Financial Stability Board Report

as at 30 June 2013.

Landesbank Baden-Württemberg.

LBBW

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Financial Stability Board Report.

The Financial Stability Board (FSB) was established in 1999 at the initiative of the G7 to safeguard financial market stability at an international level. The idea behind the FSB (formerly the Financial Stability Forum - FSF) is the regular exchange of information and international cooperation between central banks, regulatory authorities and international financial institutions with the aim of improving the markets' ability to function, creating transparency and reducing systemic risks. Germany is represented on this forum by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin) among other organizations.

In response to the financial market crisis, the FSB recommended extended disclosures on portfolios likely to be exposed to market disruptions. Although the disclosure of information is currently voluntary, LBBW fulfills the main recommendations of the FSB by publishing this report.

Detailed information on the securitization exposure to the periphery countries (Portugal, Ireland, Italy, Greece and Spain) and on the leveraged finance portfolio is also included.

1 The LBBW Group's securitization portfolio.

1.1 Preliminary remarks on risk protection.

In view of the turbulence on the financial markets, the LBBW Group (hereinafter referred to as LBBW) has arranged risk protection with the State of Baden-Württemberg in the form of a guarantee structure that has been in effect since 30 June 2009 to hedge losses on securities at risk. A guarantee totaling EUR 12.7 billion was granted to LBBW to hedge losses on reference assets of the securitization portfolio and loans issued by LBBW to the Irish special-purpose entity Sealink Funding Ltd. (Sealink).

The risk shield of the State of Baden-Württemberg and a capital injection amounting to EUR 5.0 billion from the owners was finally approved by the European Commission on 15 December 2009.

A partial amount of the guarantee amounting to EUR 6.7 billion serves to secure the Bank's own securitization portfolio (guaranteed portfolio) with an outstanding nominal volume of EUR 8.0 billion as at 30 June 2013.

LBBW bears the first losses from the guaranteed portfolio up to an amount of EUR 1.9 billion (so-called first loss). Losses beyond this amount will be absorbed initially by the guarantee. Any further losses arising after the guarantee has been utilized in full are borne by LBBW. As at 30 June 2013, the first loss was recognized in full on the balance sheet.

The remaining EUR 6.0 billion of the guarantee covers loans granted by LBBW to the special-purpose entity Sealink (section 1.8).

1.2 Development of the securitization portfolio and customer transactions.

The LBBW securitization portfolio (including the guaranteed portfolio) had a volume of around EUR 9.3 billion as at 30 June 2013.[1)] This includes the Georges Quay Funding I Ltd. vehicles and fund investments (LAAM funds) acquired from the former Sachsen LB. LBBW is also exposed to customer transactions amounting to EUR 2.7 billion via the ABCP vehicle Weinberg Capital Ltd.

The following sections describe the non-guaranteed portfolio (section 1.5) and the guaranteed portfolio (section 1.6) with regard to their volume and ratings in selected asset classes as well as customer transactions (section 2).

Development of the securitization portfolio and customer transactions compared to the previous period as at 30 June 2013.

Outstanding volume in EUR billion	30 June 2013	Absolute change over the previous period	31 Dec. 2012	Absolute change over the previous period	31 Dec. 2011
Total securitization volume	9.3	-2.2	11.5	-3.8	15.3
Customer transactions	2.7	0.4	2.3	0.0	2.3

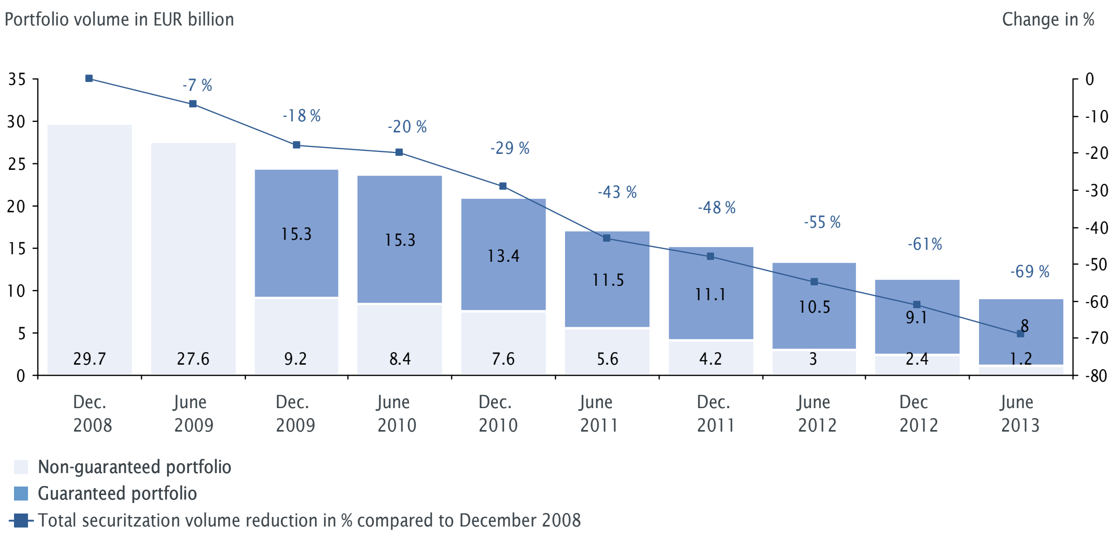
Figures may be subject to rounding differences.

Compared with 31 December 2012, the securitization portfolio continued to contract steadily by a total of around EUR 2.2 billion from EUR 11.5 billion, despite volatile exchange rate effects. On the one hand, this decline in the volume is due to repayments, write-downs and sales of around EUR 2.2 billion (repayment effect). A decline of EUR 0.05 billion is the effect of counteracting exchange-rate trends (currency effect). The currency effect stems from a rise in the nominal EUR exchange rate against the USD and GBP, which led to a further reduction in the volume of assets denominated in the foreign currency in question. More than half of the portfolio (some 52%) is characterized by securitization positions categorized as investment grade (rating class AAA to BBB). 3.7% of the positions (equivalent to EUR 0.34 billion) have the highest rating.

In comparison with the first reporting period (December 2008), the overall securitization portfolio volume declined by EUR 20.4 billion (approx. 69%). As such, LBBW continues to pursue the defined restructuring goals of gradually reducing risk through the orderly reduction of the securitization volume and opportunistic sales.

1) Statements concerning the risk situation below are based on the management approach.

Development of the LBBW securitization portfolio volume for the period from December 2008 to June 2013.



Figures may be subject to rounding differences.

The financial market crisis had led to a significant decline in market values in LBBW's securitization portfolio since 2007. The positive trend of stabilizing average market prices discernible for more than one year continued in the period under review, although market liquidity is still limited.

Customer transaction volumes increased compared to the previous period by a total of EUR 0.4 billion, rising from EUR 2.3 billion to EUR 2.7 billion. LBBW plans to continue the successful expansion of its customer-driven business (see section 2).

1.3 Development of equity and profit and loss effects.

Equity and profit and loss effects from the securitization portfolio in accordance with IFRS.[1)]

EUR million	Effects in income[2)]		Effects in equity[3)]	
Asset class	30 June 2013	30 June 2012	30 June 2013	30 June 2012
CDO	15	41	45	35
RMBS	- 95	- 48	77	20
CMBS	- 16	5	5	4
Other ABS	24	13	7	8
Total	**- 72**	**11**	**134**	**67**

1) Statement without proprietary trading. 2) Recognized in income: change in profit and loss account (P&L). 3) Recognized in equity: change in equity item (AfS reserve).
Figures may be subject to rounding differences.

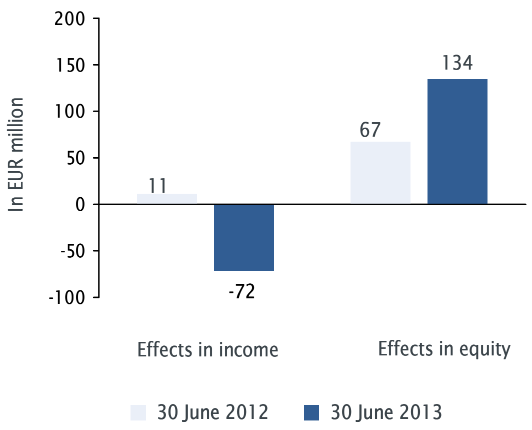
All the securitized products are included in LBBW's consolidated financial statements and are subject to ongoing market and risk assessment.

The result in the first half of 2013 was influenced chiefly by the further reduction in the securitization portfolio. Losses of around EUR -111 million were realized from disposals in RMBS and CMBS. The spread tightening that was evident in the first half of the year led to reversals of impairment losses on CDO as well as on products listed in the »Other« asset class.

Once again, the effect of EUR 134 million reported in equity was due to the expiry of recategorized portfolios, disposals of holdings categorized as AfS and the positive development of markets in the first half of 2013. The RMBS and CMBS asset classes accounted for a share of around 61% thereof, followed by CDO with around 34%. The remaining share of approx. 5% was attributable to the »Other« asset class.

As a result of the strategically targeted run-down, as at the balance sheet date 98% of the securitizations were allocated to the »Loans and Receivables« (LaR) category and only 2% to the »Available for Sale« (AfS) category.

Equity and P&L effects year on year.



Definitions.

Collateralized Debt Obligations (CDO):

The term »CDO« refers to transactions based on different types of receivables (underlying or collateral transactions). These essentially involve receivables from companies, financial service providers (»trust preferred security« or »TruPS«) and sovereigns. One special case is the »CDO of ABS«, in which ABS transactions form the underlying transaction. These ABS transactions may include residential mortgage backed securities along with consumer loans, leasing receivables, commercial mortgage backed securities and CDOs.

Commercial Mortgage Backed Securities (CMBS):

CMBS are securities that are backed by property that is used or managed for commercial purposes. This may include office or retail properties, multiple dwellings, shopping centers and mixed use.

Residential Mortgage Backed Securities (RMBS):

This category of securities comprises securities backed by property that is used or managed privately.

Rating:

The individual rating classes were allocated on the basis of information from external providers. In line with a conservative approach, the lowest available rating from Moody's, Standard & Poor's or Fitch was applied in each case. These may differ considerably from each other. For transactions without any external rating but with an internal credit rating, the lowest internal rating was transferred to the corresponding S&P rating.

The NR (»not rated«) transactions are mainly securitization positions written down by LBBW, from which the external rating was withdrawn or which arose from restructuring measures.

In view of the guarantee structure, the securitization portfolio is reported separately for the non-guaranteed and guaranteed sub-portfolios in the following sections. The sub-categories of the asset classes (sub-asset classes), the respective distribution of ratings and changes to these are also analyzed in greater detail.

1.4 Assets held in the overall securitization portfolio.

In this report, LBBW's securitization portfolio with a volume of EUR 9.3 billion (December 2012: EUR 11.5 billion) is presented in aggregated form for four product categories (asset classes).

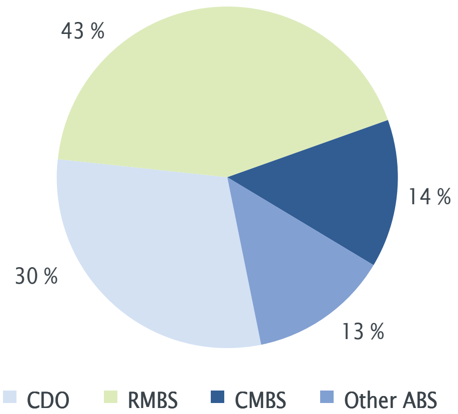
Securitization portfolio – outstanding volume per asset class (EUR 9.3 billion).

Outstanding volume in EUR million as at 30 June 2013	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
CDO	272	704	361	112	785	307	189	63	2,793	30.2%
RMBS	13	489	917	393	1,005	907	232	0	3,956	42.7%
CMBS	12	182	288	212	394	147	88	0	1,323	14.3%
Other ABS	42	351	369	122	151	90	0	66	1,190	12.9%
Total investments	**339**	**1,727**	**1,934**	**839**	**2,335**	**1,450**	**508**	**129**	**9,261**	**100.0%**
	3.7%	**18.6%**	**20.9%**	**9.1%**	**25.2%**	**15.7%**	**5.5%**	**1.4%**	**100.0%**	

The lowest external rating was generally applied and mapped to S&P's rating scale. Figures may be subject to rounding differences.

The portfolio volume breaks down by asset class as follows:

Securitization portfolio – relative asset class distribution (around EUR 9.3 billion).



The two asset classes RMBS and CDO constitute the largest shares of the portfolio. RMBS transactions account for EUR 4.0 billion (43%) and chiefly originate from the United States (32%), the United Kingdom (30%) and Spain (19%). The volume of CDO transactions comes to EUR 2.8 billion (30%).

The majority of CMBS transactions involve positions in the United Kingdom (61%) and Germany (15%). The Other ABS asset class most notably includes American student loans (25%) and UK credit card securitizations (13%) in addition to leases.

1.5 Assets not secured by the state risk shield.

The nominal securitization volume not protected by the guarantee provided by the State of Baden-Württemberg dropped by 50% over the comparison date (31 December 2012) to around EUR 1.2 billion. This overall effect is the result of repayments and sales of EUR 1.2 billion, primarily in the RMBS asset class (43%), as well as CDO (2%) and CMBS (3%). As was the case in the previous periods, the vast majority (EUR 1.0 billion, 84.6%) of the non-guaranteed portfolio volume is again characterized by investment-grade ratings. Despite the repayment and migration of investments with predominantly the highest rating, the average rating dropped only slightly in the period under review.

Assets not secured by the state risk shield – securitization portfolio by asset class and rating.

Outstanding Volume in EUR million as at 30 June 2013	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
CDO	49	145	188	14	2	0	0	0	399	32.3%
RMBS	5	7	175	0	95	0	0	0	282	22.8%
CMBS	0	40	3	6	11	0	0	0	60	4.9%
Other ABS	42	131	200	40	39	0	0	43	495	40.0%
Total Investments	**97**	**323**	**567**	**59**	**148**	**0**	**0**	**43**	**1,236**	**100.0%**
	7.8%	**26.1%**	**45.8%**	**4.8%**	**11.9%**	**0.0%**	**0.0%**	**3.5%**	**100.0%**	

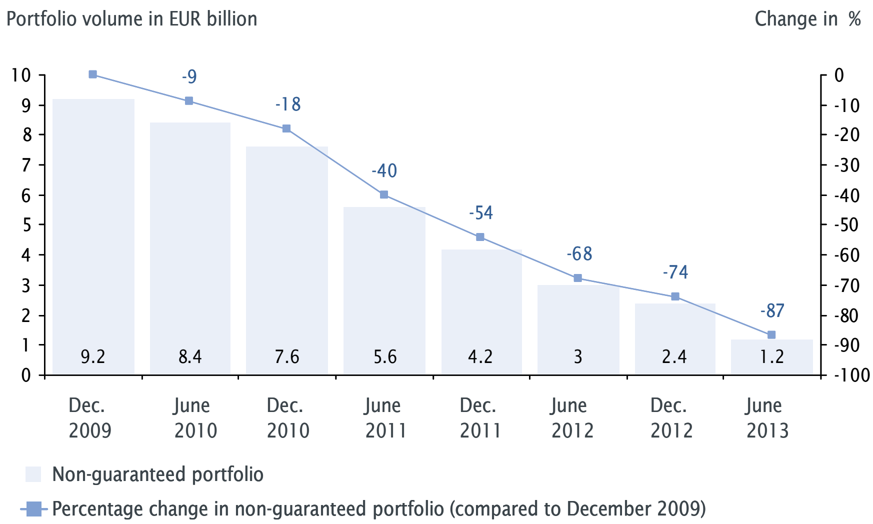
The lowest external rating was generally applied and mapped to S&P's rating scale. Figures may be subject to rounding differences.

With respect to regional diversification, it should be noted that non-guaranteed transactions are primarily concentrated in Europe (excluding the UK) (57.5%).

The securitization volume attributable to the countries severely affected by the debt crisis, namely Portugal, Italy, Ireland, Greece and Spain (periphery countries) was reduced significantly during the period under review and now stands at EUR 0.2 billion (compared with EUR 1.2 billion as at 31 December 2012). At around 0.1 billion, Ireland accounts for the largest share. A detailed description of LBBW's exposure in the periphery countries follows in section 1.7.

Securitization positions which refer to portfolios consisting of student loans, automotive loans and credit card receivables are recorded in the Other ABS category.

Development of the non-guaranteed portfolio volume for the period from December 2009 to June 2013.



The following section examines the three major asset classes in greater detail.

1.5.1 CDO portfolio for non-secured assets.

The CDO portfolio for non-secured assets with a volume of around EUR 0.4 billion now consists virtually exclusively of CLOs (99.8%) backed by corporate loans.

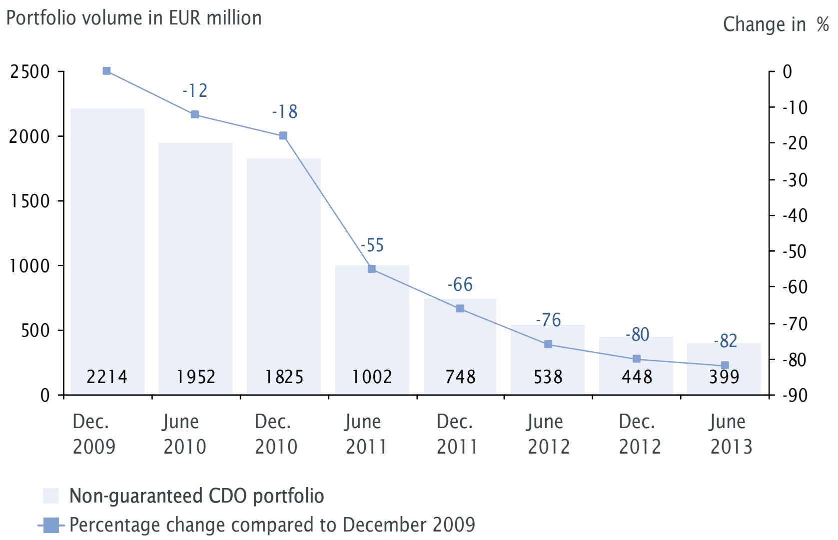
Assets not secured by the state risk shield - CDO breakdown by sub-asset class and rating as at 31 December 2012.

Outstanding volume in EUR million as at 30 June 2013	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
Sub-asset class										
CDO of ABS	0	0	0	1	0	0	0	0	1	0.2%
CLO	49	145	188	13	2	0	0	0	398	99.8%
Total CDO	**49**	**145**	**188**	**14**	**2**	**0**	**0**	**0**	**399**	**100.0%**
	12.3%	36.4%	47.2%	3.4%	0.6%	0.0%	0.0%	0.0%	100.0%	

The lowest external rating was applied and mapped to S&P's rating scale. Figures may be subject to rounding differences.

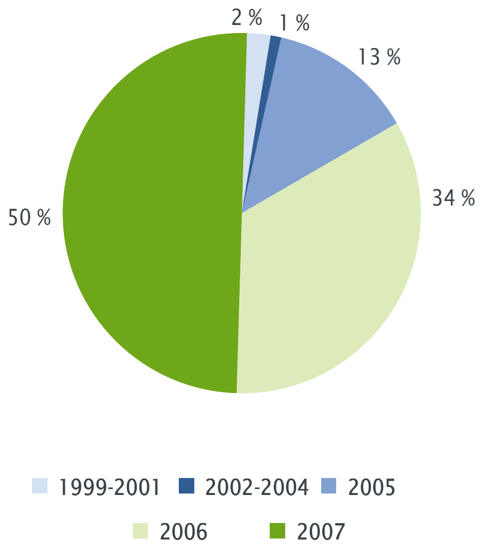
In terms of ratings, it should be noted that most of the product categories, accounting for 99.3% of the volume, is now concentrated in the investment-grade range.

Development of the non-guaranteed CDO portfolio volume for the period from December 2009 to June 2013.



Figures may be subject to rounding differences.

Most of the remaining CDO transactions were issued in 2006 and 2007.



1.5.2 RMBS portfolio for non-secured assets.

As at the reporting date, the volume of RMBS transactions in the non-guaranteed sub-portfolio amounted to around EUR 0.3 billion (23%) and is thus down by a further EUR 1.0 billion (79%) compared with the December 2012 figure of EUR 1.3 billion.

Apart from EUR 95 million, the entire volume of the non-guaranteed RMBS portfolio volume is in the investment-grade range with a rating of A or above.

Assets not secured by the state risk shield - RMBS breakdown by country and rating.

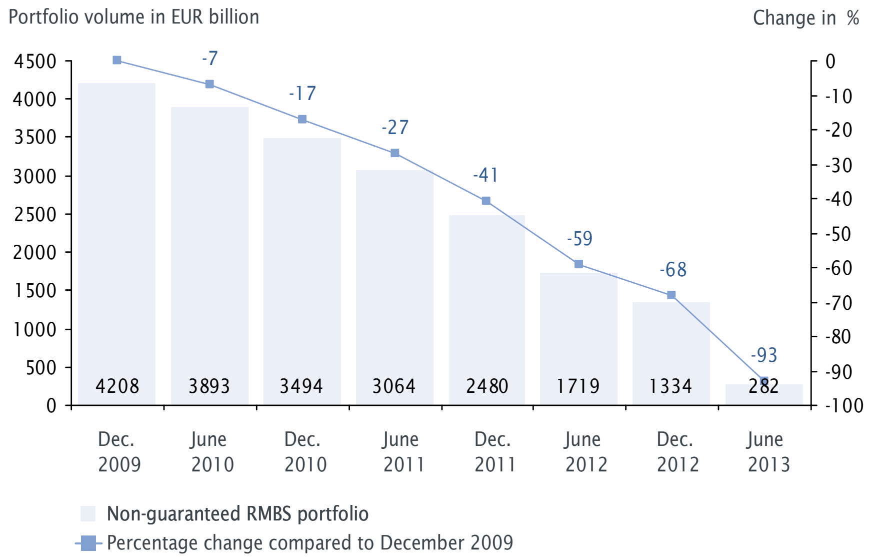
Outstanding volume in EUR million as at 30 June 2013	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
Country/sub-asset class										
UK	0	7	99	0	0	0	0	0	106	37.5%
of which UK non-conforming	0	7	0	0	0	0	0	0	7	6.9%
Other RMBS	5	0	76	0	95	0	0	0	177	62.5%
Total RMBS	**5**	**7**	**175**	**0**	**95**	**0**	**0**	**0**	**282**	**100.0%**
	1.9%	**2.6%**	**62.0%**	**0.0%**	**33.5%**	**0.0%**	**0.0%**	**0.0%**	**100.0%**	

Percentages in the »of which« lines refer to the volume reported for the country in question. Figures may be subject to rounding differences.

Furthermore, securitizations with a UK reference all have investment-grade ratings. The remaining transactions originate from the years 2002 to 2006.

Securities in the Other RMBS category are primarily attributable to European countries such as Ireland (33%) and Italy (21%). The portfolio volume of asset-backed securities with Irish reference continues to decline to a current outstanding volume of EUR 95 million (December 2012: EUR 97 million), with ratings in the categories BB to B.

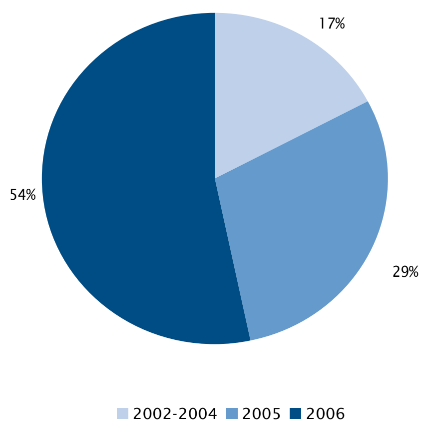
Development of the non-guaranteed RMBS portfolio volume for the period from December 2009 to June 2013.



Figures may be subject to rounding differences.

The non-guaranteed RMBS volume classified by issue year is as follows:

Non-guaranteed RMBS portfolio distribution by year of issue (EUR 0.3 billion)



At around EUR 150 million, the non-guaranteed RMBS portfolio has the largest volume for issue year 2006 and the lowest volume for the years 2002-2004 at EUR 49 million.

1.5.3 CMBS portfolio for non-secured assets.

The CMBS portfolio volume not guaranteed by the State of Baden-Württemberg (around 5% of the portfolio) dropped by EUR 64 million compared with December 2012 to EUR 60 million. It is chiefly backed by real estate used for office and retail purposes in Europe.

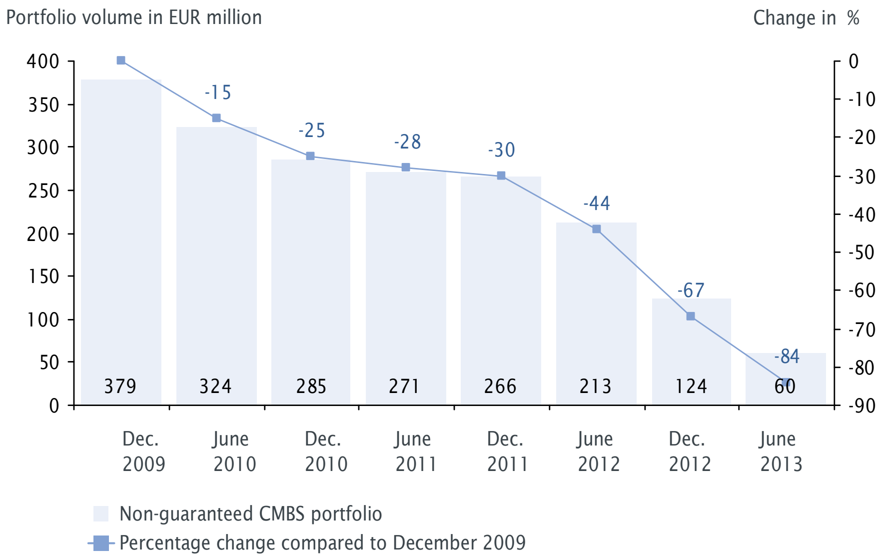
Assets not secured by the state risk shield - CMBS breakdown by country and rating.

Outstanding volume in EUR million as at 30 June 2013		AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
Asset class	Country										
CMBS	Germany	0	39	3	6	11	0	0	0	59	98.6%
	UK	0	1	0	0	0	0	0	0	1	1.4%
Total CMBS		**0**	**40**	**3**	**6**	**11**	**0**	**0**	**0**	**60**	**100.0%**
		0.0%	**66.7%**	**5.0%**	**10.0%**	**18.3%**	**0.0%**	**0.0%**	**0.0%**	**100.0%**	

The lowest external rating was generally applied and mapped to S&P's rating scale. Figures may be subject to rounding differences.

Most of the non-guaranteed CMBS portfolio under consideration is rated investment grade (82%).

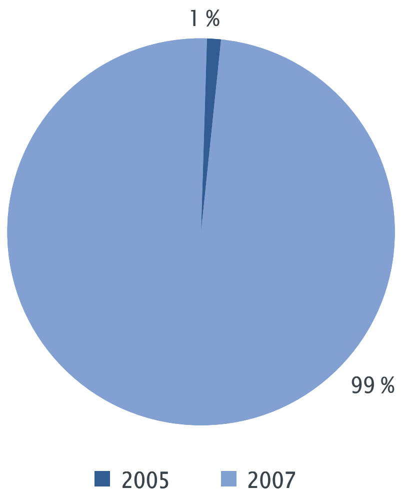
Development of the non-guaranteed CMBS portfolio volume for the period from December 2009 to June 2013.



Figures may be subject to rounding differences.

In addition, this asset class comprises almost solely issues from 2005 and 2007 with a regional concentration of 99% on Germany.

Non-guaranteed CMBS portfolio distribution by year of issue (EUR 60 million)



1.6 Assets secured by the state risk shield -guaranteed portfolio.

As at the reporting date, the guaranteed portfolio contains securitization positions with an outstanding nominal volume of EUR 8.0 billion. In the reporting period the outstanding guaranteed volume has thus seen a further reduction from EUR 9.1 billion by a total of EUR 1.1 billion. This overall effect is almost exclusively the result of repayments and write-downs.

The assets underlying the transactions originate predominantly in Europe (56%) and America (40%). The portfolio under review continues to include assets with a reference to the periphery countries of around EUR 1.4 billion (17.3%), with Spain making the largest contribution of around EUR 0.8 billion within the country group selected.

Assets secured by the state risk shield - securitization portfolio by asset class and rating.

Outstanding volume in EUR million as at 30 June 2013	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
Sub-asset class										
CDO	223	559	173	99	782	307	189	63	2,394	29.8%
RMBS	8	482	742	393	911	907	232	0	3,673	45.8%
CMBS	12	142	285	207	382	147	88	0	1,263	15.7%
Other ABS	0	220	169	82	112	90	0	23	695	8.7%
Total investments	**243**	**1,404**	**1,368**	**780**	**2,187**	**1,450**	**508**	**86**	**8,025**	**100.0%**
	3.0%	**17.5%**	**17.0%**	**9.7%**	**27.3%**	**18.1%**	**6.3%**	**1.1%**	**100.0%**	

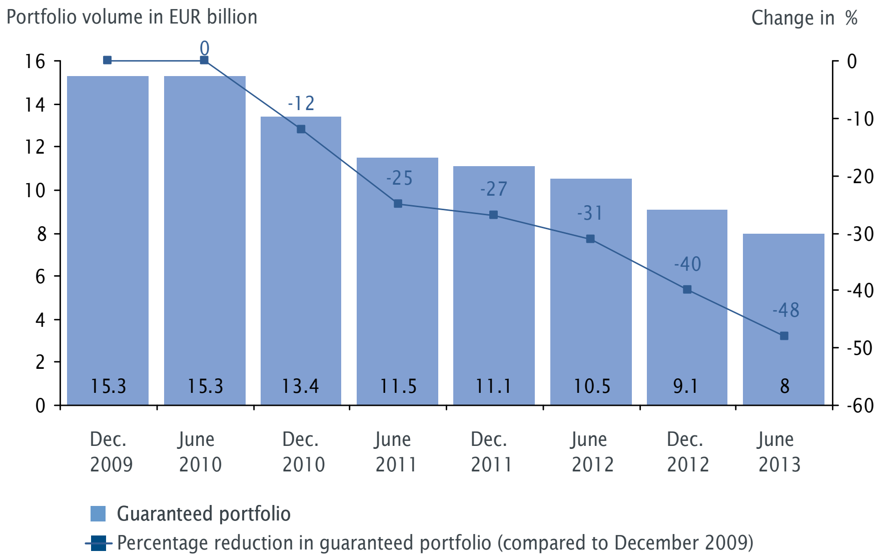
The lowest external rating was generally applied and mapped to S&P's rating scale. Figures may be subject to rounding differences.

In the guaranteed portfolio, investments in the amount of EUR 3.8 billion (47%) have investment-grade ratings.

Guarantee structure:

The guarantee structure provides for LBBW to assume the first losses from the reference assets up to a total amount of EUR 1.9 billion (»first loss«). Losses in excess of the first loss are absorbed by the guarantee of the State of Baden-Württemberg, which amounts to EUR 6.7 billion. As at 30 June 2013, the first loss was recognized in full on the balance sheet.

Development of the guaranteed portfolio volume for the period from December 2009 to June 2013.



Figures may be subject to rounding differences.

The same presentational approach and differentiation applied to the non-guaranteed sub-portfolio will subsequently be used for the guaranteed assets.

1.6.1 CDO portfolio for secured assets.

The CDO portfolio volume covered by the guarantee decreased by EUR 0.4 billion to around EUR 2.4 billion at the reporting date of 30 June 2013. The nominal volume continues to chiefly comprise the CLO sub-asset class.

Assets secured by the state risk shield – CDO breakdown by sub-asset class and rating.

Outstanding volume in EUR million as at 30 June 2013	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
Sub-asset class										
CDO of ABS	0	6	1	2	240	257	86	30	621	26.0%
CLO	222	553	91	31	1	0	0	33	931	38.9%
Synthetic CDO	0	0	0	0	0	0	11	0	11	0.5%
CDO of TruPS	1	0	81	24	413	25	92	0	637	26.6%
CRE CDO	0	0	0	41	128	25	0	0	193	8.1%
Total CDO	**223**	**559**	**173**	**99**	**782**	**307**	**189**	**63**	**2,394**	**100.0%**
	9.3%	**23.3%**	**7.2%**	**4.1%**	**32.7%**	**12.8%**	**7.9%**	**2.6%**	**100.0%**	

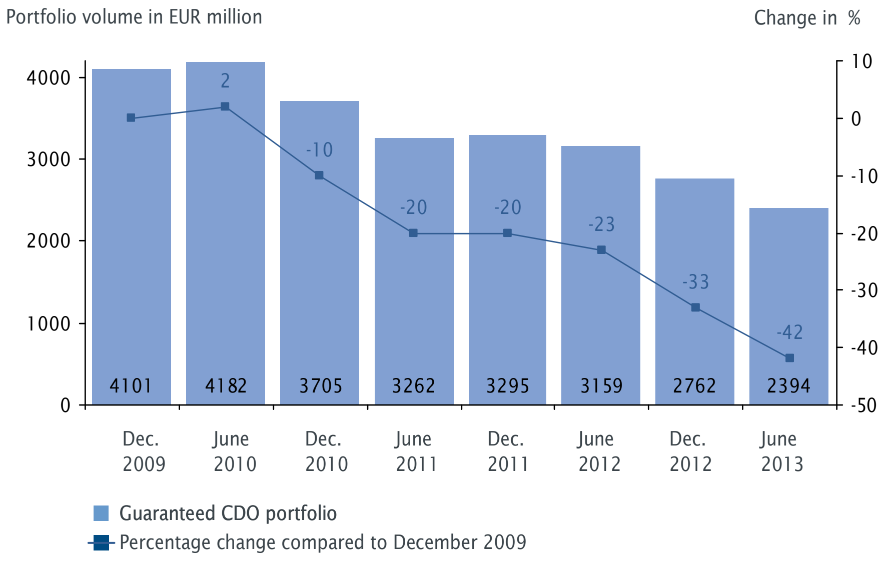
The lowest external rating was generally applied and mapped to S&P's rating scale. Figures may be subject to rounding differences.

Around 44% of the guaranteed CDO portfolio has an investment-grade rating. The trend already observable in earlier periods continued, i.e. the dominating CLO positions (38.9%) remained stable at a high average rating (AA).

The focus in the non-investment-grade segment was again on the CDO of ABS and CDO of TruPS sub-asset classes.

There were no changes in the quality of the rating level in the period under review. Rather, there was a shift in the relative weighting of the individual rating category as a result of repayments.

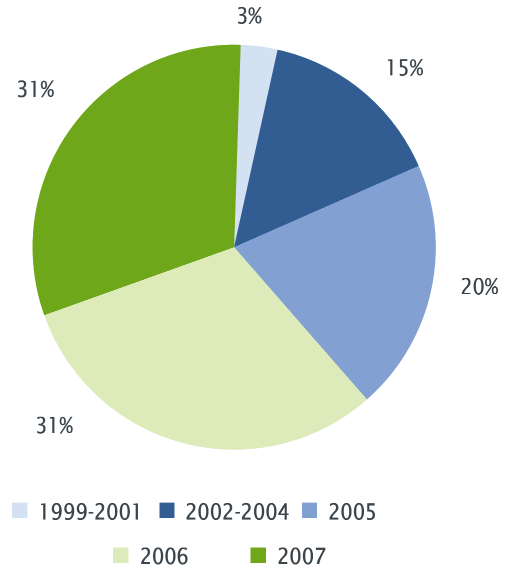
Development of the guaranteed CDO portfolio volume for the period from December 2009 to June 2013.



Figures may be subject to rounding differences.

This asset class comprises mostly issues from 2006 and 2007.

Guaranteed CDO portfolio distribution by year of issue (EUR 2.4 billion).



1.6.2 RMBS portfolio for secured assets.

As at the reporting date, the largest share in the guaranteed securitization portfolio was accounted for by RMBS transactions valued at around EUR 3.7 billion, which continue to decline. Almost half of these (44%) have investment-grade ratings. The RMBS portfolio again primarily refers to the US (34%), the UK (30%) and the Spanish market (20%). In addition, the main issue years were 2006 and 2007, which contributed a cumulative amount of EUR 2.9 billion.

Assets secured by the state risk shield – RMBS breakdown by country and rating.

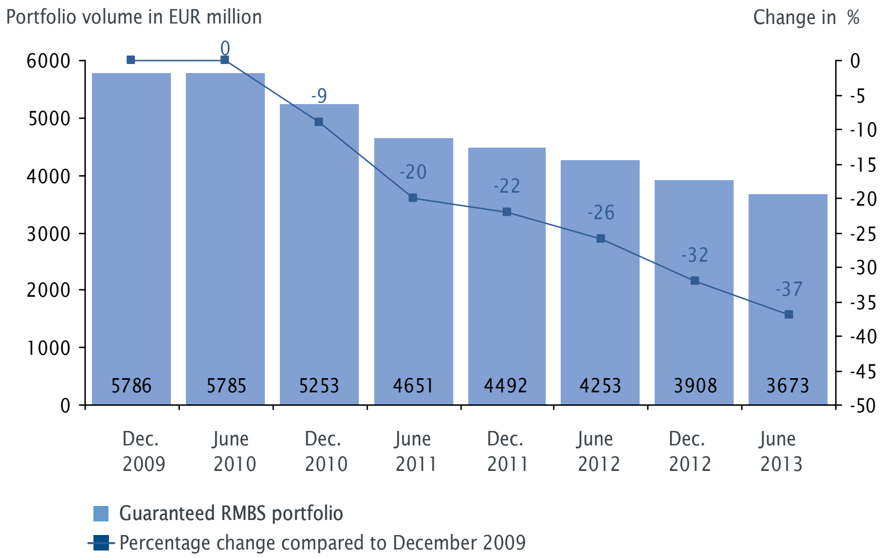
Outstanding volume in EUR million as at 30 June 2013	AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
Country/sub-asset class										
USA	0	0	11	17	93	900	232	0	1,252	34.1%
of which US Alt-A	0	0	0	17	53	721	214	0	1,005	80.2%
of which US subprime	0	0	0	0	0	157	17	0	174	13.9%
UK	8	467	578	36	0	0	0	0	1,089	29.6%
of which UK non-conforming	8	467	455	36	0	0	0	0	966	88.8%
Spain	0	10	4	198	518	0	0	0	731	19.9%
Other RMBS	0	4	148	142	299	7	0	0	601	16.4%
Total RMBS	**8**	**482**	**742**	**393**	**911**	**907**	**232**	**0**	**3,673**	**100.0%**
	0.2%	**13.1%**	**20.2%**	**10.7%**	**24.8%**	**24.7%**	**6.3%**	**0.0%**	**100.0%**	

The lowest external rating was generally applied and mapped to S&P's rating scale. Percentages in the »of which« lines refer to the volume reported for the country in question. Figures may be subject to rounding differences.

The US RMBS investments – especially the Alt-A and subprime sub-asset classes – chiefly originate from the takeover of the former Sachsen LB by LBBW. These have already been largely written down.

The volume of non-investment-grade securitizations (56%) chiefly comprises the rating classes CCC to C and D for transactions with American reference assets. The rating categories selected are concentrated on the years 2006 (EUR 0.7 billion) and 2007 (EUR 0.4 billion) in the sub-portfolio under review.

Development of the guaranteed RMBS portfolio for the period from December 2009 to June 2013.



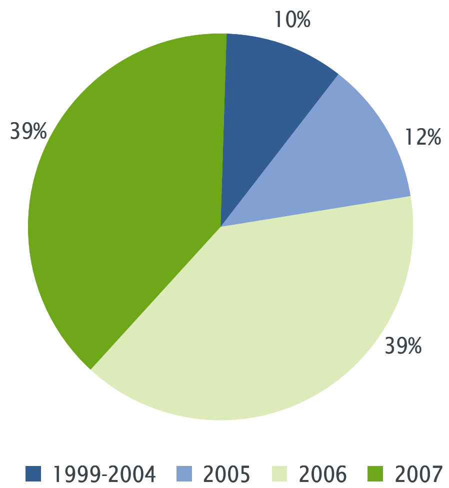
Figures may be subject to rounding differences.

The UK RMBS volume of around EUR 1.1 billion continues to have high ratings (100% investment grade). The bulk of the UK transaction volume comprises 2006 and 2007 issues.

Almost one third of the guaranteed Spanish RMBS volume amounting to EUR 731 million is classified as investment grade (29%).

Other RMBS positions maintained their very good ratings and partially refer to underlying loans in Italy (7%) and Portugal (3%); see also section 1.7.

Guaranteed RMBS portfolio distribution by year of issue (EUR 3.7 billion).



1.6.3 CMBS portfolio for secured assets.

CMBS positions (roughly EUR 1.3 billion) form the third largest asset class (after RMBS and CDO) in the guaranteed securitization portfolio and have maintained their relatively high rating levels across all the countries involved, with approximately 51.1% of the securities rated investment grade.

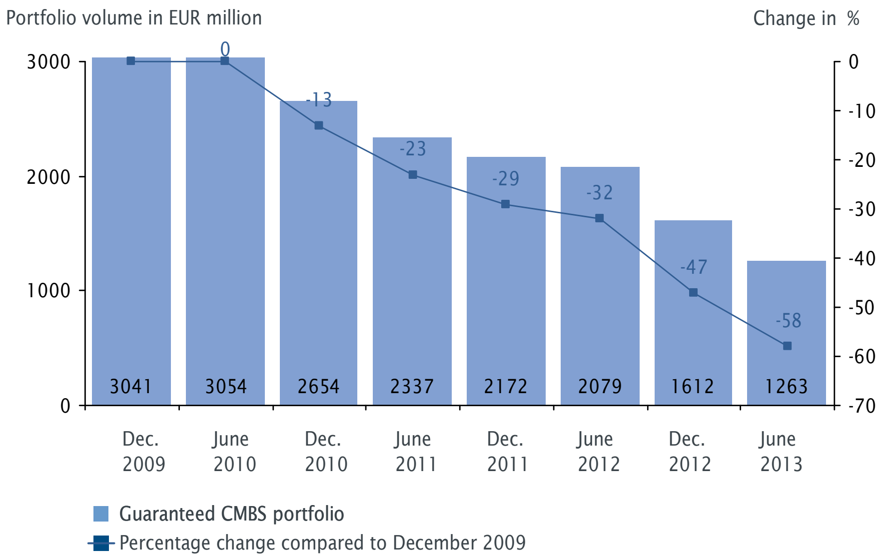
Assets secured by the state risk shield – CMBS breakdown by country and rating.

Outstanding volume in EUR million as at 30 June 2013 Country/asset class		AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	
CMBS	UK	0	75	187	186	192	133	37	0	810	64.1%
	Germany	0	0	46	21	66	0	0	0	133	10.6%
	The Netherlands	0	0	0	0	0	0	0	0	0	0.0%
	Europe*	0	5	46	0	29	0	51	0	131	10.3%
	USA	0	31	0	0	0	14	0	0	45	3.5%
	France	12	0	0	0	50	0	0	0	62	4.9%
	Austria	0	32	6	0	0	0	0	0	38	3.0%
	Ireland	0	0	0	0	35	0	0	0	35	2.8%
	Japan	0	0	0	0	0	0	0	0	0	0.0%
	Other	0	0	0	0	10	0	0	0	10	0.8%
Total CMBS		**12**	**142**	**285**	**207**	**382**	**147**	**88**	**0**	**1,263**	**100.0%**
		0.9%	**11.3%**	**22.5%**	**16.4%**	**30.3%**	**11.6%**	**7.0%**	**0.0%**	**100.0%**	

The lowest external rating was generally applied and mapped to S&P's rating scale. Figures may be subject to rounding differences.
Europe*: No explicit classification possible due to geographic distribution across several countries. CMBS from Luxembourg were added to Germany as the underlying loans originated in Germany.

Most of the guaranteed CMBS portfolio is concentrated on the UK (64.1%) and to a lesser extent on the German (10.6%) and the European (10.3%) markets.

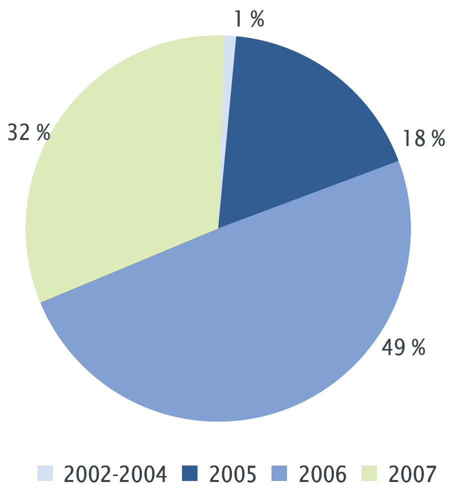
Development of the guaranteed CMBS portfolio volume for the period from December 2009 to June 2013.



Figures may be subject to rounding differences.

Most of the sub-portfolio considered comprises issues from 2005 to 2007. The outstanding UK and German CMBS volumes were chiefly issued between 2006 and 2007.

Guaranteed CMBS portfolio distribution by year of issue (EUR 1.3 billion).



1.7 Exposure to the periphery countries.

In the wake of the European sovereign debt crisis, economic conditions have remained difficult in the periphery countries of Spain, Ireland, Italy, and particularly Greece and Portugal even beyond the period under review. Rating migrations were therefore observed again in the first half of 2013 for different countries to differing extents.

LBBW has sizeable, yet steadily declining exposure to these countries across various asset classes of a total of around EUR 1.6 billion. This portfolio volume equates to around 17% of its total securitization volume. Moreover, around 88% of the investment volume (EUR 1.4 billion) is guaranteed.

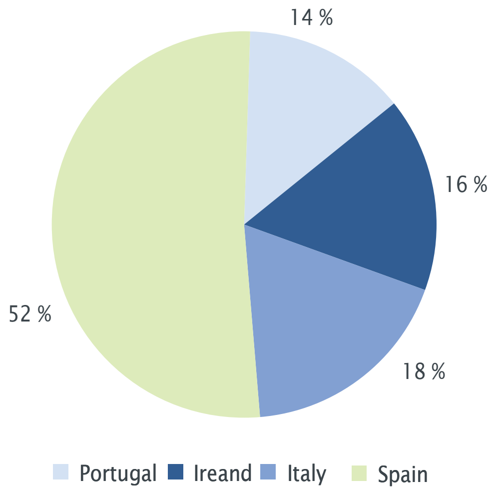
Securitization portfolio for the periphery countries by asset class and rating.

Outstanding volume in EUR million as at 30 June 2013		AAA	AA	A	BBB	BB to B	CCC to C	D	NR	Total	Country/ asset class share	Volume as at 31 Dec. 2012	Country/ asset class share	Share PIIGS volume
Country/Asset class														
CDO	Portugal	0	0	0	5	0	0	0	0	5	6.4%	9	4.8%	0.3%
	Ireland	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%	0.0%
	Italy	0	0	0	0	0	0	0	0	0	0.0%	90	48.4%	3.3%
	Greece	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%	0.0%
	Spain	0	2	55	15	0	0	0	0	73	93.6%	87	46.8%	3.2%
Total CDO		**0**	**2**	**55**	**21**	**0**	**0**	**0**	**0**	**78**	**100.0%**	**186**	**100.0%**	**6.8%**
RMBS	Portugal	0	0	0	47	175	0	0	0	221	15.6%	230	9.4%	8.4%
	Ireland	0	0	0	0	219	7	0	0	226	15.9%	230	9.4%	8.4%
	Italy	0	4	141	96	0	0	0	0	241	17.0%	293	12.0%	10.7%
	Greece	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%	0.0%
	Spain	0	10	4	198	518	0	0	0	731	51.5%	1,695	69.2%	61.6%
Total RMBS		**0**	**15**	**146**	**340**	**912**	**7**	**0**	**0**	**1,420**	**100.0%**	**2,449**	**100.0%**	**89.1%**
CMBS	Portugal	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%	0.0%
	Ireland	0	0	0	0	35	0	0	0	35	100.0%	36	98.3%	1.3%
	Italy	0	0	0	0	0	0	0	0	0	0.0%	1	1.7%	0.0%
	Greece	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%	0.0%
	Spain	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%	0.0%
Total CMBS		**0**	**0**	**0**	**0**	**35**	**0**	**0**	**0**	**35**	**100.0%**	**37**	**100.0%**	**1.3%**
Other ABS	Portugal	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%	0.0%
	Ireland	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%	0.0%
	Italy	0	0	36	0	0	0	0	0	36	66.6%	49	62.1%	1.8%
	Greece	0	0	0	0	0	0	0	0	0	0.0%	0	0.0%	0.0%
	Spain	0	0	4	0	14	0	0	0	18	33.4%	30	37.9%	1.1%
Total Other ABS		**0**	**0**	**40**	**0**	**14**	**0**	**0**	**0**	**54**	**100.0%**	**79**	**100.0%**	**2.9%**
Total investments of the peripheral countries		**0**	**17**	**241**	**361**	**961**	**7**	**0**	**0**	**1,587**	**100.0%**	**2,750**	**100%**	**100.0%**
		0.0%	**1.1%**	**15.2%**	**22.7%**	**60.6%**	**0.4%**	**0.0%**	**0.0%**	**100.0%**				

The lowest external rating was generally applied and mapped to S&P's rating scale. Figures may be subject to rounding differences.

The securities with a proportionate volume of EUR 0.6 billion (39%) have, on average, a high investment-grade rating (AAA - BBB). The largest exposure in terms of volume by country was again Spain at EUR 0.8 billion (52%), followed by Italy and Ireland at approx. EUR 0.3 billion each (18% and 16%, respectively). LBBW still has an exposure of around EUR 0.2 billion with underlying collateral referring to Portugal. LBBW no longer has any exposure to Greece.

Securitization portfolio – share of the periphery countries in the non-guaranteed and guaranteed portfolio (EUR 1.6 billion).



1.8 Loan granted by LBBW to Sealink Funding special-purpose entity

When Sachsen LB was acquired by LBBW in 2008, the structured portfolios Ormond Quay and Sachsen Funding I were excluded from the acquisition. These portfolios with a transaction volume of originally EUR 17.3 billion were transferred to an Irish special-purpose entity, Sealink Funding Ltd., which was established in 2008.

The currency-congruent refinancing of the securities denominated in EUR, USD, and GBP is carried out using subordinate financing by LBBW. A senior loan from a syndicate of state banks was repaid as at 30 June 2013.

The Free State of Saxony has issued a first loss guarantee in the amount of EUR 2.75 billion to cover losses arising from the Sealink portfolio. The next losses to accrue for the subordinate financing of LBBW will be covered by the State of Baden-Württemberg up to an amount of EUR 6.0 billion as part of the risk shield in place since 30 June 2009.

LBBW expects the guarantee of the Free State of Saxony and the guarantee of the State of Baden-Württemberg to cover all risks arising from the portfolios transferred to Sealink.

2 Customer transactions.

In addition to the securitization portfolio presented above, LBBW is also involved in customer transactions. This category comprises the liquidity facilities provided by LBBW in connection with the Weinberg Asset Backed Commercial Paper program (ABCP program).

The sole purpose of the Weinberg ABCP program is to finance trade receivables and interest-bearing receivables sold to the program by LBBW's target customers (largely SMEs as well as financing institutions and leasing companies from Germany). The internal ratings of these receivables are investment grade.

The receivables are bought by the purchasing companies Weinberg Funding Ltd. or Weinberg Capital Ltd. and funded by issuing ABCPs. The commercial paper issued by the »Weinberg« multiseller conduit takes the form of either EUR commercial paper (issuer: Weinberg Capital Ltd., Dublin) or, since 2011, US commercial paper (issuer: Weinberg Capital Ltd., Dublin with the co-issuer Weinberg Capital LLC, Delaware). The ABCPs have a short-term rating of P-2 (Moody's) and F1+ (Fitch). Moreover, as long as no program termination event has occurred, the ABCPs can be backed either by an individual receivables portfolio (special series) or by the residual number of all remaining portfolios (general series).

As at 30 June 2013, LBBW also provided the purchasing companies Weinberg Funding Ltd. and Weinberg Capital Ltd. with liquidity lines amounting to EUR 2.65 billion for the issue of ABCPs, roughly EUR 1.33 billion of which pertains to transactions with trade receivables and some EUR 1.32 billion to transactions with interest-bearing receivables (above all leasing receivables). At the reporting date, one non-investment-grade transaction was not refinanced by issuing ABCPs but rather by drawing on a liquidity line of EUR 45.8 million.[1)]

LBBW is planning to expand this customer-driven business.

1) The individual portfolios of receivables with the respective funding in Weinberg Funding Ltd. and Weinberg Capital Ltd. constitute so-called »cells« (transactions that can be limited in terms of reward and risk). Pursuant to IAS 27 in conjunction with SIC-12, Weinberg Funding Ltd. and Weinberg Capital Ltd. (as pure shells) are subject to consolidation requirements, but immaterial, and are therefore not to be included in the Consolidated Financial Statements. The individual cells are not subject to consolidation requirements. The seller of the receivable or third parties retain(s) most of the rewards and risks.

3 Leveraged finance portfolio.

The positive fundamental economic sentiment in LBBW's operative core markets - above all with the very stable business outlook in Germany - and the continued good liquidity situation on the financial markets favored a respectable business performance in the first half of 2013. However, the good supply of liquidity overall led to some high company valuations again coupled with a willingness among the banks and the capital market to accommodate the associated funding expectations with higher leverages. Prudent risk assessment prevented Acquisition Finance from meeting every financing enquiry.

LBBW's acquisition finance business focuses primarily on the customer-related business in the domestic market. By acquisition finance LBBW understands finance for acquisitions involving a high degree of leverage (usually over 50%). This business area comprises both purchase-price finance by strategic buyers and succession arrangements, as well as private equity investments in SMEs and large corporates.

For its corporate customers LBBW provides the following services as part of its SME strategy: origination, structuring and arrangement as a mandated lead arranger or co-lead for regional as well as national high-commission syndicated acquisition financing transactions. In view of its trusting and long-standing relationships with SMEs, LBBW assumes fixed syndicate shares of 20-25% as part of a predominantly conservative buy-and-hold strategy.

The acquisition finance portfolio was reduced compared with the year-end level to EUR 3.4 billion as at 30 June 2013. This was principally the result of the successful further syndication of a larger exposure and the regular repayments in the existing loan portfolio. Otherwise, additions and disposals in the portfolio were roughly even. The average exposure per investment was around EUR 40 million.

The geographical focus of the portfolio is unchanged; Europe accounts for 93% with a particular emphasis on the core market in Germany.

The following table lists the risk positions from around 80 existing acquisition finance corporate loans, according to sector and rating.

Sector distribution as at 30 June 2013.

Sector	in %
Automobile	51.0%
Health Care	9.9%
Apparel, Sporting Equipment and Luxury Goods	6.9%
Chemicals	5.9%
Non-Industry-Specific Tools and Machine Construction	5.8%
Construction Industry	4.7%
Cross-Sector Industrial Goods	3.2%
Cross-Sector Services for Companies	2.4%
Agriculture and food production	1.4%
Food Retail and Other Non-Cyclical Consumer Goods	1.4%
Other	7.5%
Total	**100.0%**

The high concentration in the automotive sector is still due to a single, large-volume transaction. The share was reduced considerably through further syndications in July 2013.

Rating breakdown as at 30 June 2013.

Rating	AAA - A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+ - C	SD/D	
in %	4.8%	0.6%	11.9%	14.5%	3.2%	47.0%	3.9%	1.5%	1.1%	0.4%	0.0%	10.9%	100%

The average portfolio rating remains stable in an economic climate that continues to be favorable in Germany. It is now BB, with 82% of the portfolio in this rating class or higher. Owing to the nature of the acquisition finance business, new business is mainly conducted in the BB- rating class. It must be clear from company data on the borrower's business development that the rating will improve as repayments progress and income generally increases.

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