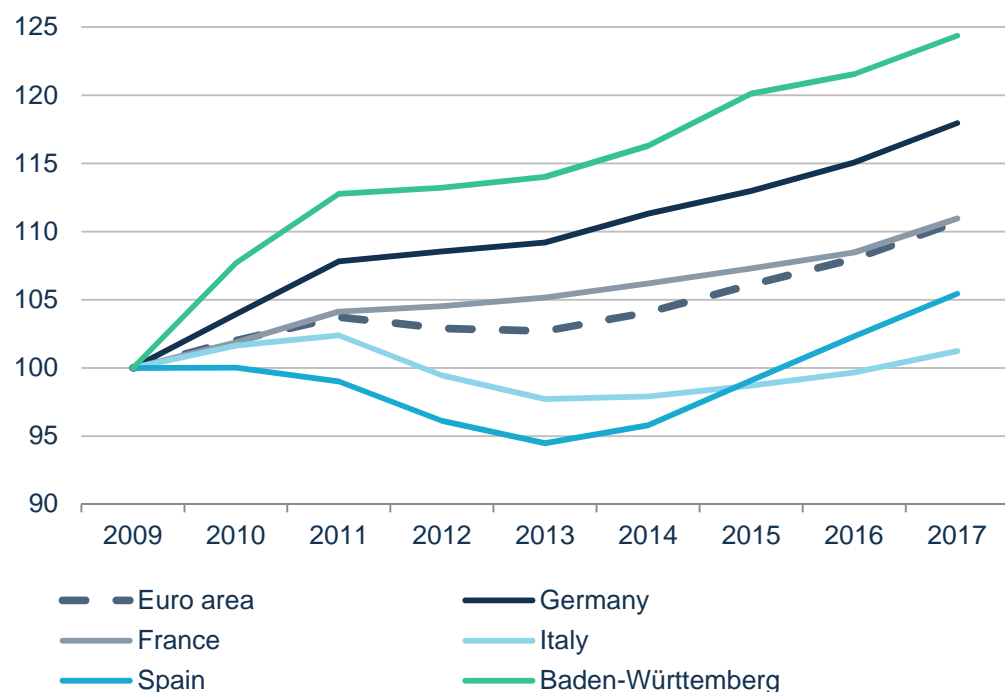
Strong funding basis further **broadened**; good market access provides LBBW with **very competitive funding costs** in the capital markets; still **comfortable liquidity situation**

Agenda

01	Market conditions and strategic direction	Page 4
02	Earnings performance and capital development	Page 9
03	Risk management and portfolio development	Page 23
04	Funding and liquidity	Page 30
05	Outlook	Page 33
06	Appendix	Page 35

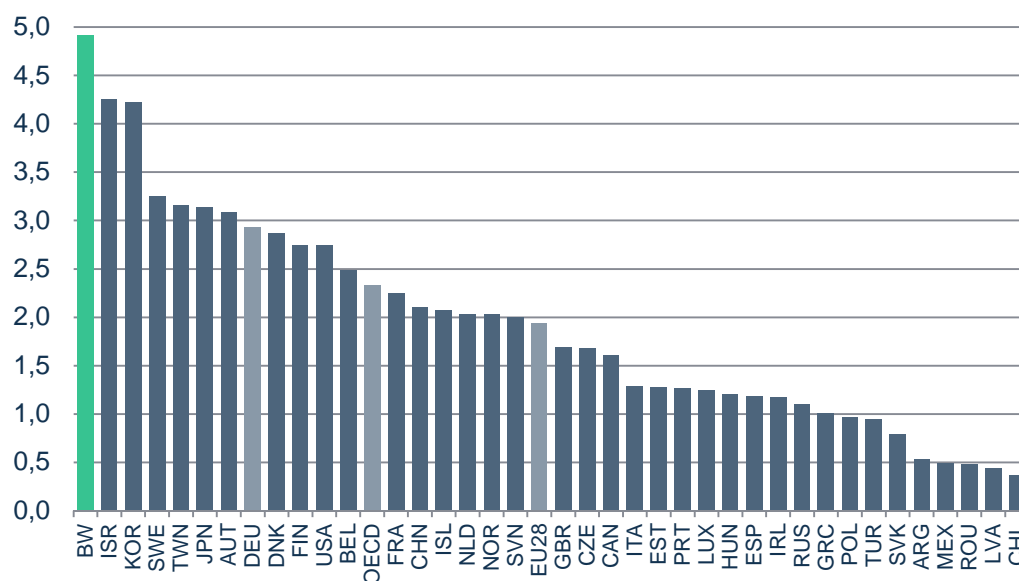
LBBW can count on a strong economy in Germany and Baden-Württemberg

GDP of selected Euro area countries indexed to 100 points in 2009



- **Germany with strong growth**
 - Faster recovery after the financial crisis than other European countries
- **Baden-Württemberg further on a strong business location**
 - Economic output distinctly above EU average
 - Unemployment rate with 3.0% extremely low

Intensity of R&D¹



- **High future security in Baden-Württemberg**
 - **R&D investments** in Baden-Württemberg are the highest
 - **Baden-Württemberg** is among the **leading research-intensive states** both regarding universities as well as corporates **in the area of Artificial Intelligence**

¹ Expenses allocated for R&D in relation to nominal GDP (2016)
Sources: Thomson Reuters, Statistical Office of Baden-Württemberg

Strong competitive position of LBBW's customers in Baden-Württemberg's core sectors



Automotive

- Strong market position: 80% of the premium segment worldwide
- Job and export engine: One out of 7 jobs in Germany depends on the automotive industry
- High finance and innovative power as guarantor for successful future:
 - 3,650 patents p.a.
 - 1/3 of the German industrial R&D in the automotive industry
 - About € 40 bn will be invested in electric mobility until 2020 in Germany



Engineering

- Technologically leading: Strong competitive position with high quality ("German Engineering")
- Pioneer in terms of digitalization (industry 4.0)
- Germany the globally leading machinery exporter (global market share 16%, i.e. € 168 bn)
- Biggest industrial employer in Germany (approximately 1 mln employees)



Utilities and Energy

- Electricity is the basis of our daily life
- Turnaround in energy policy as a key challenge of the 21st century
- Share of renewable energies to total gross electricity: 33%
- Stable earnings due to regulated earnings
- More than 400,000 employees in Germany in the electricity and water industries, additional 370,000 in renewable energies



Strong industrial basis in Baden-Württemberg with high innovative power and global export

**In addition, LBBW focusses on the industry sectors
healthcare/pharma, technology, media and telecommunication industry (TMT)**

LBBW as mid-sized universal bank well-positioned

Mid-sized universal bank

Long-grown
customer
relationships

Long-term
oriented
owners

Strong
employees'
identification

Deeply rooted in
the regions

Strong capital
base

Innovations &
process
excellence

High quality
standards

Business focus



- **Growth** due to
 - Increasing **profitability**
 - Stronger **use of product competences** in the business with our customers

Digitalization



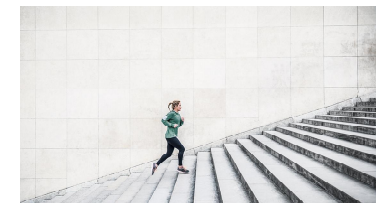
- Transfer of our **competitive advantages** into the **digital age**

Sustainability



- Responsible **lending**
- Support of our customers in the change of their **business models**
- Orientation towards changing **investment needs**

Agility



- Changes in customer behavior and a volatile environment require new **working methods**
 - **Cross-departmental**
 - **Fast**
 - **Unbureaucratic**
 - **Team-oriented**

LBBW with successes in the four strategic cornerstones well-positioned for target achievement



Business focus



- 2nd place "Best Mittelstandsbank" in the corporate customer segment¹
- Awards as **financing partner** for large-volume transactions in the segment Real Estate and Projects
- Increase in volume in **investment solutions** in the Capital Markets Business
- **Growth initiatives** in private residential mortgage lending

- Schuldschein transactions with **blockchain** for customers Daimler and Telefónica
- **DEBTVISION** as digital platform for Schuldscheine
- Roll-out of innovative **digital technologies** (inter alia robotics, smart data, chatbot)
- **First f2b processes digitalized** (e.g. guarantee business process, Giro Worldwide)

Digitalization



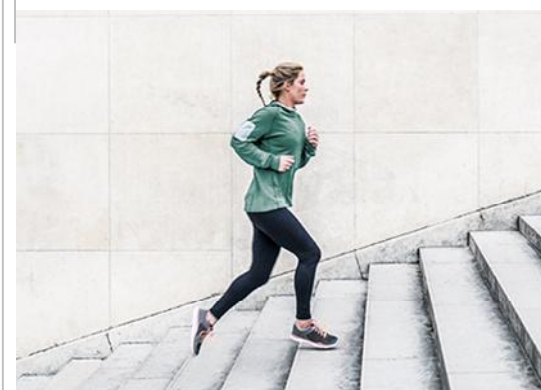
Sustainability



- Sustainable **asset management solutions**
- Issuance of **Green Mortgage Pfandbrief** (€500 mln)
- Promotion of **talent management**

- Implementation of **agility managers** as central multipliers
- Conversion of key projects based on **agile project methods**
- **"Employee Journey"**: Sustainable increase of employee productivity and satisfaction through action lines identified by central workshops

Agility



¹ Survey by specialist magazine „Finance“

Agenda

01	Market conditions and strategic direction	Page 4
02	Earnings performance and capital development	Page 9
03	Risk management and portfolio development	Page 23
04	Funding and liquidity	Page 30
05	Outlook	Page 33
06	Appendix	Page 35

LBBW Group: KPI show good starting position

Key Performance Indicators

		Act 06/2018	Prev 06/2017	Δ %/ p.p.	Agreed target in the long-term
Profitability					
Consolidated profit/loss before tax	€ mln	282	279	1.4	
RoE	%	4.4	4.3	0.1	6%
CIR	%	75.4	76.4	-1.0	60%

		Act 06/2018	Prev 12/2017	Δ p.p.	Agreed target in the long-term
Liquidity					
LCR	%	144.6	145.8	-1.3	>110%

		Act 06/2018	Prev 12/2017	Δ %/ p.p.	Agreed target in the long-term
Capital					
RWA	€ bn	79.1	75.7	4.5	
CET1 capital ratio ¹	%	14.9	15.7	-0.7	13%
Total capital ratio ¹	%	21.5	22.2	-0.7	18%
Total assets	€ bn	258.5	237.7	8.8	
Leverage ratio ¹	%	4.3	4.6	-0.3	>4%
Utilization of aggregate risk cover	%	38.1	41.9	-3.8	<70%

Profitability

- **Consolidated profit before tax** in challenging market environment above PY
 - Intensive competition and low interest rate level put a strain
 - In contrast lower risk provisioning and administrative expenses
 - Lower effects from the sale of securities and equity interests, in contrast no strains from restructurings and omission of guarantee provision
- **RoE** and profit above PY
- **CIR** below PY, positive development of expenditure offsets weak development of earnings

Liquidity:

- **LCR** distinctly above regulatory minimum requirements

Capital:

- Increase in **RWA** inter alia due to new business leads to slight decrease of **capital ratios**, but still distinctly above SREP ratio
- In addition to new business increase in **total assets** stemming from money market transactions and credit balances held with central banks; slight decrease of **leverage ratio**
- **Utilization of risk cover amount** shows comfortable risk-bearing capacity

¹ Fully loaded
Differences due to rounding / Previous year incl. adjustments

LBBW Group: Expansion of customer business and reduced administrative expenses

Earnings performance

€mln	YTD		
	Act 06/2018	Prev 06/2017	Δ %
Net interest income	796	797	-0.1
Net fee and commission income	262	270	-3.0
Net gains/losses on remeasurement and disposal	135	191	-29.5
of which allowances for losses on loans and securities ¹	-33	-40	-17.1
Other operating income/expenses	58	56	3.6
Total operating income/expenses	1,250	1,313	-4.8
Administrative expenses	-878	-897	-2.1
Expenses for bank levy and deposit guarantee system	-89	-69	28.7
Guarantee commission for the State of BW	0	-38	-
Net income/expenses from restructuring	0	-30	-99.9
Consolidated profit/loss before tax	282	279	1.4
Income taxes	-77	-77	-0.9
Net consolidated profit/loss	206	201	2.3

Earnings performance: Consolidated profit before tax above PY

- **Net interest income:** Margin pressure due to competition and low interest rates put a strain, in contrast expansion of customer business
- **Net fee and provision income:** above all, income from brokerage business was in decline, in contrast positive development of asset management
- **Net gains/losses on remeasurement and disposal:** below PY
 - Lower contributions from securities and equity investments as well as difficult conditions in the capital markets business
 - **Risk provisioning** still at low level thanks to good credit portfolio quality and stable economic situation in core markets
- **Administrative expenses:** despite investments in IT below PY due to lower staff costs and change of core banking system in the PY
- **Bank levy/Deposit guarantee scheme:** above PY mainly due to higher bank levy across the industry
- **Guarantee commission:** no expenses after sale of Sealink portfolio

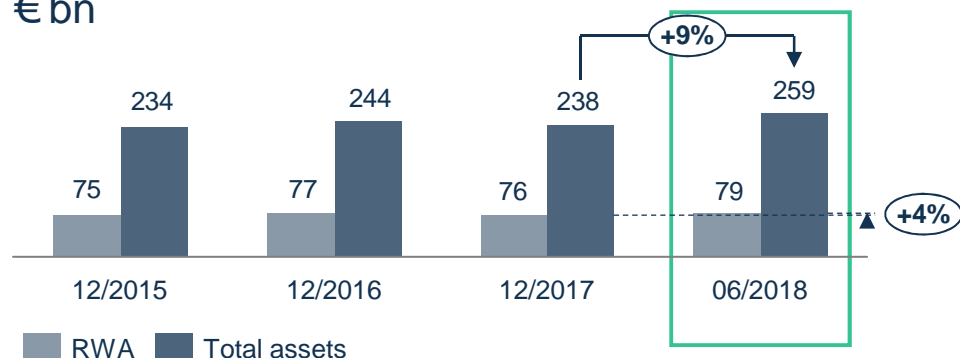
Differences due to rounding

¹ Relates only to the category "Financial assets at amortized cost"

LBBW Group: Capitalization still at very comfortable level

RWA and total assets

€ bn



RWA with increase to € 79 bn

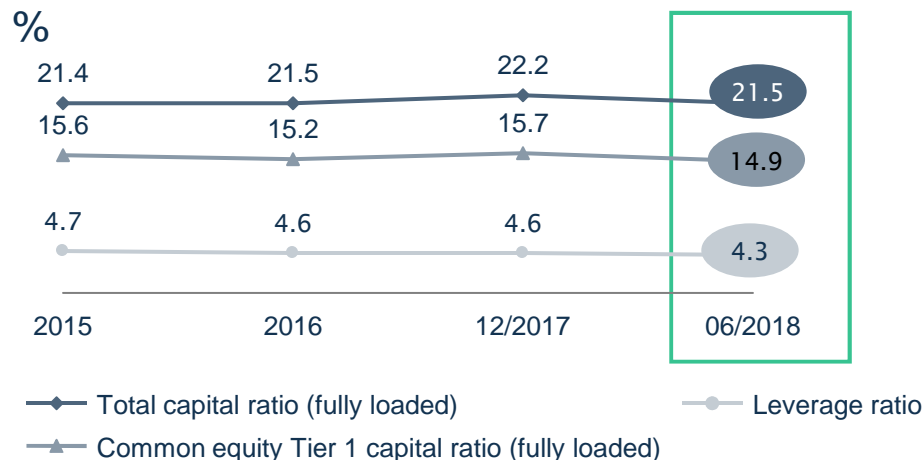
- Growth in Corporate Customers and Real Estate/Project Finance
- In contrast cutback of selected portfolios

Total assets with increase to € 259 bn

- In addition to growth especially higher credit balances held with central banks and money market transactions in the segment Capital Markets Business

Capital ratios

%



Capital ratios (CRR) slightly declining

- **Common equity Tier 1 capital ratio (fully loaded)** at 14.9%
 - Development of RWA and strain on core capital due to IFRS 9 initial adoption effects (approximately -0.25%-points)
- **Total capital ratio (fully loaded)** at 21.5%
- **SREP ratio (common equity Tier 1 capital ratio; phase-in)** of 8.80% still distinctly exceeded
- **Leverage ratio** with 4.3% during the year below PY due to volume, but still significantly above the minimum requirement of 3%
- Stipulated **MREL ratio** also significantly exceeded

Differences due to rounding

LBBW's business model based on four operating segments



Corporate Customers

Business with SMEs, key accounts and multinationals as well as the public sector



Real Estate / Project Finance

Commercial real estate business as well as financing solutions for major projects and transport



Capital Markets Business

Customer business with savings banks, corporates, banks and institutionals



Private Customers / Savings Banks

Retail banking, private asset management as well as business customers and freelancers

Operating segments of LBBW: Solid customer business despite challenging environment

Key Performance Indicators

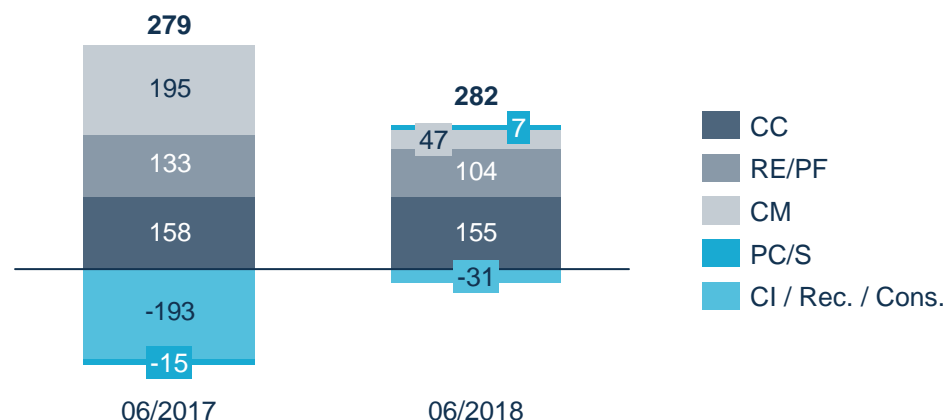
figures as of 06/2018

		LBBW	Operating Segments				CI / Rec. /
		LBBW Group	CC	RE/PF	CMB	PC/S	
Profitability							
Total operating income/expenses	€ mln	1,250	479	178	312	275	6
IFRS Profit before tax	€ mln	282	155	104	47	7	-31
RoE	%	4.4	7.1	14.7	3.4	1.2	<0
CIR	%	75.4	64.2	39.5	85.4	96.5	>100
Capital							
RWA	€ bn	79.1	35.6	10.6	18.3	8.0	6.5
Total assets	€ bn	258.5	56.7	24.9	154.9	13.1	8.9

Operating segments as main earnings driver

- More than 90% of **RWA** assigned to these segments

Segment results € mln



Differences due to rounding / Previous year incl. adjustments

CC=Corporate Customers / RE/PF=Real Estate/Project Finance / CM=Capital Markets Business / PC/S=Private Customers/Savings Banks

CI/Rec/Cons.=Corporate Items/Reconciliation/Consolidation

All operating segments with positive earnings contribution in 2018

- Margin pressure** due to competition and low interest rate level is reflected in all operating segments, **mainly CC and RE/PF**
- Difficult environment in capital markets business** burdens segment
- PC/S** distinctly **improved** and positive

Segment Corporate Customers with clear growth mandate

Segment



LBBW's Corporate Customer business comprises medium-sized corporate customers, large corporates and multinationals as well as municipalities and their companies

Achievements



Business focus

- Intensified acquisition of new clients in growth and existing markets aiming at expansion of the cross-selling activities
- Notable expansion of financing volume in 2018
- Ranked 2nd "Best Mittelstandsbank" and one of the top corporate finance banks: Schuldscheindarlehen #1, SynLoan #3



Digitalization

- Further development of blockchain Schuldschein transactions
- **Establishment DEBTVISION** as open digital platform for Schuldscheine together with Stuttgart stock exchange
- Development of corporates portal and expansion of digital product offerings



Sustainability

- Placement of green bond for innogy
- Placement of green Schuldschein for Mann + Hummel

Outlook



→ LBBW aims at significant growth mainly in the target markets also outside Baden-Württemberg
New: target markets in selected European countries

→ Continued clear focus on increase of cross-selling products and integrated advisory approaches

→ Further expansion of digitalization in the business with corporate customers

Segment Corporate Customers: Distinct expansion of the financing volume

Earnings performance

€mln	YTD		Δ %
	Act 06/2018	Prev 06/2017	
Net interest income	383	354	8.2
Net fee and commission income	81	95	-15.2
Net gains/losses on remeasurement and disposal	11	23	-54.2
of which allowances for losses on loans and securities ¹	-24	-44	-45.8
Other operating income/expenses	5	5	-14.8
Total operating income/expenses	479	478	0.3
Administrative expenses	-311	-294	5.6
Expenses for bank levy and deposit guarantee system	-13	-10	36.6
Guarantee commission for the State of BW	0	0	-
Net income/expenses from restructuring	0	-16	-99.8
Consolidated profit/loss before tax	155	158	-1.8

Earnings performance: Profit before tax at PY's level

- Margin pressure due to intense competition and low interest rates offset by expansion of financing volume
- Cross-selling below PY
- Lower risk provisioning shows unchanged good portfolio quality
- In contrast lower sales results from equity investments
- Higher administrative expenses mainly due to regulatory projects and growth initiatives

Key Performance Indicators

%	YTD		Δ p.p.
	Act 06/2018	Prev 06/2017	
RoE	7.1	10.4	-3.3
CIR	64.2	61.2	2.9

€bn	YTD		Δ %
	Act 06/2018	Prev 12/2017	
RWA	35.6	31.6	12.8
Total assets	56.7	54.1	4.8

Key performance indicators

- RoE below PY mainly due to strong growth in financing volume
- CIR especially due to development of earnings above PY
- Total assets and RWA mainly due to growth in financing volume above PY

Differences due to rounding / Previous year incl. adjustments

¹ Relates only to the category "Financial assets at amortized cost"

Segment Real Estate/Project Finance with focus on new growth markets

Segment



LBBW's Real Estate and Project Finance business is pooling all asset-based topics, inter alia the commercial real estate financing business, infrastructure and transport finance and the subsidiary LBBW Immobilien Management GmbH with additional real estate services

Achievements



Business focus

Real Estate:

- High volume of new business (approximately € 3.7 bn)
- Various awards as financing partner for large-volume transactions
- Strengthening market presence in Canada and France

Project Finance / Transportation:

- Numerous financing contracts obtained; expansion of focus regions

LBBW Immobilien:

- Stronger new acquisition and marketing successes over plan in the core markets



Sustainability

- Specialist for financings in the sectors renewable energies and network infrastructure
- Sustainable real estate portfolio offers investment possibilities in Green Bonds der LBBW
- LBBW Immobilien: Gold certificate of German Sustainable Building Council (DGNB) for Rebstockpark Frankfurt; three other projects are accompanied by DGNB



Agility

- Strengthening of local resources to extend customer proximity
- Expansion of our product range via realignment of infrastructure and transport financing
- LBBW Immobilien: Establishment of a new business area Immobilien Investment Mgmt.

Outlook



→ Implementation of growth strategy Real Estate for Canada and France

→ Expansion of logistics as compensation for retail property and part of the value added in retail

→ Stringent realignment of digital solutions at the customer needs

Segment Real Estate/Project Finance: High volume of new business in commercial real estate financing

Earnings performance

€mln	YTD		Δ %
	Act 06/2018	Prev 06/2017	
Net interest income	133	155	-14.1
Net fee and commission income	7	10	-26.3
Net gains/losses on remeasurement and disposal	-8	22	-
of which allowances for losses on loans and securities ¹	-10	6	-
Other operating income/expenses	45	18	>100
Total operating income/expenses	178	204	-12.9
Administrative expenses	-68	-62	9.9
Expenses for bank levy and deposit guarantee system	-6	-4	47.0
Guarantee commission for the State of BW	0	0	-
Net income/expenses from restructuring	0	-5	-
Consolidated profit/loss before tax	104	133	-22.3

Earnings performance: Profit before tax below PY

- Only successive expansion of the portfolio for project finance
- In the PY higher earnings from early reduction of commitments
- Risk provisioning shows unchanged good portfolio quality, PY benefited from net releases
- Higher administrative expenses for growth initiatives
- In contrast LBBW Immobilien with positive development in earnings

Key performance indicators

%	YTD		Δ p.p.
	Act 06/2018	Prev 06/2017	
RoE	14.7	22.9	-8.3
CIR	39.5	35.7	3.9

€bn	YTD		Δ %
	Act 06/2018	Prev 12/2017	
RWA	10.6	10.2	4.6
Total assets	24.9	24.6	1.1

Key performance indicators

- RoE below PY due to earnings performance
- CIR mainly due to development of earnings above PY
- Total assets and RWA despite high volume of new business only with a slight increase, due to repayments

Differences due to rounding / Previous year incl. adjustments

¹ Relates only to the category "Financial assets at amortized cost"

Segment Capital Markets Business with customer-oriented trading as key value driver

Segment



LBBW's Capital Markets Business comprises the customer groups savings banks and banks, international banks and sovereigns, institutionals and corporate customers

Achievements



Business focus

- Successful meeting of individual customer demands in the customer business areas
- Expansion of the competitive position via increase in volume for investment solutions of LBBW Asset Management
- Awards, inter alia Thomson Reuters Analyst Awards Winner, Scope Certificate Management Rating, Best Euro House 2018, Regional Exporter's Choice Award for the EMEA region



Digitalization

- Provision of customer-specific electronic trading platforms
- Acquisition of further banks for using **DEBTVISION** (digital market place for the issuance of Schuldscheindarlehen)
- Issuance of a participation certificate in the blockchain area



Sustainability

- Own issue of a Green Mortgage Pfandbrief
- Award as Best Green Bond Issuer 2018
- Sales launch of the first equity fund in the asset class "renewable energies" for institutional clients

Outlook



→ Consolidation of LBBW's position as bank for exporters with simultaneous expansion of the banking network and product capability abroad

→ Expansion of automation and digitalization of business and advisory processes

→ Expansion of the leading market position in Green Finance, issuance of the first Social Bond and issuance of a participation certificate in sustainability

Segment Capital Markets Business: Difficult market conditions put a strain, customer business solid

Earnings performance

€mln	YTD		
	Act 06/2018	Prev 06/2017	Δ %
Net interest income	124	160	-22.5
Net fee and commission income	72	69	5.2
Net gains/losses on remeasurement and disposal	116	213	-45.6
of which allowances for losses on loans and securities ¹	1	1	33.9
Other operating income/expenses	0	5	-
Total operating income/expenses	312	447	-30.2
Administrative expenses	-244	-231	5.9
Expenses for bank levy and deposit guarantee system	-21	-15	38.9
Guarantee commission for the State of BW	0	0	-
Net income/expenses from restructuring	0	-7	-
Consolidated profit/loss before tax	47	195	-75.8

Earnings performance: Profit before tax distinctly below PY

- Disruptions on the capital markets due to political risks (mainly Italy) intensify difficult market conditions
- Margin pressure and low interest rates put a strain on earnings
- Markedly lower sales proceeds from securities
- Partly subdued customer business which lags behind expectations
- Higher administrative expenses mainly due to investments in the IT

Key performance indicators

%	YTD		
	Act 06/2018	Prev 06/2017	Δ p.p.
RoE	3.4	17.7	-14.2
CIR	85.4	56.5	28.9

€bn	YTD		
	Act 06/2018	Prev 12/2017	Δ %
RWA	18.3	18.9	-3.0
Total assets	154.9	140.4	10.3

Key performance indicators

- RoE mainly due to earnings performance below PY
- CIR especially due to development of earnings above PY
- Total assets expanded mainly in money markets transactions with low RWA charges

Differences due to rounding / Previous year incl. adjustments

¹ Relates only to the category "Financial assets at amortized cost"

Segment Private Customers/Savings Banks: Stabilization of earnings situation thanks to strong customer business

Segment



LBBW's segment Private Customers/Savings Banks comprises business with private customers, private wealth management as well as business customers and freelancers

Achievements



Business focus

- Strong growth in business volume in the core market and outside BW in the business with high-net-worth clients
- Pursuit of growth initiatives in residential mortgages and in investment business
- High new business volume in development loan business with savings banks
- Fuchs-Report foundation assets 2018 - ranked 1st in the all-time best list

Digitalization

- Progress in conversion to multi-channel bank
- Continuous expansion of the internet and mobile banking by further customer-centered services

Sustainability

- Expansion of the volume of sustainable investment solutions by around 20%
- Implementation of a new sustainable asset management for foundations in consideration of ESG criteria

Agility

- For a better customer approach bundling of the sales activities in an organizational realignment of the private customer business
- Targeted orientation close to the customer due to the new business area Business Customers

Outlook



Go-Live of new business area business customers and freelancers



Further steps to expand the range of digital offers: Lead issuer Google Pay

Segment Private Customers/Savings Banks: Distinct increase in the business with high net-worth clients

Earnings performance

€mln	YTD		Δ %
	Act 06/2018	Prev 06/2017	
Net interest income	161	165	-2.7
Net fee and commission income	116	121	-3.7
Net gains/losses on remeasurement and disposal	1	5	-78.6
of which allowances for losses on loans and securities ¹	-3	5	-
Other operating income/expenses	-3	0	-
Total operating income/expenses	275	291	-5.6
Administrative expenses	-264	-300	-11.9
Expenses for bank levy and deposit guarantee system	-4	-3	28.4
Guarantee commission for the State of BW	0	0	-
Net income/expenses from restructuring	0	-3	-
Consolidated profit/loss before tax	7	-15	-

Earnings performance: Profit before tax above PY; segment again with positive earnings contribution

- Margin pressure put a strain on interest income, in contrast expansion of deposit volume
- Commissions inter alia from brokerage business lower, in contrast positive development of the asset management
- Continuously low risk provisioning but slight increase against PY, due to isolated cases and non-recurrent net risk reversals
- Distinctly lower administrative expenses due to non-recurrent high expenses stemming from the change of the core banking system in the PY

Key performance indicators

%	YTD		Δ p.p.
	Act 06/2018	Prev 06/2017	
RoE	1.2	<0	-
CIR	96.5	>100	-

€bn	YTD		Δ %
	Act 06/2018	Prev 12/2017	
RWA	8.0	7.9	1.2
Total assets	13.1	13.2	-0.6

Key performance indicators

- RoE due to earnings performance above PY
- CIR due to development of expenses below PY
- Total assets and RWA at PY's level

Differences due to rounding / Previous year incl. adjustments

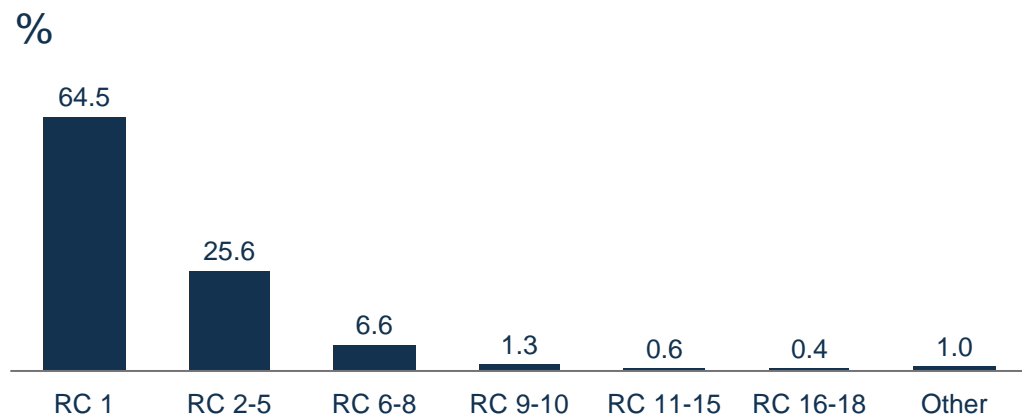
¹ Relates only to the category "Financial assets at amortized cost"

Agenda

01	Market conditions and strategic direction	Page 4
02	Earnings performance and capital development	Page 9
03	Risk management and portfolio development	Page 23
04	Funding and liquidity	Page 30
05	Outlook	Page 33
06	Appendix	Page 35

LBBW still with good portfolio quality – share of default only 0.4%

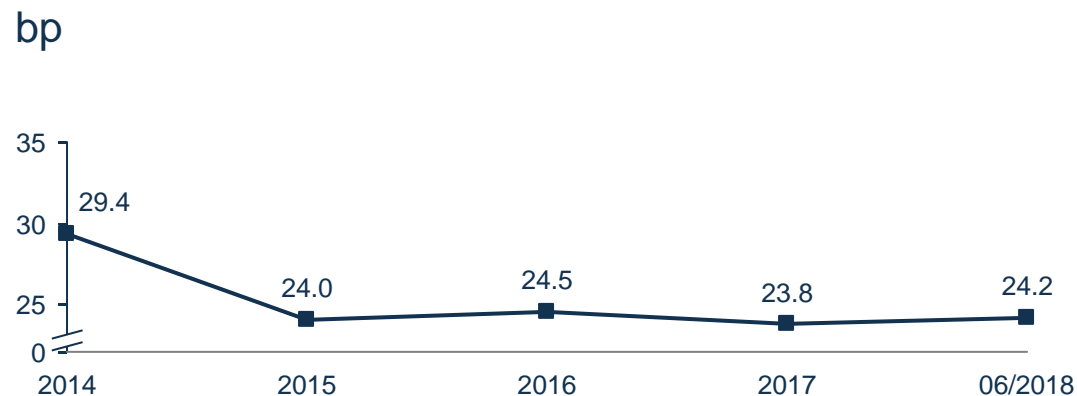
Portfolio quality¹ (net exposure)



Net exposure as of 06/2018: € 191 bn

- Relative share of the portfolio as of 06/2018 with **investment grade ratings** (RC 1-5) further on above 90%, compared to 12/2017 slightly declining (-0.9%-points)
- Share of the portfolio with **higher default probability** (RC 11-15) as of 06/2018 unchanged at low 0.6%
- **Default volume** (RC 16-18) in the first half of 2018 further reduced by € -0.1 bn to € 0.8 bn and thus only at 0.4%

Probability of default (Ø-PD net exposure)



Ø-PD (net exposure)

- Since 2014 **significant improvement of Ø-PD**
- In the **first half of 2018 slight increase** by +0.4 bp to 24.2 bp due to isolated downgrades

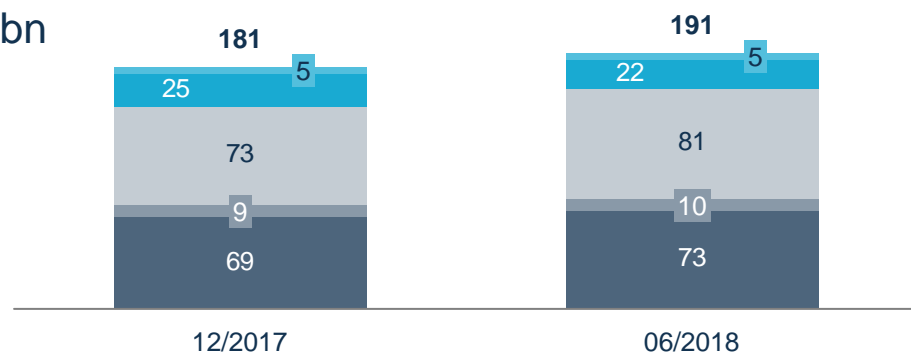
Differences due to rounding

¹ Internal ratings; PD = probability of default in basis points; definition of the rating classes (RC) see appendix

Increase in LBBW's net exposure in the first half of 2018 by €10 bn

Main sectors

€ bn



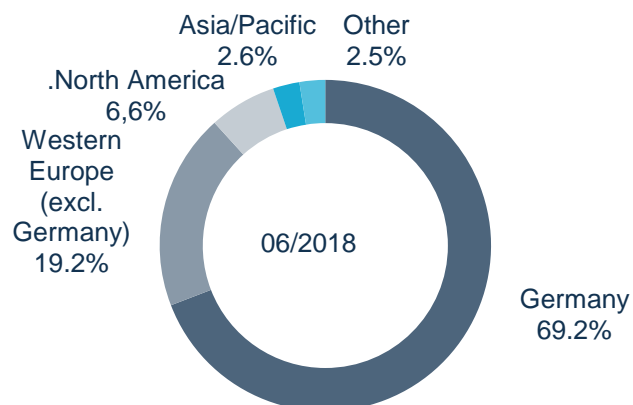
Corporates
 Financial Institutions
 Private Individuals
 Real Estate
 Public Sector

Net exposure: Increase compared to 12/2017 by € 10 bn to € 191 bn

- **Financials:** Increase mainly in private banks and savings banks
- **Corporates:** Increase mainly due to the sectors industry, automotive as well as transport and logistics (€ +0.5 bn each)
- **Real Estate:** almost unchanged
- **Public Sector:** Decrease is spread over several borrowers

Exposure by region

%



Differences due to rounding
Transactions without country assignment amount to 0.9% (especially loans to supranational institutions)

Domestic business

- Share in the net exposure in the first half of 2018 slightly declined (-1.7%-points compared to 12/2017)
- Fundamental composition by regions largely constant

Foreign exposures

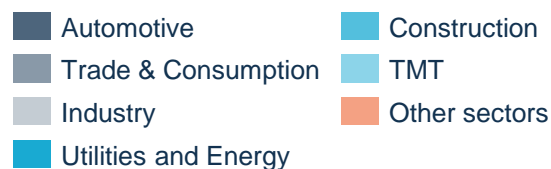
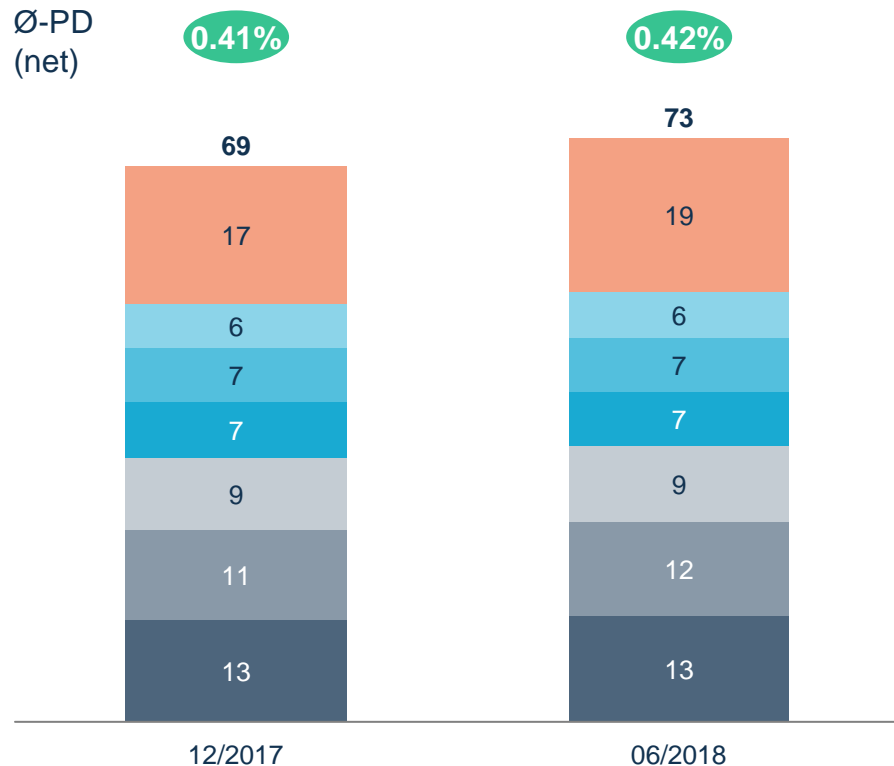
- Mainly relate to Western Europe and North America
- Only low shares in Eastern Europe (0.8%) and Latin America (0.7%)

Average PD for Corporates continues to be good and in investment grade area

Net exposure main sector Corporates

€ bn

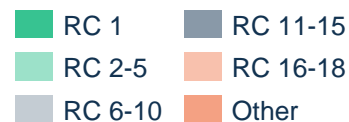
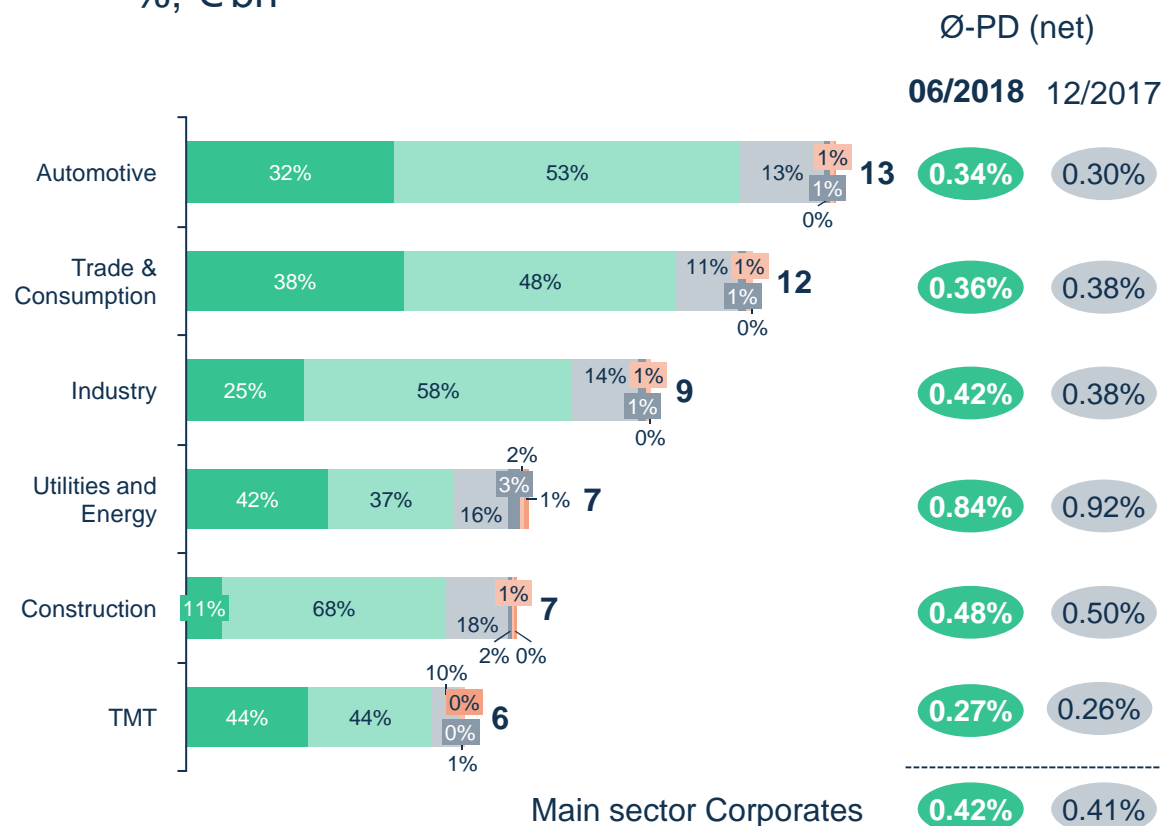
Ø-PD (net)



Differences due to rounding

Net exposure according to rating class

%; € bn

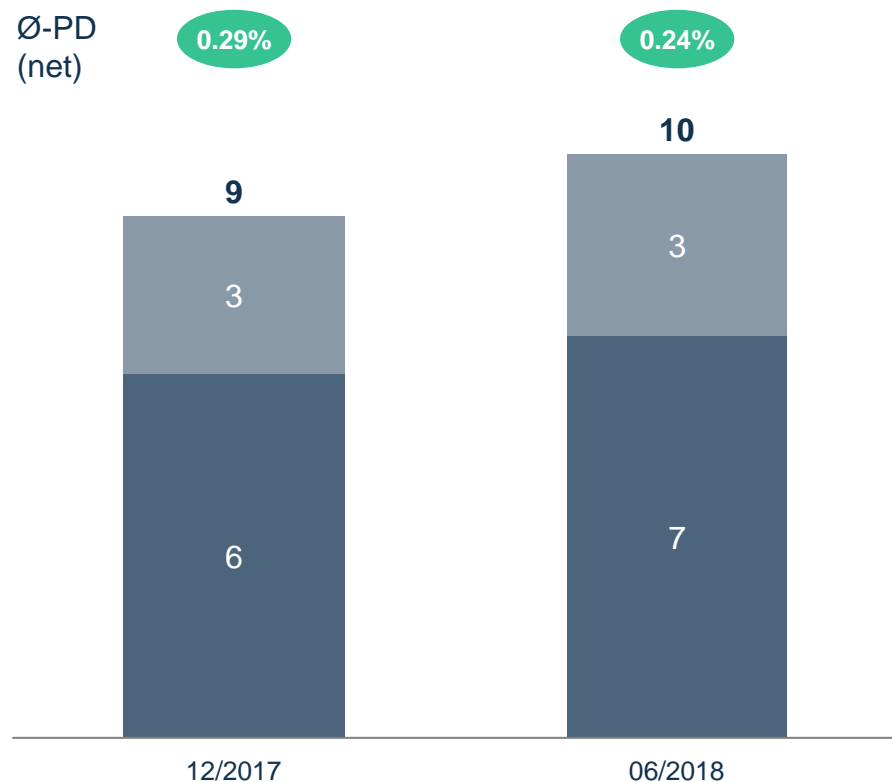


Real Estate: Portfolio quality further improved

Net exposure main sector Real Estate

€ bn

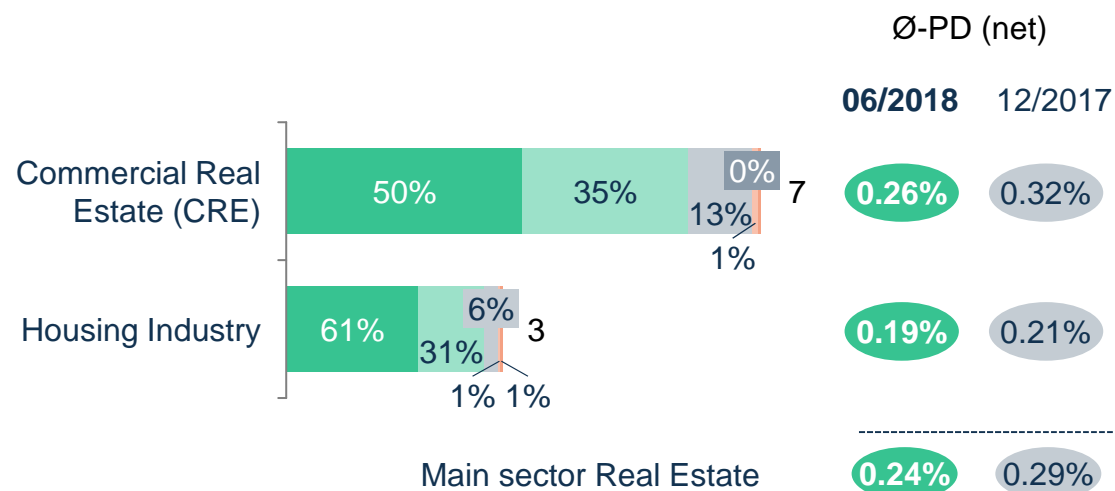
Ø-PD
(net)



Commercial Real Estate (CRE)
Housing Industry

Net exposure according to rating class

%; € bn



RC 1 RC 11-15
RC 2-5 RC 16-18
RC 6-10 Other

Differences due to rounding

8/29/2018 • LBBW Group: Result as of 30 June 2018

Selected corporate sectors and real estate

Automotive

Net exposure of €13.3 bn

- More than 5,500 borrower units (thereof about 92% with net exposure < €0.5 mln)
- Of the net exposure are attributable
 - 42% to suppliers: Broad range from international large corporates to SMEs operating regionally
 - 26% to manufacturers with focus on German OEMs¹
 - 32% to other sub industries

Portfolio quality

- Share of net exposure in investment grade area at around 84% (12/2017: 87%)



Trade & Consumption

Net exposure of €11.6 bn

- Sub industries: see below

Portfolio quality

- **Consumer goods**
 - Share of net exposure in investment grade area at 91% (12/2017: 91%)
 - Ø-PD (net) at 0.27% (12/2017: 0.29%)
- **Durable goods**
 - Share of net exposure in investment grade area at 74% (12/2017: 72%)
 - Ø-PD (net) at 0.61% (12/2017: 0.61%)



Real Estate

Net exposure of €9.9 bn

- Regional focus on Germany as well as abroad on selected large cities in Great Britain and in the USA
- Types of use: Office, residential, retail, logistics
- Almost 4,500 borrower units (thereof about 77% with net exposure < €0.5 mln)

Portfolio quality

- Still very good credit portfolio
- Share of net exposure in investment grade area at 87% (12/2017: 84%)
- Ø-PD (net) compared to 12/2017 improved by -5 bp to 0.24%



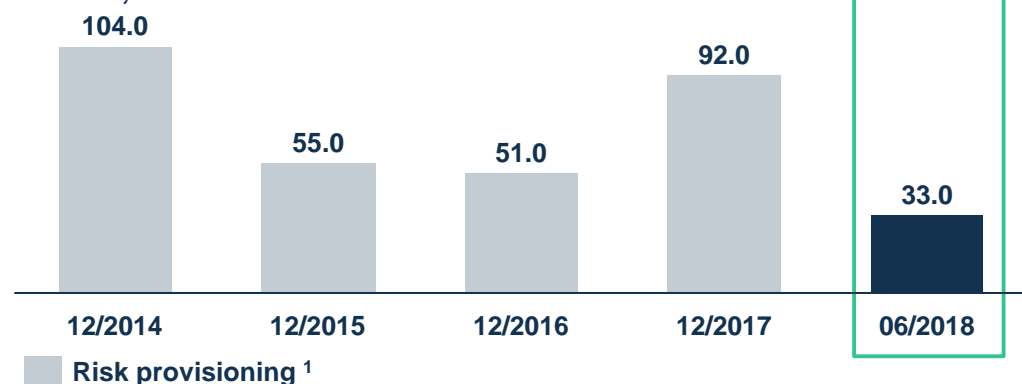
Risk management runs along the respective value chain

¹ Original Equipment Manufacturers

Slight decline of risk provisioning as of 06/2018

Risk provisioning (IFRS)

€ mln; %

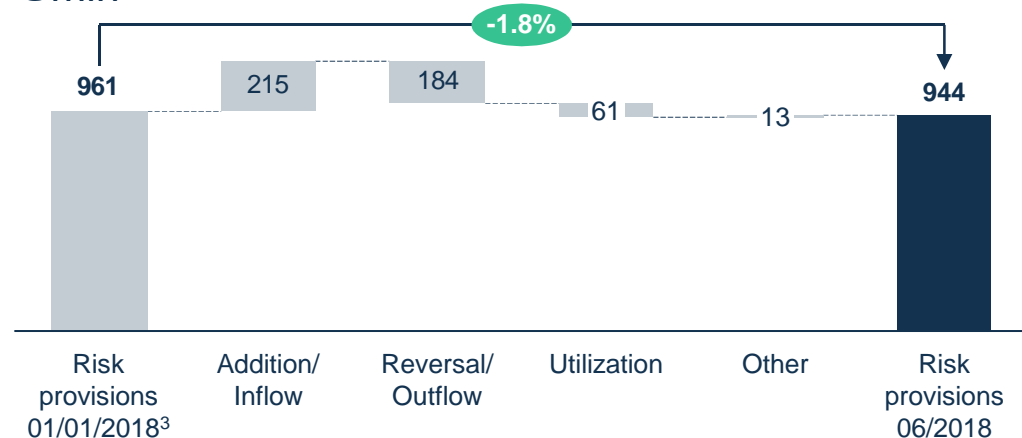


Credit risk costs (LBBW Group)

- With €33 mln slightly above the previous year's level (as of 06/2017: €40 mln), but distinctly below year-end 2017 (€92 mln)
- **NPL ratio**² with 0.6% further reduced (YE 2017: 0.7%); underscores good portfolio quality

Development of existing risk provisions

€ mln



Risk provisions (LBBW Group)

- Decreased by €17 mln as of 30 June 2018 mainly due to utilizations of €61 mln

Differences due to rounding

¹ Relates only to the category "Financial assets at amortized cost"

² NPL ratio: EBA-definition based on Finrep: Share of non-performing portfolio in relation to all loans and advances to customers and banks

³ Difference risk provisions 12/31/2017 (IAS 39) to risk provisions 01/01/2018 (IFRS 9) due to initial adoption effect of IFRS 9 of about €0.2 bn

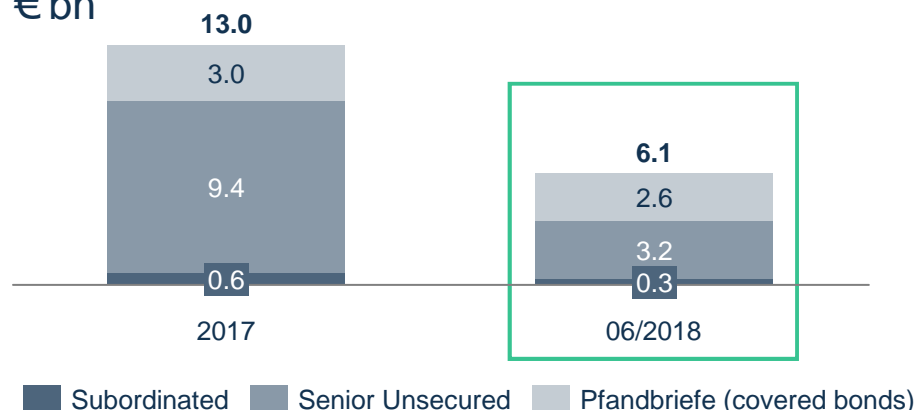
Agenda

01	Market conditions and strategic direction	Page 4
02	Earnings performance and capital development	Page 9
03	Risk management and portfolio development	Page 23
04	Funding and liquidity	Page 30
05	Outlook	Page 33
06	Appendix	Page 35

Strong funding base of LBBW further diversified

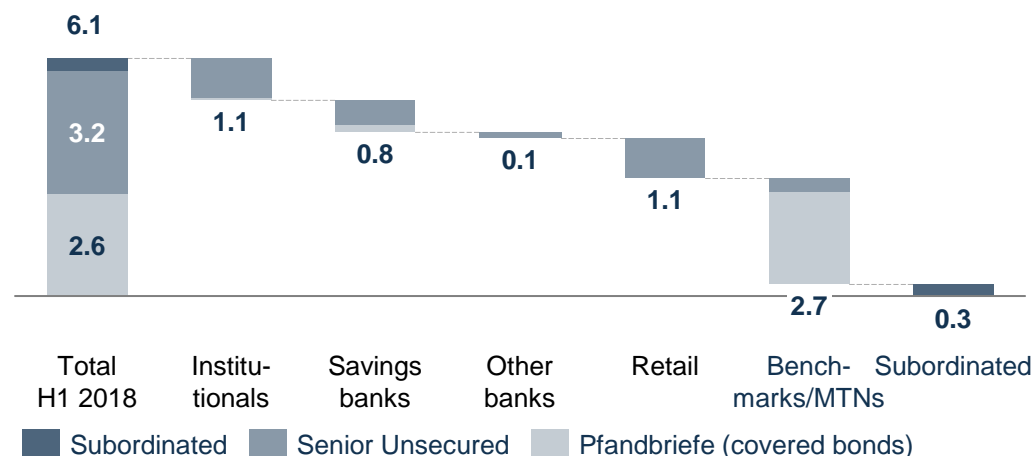
Total volume of funding¹

€ bn



Funding structure as of 30 June 2018

€ bn



Differences due to rounding

Please note: ECB's exchange rates as at reporting date 06/29/2018 are underlying. Initial maturities > 1 year are mentioned

¹ Funding raised on the capital markets and renewals

Good access to the capital markets for LBBW

- Frequent issuance of senior unsecured, Pfandbriefe (covered bonds) and subordinated
- LBBW issued **Mortgage Pfandbrief** at **new record level** of MS -20 bp in January 2018
 - Tightest priced EUR covered bond benchmark
- LBBW issued first **AUD subordinated issue** of a European bank this year in May
 - Use of favorable market conditions
 - Significant cost saving compared to the EUR Tier 2 market

Senior Unsecured

- Important funding sources: Savings banks and retail investors
- In addition to three benchmark issues also diversified private placements to retail, savings banks, institutionals and international clients

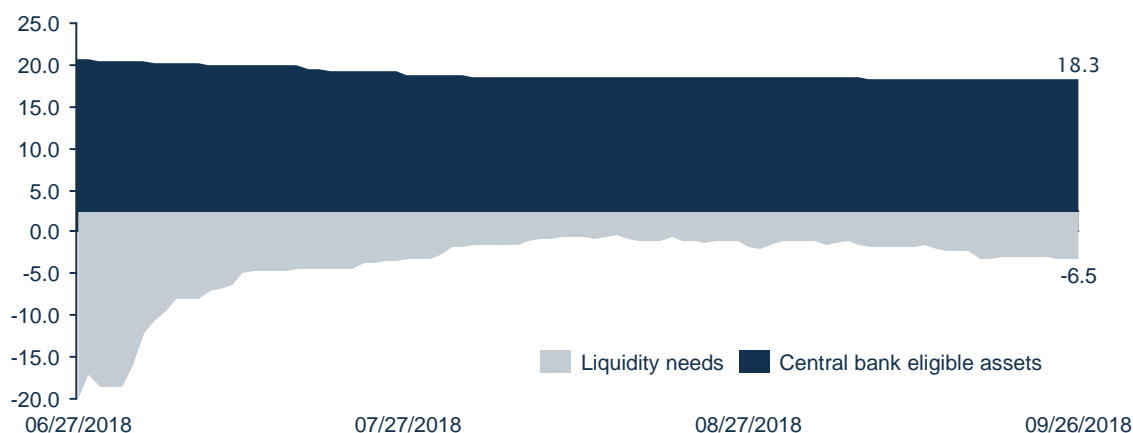
LBBW one of the leading issuers on the Pfandbrief market

- With issuance volume of GBP 750 mln LBBW's debut benchmark transaction marks the largest GBP covered bond transaction of an European issuer
- With its inaugural Green Mortgage Pfandbrief, LBBW successfully expanded its footprint in the market for sustainable issues

High and diversified liquidity reserve of LBBW with good quality

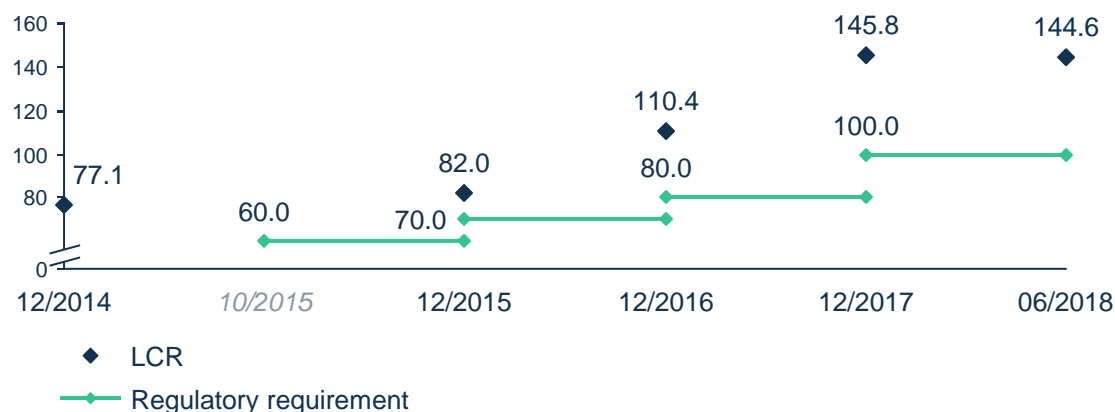
Liquidity situation (3-month view)

€ bn



Liquidity Coverage Ratio¹ (LCR)

%



Differences due to rounding

¹ It formally applies since 1 October 2015, gradual increase by 10%-points each year (at the beginning of each new calendar year); since 1 January 2018 requirement of 100%

Liquidity situation

- **Liquidity needs compared to available central bank eligible assets**
 - At mid-year 2018: central bank available assets of € 18.3 bn and liquidity surplus of € 6.5 bn in the next 3 months
 - In the next 12 months surplus of € 32.2 bn (mainly due to taking into account the overcollateralization of the cover pool)
 - Currently very comfortable liquidity situation (asset surplus) – see economic and regulatory liquidity ratios

Liquidity reserve

- Liquidity reserve with focus on highly liquid and central bank eligible assets
- Conservative representation due to the use of collateral values (= price minus haircut)

LCR

- LCR ratio significant above regulatory requirements
- LCR is key control parameter
- Long-term target >110%

Agenda

01	Market conditions and strategic direction	Page 4
02	Earnings performance and capital development	Page 9
03	Risk management and portfolio development	Page 23
04	Funding and liquidity	Page 30
05	Outlook	Page 33
06	Appendix	Page 35

Outlook¹ LBBW 2018 – Still comfortable capitalization as basis for expansion of customer business



Market environment

- Ongoing **low interest rate level**
- **Positive macroeconomic development** of Germany and the Eurozone, but **higher risks** for the economic trend, mainly political risks
- **Current market trends:** high **competitive and margin pressure**, in addition **high regulatory requirements** and **increasing digitalization**



Strategic positioning of LBBW

- Expansion of the activities in the four **strategic cornerstones**



Result

- **Fiscal year 2018:** LBBW anticipates consolidated profit before tax **in a mid three-digit million range** despite challenging market environment
- **Expansion of the customer business** and continuation of extensive **future-oriented investments**



Capital

- **Still comfortable capitalization** as basis for growth
- All **regulatory requirements** should be **exceeded**



Risk management

- Growth in **top quality new business** is sought to preserve the **good portfolio quality**



Funding and liquidity

- **Requirements** regarding **LCR** should be **exceeded**
- **Strong funding base** with **good access to the capital markets** as **solid basis for further funding**

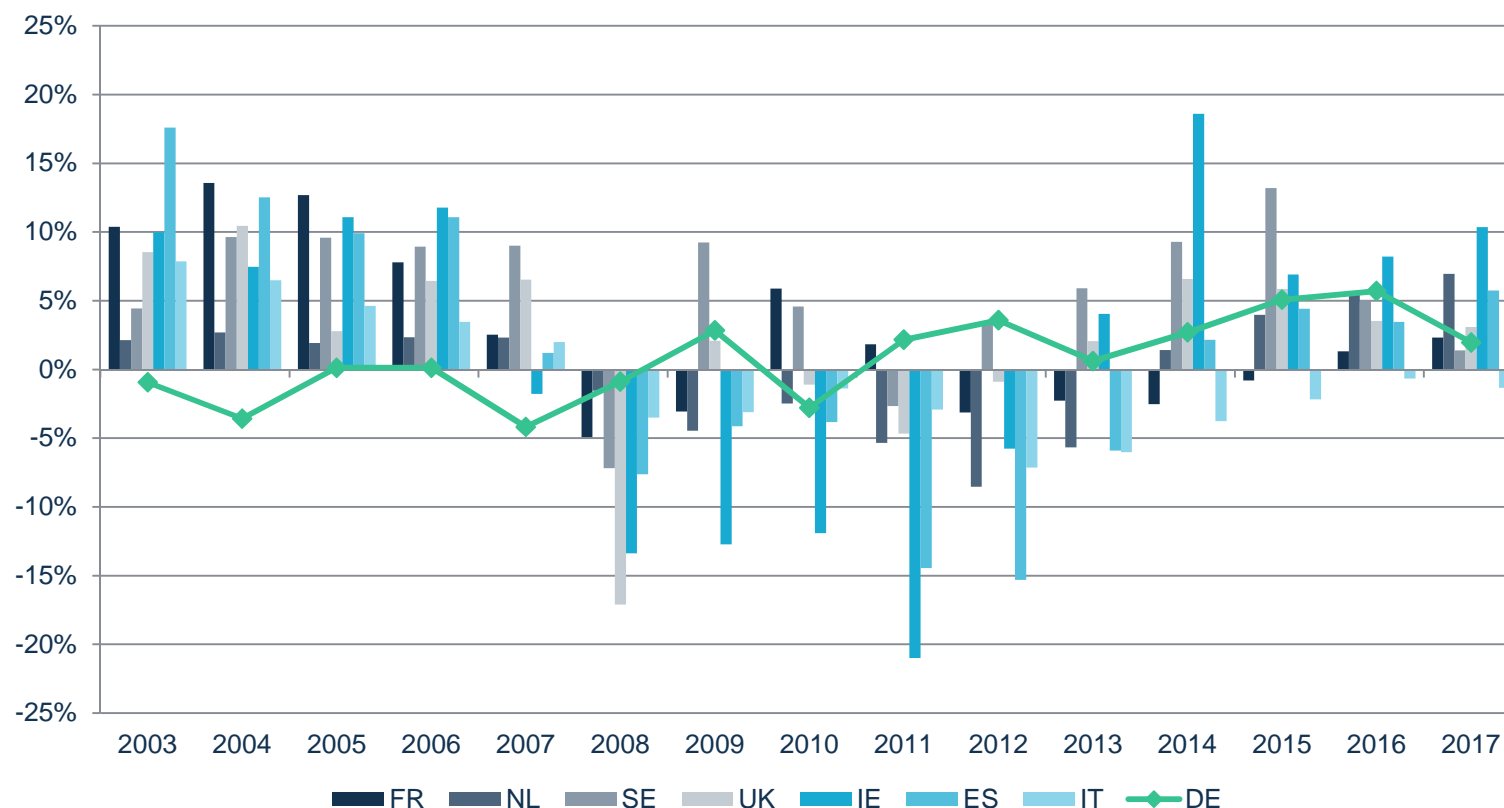
¹ Based on management calculations and expectations

Agenda

01	Market conditions and strategic direction	Page 4
02	Earnings performance and capital development	Page 9
03	Risk management and portfolio development	Page 23
04	Funding and liquidity	Page 30
05	Outlook	Page 33
06	Appendix	Page 35

Small price change on the German real estate market in European comparison

Real Change in real estate prices in a European comparison¹
%, annual comparison



Real estate prices across countries

- Fluctuations of the real property prices in a European comparison only moderate
- Decrease in dynamics can be seen
- Volatility reduced by financial features

Sources: ¹ OECD, LBBW Research – based on real property price trend; 2017 until the 4th quarter

Result and KPI of Group and segments at a glance

Earnings performance and key performance indicators

Group				Corporate Customers			Real Estate/ Project Finance			Capital Markets Business			Private Customers/ Savings Banks			Corporate Items/ Reconciliation/Consolidatio		
Act 06/2018	Prev 06/2017	Δ %	€mln	Act 06/2018	Prev 06/2017	Δ %	Act 06/2018	Prev 06/2017	Δ %	Act 06/2018	Prev 06/2017	Δ %	Act 06/2018	Prev 06/2017	Δ %	Act 06/2018	Prev 06/2017	Δ %
796	797	-0.1	Net interest income	383	354	8.2	133	155	-14.1	124	160	-22.5	161	165	-2.7	-5	-37	-86.1
262	270	-3.0	Net fee and commission income	81	95	-15.2	7	10	-26.3	72	69	5.2	116	121	-3.7	-15	-25	-39.7
135	191	-29.5	Net gains/losses on remeasurement and disposal	11	23	-54.2	-8	22	-	116	213	-45.6	1	5	-78.6	15	-72	-
-33	-40	-17.1	of which allowances for losses on loans and securities ¹	-24	-44	-45.8	-10	6	-	1	1	33.9	-3	5	-	3	-7	-
58	56	3.6	Other operating income/expenses	5	5	-14.8	45	18	>100	0	5	-	-3	0	-	11	27	-59.8
1,250	1,313	-4.8	Total operating income/expenses	479	478	0.3	178	204	-12.9	312	447	-30.2	275	291	-5.6	6	-107	-
-878	-897	-2.1	Administrative expenses	-311	-294	5.6	-68	-62	9.9	-244	-231	5.9	-264	-300	-11.9	9	-10	-
-89	-69	28.7	Expenses for bank levy and deposit guarantee system	-13	-10	36.6	-6	-4	47.0	-21	-15	38.9	-4	-3	28.4	-46	-38	20.8
0	-38	-	Guarantee commission for the State of BW	0	0	-	0	0	-	0	0	-	0	0	-	0	-38	-
0	-30	-99.9	Net income/expenses from restructuring	0	-16	-99.8	0	-5	-	0	-7	-	0	-3	-	0	0	-
282	279	1.4	Consolidated profit/loss before tax	155	158	-1.8	104	133	-22.3	47	195	-75.8	7	-15	-	-31	-193	-84.0

Ist 06/2018	VJ 06/2017	Δ p.p.	%	Ist 06/2018	VJ 06/2017	Δ p.p.	Ist 06/2018	VJ 06/2017	Δ p.p.	Ist 06/2018	VJ 06/2017	Δ p.p.	Ist 06/2018	VJ 06/2017	Δ p.p.	Ist 06/2018	VJ 06/2017	Δ p.p.
4.4	4.3	0.1	RoE	7.1	10.4	-3.3	14.7	22.9	-8.3	3.4	17.7	-14.2	1.2	<0	-	<0	<0	-
75.4	76.4	-1.0	CIR	64.2	61.2	2.9	39.5	35.7	3.9	85.4	56.5	28.9	96.5	>100	-	>100	<0	-

Ist 06/2018	VJ 12/2017	Δ %	€bn	Ist 06/2018	VJ 12/2017	Δ %	Ist 06/2018	VJ 12/2017	Δ %	Ist 06/2018	VJ 12/2017	Δ %	Ist 06/2018	VJ 12/2017	Δ %	Ist 06/2018	VJ 12/2017	Δ %
79.1	75.7	4.5	RWA	35.6	31.6	12.8	10.6	10.2	4.6	18.3	18.9	-3.0	8.0	7.9	1.2	6.5	7.2	-9.5
258.5	237.7	8.8	Bilanzaktiva	56.7	54.1	4.8	24.9	24.6	1.1	154.9	140.4	10.3	13.1	13.2	-0.6	8.9	5.4	65.3

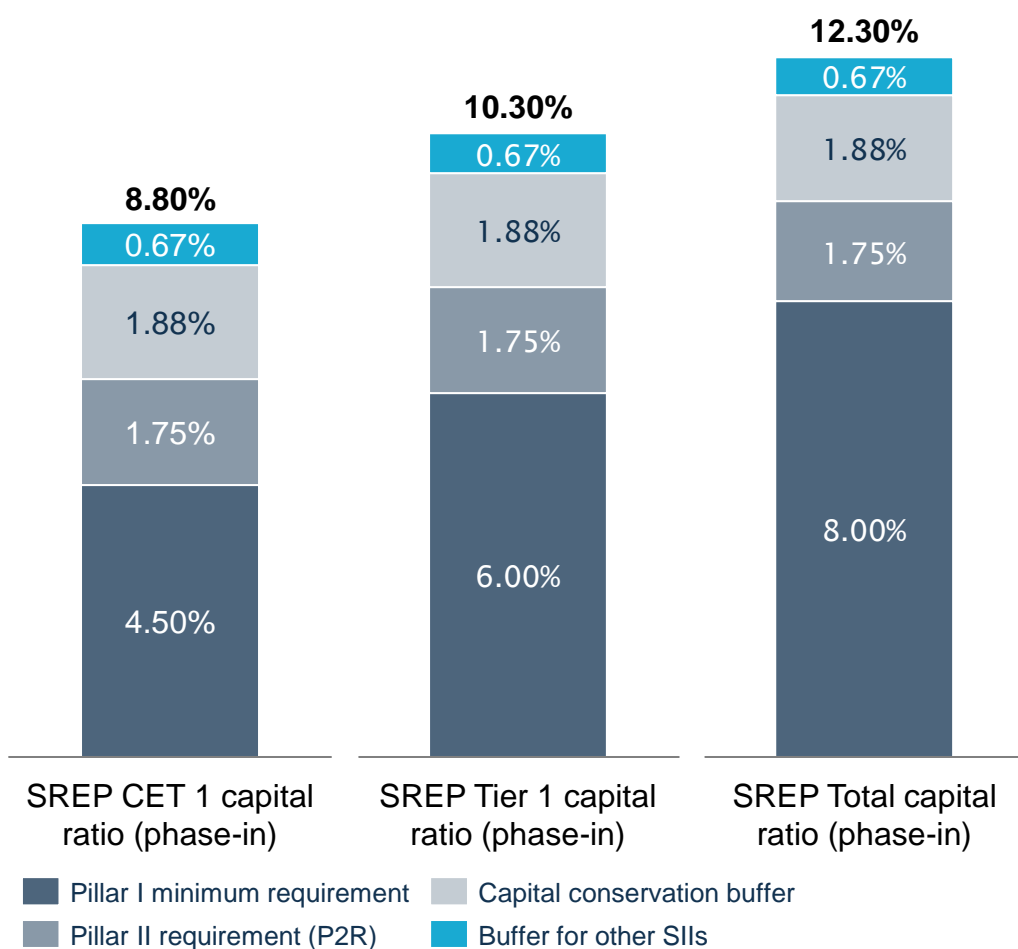
Differences due to rounding / Previous year incl. adjustments

¹ Relates only to the category "Financial assets at amortized cost"



LBBW considerably exceeds SREP requirements

SREP ratios 2018¹



- Need to maintain a **total capital ratio of 12.30%** as of 1 Jan 2018, thereof at least
 - **10.30%** of **Tier 1 capital** and
 - Thereof at least **8.80%** of **common equity Tier 1 capital**
- Requirement for LBBW thus above the regulatory minimum requirements** as it is usual for institutions under ECB supervision, but **below EU average**
 - **LBBW** considerably **exceeds** the **requirements**
- The **ratios** contain
 - Pillar 2 requirement of 1.75%
 - Capital conservation buffer of 1.88%
 - Buffer for other systemically important institutions (SIs) of 0.67%
- In addition**, ECB expects the availability of further common equity Tier 1 capital within a pillar 2 guidance

¹ CET 1 ratio, phase-in; this ratio includes the Pillar II capital requirement as well as the common equity Tier 1 capital to be held as a capital conservation buffer in accordance with Section 10c of the German Banking Act (KWG) and as a capital buffer in accordance with Section 10g KWG for other systemically important financial institutions; in addition, a countercyclical capital buffer must be held in accordance with Section 10d KWG as well as the Pillar 2 guidance of the ECB

Explanation of the rating classes

Rating classes (RC) at a glance

<ul style="list-style-type: none"> • RC 1: • RC 2-5: 	PD $0.00\% \leq 0.10\%$ PD $> 0.10\% \leq 0.48\%$	Investment grade
<ul style="list-style-type: none"> • RC 6-8: • RC 9-10: • RC 11-15: 	PD $> 0.48\% \leq 1.61\%$ PD $> 1.61\% \leq 3.63\%$ PD $> 3.63\% < 100\%$	Non-investment grade
<ul style="list-style-type: none"> • RC 16-18: 	PD = 100%	Default ¹
<ul style="list-style-type: none"> • Other: 	–	Rating waived ² , not rated

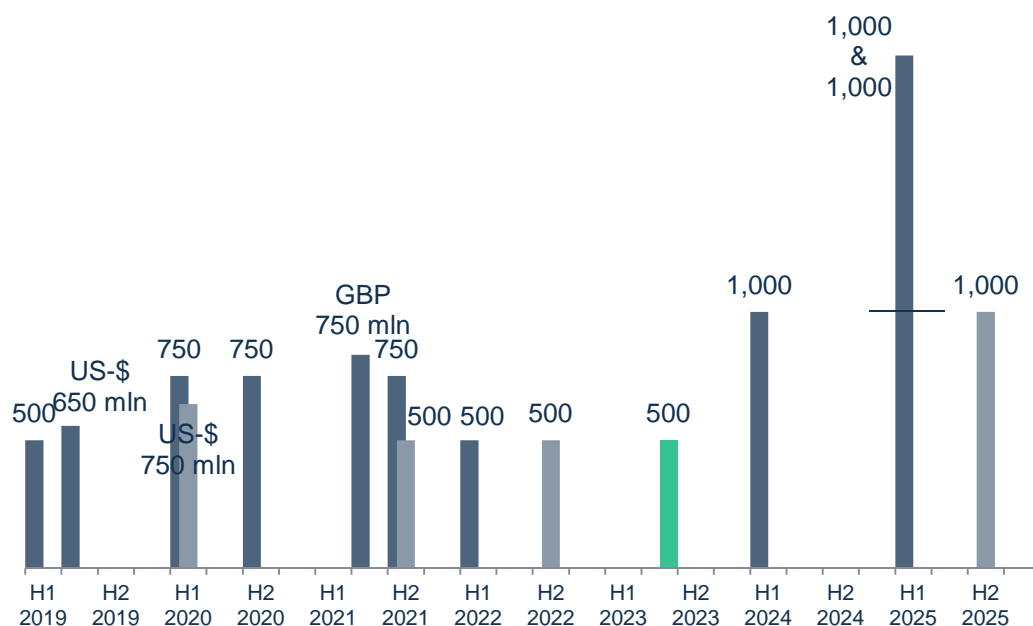
¹ Default refers to exposure for which a default event as defined in Art. 148 CRR has occurred. The net exposure is shown before allowances for losses on loans and advances/impairments

² Especially publicly guaranteed business or business secured by savings banks as well as credit cards

LBBW with broadly diversified maturity profile

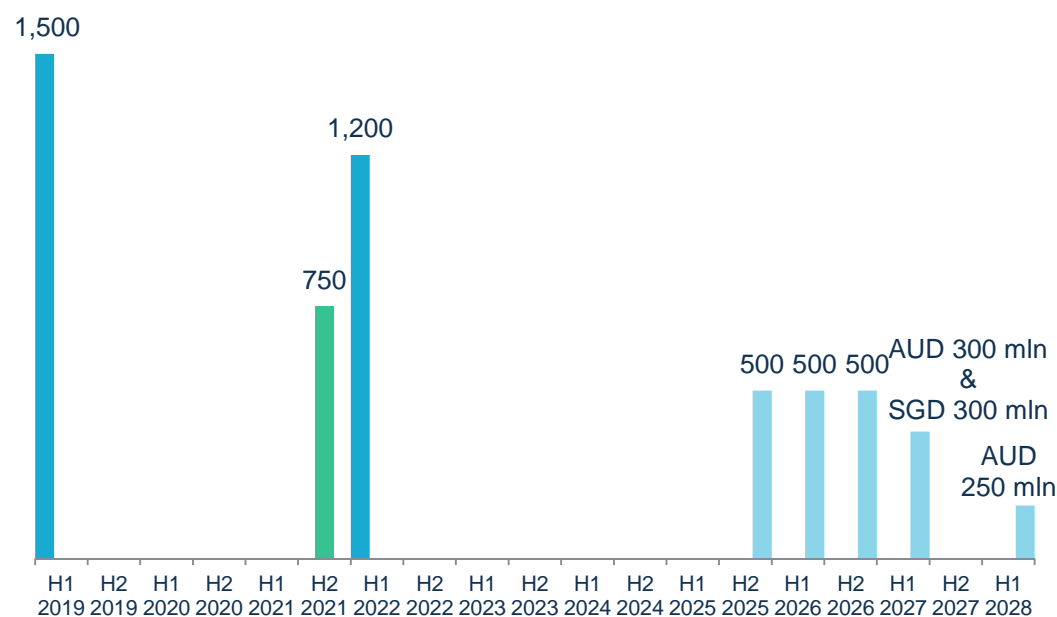
Maturity benchmark issues¹

Pfandbriefe, € mln



Maturity benchmark issues¹

Senior Unsecured / Tier 2, € mln



■ Mortgage Pfandbriefe ■ Green Mortgage Pfandbriefe
■ Public-Sector Pfandbriefe

■ Senior Unsecured ■ Tier 2
■ Green Senior Unsecured

Please note: ECB's exchange rates as at reporting date are underlying. Initial maturities > 1 year are mentioned

¹ Funding raised on the capital markets and renewals

Differences due to rounding

Glossary

Term	Meaning
------	---------

IFRS 9

Reporting in accordance with IFRS 9
Previous year

Slight adjustments in the results and in selected figures
 The previous year figures based on IAS 39 were transferred to the structure of the IFRS 9 schema without technical adjustments

Abbreviations

RoE

Return on Equity
 Group: (Annualized) consolidated profit/loss before tax / average equity on the balance sheet adjusted for the unappropriated profit for the current reporting period
 Segmente: (Annualized) consolidated profit/loss before tax / maximum planned average restricted equity and average tied-up equity in the current reporting period

CIR

Cost Income Ratio
 (Total administrative expenses + expenses for the bank levy and deposit guarantee system + guarantee commission for the State of Baden-Württemberg + net restructuring income) / (total net interest income + net commission income + net gains on remeasurement and disposal less allowances for losses on loans and securities + other operating income)

LCR

Liquidity Coverage Ratio

RWA

Risk weighted assets

Utilization of aggregate risk cover

Utilization of aggregate risk cover

Explanations

Fully loaded

Full implementation of CRR (basis IFRS)

Leverage Ratio

As of January 2015 the calculation of the leverage ratio was switched to the system of the delegated act for internal purposes.
 Until then the actual value was based on the current announcement

SREP ratio

CET 1 ratio, phase-in; this ratio includes the Pillar II capital requirement as well as the common equity Tier 1 capital to be held as a capital conservation buffer in accordance with § 10c KWG of the German Banking Act (KWG) and as a capital buffer in accordance with § 10g KWG for other systemically important financial institutions; in addition, a countercyclical capital buffer (§ 10d KWG) must be held and the Pillar II guidance of the ECB

Contact details

Asset & Liability Management

Patrick Steeg

Managing Director

Head of Asset & Liability Management

+49 711 127-78825

Patrick.Steeg@LBBW.de



Funding & Debt Investor Relations

Andreas Wein

Head of Funding & Investor Relations

+49 711 127-28113

Andreas.Wein@LBBW.de



Funding & Debt Investor Relations

Peter Kammerer

Head of Investor Relations

+49 711 127-75270

Peter.Kammerer@LBBW.de



Funding & Debt Investor Relations

Sabine Weilbach

Investor Relations

+49 711 127-75103

Sabine.Weilbach@LBBW.de

