

LB  BW

Breaking new ground

Disclosure report for the first half of 2020



2020

Key figures for the LBBW Group	3
1 General requirements (Article 431 – 434 CRR)	4
2 Own funds and capital requirements (Articles 437 and 438 CRR)	5
2.1 Own funds	5
2.2 Countercyclical capital buffer	7
2.3 Own funds requirements	9
3 Credit risk (Articles 442, 444, 452 CRR)	12
3.1 Applying the standardized approach to credit risks	12
3.2 Applying the IRB approach to credit risks	13
3.3 Credit quality of exposures	19
4 Credit risk mitigation techniques (Article 453 CRR)	30
4.1 Main types of collateral	30
4.2 Credit risk mitigation techniques under the standardized approach	33
4.3 Credit risk mitigation techniques under IRB	34
5 Counterparty credit risk (Article 439 CRR)	35
6 Market risk (Article 445 and 455 CRR)	43
6.1 Market price risks in the standardized approach	43
6.2 Market risks under the Internal Model Method	43
7 Leverage ratio (Article 451 CRR)	50
7.1 LRQua 1: Description of procedures to monitor the risk of excessive indebtedness	50
7.2 LRQua 2: Description of factors which had an impact on the disclosed leverage ratio during the period under review	50
8 Liquidity coverage ratio (Article 435 CRR)	54
9 Disclosures on COVID-19	55
Appendix – country allocation	58
List of abbreviations	59
Index of tables	60

Key figures for the LBBW Group

EUR million	30/06/2020	31/03/2020
Available own funds (amounts)		
Common equity Tier 1 (CET 1) capital	12,026	11,848
CET1 fully loaded	11,918	11,751
Tier 1 capital (T1)	13,252	13,074
T1 fully loaded	12,661	12,494
Own funds (T1 + T2)	18,433	18,337
Own funds fully loaded	18,301	18,298
Risk weighted exposure amounts		
Total risk (RWA)	83,678	85,257
Total risk (RWA) – fully loaded	83,777	85,344
Capital ratios (as percentage of RWA)		
Common equity Tier 1 capital ratio in %	14.4	13.9
CET1 ratio fully loaded in %	14.2	13.8
T1 capital ratio in %	15.8	15.3
T1 ratio fully loaded in %	15.1	14.6
Total capital ratio in %	22.0	21.5
Total capital ratio fully loaded in %	21.8	21.4
Combined buffer requirements (as percentage of RWA)		
Capital conservation buffer requirement in %	2.5	2.5
Countercyclical capital buffer requirement in %	0.0	0.0
Supplementary requirements for G-SIB and O-SIB in %	1.0	1.0
Total CET1 buffer requirements in %	3.5	3.5
Available CET 1 after meeting minimum capital requirements in %	6.4	5.9
Leverage ratio		
Leverage ratio total exposure measure	299,324	295,165
Leverage ratio in %	4.4	4.4
Leverage ratio fully loaded in %	4.2	4.2
Liquidity coverage ratio		
Total HQLA	58,819	59,128
Total net cash outflows	44,994	44,857
LCR in % ¹	131.0	132.1

¹ The LCR is calculated by taking the average liquidity coverage ratios of the last twelve months before the end of each quarter.

1 General requirements (Article 431 – 434 CRR)

Due to the CRR II (Capital Requirements Regulation – Regulation (EU) No. 2019/876), which took effect on 27 June 2019, and the CRD V (Capital Requirements Directive V – Directive (EU) 2019/878/EU), banks must prepare a disclosure report.

As a »major bank«, LBBW must also publish disclosure reports during the year. LBBW fulfills its obligation to prepare the disclosure report in aggregate form at group level in its function as a parent company. The basis for the figures given in this report is the regulatory basis of consolidation. Figures are calculated in accordance with the International Financial Reporting Standards (IFRS).

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

- Own funds
- Capital ratios
- Development of risk weighted assets
- Credit quality of assets
- Non-performing exposures
- Credit mitigation techniques
- RWA flow statement of credit risks in accordance with the IRB approach
- Counterparty credit risk
- Market risks
- RWA flow statement of market risk exposures under the Internal Model Method (IMM)
- Leverage ratio
- Liquidity coverage ratio
- Effects of COVID-19

As required by EBA/GL/2016/11, changes to figures are commented on at the time the tables in question are published. There are thus various observation periods for comments.

The figures published in the disclosure report have been rounded to the next million in accordance with commercial principles. Amounts under EUR 500,000 are therefore shown as »0«. If there is no amount for the item in question, this is shown with »-«. Accordingly, rounding differences may arise through aggregation.

2 Own funds and capital requirements (Articles 437 and 438 CRR)

2.1 Own funds

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

EUR million	30/06/2020	31/03/2020
Capital instruments		
Common equity Tier 1 (CET 1) capital before regulatory adjustments	12,805	12,719
Regulatory adjustments to common equity Tier 1 (CET 1) capital as a whole	-778	-871
Common equity Tier 1 (CET 1) capital	12,026	11,848
Additional Tier 1 (AT1) capital before regulatory adjustments	1,226	1,226
Regulatory adjustments to additional Tier 1 (AT1) as a whole	-	-
Additional Tier 1 (AT1)	1,226	1,226
Tier 1 (T1 = CET 1 + AT1)	13,252	13,074
Tier 2 (T2) before regulatory adjustments	5,206	5,369
Regulatory adjustments to Tier 2 (T2) capital as a whole	-25	-106
Tier 2 (T2) capital as a whole	5,181	5,263
Total capital (TC = T1 + T2)	18,433	18,337
Total risk weighted assets	83,678	85,257
Capital ratios		
CET 1 capital ratio (expressed as a percentage of the total risk exposure amount)	14.4	13.9
T1 capital ratio (expressed as a percentage of the total risk exposure amount)	15.8	15.3
Total capital ratio (expressed as a percentage of the total risk exposure amount)	22.0	21.5

Figure 1: Type and amounts of capital instruments

Changes to own funds as against 31 March 2020.

The common equity Tier I (CET 1) of the LBBW Group increased slightly as against the last quarter. This is essentially as a result of the addition of the net profit for 2019 to common equity Tier 1 capital after deducting the amount intended for distribution. A distribution is not possible at this time owing to regulatory stipulations. This was offset by the negative change in the revaluation reserve.

There were no changes to eligible additional Tier I capital (AT1). Subordinated capital (T2) declined marginally in the second quarter of 2020 due to the daily amortization of tier 2 capital components in the last five years before maturity.

The changes impacting CET 1 capital affect all capital ratios.

Due to the aforementioned facts and the reduction in risk weighted assets, LBBW's capital ratios rose as against the previous quarter.

The calculation of capital ratios does not include any elements of own funds calculated on a basis other than that stipulated in the CRR (Article 437 (1) (f) CRR).

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

Ratios in %	30/06/2020	31/03/2020
Available capital (amounts)		
Common equity Tier 1 (CET 1) capital	12,026	11,848
Common equity Tier 1 (CET 1) capital not applying transitional provisions for IFRS 9 or similar expected credit losses	11,918	11,751
Tier 1 capital	13,252	13,074
Tier 1 capital not applying transitional provisions for IFRS 9 or similar expected credit losses	13,144	12,976
Total capital	18,433	18,337
Total capital not applying transitional provisions for IFRS 9 or similar expected credit losses	18,325	18,320
Risk weighted assets		
Total amount of risk weighted assets	83,678	85,257
Total amount of risk weighted assets not applying transitional provisions for IFRS 9 or similar expected credit losses	83,777	85,344
Capital ratios		
CET 1 capital (as a percentage of the total risk exposure amount)	14.4	13.9
Common equity Tier 1 capital (as a percentage of the total risk exposure amount) not applying transitional provisions for IFRS 9 or similar expected credit losses	14.2	13.8
Tier 1 capital (as a percentage of the total risk exposure amount)	15.8	15.3
Tier 1 capital (as a percentage of the total risk exposure amount) not applying transitional provisions for IFRS 9 or similar expected credit losses	15.7	15.2
Total capital (as a percentage of the total risk exposure amount)	22.0	21.5
Total capital (as a percentage of the total risk exposure amount) not applying transitional provisions for IFRS 9 or similar expected credit losses	21.9	21.5
Leverage ratio		
Leverage ratio total exposure measure	299,324	295,165
Leverage ratio	4.4	4.4
Leverage ratio not applying transitional provisions for IFRS 9 or similar expected capital losses	4.4	4.4

Figure 2: Comparison of own funds and capital and leverage ratio applying and not applying transitional provisions for IFRS 9 in conjunction with Article 473a CRR II

2.2 Countercyclical capital buffer

The institution-specific countercyclical capital buffer shall be published in the disclosure report at least once a year pursuant to Commission Delegated Regulation (EU) No. 2015/1555.

The CET 1 capital cover of the total countercyclical capital buffer of all relevant countries is capped at 2.5%. In conjunction with the COVID-19 pandemic, many European states reduced their capital buffers that were already valid or planned, as shown by the following tables.

The countries that had a countercyclical capital buffer as of 30 June 2020 are shown in the following table.

Country	Countercyclical capital buffer in %	
	30/06/2020	31/12/2019
Bulgaria	0.500	0.500
Denmark	0.000	1.000
France	0.000	0.250
United Kingdom	0.000	1.000
Hong Kong	1.000	2.000
Ireland	0.000	1.000
Iceland	0.000	1.750
Lithuania	0.000	1.000
Luxembourg	0.250	0.000
Norway	1.000	2.500
Sweden	0.000	2.500
Slovakia	1.500	1.500
Czech Republic	1.000	1.500

Figure 3: Countercyclical capital buffer

The countries with the greatest risk exposure in accordance with the guidelines for the countercyclical buffer and those that imposed a countercyclical capital buffer in 2020 are shown in the following table.

EUR million	General credit risk exposures		Risk exposures in the trading book			Capital requirements				Weighting of the own fund requirements per country in %	Counter-cyclical capital buffer ratio in %
	Risk exposure CRSA	Risk exposure IRB	Total of purchase and sales positions in the trading book	Values of risk exposures in the trading book (internal models)	Securitization of risk exposure	Of which: general credit risk exposures	Of which: risk exposures in the trading book	Of which: securitization positions	Total		
Germany	17,048	73,996	6,377	-	3,154	3,401	179	76	3,656	70.58	-
France	14	927	727	-	72	34	11	3	48	0.92	-
United Kingdom	175	1,991	2,405	-	30	83	51	2	136	2.63	-
Luxembourg	27	4,004	1,776	-	-	170	29	-	199	3.84	0.01
Mexico	601	64	13	-	7	53	0	0	53	1.03	-
Netherlands	48	3,082	300	-	-	102	10	-	112	2.16	-
Austria	33	2,023	120	-	-	66	1	-	67	1.30	-
Switzerland	78	2,268	216	-	35	89	5	2	95	1.84	-
USA	71	18,149	261	-	203	403	8	10	421	8.13	-
Bulgaria	0	7	-	-	-	1	-	-	1	0.01	0.00
Hong Kong	1	196	162	-	-	9	0	-	9	0.17	0.00
Norway	2	2,863	346	-	-	29	2	-	31	0.60	0.01
Slovakia	1	0	2	-	-	0	0	-	0	0.00	0.00
Czech Republic	7	33	6	-	76	2	-	4	5	0.10	0.00
Other	337	10,972	2,476	-	84	344	77	5	426	6.69	0.00
Total 30 June 2020	18,444	120,574	15,187	-	3,663	4,784	372	103	5,259	100.00	0.02
Total 31 December 2019	18,718	116,068	9,381	-	3,990	4,643	149	72	4,863	100.00	0.06

Figure 4: Determining the institution-specific countercyclical capital buffer (pursuant to Article 140 CRD)

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

Institution-specific countercyclical capital buffer	30/06/2020	31/12/2019
Total risk exposure in EUR m	83,678	80,484
Institution-specific ratio of countercyclical capital buffer in percent	0.02	0.06
Requirements of the institution-specific countercyclical capital buffer in EUR m	15	49

Figure 5: Institution-specific countercyclical capital buffer (Article 140 CRD)

2.3 Own funds requirements

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

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

A breakdown by exposure class is provided as follows:

- Credit risks in CRS, chapter 3.1
- Credit risks in accordance with PD/LGD approach in IRB, chapter 3.2
- Counterparty credit risks, chapter 5

EUR million	RWA		Minimum capital requirements	
	30/06/2020	31/03/2020	30/06/2020	31/03/2020
Credit risk (excl. CCR)	64,069	62,909	5,126	5,033
of which under the standardized approach	10,153	10,843	812	867
of which under the foundation IRB approach (FIRB)	52,448	50,581	4,196	4,046
of which under the advanced IRB approach (AIRB)	-	-	-	-
of which equity in the IRB approach using the simple risk weighted approach or the IMA	1,468	1,486	117	119
Counterparty credit risk (CCR)	3,852	4,572	308	366
of which under the mark-to-market	2,560	3,274	205	262
of which under original exposure	-	-	-	-
of which under the standardized method	-	-	-	-
of which under the internal model method (IMM)	-	-	-	-
of which risk-weighted exposure amount for contributions to the default fund for a CCP	143	181	11	14
of which CVA	1,149	1,118	92	89
Settlement risk	1	8	0	1
Securitization exposures in the banking book (after application of the cap)	1,287	1,421	103	114
of which under the SEC-ERBA approach	41	41	3	3
of which under the internal assessment approach (SEC-IAA)	1,060	1,186	85	95
of which under the SEC-SA approach	186	195	15	16
Market risk	6,644	7,562	531	605
of which under the standardized approach	2,480	2,923	198	234
of which under IMA	4,164	4,639	333	371
Large exposures	-	-	-	-
Operational risk	4,692	4,692	375	375
of which under the basic indicator approach	-	-	-	-
of which under the standardized approach	4,692	4,692	375	375
of which under the advanced measurement approach	-	-	-	-
Amounts below the thresholds for deductions (subject to 250% risk weight)	3,133	4,092	251	327
Adjustment of floor	-	-	-	-
Total	83,678	85,257	6,694	6,821

Figure 6: EU OV1 - Overview of risk weighted assets (RWA) (Article 438 (c) to (f) CRR)

The total risk amount decreased as against the previous quarter.

In counterparty credit risks, this mainly results from the decline in exchange-traded options. For market risk positions calculated using the standardized approach, this is primarily due to changes in holdings of exchange-traded debt products. For market risk positions calculated using the internal model, the decline mainly relates to the lower premium factor in line with regulatory stipulations in conjunction with the COVID-19 crisis. For positions subject to a fixed 250% risk weighting, the reduction is as a result of the sale of a non-strategic minority interest.

Offsetting this, credit risk increased in particular in the IRB exposure classes »corporates« and »specialized lending« due to the higher business volume and the adjustment of ratings for receivables measured in accordance with the internal rating approach.

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

EUR million						
Remaining maturity/ Regulatory categories	Specialized lending exposures			Exposure amount	RWA	Expected losses
	On-balance- sheet amount	Off-balance- sheet amount	Risk weight in %			
Category 1						
Less than 2.5 years	76	2	50	78	39	-
Equal to or more than 2.5 years	-	1	70	0	0	0
Category 2						
Less than 2.5 years	64	1	70	65	45	0
Equal to or more than 2.5 years	63	0	90	63	57	1
Category 3						
Less than 2.5 years	2	15	115	2	2	0
Equal to or more than 2.5 years	39	-	115	40	45	1
Category 4						
Less than 2.5 years	-	-	250	-	-	-
Equal to or more than 2.5 years	-	-	250	-	-	-
Category 5						
Less than 2.5 years	-	-	-	-	-	-
Equal to or more than 2.5 years	0	-	-	0	-	0
Total - 30 June 2020	244	18	-	247	188	2
Less than 2.5 years	142	18	-	144	86	0
Equal to or more than 2.5 years	102	1	-	103	102	2
Total - 31 December 2019	251	2		253	194	3

Equities under the simple risk-weighted approach						
Categories	On-balance- sheet amount	Off-balance- sheet amount	Risk weight in %	Exposure amount	RWA	Capital requirements
Private equity exposures	743	-	190	743	1,411	113
Exchange traded equity exposures	19	-	290	19	56	4
Other equity exposures	0	-	370	0	1	0
Total - 30 June 2020	762	-		762	1,467	117
Total - 31 December 2019	794	-		794	1,538	123

Figure 7: EU CR10 - IRB specialized lending exposures and equity investments with a fixed risk weight

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

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

3.1 Applying the standardized approach to credit risks

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

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

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

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

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

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

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

In the following table, exposure at default (EAD) of receivables measured in accordance with CRSA, excluding counterparty credit risks, is reported after credit risk mitigation and credit conversion factors. Exposures are broken down by risk category and risk weight. The table does not include 2%, 4%, 250%, 370% or »Deducted« risk weights as LBBW has no exposures in any of these risk weight categories. Exposures for which there is no credit assessment from a recognized external rating assessment institution and which therefore have no specific risk weight pursuant to Articles 113 to 134 CRR, are included in the column »of which without rating«.

The rise in risk exposures weighted at 0% is due to the increase in business volumes with banks in the Sparkassen Haftungsverbund association over the last six months.

EUR million	Risk weight in %											Total	Of which unrated
	0	10	20	35	50	70	75	100	150	1,250	Other		
Central governments or central banks	191	-	-	-	-	-	-	0	-	-	-	191	191
Regional governments or local authorities	1,081	-	9	-	-	-	-	-	-	-	-	1,090	1,081
Public-sector entities	5	-	73	-	-	-	-	-	-	-	-	77	10
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	33,327	-	486	-	41	-	-	1	-	0	-	33,855	33,779
Corporates	466	-	884	122	442	268	-	3,456	1	0	-	5,639	4,212
Retail business	-	-	-	-	-	-	6,212	-	-	-	-	6,212	6,212
Secured by mortgages on immovable property	-	-	-	4,191	129	-	-	-	-	-	-	4,319	4,319
Exposures in default	-	-	-	-	-	-	-	52	66	-	-	118	118
Items associated with particularly high risk	-	-	-	-	-	-	-	-	20	-	-	20	20
Covered bonds	15	53	-	-	-	-	-	-	-	-	-	68	68
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investment	0	-	-	-	-	-	-	-	-	-	-	0	0
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	5	-	-	-	-	-	-	76	-	-	-	81	81
Total – 30 June 2020	35,090	53	1,452	4,312	612	268	6,212	3,585	86	0	-	51,670	50,091
Total – 31 December 2019	33,385	0	1,646	4,248	831	285	6,194	4,132	92	0	18	50,831	49,145

Figure 8: EU CR5 – CRSA – Breakdown by risk category and risk weight (Article 444 (e) CRR)

3.2 Applying the IRB approach to credit risks

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

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

A decline in deposits with central banks led to a decrease in exposures reported under the IRB exposure class »central governments and central banks« as against the previous period. The rise in the exposure class »institutions« resulted in particular from growth in repo/lending business.

EUR million Exposure class/PD range in %	Original on- balance-sheet gross exposures	Off-balance- sheet exposures pre- CCF	Average CCF in %	EAD post CRM and post CCF	Average PD in %	Number of obligors
Central governments and central banks						
0.00 to <0.15	54,860	3,479	61.55	61,041	0.00	2,089
0.15 to <0.25	156	-	-	156	0.17	1
0.25 to <0.50	68	-	-	68	0.39	1
0.50 to <0.75	127	41	-	110	0.59	2
0.75 to <2.50	0	2	20.00	1	1.00	3
2.50 to <10.00	9	119	32.54	0	4.51	4
10.00 to <100.00	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-
<i>Sub-total - 30 June 2020</i>	55,221	3,641	59.89	61,376	0.00	2,100
<i>Sub-total - 31 December 2019</i>	41,697	3,420	60.59	47,476	0.01	2,090
Institutions						
0.00 to <0.15	44,522	1,683	50.11	45,520	0.06	297
0.15 to <0.25	2,882	85	34.42	2,615	0.17	34
0.25 to <0.50	837	62	21.61	851	0.28	44
0.50 to <0.75	127	15	37.92	133	0.59	12
0.75 to <2.50	104	11	46.50	110	1.36	14
2.50 to <10.00	9	3	36.27	10	3.52	10
10.00 to <100.00	70	16	16.58	18	12.57	13
100.00 (Default)	1	-	-	1	100.00	2
<i>Sub-total - 30 June 2020</i>	48,554	1,875	48.02	49,258	0.09	426
<i>Sub-total - 31 December 2019</i>	41,131	1,430	42.80	41,576	0.08	418
Corporates - SMEs						
0.00 to <0.15	3,886	1,573	20.98	4,132	0.07	3,172
0.15 to <0.25	909	375	29.10	976	0.17	791
0.25 to <0.50	1,918	764	30.27	2,090	0.32	1,715
0.50 to <0.75	810	253	28.66	838	0.59	815
0.75 to <2.50	999	531	32.88	1,043	1.30	1,432
2.50 to <10.00	243	165	32.73	219	4.21	396
10.00 to <100.00	223	56	52.48	102	16.11	251
100.00 (Default)	145	51	60.10	159	100.00	170
<i>Sub-total - 30 June 2020</i>	9,133	3,770	27.38	9,559	2.25	8,742
<i>Sub-total - 31 December 2019</i>	6,982	3,338	23.90	7,358	2.85	8,123

	Average LGD in %	Average maturity	RWA	RWA density in %	EL	Value adjustments and provisions
	44.51	900	692	1.13	1	0
	45.00	900	67	42.55	0	0
	45.00	900	45	65.67	0	0
	45.00	900	87	79.41	0	-1
	45.00	900	1	120.02	0	0
	45.00	900	0	153.53	0	0
	-	-	-	-	-	-
	-	-	-	-	-	-
	44.51	900	891	1.45	1	-2
	42.50	870	791	1.67	1	-3
	18.05	639	4,560	10.02	5	-1
	14.21	647	346	13.25	1	0
	19.07	693	218	25.65	0	0
	15.04	574	43	32.71	0	0
	24.71	686	64	57.97	0	0
	45.00	900	14	144.24	0	0
	43.58	900	39	220.58	1	-1
	45.00	900	-	-	0	-1
	17.89	640	5,285	10.73	8	-3
	20.46	647	4,938	11.88	7	-2
	38.99	900	723	17.51	1	-1
	41.37	900	302	30.93	1	-1
	40.39	900	861	41.18	3	-2
	41.38	900	481	57.46	2	-2
	44.05	900	861	82.52	6	-6
	43.57	900	264	120.44	4	-4
	43.44	900	181	176.77	7	-8
	45.00	900	-	-	73	-60
	40.56	900	3,673	38.42	97	-82
	41.02	900	3,031	41.19	92	-60

EUR million Exposure class/PD range in %	Original on- balance-sheet gross exposures	Off-balance- sheet exposures pre- CCF	Average CCF in %	EAD post CRM and post CCF	Average PD in %	Number of obligors
Corporates – specialized lending						
0.00 to <0.15	7,234	942	74.03	7,886	0.07	347
0.15 to <0.25	3,391	320	67.53	3,341	0.17	104
0.25 to <0.50	3,492	669	71.86	3,962	0.31	123
0.50 to <0.75	1,060	195	75.51	1,191	0.59	41
0.75 to <2.50	1,698	99	69.04	1,764	1.11	74
2.50 to <10.00	652	144	75.00	759	3.22	13
10.00 to <100.00	588	16	75.00	419	16.87	44
100.00 (Default)	0	-	-	0	100.00	1
<i>Sub-total – 30 June 2020</i>	18,115	2,385	72.53	19,323	0.75	747
<i>Sub-total – 31 December 2019</i>	17,401	2,312	68.28	18,339	0.69	746
Corporates – other						
0.00 to <0.15	27,351	15,888	37.93	33,418	0.09	1,646
0.15 to <0.25	8,394	8,360	45.73	11,972	0.17	980
0.25 to <0.50	10,412	8,256	49.34	14,224	0.30	1,616
0.50 to <0.75	2,699	1,650	45.61	3,177	0.59	502
0.75 to <2.50	4,721	2,478	46.51	5,115	1.34	988
2.50 to <10.00	1,816	661	46.55	1,566	4.69	309
10.00 to <100.00	907	178	43.37	354	16.00	220
100.00 (Default)	1,070	169	54.59	1,078	100.00	280
<i>Sub-total – 30 June 2020</i>	57,371	37,641	43.32	70,903	1.96	6,541
<i>Sub-total – 31 December 2019</i>	59,382	38,875	44.63	73,753	1.39	7,281
Equity exposures under IRB approach						
0.00 to <0.15	47	-	-	47	0.10	5
0.15 to <0.25	12	-	-	12	0.16	3
0.25 to <0.50	0	-	-	0	0.30	6
0.50 to <0.75	1	-	-	1	0.59	1
0.75 to <2.50	20	-	-	20	0.88	3
2.50 to <10.00	0	-	-	0	2.96	1
10.00 to <100.00	0	-	-	0	45.00	1
100.00 (Default)	-	-	-	-	-	-
<i>Sub-total – 30 June 2020</i>	80	-	-	80	0.31	20
<i>Sub-total – 31 December 2019</i>	78	-	-	78	0.30	25
<i>Total (all portfolios) – 30 June 2020</i>	188,473	49,311	44.92	210,498	0.85	18,576
<i>Total (all portfolios) – 31 December 2019</i>	166,672	49,375	45.45	188,579	0.72	18,677

	Average LGD in %	Average maturity	RWA	RWA density in %	EL	Value adjustments and provisions
	40.96	900	1,838	23.31	2	-2
	41.40	900	1,301	38.93	2	-3
	41.93	900	2,128	53.71	5	-6
	43.93	900	936	78.61	3	-4
	43.16	900	1,694	96.05	8	-8
	45.00	900	1,051	138.40	11	-4
	44.38	900	988	235.81	32	-11
	45.00	900	-	-	0	0
	41.85	900	9,937	51.42	64	-38
	42.41	900	9,180	50.06	56	-40
	35.23	691	6,919	20.71	9	-5
	40.02	828	4,543	37.95	8	-7
	44.04	893	8,073	56.76	19	-15
	44.01	892	2,470	77.73	8	-8
	44.64	899	5,407	105.69	31	-27
	29.20	636	1,596	101.95	22	-198
	44.31	900	816	230.54	25	-15
	44.80	900	-	-	483	-338
	38.94	773	29,823	42.06	605	-615
	39.50	816	28,721	38.94	441	-449
	65.00	1,800	36	75.73	0	-
	65.00	1,800	12	100.42	0	-
	65.00	1,800	1	121.36	0	-
	65.00	1,800	1	160.51	0	-
	65.00	1,800	53	269.45	0	-
	65.00	1,800	0	243.40	0	-
	65.00	1,800	0	563.49	0	-
	-	-	-	-	-	-
	65.00	1,800	102	128.29	0	-
	65.00	1,800	96	123.44	0	-
	35.98	796	49,711	23.62	776	-740
	36.41	804	46,757	24.79	598	-555

Figure 9: EU CR6 - IRB approach - Credit risk exposures by exposure class and PD range (Article 452 (e) to (g) CRR)

The following table shows the development of RWAs of risk exposures under the IRB approach between 31 March 2020 and 30 June 2020.

EUR m	RWA	Capital requirements
RWAs - 31 March 2020	55,914	4,473
Asset size	900	72
Asset quality	1,402	112
Model updates	10	1
Methodology and policy	-	-
Acquisitions and disposals	-974	-78
Foreign exchange movements	-173	-14
Other	-295	-24
RWAs - 30 June 2020	56,783	4,543

Figure 10: EU CR8 - RWA flow statements of credit risks under the IRB approach (Article 438 (d) CRR and Article 92 (3) (a) CRR)

»Amount of risk exposures« shows the organic change in the journal, including new business and outstanding receivables. »Asset quality« shows the changes in the measured quality of the investments resulting from changes to the obligor risk such as changes to the ratings or similar effects. »Model updates« show changes resulting from implementing models, changes to the scope of the model and model improvements. »Methodology and policy« show changes caused by adjustments to calculation methods resulting from changes to regulatory policies. »Acquisitions and disposals« show changes to the size of the book resulting from acquisitions or disposals of companies. The amount reported here results from the sale of a non-strategic minority interest. »Foreign exchange movements« show changes arising from fluctuating exchange rates. »Other« shows all further changes which cannot be explicitly allocated to one of the exposures listed.

3.3 Credit quality of exposures

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

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

Deposits with central banks reported under the IRB exposure class »central governments and central banks« rose as against the previous period. Exposures in the IRB exposure class »institutions« increased as a result of growth in repo/lending business. The growth in business volume in the IRB exposure class »corporates« also led to an increase.

<u>Gross carrying amounts of</u>								
EUR million Exposure class	Defaulted exposures	Non- defaulted exposures	Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges in the reporting period	Net values 30/06/2020	Net values 31/12/2019
Central governments or central banks	-	59,794	2	-	-	-1	59,792	46,110
Institutions	1	74,355	3	-	-	0	74,353	54,220
Corporates	1,436	138,160	735	-	-1	186	138,860	133,311
of which specialized lending exposures	0	21,221	38	-	-	-2	21,183	20,077
of which SMEs	196	13,014	82	-	0	22	13,128	10,528
Retail business	-	-	-	-	-	-	-	-
of which secured by mortgages on immovable property	-	-	-	-	-	-	-	-
of which SMEs	-	-	-	-	-	-	-	-
of which non- SMEs	-	-	-	-	-	-	-	-
of which qualified, revolving	-	-	-	-	-	-	-	-
of which other retail	-	-	-	-	-	-	-	-
of which SMEs	-	-	-	-	-	-	-	-
of which non- SMEs	-	-	-	-	-	-	-	-
Equity exposures	-	1,163	-	-	-	-	1,163	1,583
Other assets excl. loan commitments	-	1,688	-	-	-	-	1,688	1,900
Total amount under IRB approach	1,437	275,159	740	-	-1	185	275,855	237,123
of which credits ¹	1,211	169,756	445	-	-1	111	170,521	148,286
of which debt securities ²	-	50,683	3	-	-	1	50,680	37,502
of which off- balance-sheet exposures ³	220	49,121	94	-	-	23	49,247	49,350

Gross carrying amounts of								
EUR million Exposure class	Defaulted exposures	Non- defaulted exposures	Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges in the reporting period	Net values 30/06/2020	Net values 31/12/2019
Central governments or central banks	-	5	0	-	-	0	5	6
Regional governments or local authorities	-	139	0	-	-	0	139	129
Public-sector entities	0	515	0	-	-	0	514	572
Multilateral development banks	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-
Institutions	-	36,688	1	-	-	0	36,687	33,875
Corporates	141	8,777	98	-	-3	-1	8,820	8,523
of which SMEs	13	1,497	16	-	0	11	1,494	1,788
Retail business	113	9,793	59	-	-1	3	9,847	9,675
of which SMEs	44	3,351	31	-	0	18	3,364	2,135
Secured by mortgages on immovable property	-	4,328	4	-	-	-1	4,325	4,282
of which SMEs	-	392	1	-	-	0	391	129
Exposures in default	254	-	124	-	-	7	130	99
Items associated with particularly high risk	-	20	-	-	-	-	20	32
Covered bonds	-	68	-	-	-	-	68	15
Institutions and corporates with a short- term credit assessment	-	-	-	-	-	-	-	-
Undertakings for collective investment	-	21	-	-	-	-	21	18
Equity exposures	-	-	-	-	-	-	-	-
Other items	-	81	-	-	-	-	81	77
Total amount under the Standardized Approach	254	60,435	162	-	-4	1	60,527	57,205
of which credits ¹	240	49,493	106	-	-4	1	49,627	49,643
of which debt securities ²	-	1,479	0	-	-	-	1,479	167
of which off-balance- sheet exposures ³	14	9,015	14	-	-	0	9,015	6,965
Total	1,691	335,593	902	-	-5	186	336,382	294,329
of which credits ¹	1,451	219,249	551	-	-5	112	220,149	197,929
of which debt securities ²	-	52,162	3	-	-	1	52,159	37,669
of which off-balance- sheet exposures ³	234	58,136	108	-	-	24	58,262	56,315

¹ figures in accordance with FinRep

Figure 11: EU CR1-A - Credit quality of exposures by exposure classes and instruments (Article 442 (g) and (h) CRR)

The grouping of exposures by industry shown in the following table is in accordance with the applicable Bundesbank industry key. Activities which are especially relevant to LBBW have been removed from the industry classification and are shown separately. »Other manufacturing« includes manufacturing

activities whose individual volume does not exceed 1% of total risk exposure. »Other industries« includes all Bundesbank industries whose individual volume does not exceed 1% of total risk exposure.

In particular, the increase as against the previous period has taken place in exposures to central banks and financial sector entities.

EUR million Sector	Gross carrying amounts of					Credit risk adjustment charges in the reporting period	Net values 30/06/2020	Net values 31/12/2019
	Defaulted exposures	Non- defaulted exposures	Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs			
Central banks and banks	19	140,314	18	-	-	12	140,315	107,762
Other financial institutions	6	25,268	7	-	0	-1	25,266	21,120
Other financial and insurance services	4	16,975	4	-	0	1	16,975	10,532
Public administration, defense, social security	-	19,451	2	-	-	-2	19,449	17,799
Private households	53	12,659	31	-	0	-3	12,682	12,756
Real estate and housing	39	30,114	49	-	0	-14	30,104	29,048
Energy supplies	5	6,594	21	-	-	-2	6,578	6,758
Mechanical engineering	129	6,947	59	-	-1	36	7,016	6,811
Automotive production including components	183	5,451	167	-	0	95	5,467	5,209
Other manufacturing	571	20,262	190	-	-1	62	20,643	21,740
Professional, scientific and technical activities	150	13,945	79	-	-2	24	14,016	14,003
Trade, maintenance and repair of motor vehicles	172	10,068	121	-	-1	28	10,119	9,829
Information and communication	214	5,644	8	-	0	1	5,850	5,379
Transport and storage	10	4,460	6	-	0	0	4,464	4,077
Other sectors	137	17,442	140	-	-1	-53	17,439	21,509
Total	1,691	335,593	902	-	-5	186	336,382	294,329

Figure 12: EU CR1-B - Credit quality of exposures by industry sector (Article 442 (g) and (h) CRR)

The following table breaks down exposure by country and geographic area. Significant countries are listed separately. Significant countries were defined as the twelve European countries with the largest risk exposures, the two American countries with the largest risk exposures and two countries from the Asia/Pacific region with the largest risk exposure.

The increase in exposures to Germany, France and the US particularly reflects the upturn in repo/lending transactions with central counterparties and the rise in deposits with central bank.

Gross carrying amounts of								
EUR million Country	Defaulted exposures	Non- defaulted exposures	Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges in the reporting period	Net values 30/06/2020	Net values 31/12/2019
Total Europe	1,602	293,061	845	-	-5	153	293,818	263,609
Germany	1,481	210,085	786	-	-4	214	210,780	191,292
Denmark	-	1,545	0	-	-	0	1,545	1,335
Finland	1	1,739	0	-	0	0	1,739	1,367
France	1	21,650	1	-	0	0	21,650	15,494
United Kingdom	0	17,891	5	-	0	-34	17,886	15,223
Italy	0	1,225	1	-	0	0	1,225	1,363
Luxembourg	3	7,406	3	-	-	1	7,406	6,157
Netherlands	3	5,218	5	-	0	2	5,216	4,700
Norway	0	3,216	0	-	0	0	3,215	3,007
Austria	46	4,734	3	-	-1	0	4,777	4,256
Sweden	0	2,243	0	-	0	0	2,242	1,830
Switzerland	1	7,314	2	-	0	0	7,312	7,050
Other countries Europe	66	8,796	39	-	0	-30	8,824	10,534
Total America	68	32,465	49	-	0	33	32,485	21,447
Canada	0	4,157	0	-	-	0	4,157	2,780
USA	19	26,500	26	-	0	16	26,493	16,765
Other countries - America	49	1,808	22	-	-	17	1,835	1,902
Total Asia/Pacific	20	9,301	5	-	0	0	9,316	8,516
Australia	-	1,512	0	-	0	0	1,512	1,304
Republic of Korea	-	1,678	0	-	-	0	1,678	1,573
Other countries - Asia/Pacific region	20	6,110	5	-	-	0	6,125	5,639
Total other countries	0	766	3	-	-	0	763	757
Other countries - Other	0	766	3	-	-	0	763	757
Total	1,691	335,593	902	-	-5	186	336,382	294,329

Figure 13: EU CR1-C - Credit quality of exposure by country and geographic area (Article 442 (g) and (h) CRR)

3.4 Non-performing exposures and loans

Definitions

A risk exposure is considered *impaired* when there is objective evidence of impairment and when a level 3 impairment loss has been recognized in accordance with the accounting provisions in place at LBBW (IFRS).

Objective evidence of impairment includes, in particular, significant financial difficulties of the obligor, a breach of contract (the obligor is in default or past due payments of interest and/or principal), concessions made to the obligor by the Bank for economic or legal reasons related to the borrower's financial difficulties that the lender would not otherwise grant, and a greater likelihood of the obligor filing for insolvency proceedings. At LBBW, the definition for accounting purposes is based on the regulatory definition of default.

An exposure shall be deemed to be *defaulted* in the sense of the regulatory definition in Article 178 CRR when at least one of the following events has taken place:

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

A financial instrument that was not impaired upon acquisition but for which there is objective evidence of impairment must be allocated to level 3.

Credit exposures past due are exposures which are past due by a certain number of days at individual transaction level. Such exposures then lead to the default of the obligor if the obligor has breached the materiality threshold by more than 90 consecutive days on the sum of all the credit lines available to that obligor. The number of days past due is calculated on the basis of consecutive days past due, calculated at customer level taking into account the materiality threshold. An amount past due is regarded as material and relevant if it exceeds a minimum threshold of 2.5% (at least EUR 100) of all the credit lines available to the obligor.

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

The following table shows the development of allowances for losses on loans and advances in accordance with FinRep in the first half of 2020.

EUR million	Accumulated specific credit risk adjustments	General credit risk adjustments
Opening balance - 31 December 2019	1,052	-
Increases due to amounts set aside for estimated loan losses during the period	328	-
Decreases due to amounts reversed for estimated loan losses during the period	-48	-
Decreases due to amounts taken against accumulated credit risk adjustments	-31	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	-1	-
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	-	-
Closing balance - 30 June 2020	1,300	-
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	8	-
Specific credit risk adjustments directly recorded to the statement of profit or loss	-13	-

Figure 14: EU CR2-A - Changes in holdings of general and specific credit risk adjustments (Article 442 (i) CRR)

The following table shows the holdings of defaulted and impaired loans and debt securities as of 30 June 2020 in accordance with FINREP.

EUR million	Gross carrying values of defaulted exposures
Opening balance 31 December 2019	1,097
Loans and debt securities that have defaulted or been impaired since the last reporting period	609
Returned to non-defaulted status	-203
Amounts written off	-34
Other changes	-137
Closing balance 30 June 2020	1,331

Figure 15: EU CR2-B - Changes in the holdings of defaulted and impaired loans and debt securities (Article 442 (i) CRR)

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

EUR million	Gross carrying values					
	≤ 30 days	>30 days ≤ 60 days	60 days ≤ 90 days	90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	203	66	321	69	140	209
Debt securities	-	-	-	-	-	6
Total - 30 June 2020	203	66	321	69	140	216
Total - 31 December 2019	418	179	137	33	127	230

Figure 16: EU CR1-D - Maturity structure of past-due exposures (Article 442 (g) and (h) CRR)

Restructuring of exposures

A loan is considered *restructured or forbore* if it is classified as a forbore exposure (FBE). This applies when the following conditions are met:

- The debtor faces or is about to face financial difficulties, and
- The bank makes concessions towards the debtor which are justified by the financial difficulties.

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

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

EUR million	Gross carrying amounts of performing and non-performing exposures							Accumulated impairments and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of which performing but due > 30 days and <= 90 days	Of which performing, forbore	Of which non-performing			On performing exposures	On non-performing exposures		On non-performing exposures	Of which forbore exposures		
				Of which defaulted	Of which impaired	Of which forbore		Of which forbore	Of which forbore				
Debt securities	31,758	-	-	6	6	6	-	5	-	6	-	-	-
Loans and advances	167,426	320	218	1,375	1,331	1,326	492	419	10	739	226	263	160
Off-balance-sheet exposures	60,627	-	66	229	228	127	14	44	0	92	5	23	2
Total 30 June 2020	259,811	320	284	1,611	1,566	1,460	506	468	11	838	231	287	163
Total 31 December 2019	276,090	297	170	1,352	1,312	1,096	471	405	4	653	224	168	150

Figure 17: EU CR1-E - Non-performing and forbore exposures (Article 442 (g) and (i) CRR)

Disclosure of non-performing receivables

Banks whose NPL ratio is under 5% are only required to disclose tables 1, 3, 4 and 9 in accordance with EBA/GL/2018/10. By publishing this, LBBW considers the requirements of the ECB Guidelines on non-performing loans dated March 2017 to also have been met.

The following table shows the credit quality of forborne exposures.

EUR million	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which, collaterals and financial guarantees received on non-performing exposures with forbearance measures
		Of which defaulted	Of which impaired					
Loans and advances	218	492	482	480	-10	-226	-160	-128
Central banks	-	-	-	-	-	-	-	-
Central governments	0	-	-	-	0	-	-	-
Banks	-	-	-	-	-	-	-	-
Other financial corporations	-	4	4	4	-	-4	-	-
Non-financial corporations	211	468	459	457	-10	-217	-142	-115
Households	8	20	18	18	0	-4	-18	-13
Debt instruments	-	-	-	-	-	-	-	-
Loan commitments granted	66	14	14	14	0	-5	-2	-2
Total 30 June 2020	284	506	495	494	-11	-231	-163	-130
Total 31 December 2019	170	471	463	451	-4	-224	-150	-116

Figure 18: Credit quality of forborne exposures (template 1 of EBA-GL)

LBBW does not currently have any collateral resulting from bail-out purchases. It is thus not necessary to disclose template 9 of the EBA-GL.

The following figure shows the credit quality of non-performing and performing exposures, broken down by days past due.

Carrying amount/nominal amount

EUR million	Performing exposures			Non-performing exposures								
	Not past due or past due < 30 days	Past due > 30 days < 90 days	Unlikely to pay that are not past due or are past due < 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted		
Loans and advances	166,051	165,730	320	1,375	958	69	140	53	61	31	64	1,331
Central banks	45	45	-	-	-	-	-	-	-	-	-	-
Central governments	15,102	15,101	1	0	-	-	0	0	-	-	-	0
Banks	47,126	47,123	3	19	1	-	9	8	0	1	-	19
Other financial corporations	22,382	22,362	20	11	9	0	0	-	2	0	1	11
Non-financial corporations	68,489	68,207	282	1,227	899	60	122	38	43	26	39	1,187
Of which SMEs	10,052	10,044	8	188	106	14	18	13	24	6	7	188
Households	12,907	12,893	15	118	49	9	9	7	16	4	24	115
Debt instruments	31,751	31,751	-	6	-	-	-	6	-	-	-	6
Central banks	632	632	-	-	-	-	-	-	-	-	-	-
Central governments	4,078	4,078	-	-	-	-	-	-	-	-	-	-
Banks	23,865	23,865	-	-	-	-	-	-	-	-	-	-
Other financial corporations	2,886	2,886	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	290	290	-	6	-	-	-	6	-	-	-	6
Off-balance-sheet exposures	60,398			229								228
Central banks	0			-								-
Central governments	1,349			-								-
Banks	7,448			-								-
Other financial corporations	5,792			0								0
Non-financial corporations	42,318			228								227
Households	3,492			1								1
Total 30 June 2020	258,200	197,481	320	1,611	958	69	140	59	61	31	64	1,566
Total 31 December 2019	274,739	211,959	297	1,352	751	33	127	39	67	37	88	1,312

Figure 19: Credit quality of performing and non-performing exposures by past due days (template 3 of EBA-GL)

The following figure shows performing and performing exposures. These are shown alongside the corresponding impairment, provisions and adjustments, divided by portfolio and exposure class in accordance with FinRep.

EUR million	Carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collaterals and financial guarantees received		
	Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Partial write-off	On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3				
Loans and advances	166,051	150,486	13,728	1,375	44	1,326	-419	-62	-357	-739	0	-734	-279	-43,180	-263
Central banks	45	45	-	-	-	-	-	-	-	-	-	-	-	-	-
Central governments	15,102	13,325	43	0	-	0	-1	0	-1	0	-	0	-	-394	0
Banks	47,126	46,945	129	19	-	19	-2	-2	-1	-15	-	-15	-	-539	-1
Other financial corporations	22,382	21,681	699	11	-	11	-19	-3	-17	-8	-	-8	-12	-5,683	-
Non-financial corporations	68,489	57,348	11,092	1,227	40	1,182	-344	-50	-294	-670	0	-665	-247	-28,647	-210
of which SMEs	10,052	8,593	1,459	188	-	183	-37	-10	-27	-78	-	-73	-26	-6,846	-64
Households	12,907	11,142	1,765	118	4	115	-52	-8	-44	-46	0	-46	-20	-7,916	-53
Debt instruments	31,751	31,583	101	6	-	6	-5	-3	-1	-6	-	-6	-	-	-
Central banks	632	632	-	-	-	-	0	0	-	-	-	-	-	-	-
Central governments	4,078	3,952	101	-	-	-	-2	-1	-1	-	-	-	-	-	-
Banks	23,865	23,851	-	-	-	-	-2	-2	-	-	-	-	-	-	-
Other financial corporations	2,886	2,859	-	-	-	-	-1	-1	-	-	-	-	-	-	-
Non-financial corporations	290	290	-	6	-	6	0	0	-	-6	-	-6	-	-	-
Off-balance-sheet exposures	60,398	50,032	3,027	229	1	127	-44	-18	-26	-92	0	-52	-	-3,083	-23
Central banks	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central governments	1,349	1,202	4	-	-	-	0	0	0	-	-	-	-	-87	-
Banks	7,448	6,970	4	-	-	-	0	0	0	-	-	-	-	-100	-
Other financial corporations	5,792	5,074	115	0	-	0	-1	-1	0	0	-	0	-	-62	-
Non-financial corporations	42,318	33,597	2,620	228	1	126	-38	-14	-24	-92	0	-52	-	-2,688	-23
Households	3,492	3,189	284	1	0	1	-5	-3	-3	0	0	0	-	-146	0
Total 30 June 2020	258,200	232,101	16,855	1,611	45	1,460	-468	-83	-385	-838	0	-792	-279	-46,263	-287
Total 31 December 2019	274,739	256,251	16,606	1,352	5	1,329	-405	-81	-325	-653	0	-647	-270	-42,421	-321

Figure 20: Performing and non-performing exposures and related provisions (template 4 of EBA-GL)

4 Credit risk mitigation techniques (Article 453 CRR)

4.1 Main types of collateral

Collateral primarily used by LBBW is:

In lending business:

- Real estate liens in Germany
- Eligible guarantees/warranties
- Financial assets (securities, cash collateral, endowment policies)

In the capital markets business:

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

Credit derivatives:

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

Netting

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

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

The rise in unsecured exposures primarily results from central bank business. The increase in secured exposures essentially relates to more extensive repo/lending business with institutions.

EUR million Exposure class	Exposures unsecured - carrying amount	Exposures secured - carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Central governments or central banks	59,044	747	533	181	-
Institutions	29,961	44,392	40,786	407	-
Corporates	99,188	39,672	29,586	5,365	-
of which specialized lending exposures	13,078	8,105	6,415	521	-
of which SMEs	7,340	5,788	4,238	751	-
Retail business	-	-	-	-	-
of which secured by mortgages on immovable property	-	-	-	-	-
of which SMEs	-	-	-	-	-
of which non-SMEs	-	-	-	-	-
of which qualified, revolving	-	-	-	-	-
of which other retail	-	-	-	-	-
of which SMEs	-	-	-	-	-
of which non-SMEs	-	-	-	-	-
Equity exposures	1,163	-	-	-	-
Other non-credit obligation assets	1,747	-	-	-	-
Total amount under IRB approach - 30 June 2020	191,103	84,811	70,905	5,953	-
of which credits ¹	105,234	65,733	54,400	4,423	-
of which debt securities ²	33,498	17,184	16,206	253	-
Of which: defaulted exposures ³	816	227	-	102	-
Total amount under IRB approach - 31 December 2019	166,030	71,093	49,979	6,165	-

EUR million Exposure class	Exposures unsecured - carrying amount	Exposures secured - carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Central governments or central banks	5	-	-	-	-
Regional governments or local authorities	137	2	-	2	-
Public-sector entities	72	443	-	443	-
Multilateral development banks	-	-	-	-	-
International organizations	-	-	-	-	-
Institutions	35,191	1,496	1,430	1	-
Corporates	4,558	4,207	1,796	2,182	-
of which SMEs	1,137	358	47	270	-
Retail business	9,026	746	116	283	-
of which SMEs	3,225	117	41	48	-
Secured by mortgages on immovable property	-	4,325	4,325	-	-
of which SMEs	-	391	391	-	-
Exposures in default	104	26	17	9	-
Items associated with particularly high risk	20	-	-	-	-
Covered bonds	68	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-
Undertakings for collective investment	21	-	-	-	-
Equity exposures	0	-	-	-	-
Other items	81	-	-	-	-
Total amount under the standardized approach - 30 June 2020	49,282	11,244	7,683	2,919	-
of which credits ¹	40,888	8,782	6,513	1,725	-
of which debt securities ²	492	988	974	-	-
Of which: defaulted exposures ³	104	26	17	9	-
Total amount under the standardized approach - 31 December 2019	44,508	12,698	6,625	3,159	-
Total - 30 June 2020	240,386	96,056	78,588	8,873	-
of which credits ¹	146,121	74,515	60,913	6,148	-
of which debt securities ²	33,990	18,172	17,180	253	-
Of which: defaulted exposures ³	920	253	17	110	-
Total - 31 December 2019	210,538	83,791	56,604	9,325	-

¹ figures in accordance with FinRep

Figure 21: EU CR3 - Credit risk mitigation techniques - overview (Article 453 (f) and (g) CRR)

4.2 Credit risk mitigation techniques under the standardized approach

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

EUR million Exposure class	Exposures before credit conversion factor and credit risk mitigation		Exposures post credit conversion factor and credit risk mitigation		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density in %
Central governments or central banks	5	-	191	-	0	0.00
Regional governments or local authorities	42	97	1,085	6	2	0.17
Public-sector entities	514	0	76	1	15	18.83
Multilateral development banks	-	-	-	-	-	-
International organizations	-	-	-	-	-	-
Institutions	32,515	4,172	31,791	2,064	118	0.35
Corporates	7,470	1,294	5,410	229	4,035	71.55
Retail business	6,349	3,423	5,973	239	4,207	67.73
Secured by mortgages on immovable property	4,314	10	4,314	5	1,502	34.77
Exposures in default	126	4	116	2	151	127.86
Exposures associated with particularly high risk	20	-	20	-	30	150.00
Covered bonds	68	-	68	-	5	7.76
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Undertakings for collective investment	21	0	21	0	12	59.04
Equity exposures	-	-	-	-	-	-
Other items	81	-	81	-	76	94.25
Total – 30 June 2020	51,525	9,001	49,145	2,545	10,153	19.64
Total – 31 December 2019	50,245	6,960	49,204	1,627	10,986	21.60

Figure 22: EU CR4 – Standardized approach – credit risk and impact of credit risk mitigation (Article 444 (e) CRR)

4.3 Credit risk mitigation techniques under IRB

The following table shows the effect on RWAs of credit derivatives used for credit risk mitigation. Since LBBW had no credit derivatives for regulatory purposes to mitigate credit risk in the first half of 2020, both columns are identical.

EUR million Exposure class	30/06/2020		31/12/2019	
	Pre-credit derivatives RWAs	Actual RWAs	Pre-credit derivatives RWAs	Actual RWAs
Exposures under FIRB	52,942	52,942	49,872	49,872
Central governments and central banks	3,222	3,222	3,280	3,280
Institutions	5,343	5,343	4,950	4,950
Corporates – SMEs	3,805	3,805	3,144	3,144
Corporates – specialized lending	10,353	10,353	9,449	9,449
Corporates – other	30,219	30,219	29,049	29,049
Exposures under AIRB	-	-	-	-
Central governments and central banks	-	-	-	-
Institutions	-	-	-	-
Corporates – SMEs	-	-	-	-
Corporates – specialized lending	-	-	-	-
Corporates – other	-	-	-	-
Retail – secured by real estate SMEs	-	-	-	-
Retail – not secured by real estate SMEs	-	-	-	-
Retail – qualifying revolving	-	-	-	-
Retail – other SMEs	-	-	-	-
Retail – other non-SMEs	-	-	-	-
Equity exposures under IRB approach	2,372	2,372	3,410	3,410
Other assets excl. loan commitments	1,469	1,469	1,617	1,617
Total	56,783	56,783	54,899	54,899

Figure 23: EU CR7 – IRB approach – Effect on the RWAs of credit derivatives used as credit mitigation techniques (Article 453 (g) CRR)

5 Counterparty credit risk (Article 439 CRR)

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

EUR million	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWA
Mark-to-market		17,386	9,339			17,985	2,560
Original exposure	-					-	-
Standardized approach		-			-	-	-
IMM (for derivatives and securities financing transactions)			-	-	-	-	-
of which securities financing transactions			-	-	-	-	-
of which derivatives and long settlement transactions			-	-	-	-	-
of which from contractual cross-product netting			-	-	-	-	-
Financial collateral simple method (for securities financing transactions)						-	-
Financial collateral comprehensive method (for securities financing transactions)						-	-
VaR for securities financing transactions						-	-
Total - 30 June 2020							2,560
<hr/>							
Total - 31 December 2019							2,442

Figure 24: EU CCR1 – Analysis of counterparty credit risk by approach (Article 439 (e), (f) and (i) CRR)

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

EUR million	Exposure value	RWA
Total portfolio subject to the advanced method	-	-
i) VaR component (including the 3x multiplier)	-	-
ii) SVaR component (including the 3x multiplier)	-	-
All portfolios subject to the standardized method	2,662	1,149
Based on the original exposure method	-	-
Total subject to the CVA capital charge - 30 June 2020	2,662	1,149
Total subject to the CVA capital charge - 31 December 2019	2,662	1,175

Figure 25: EU CCR2 – Credit Valuation Adjustment capital charge (Article 439 (e) and (f) CRR)

The following table shows the counterparty credit risk exposures reported in the CRSA by exposure class and risk weight. The table does not include 4%, 10%, 50% or 150% risk weights, since LBBW has no exposures in any of these risk weight categories.

The increase in the holdings in the »Institutions« exposure class was higher than in the previous period, in particular due to the expansion of business with savings banks.

EUR million	Risk weight in %							Total	Of which unrated
	0	2	20	70	75	100	Other		
Central governments or central banks	-	-	-	-	-	-	-	-	-
Regional governments or local authorities	17	-	-	-	-	-	-	17	17
Public-sector entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-
Institutions	2,550	2	0	-	-	-	-	2,552	2,551
Corporates	0	-	0	0	-	62	0	62	62
Retail business	-	-	-	-	7	-	-	7	7
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-
Total - 30 June 2020	2,567	2	0	0	7	62	0	2,639	2,638
Total - 31 December 2019	2,023	0	11	0	7	96	0	2,137	2,126

Figure 26: EU CCR3 – Standardized approach – counterparty credit risk exposures by regulatory portfolio and risk weight (Article 444 (e) CRR in conjunction with Article 92 (3) (a) and (f) CRR)

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

The increase in the exposure after credit risk mitigation in the »central governments and central banks« exposure class against the previous period results in particular from the change in fair values on account of interest rate developments.

EUR million Exposure class/PD range	EAD post CRM	Average PD in %	Number of obligors	Average LGD in %	Average maturity	RWA	RWA density in %
Central governments or central banks							
0.00 to <0.15	10,467	0.00	134	23.79	900	0	0.00
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total 30 June 2020	10,467	0.00	134	23.79	900	0	0.00
Sub-total 31 December 2019	7,921	0.00	139	24.12	900	4	0.05
Institutions							
0.00 to <0.15	3,634	0.06	145	32.56	900	769	21.16
0.15 to <0.25	309	0.17	19	22.82	900	79	25.68
0.25 to <0.50	145	0.31	12	24.27	900	48	32.81
0.50 to <0.75	1	0.59	4	26.12	900	1	57.64
0.75 to <2.50	8	1.71	5	43.39	900	9	116.88
2.50 to <10.00	10	2.96	1	10.09	900	3	30.41
10.00 to <100.00	4	10.00	3	23.23	900	4	105.64
100.00 (Default)	-	-	-	-	-	-	-
Sub-total 30 June 2020	4,112	0.10	189	31.49	900	913	22.21
Sub-total 31 December 2019	3,827	0.10	193	35.73	900	963	25.16
Corporates - SMEs							
0.00 to <0.15	30	0.07	88	44.81	900	6	19.49
0.15 to <0.25	10	0.17	32	45.00	900	3	35.31
0.25 to <0.50	41	0.36	88	44.93	900	19	45.34
0.50 to <0.75	10	0.59	36	45.00	900	7	66.60
0.75 to <2.50	12	1.20	64	45.00	900	11	88.42
2.50 to <10.00	3	4.34	23	45.00	900	4	135.60
10.00 to <100.00	1	13.08	5	45.00	900	1	170.39
100.00 (Default)	0	100.00	6	45.00	900	-	-
Sub-total 30 June 2020	106	0.61	342	44.92	900	50	47.18
Sub-total 31 December 2019	93	0.96	319	44.69	900	43	46.16

EUR million Exposure class/PD range	EAD post CRM	Average PD in %	Number of obligors	Average LGD in %	Average maturity	RWA	RWA density in %
Corporates - specialized financing							
0.00 to <0.15	231	0.07	78	45.00	900	60	25.88
0.15 to <0.25	92	0.17	28	45.00	900	39	42.55
0.25 to <0.50	84	0.29	20	45.00	900	48	57.01
0.50 to <0.75	35	0.59	11	45.00	900	28	79.40
0.75 to <2.50	95	1.03	16	45.00	900	92	97.27
2.50 to <10.00	14	3.69	3	45.00	900	20	143.69
10.00 to <100.00	30	18.96	26	45.00	900	75	248.82
100.00 (Default)	0	100.00	1	45.00	900	-	-
Sub-total 30 June 2020	582	1.38	183	45.00	900	362	62.30
Sub-total 31 December 2019	401	1.00	178	45.00	900	232	57.92
Corporates - other							
0.00 to <0.15	845	0.08	414	36.25	900	194	22.94
0.15 to <0.25	576	0.17	216	42.75	900	235	40.73
0.25 to <0.50	657	0.33	328	44.64	900	390	59.37
0.50 to <0.75	112	0.59	96	45.00	900	89	79.40
0.75 to <2.50	141	1.50	145	45.00	900	154	109.68
2.50 to <10.00	6	4.46	27	45.00	900	10	152.16
10.00 to <100.00	29	19.73	14	7.60	900	12	41.50
100.00 (Default)	5	100.00	16	45.00	900	-	-
Sub-total 30 June 2020	2,372	0.75	1,256	40.78	900	1,084	45.69
Sub-total 31 December 2019	2,616	0.65	1,254	41.10	900	1,026	39.23
Equity exposures IRB approach							
0.00 to <0.15	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Sub-total 30 June 2020	-	-	-	-	-	-	-
Sub-total 31 December 2019	-	-	-	-	-	-	-
Total - 30 June 2020	17,638	0.17	2,104	28.69	900	2,410	13.66
Total - 31 December 2019	14,858	0.17	2,083	30.79	900	2,269	15.27

Figure 27: EU CCR4 - IRB approach - counterparty credit risk exposures by portfolio and PD range (Article 452 (e) CRR and Article 92 (3) (a) and (f) CRR)

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

EUR million	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	64,334	46,947	17,386	8,497	8,889
Securities financing transactions	-	-	-	-	-
Cross-product netting	-	-	-	-	-
Total - 30 June 2020	64,334	46,947	17,386	8,497	8,889
<hr/>					
Total - 31 December 2019	51,009	37,882	13,127	6,543	6,584

Figure 28: EU CCR5-A - Impact of netting and collateral held on exposure values (Article 439 (e) CRR)

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

40

EUR million	Collateral used in derivative transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Derivatives	-	9,510	4,100	8,134	-	-
Securities financing transactions	-	-	-	-	-	-
Cross-product netting	-	-	-	-	-	-
Total - 30 June 2020	-	9,510	4,100	8,134	-	-
<hr/>						
Total - 31 December 2019	-	7,234	1,983	6,910	-	-

Figure 29: EU CCR5-B - Composition of collateral for exposures to counterparty credit

The following table sets out the notional amounts and fair values of the credit derivatives bought and sold for the Bank's own credit portfolio and for the trading portfolio by type of credit derivative (based on notional value). Credit derivatives from brokering activities were not traded by LBBW in the first half of 2020.

EUR million	Credit derivative hedges		Other credit derivatives	Other credit derivatives
	Protection bought	Protection sold	30/06/2020	31/12/2019
Notionals				
Single-name credit default swaps	-	-	6,286	6,063
Index credit default swaps	-	-	1,050	2,382
Total return swaps	-	-	1,263	1,294
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total notionals	-	-	8,599	9,739
Fair values	-	-	-76	-86
<i>Positive fair value (asset)</i>	-	-	91	122
<i>Negative fair value (liability)</i>	-	-	-168	-208

Figure 30: EU CCR6 – Credit derivatives exposures (Article 439 (g) and (h) CRR)

The above table (EU CCR6) only differentiates between protection bought and protection sold in the case of credit derivative hedges. LBBW interprets the credit derivatives to be shown in these columns as those used for hedging purposes for credit risks in the banking book. As of 30 June 2020, LBBW had no such transactions in its portfolio.

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

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

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

EUR million	30/06/2020		31/12/2019	
	EAD post CRM	RWA	EAD post CRM	RWA
Exposures to qualifying CCPs (total)		244		192
Exposures for trades at qualifying CCPs (excl. initial margin and default fund contributions); of which	5,443	109	3,752	75
i) OTC derivatives	3,644	73	2,130	43
ii) Exchange-traded derivatives	1,799	36	1,622	32
iii) securities financing transactions	-	-	-	-
iv) netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	4,100		1,983	
Non-segregated initial margin	50	1	61	1
Prefunded default fund contributions	1,149	134	1,175	115
Alternative calculation of own funds requirements for exposures		-		-
Exposures to non-qualifying CCPs (total)		-		-
Exposures for trades at non-qualifying CCPs (excl. initial margin and default fund contributions); of which	-	-	-	-
i) OTC derivatives	-	-	-	-
ii) Exchange-traded derivatives	-	-	-	-
iii) securities financing transactions	-	-	-	-
iv) netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-		-	
Non-segregated initial margin	-	-	-	-
Prefunded default fund contributions	-	-	-	-
Non-prefunded default fund contributions	-	-	-	-

Figure 31: EU CCR 8 – Exposures to central counterparties (Article 439 (e) and (f) CRR)

6 Market risk (Article 445 and 455 CRR)

6.1 Market price risks in the standardized approach

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

EUR million	30/06/2020		31/12/2019	
	RWA	Capital requirements	RWA	Capital requirements
Outright products				
Interest rate risk (general and specific)	1,772	142	1,230	98
Equity risk (general and specific)	164	13	164	13
Foreign exchange risk	408	33	594	48
Commodity risk	70	6	74	6
Options				
Simplified approach	-	-	-	-
Delta-plus method	66	5	70	6
Scenario approach	0	0	0	0
<i>Securitization (specific risk)</i>	-	-	-	-
Total	2,480	198	2,133	171

Figure 32: EU MR1 – Market risk under the standardized approach (Article 445 CRR)

Total own funds requirements increased slightly compared to 31 December 2019. The interest rate risk rose on account of general business developments, while the currency risk decreased slightly as a result of general business performance.

6.2 Market risks under the Internal Model Method

Internal model in accordance with CRR

LBBW calculates value-at-risk (VaR) and stressed VaR from market price risks with a confidence level of 99% and a ten-day holding period by using the square root of time for scaling up to ten days. A parameter of 99% and one-day holding period are used for bank internal management. Both VaR and stressed VaR are calculated using a procedure based on a Monte Carlo simulation. In most cases, the simulation enables LBBW to take into account fully measured market-induced fluctuations in value, even for complex transactions. For VaR, historical time series for the preceding 250 days are weighted equally in covariance estimates. By contrast, for stressed VaR, covariances are estimated from time series for the financial market crisis (2008/2009). The internal model's contribution to capital requirements is then calculated on the basis of the total of VaR and stressed VaR.

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

In the risk-calculation simulation, the deviation of the risk factors is calculated using the following models: equity prices, FX rates and interest-rate volatility using log yields, CDS spreads and interest rates using absolute yields and equity/FX volatilities using relative yields.

Interest rate risks describe the effects of potentially negative developments in market interest rates. In addition to parallel shifts and turns in the interest curve, basic risks arising from movements in the relevant fixed-income markets relative to each other are also included in risk calculations.

Credit spread risks are calculated for all transactions sensitive to credit ratings. In addition to securities and debt securities, these also include money market transactions and loans where the obligor has an external rating. For the purpose of measuring general risk, these instruments are allocated to rating- and sector-dependent curves. Reference borrowers are allocated to CDS sector curves for credit spread risks from credit derivatives.

To calculate general equity risks, movements in various equity indices are calculated and the movements of individual equities are derived by regression (multi-index model).

LBBW's market price risk model is also uniformly used for all sub-portfolios and for the Group's subsidiaries that are integrated in Group-wide standardized management based on the value-at-risk risk indicator. At present, none of LBBW's subsidiaries are classified as relevant in terms of market price risk.

Backtesting and validation

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

Particular importance is attached to the backtesting analysis within the validation program. This statistical backward comparison of the actual changes to the portfolio not only focuses on the VaR forecast using binomial test¹, but is also based on the entire distribution forecast. According to regulatory requirements, backtesting is based on changes in portfolio value excluding commission, fees and credit valuation adjustments (dirty P/L) and on changes in portfolio value that also exclude new business, intraday trades and all valuation adjustments (clean P/L).

If the backtesting or validation analyses indicate material model risks, these are made transparent to the model developers, model users and recipients of the market risk reports so that the necessary model optimization measures can be efficiently initiated. Agreed changes are carried out according to the »model change policy« and communicated to the regulatory authorities.

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

The CRR portfolio, which comprises trading transactions whose own funds requirements for general equity and general interest rate risks takes place via the internal risk model, shows ten outliers in the past 250 trading days for the Clean P/L. The first outlier was on 14 August 2019. The overshoot amounted to EUR 1.55 million. The second outlier was on 15 August 2019 with an overshoot of EUR 2.75 million. The outliers were caused by the increased market volatility of interest and credit spread curves as a result of news stories on the economic situation and talks between the US and China, and also a comment on interest rate developments by a source close to the ECB. A further outlier of EUR 0.44 million occurred on 28 August 2019 and was triggered by news about the political situation in Italy and Brexit. As a result of the intensification of the COVID-19 crisis and the uncertainty this caused on the capital market, there were seven more outliers between 10 and 23 March 2020. Each of these outliers was due to extreme market price fluctuations in interest or credit spread curves. The highest outlier, at EUR 27.52 million, took place on 18 March 2020 and the lowest, EUR 0.21 million, on 17 March 2020.

On the basis of the dirty P/L, there were two outliers for the CRR portfolio. The first outlier occurred on 17 December 2019, with an overshoot of EUR 49.23 million. This was caused by a change in a valuation adjustment method. The second outlier is dated 9 March 2020, with an overshoot of EUR 4.48 million. This outlier was due to strong fluctuations in interest and credit spread curves and to a valuation adjustment. In backtesting, models representing 62.7% of total own funds requirements for market price risks are compared backwards.

Clean backtesting CRR portfolio for the period 28 June 2019 - 30 June 2020 in EUR million

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

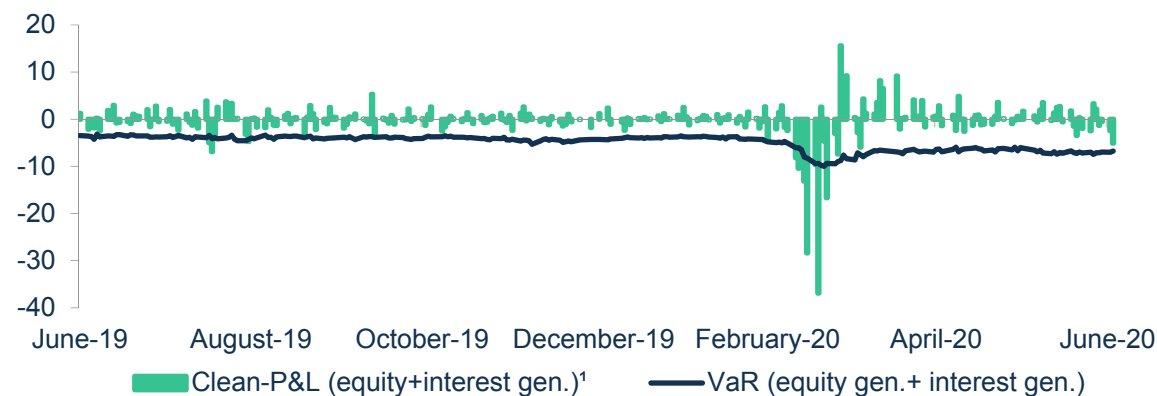


Figure 33: EU MR4 - Value at risk of the CRR portfolio under the Internal Model Method and hypothetical buy-and-hold losses (Article 455 (g) CRR)

1 Switch to P&L shares generally in December.

Dirty backtesting CRR portfolio for the period 28 June 2019 - 30 June 2020 in EUR million

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

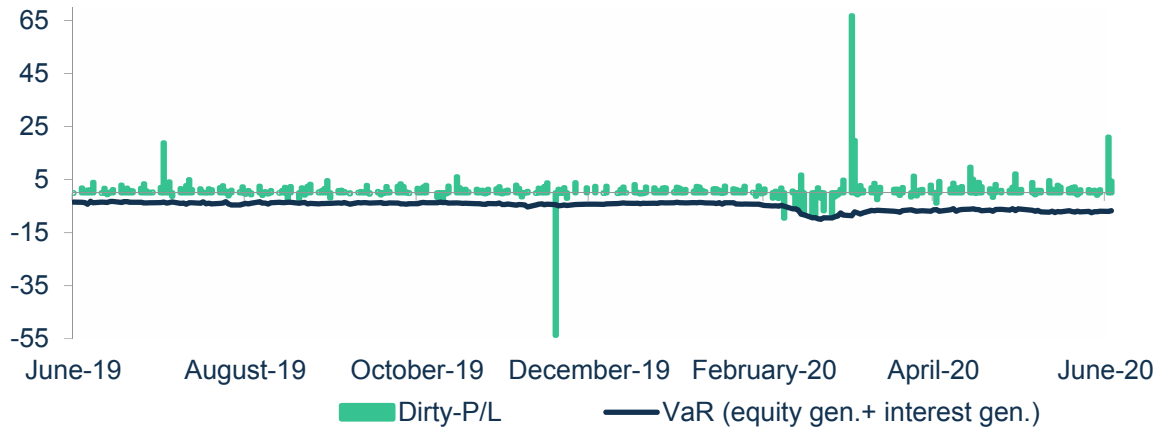


Figure 34: EU MR4 - Value at risk of the CRR portfolio under the Internal Model Method and actual portfolio changes excluding commissions and fees (Article 455 (g) CRR)

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

EUR million	30/06/2020		31/12/2019	
	RWA	Capital requirements	RWA	Capital requirements
VaR (higher of values a) and b))	1,071	86	617	49
a) Previous day's VaR (Article 365 (1) CRR (VaRt1))	277	22	169	14
b) Average of the daily VaR (Article 365 (1) CRR) on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 CRR	1,071	86	617	49
SVaR (higher of values a) and b))	3,092	247	2,532	203
a) Latest sVaR (Article 365 (2) CRR (sVaRt1))	740	59	753	60
b) Average of the sVaR (Article 365(2) CRR) during the preceding 60 business days	3,092	247	2,532	203
IRC (higher of values a and b)	-	-	-	-
a) Most recent IRC value (incremental default and migration risks calculated in accordance with Article 370 and Article 371 CRR)	-	-	-	-
b) Average of the IRC number over the preceding 12 weeks	-	-	-	-
Internal model for correlation trading portfolio (higher of values a), b) and c))	-	-	-	-
a) Most recent risk number for the correlation trading portfolio (Article 377 CRR)	-	-	-	-
b) Average of the risk number for the correlation trading portfolio over the preceding 12 weeks	-	-	-	-
c) 8% of the own funds requirement in the standardized approach on the most recent risk number for the correlation trading portfolio (Article 338 (4) CRR)	-	-	-	-
Other				
Total	4,164	333	3,149	252

Figure 35: EU MR2-A – Market risk under the Internal Model Method (Article 455 (e) CRR)

RWAs under the Internal Model Method rose in the first half of the year. This was caused by the increased volatility in risk factors due to strong fluctuations in interest rates, credit spreads and equity prices in conjunction with the COVID-19 crisis, which was especially strong in March. The effects of additional backtesting outliers in the first quarter were compensated by regulatory simplifications in the second quarter.

The following table shows the holdings of VaR and of the stressed VaR as of 30 June 2020.

EUR million	VaR	sVaR	IRC	Internal model for correlation trading activities	Other	Total RWAs	Total own fund requirements
RWAs - 31 March 2020	917	3,743	-	-	-	4,660	373
Regulatory adjustments	-634	-2,837	-	-	-	-3,471	-278
RWA at the previous quarter-end (end of the day)	283	906	-	-	-	1,189	95
Movement in risk levels	-34	-166	-	-	-	-200	-16
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Changes in market data	19	-	-	-	-	19	2
RWAs at the end of the reporting period (end of the day)	268	740	-	-	-	1,008	81
Regulatory adjustments	803	2,341	-	-	-	3,144	252
RWAs - 30 June 2020	1,071	3,081	-	-	-	4,152	332

Figure 36: EU MR2-B – RWA flow statement of market risk exposures under the Internal Model Method (IMM) (Article 455 (e) CRR)

RWAs declined overall in the second quarter of 2020. This was caused by the temporary relief provided by the ECB in conjunction with the COVID-19 crisis, which led to a decline in regulatory adjustments. Position changes also contributed to the decline in RWAs in both VaR and sVaR.

The VaR contribution to RWAs rose in spite of these two reducing factors, as the regulatory adjustments are calculated from the average for the past 60 trading days, which featured fewer values from less volatile times and a higher number of elevated values from more volatile times, as a result of the COVID-19 crisis. As the sVaR calculation is based on a historic time series, the increased volatility due to the COVID-19 crisis does not factor in here, and it is only affected by the regulatory simplifications and the position changes.

The MR2-A table shows the figures reported at the end of the year. In accordance with the requirements of the EBA, these are determined by taking the figures of the penultimate working day. The figures shown in table MR2-B are calculated based on the last working day.

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

EUR million	30/06/2020	31/12/2019
VaR (10 days 99%)		
Maximum value	32	16
Average value	19	13
Minimum value	11	10
Value at the end of the reporting period	21	14
sVaR (10 day 99%)		
Maximum value	80	68
Average value	65	53
Minimum value	55	42
Value at the end of the reporting period	59	58
IRC (99.9%)		
Maximum value	-	-
Average value	-	-
Minimum value	-	-
Value at the end of the reporting period	-	-
Internal model for correlation trading activities (99.9%)		
Maximum value	-	-
Average value	-	-
Minimum value	-	-
Value at the end of the reporting period	-	-

Figure 37: EU MR3 - IMA values for trading portfolios (Article 455 (d) CRR

7 Leverage ratio (Article 451 CRR)

Disclosure of the leverage ratio as of 30 June 2020 is based on the stipulations of the Commission Delegated Regulation (EU) No. 2015/62 of 10 October 2014 amending the CRR with regard to the leverage ratio. The capital measure is based on Tier 1 capital taking into account the transitional provisions (phase-in) (Article 499 (1) (b) CRR).

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

Figure 38: Disclosure of qualitative elements

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

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

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

The leverage ratio on the basis of the CRR transitional provisions (phase-in) is 4.4% as of 30 June 2020 (as of 31 March 2020: 4.4%). The leverage ratio exposure (phase-in) climbed from EUR 295,165 million as of 31 March 2020 to EUR 299,324 million as of 30 June 2020 (up EUR 4,160 million).

The rise in the leverage ratio exposure in the second quarter relates in particular to the increase in business with states and central banks. This was offset by a decline in exposures from securities financing transactions.

EUR million		Figures to be used
1	<i>Total assets according to the published accounts</i>	289,709
2	Adjustment for corporates that are consolidated for accounting purposes but do not form part of the regulatory basis of consolidation	-2,337
3	(Adjustment for fiduciary assets recognized in the balance sheet according to the applicable accounting provisions but which under Article 429 (13) of Regulation (EU) No. 575/2013 are excluded from the leverage ratio total exposure measure)	-
4	Adjustment for derivative financial instruments	-15,752
5	Adjustment for securities financing transactions (SFTs)	4,990
6	Adjustment for off-balance-sheet items (i.e. conversion of off-balance-sheet exposures into credit equivalent amounts)	22,104
EU-6a	(Adjustments for intra-group risk exposures which are excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No. 575/2013)	-
EU-6b	(Adjustments for risk exposures which are excluded from the leverage ratio total exposure measure in accordance with Article 429 (14) of Regulation (EU) No. 575/2013)	-
7	Other adjustments	610
8	<i>Leverage ratio total exposure measure</i>	299,324

Figure 39: Comparison between balance sheet and overall exposure value measurement

EUR million		Exposure value of the CRR leverage ratio
On-balance-sheet risk exposures (excluding derivatives and SFTs)		
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets but including collateral)	238,668
2	(Asset amounts deducted in the calculation of Tier 1 capital)	-369
3	Total of on-balance-sheet risk exposures (excluding derivatives, SFTs and fiduciary assets) (total of rows 1 and 2)	238,299
Risk exposures from derivatives		
4	Future exposure for all derivatives transactions (i.e. excluding eligible additional contributions received in cash)	11,193
5	Premiums for the potential future exposure for all derivatives transactions (mark-to-market measurement method)	10,785
EU-5a	Risk exposure valued in accordance with the Original Exposure Method	-
6	Addition of amount of collateral furnished in connection with derivatives that is deducted from total assets according to the applicable accounting standard	
7	(Deductions from receivables for additional contributions in cash for derivatives transactions)	-11,030
8	(Excluded CCP portion of customer-cleared trading positions)	-3,291
9	Adjusted effective nominal value of written credit derivatives	4,352
10	(Netting of adjusted effective nominal values and deduction of premiums for written credit derivatives)	-2,155
11	Total risk exposures from derivatives (total of rows 4 to 10)	9,854
Risk exposures from securities financing transactions (SFTs)		
12	Gross assets from SFTs (without recognition of netting) after adjustment for transactions booked as sales	36,017
13	(Netted amounts of cash liabilities and receivables from gross assets from SFTs)	-9,693
14	Counterparty default risk exposures for SFT assets	2,744
EU-14a	Divergent treatment of SFTs; counterparty default risk exposure in accordance with Article 429b (4) and Article 22 of Regulation (EU) No. 575/2013	-
15	Risk exposures from transactions realized as an agent	-
EU-15a	(Excluded CCP portion of customer-cleared SFT risk exposures)	-
16	Total of risk exposures from securities financing transactions (total of rows 12 to 15a)	29,068
Other off-balance-sheet risk exposures		
17	Off-balance-sheet risk exposures at their gross nominal value	59,255
18	(Adjustments for the conversion into credit equivalent amounts)	-37,151
19	Other off-balance-sheet risk exposures (total of rows 17 and 18)	22,104
(On-balance-sheet and off-balance-sheet risk exposures which may be excluded pursuant to Article 429 (14) of Regulation (EU) No. 575/2013)		
EU-19a	(On-balance-sheet and off-balance-sheet) intra-group risk exposures (individual basis) which are excluded pursuant to Article 429 (7) of Regulation (EU) No. 575/2013	-
EU-19b	(On-balance-sheet and off-balance-sheet risk exposures which may be excluded pursuant to Article 429 (14) of Regulation (EU) No. 575/2013)	-
Equity and leverage ratio total exposure measure		
20	Tier 1 capital	13,252
21	Leverage ratio total exposure measure (total of rows 3, 11, 16, 19, EU-19a and EU- 19b)	299,324
Leverage ratio		
22	Leverage ratio	4.4%
Application of transitional provisions and value of derecognized fiduciary items		
EU-23	Transitional provision chosen for the definition of the capital measure	Phase-in
EU-24	Amount of fiduciary assets removed from the balance sheet in accordance with Article 429 (11) of Regulation (EU) No. 575/2013	-

Figure 40: Uniform disclosure schema for the leverage ratio

EUR million		Exposure value of the CRR leverage ratio
EU-1	Total of on-balance-sheet risk exposures (excluding derivatives, SFTs and excluded risk exposures), of which:	226,722
EU-2	Risk exposures in the trading book	14,532
EU-3	Risk exposures in the trading book, of which:	212,190
EU-4	Covered bonds	13,444
EU-5	Risk exposures treated as risk exposures towards sovereigns	56,116
EU-6	Risk exposures to regional authorities, multilateral development banks, international organizations and public-sector bodies which are not treated as risk exposures towards sovereigns	394
EU-7	Institutions	41,935
EU-8	Collateralized by real estate liens	21,612
EU-9	Risk exposures from retail business	6,349
EU-10	Corporates	67,363
EU-11	Defaulted exposures	1,014
EU-12	Other risk exposures (e.g. equity investments, securitizations and other assets that are not loan commitments)	3,962

Figure 41: Breakdown of balance-sheet risk exposures (excluding derivatives, securities financing transactions (SFTs) and excluded risk exposures)

8 Liquidity coverage ratio (Article 435 CRR)

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

LBBW's liquidity ratio as of 30 June 2020 averaged 131.0% (as of 31 March 2020: 132.1%).

EUR million	Total weighted value (average)			
	30/09/2019	31/12/2019	31/03/2020	30/06/2020
Quarter ends on				
Number of data points used in the calculation of averages	12	12	12	12
Total adjusted value				
Liquidity buffer	63,106	61,487	59,128	58,819
Total net cash outflows	46,668	45,793	44,857	44,994
Liquidity coverage ratio (%)	135.4	134.3	132.1	131.0

Figure 42: EU LIQ1 - Weighted total values of LCR

9 Disclosures on COVID-19

The following chapter discloses the information on the effects of the COVID-19 crisis as required by EBA/GL/2020/07 of 2 June 2020.

Loans and advances subject to a moratorium						
EUR million		Of which: households	Households: Of which: secured by residential properties	Of which: non-financial corporations	Non-financial corporations: Of which: small and medium-sized enterprises	Non-financial corporations: Of which: secured by commercial properties
Gross carrying value	335	69	46	252	92	197
Performing	334	68	46	251	90	196
Of which: exposures with forbearance measures	2	0	0	1	0	1
Of which: instruments with a significant increase in credit risk since initial recognition, but not impaired (stage 2)	52	4	2	34	11	24
Non-performing	1	0	-	1	1	1
Of which: exposures with forbearance measures	1	-	-	1	1	1
Of which: unlikely to pay that are not past due or are past due <= 90 days	1	0	-	1	1	1
Accumulated impairment, accumulated negative changes in fair value due to credit risk	-2	0	0	-1	-1	-1
Performing	-2	0	0	-1	0	0
Of which: exposures with forbearance measures	0	0	0	0	0	0
Of which: instruments with a significant increase in credit risk since initial recognition, but not impaired (stage 2)	-1	0	0	0	0	0
Non-performing	0	0	-	0	0	0
Of which: exposures with forbearance measures	0	-	-	0	0	0
Of which: unlikely to pay that are not past due or are past due < 90 days	0	0	-	0	0	0
Gross carrying value						
Inflows in non-performing exposures	-	-	-	-	-	-

Figure 43: COVID-19 template 1

EUR million	Number of obligors	Gross carrying value							
			Of which: legislative moratoria	Of which: expired	Remaining term of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which a moratorium was submitted	1,651	663							
Loans and advances subject to a moratorium (granted)	1,648	623	239	288	212	116	7	0	-
Of which: households		304	236	236	42	22	5	0	-
Of which: secured by residential properties		214	167	169	35	10	1	-	-
Of which: non-financial corporations		304	3	52	156	94	2	0	-
Of which: small and medium-sized enterprises		134	3	42	65	25	2	0	-
Of which: secured by commercial properties		231	1	34	144	52	2	-	-

Figure 44: COVID-19 template 2

In addition to the legislative moratorium for consumers, LBBW also uses private moratoria of DSGV (Deutscher Sparkassen- und Giroverband), VdP (Verband der Pfandbriefbanken) and VÖB (Bundesverband Öffentlicher Banken Deutschlands). The KfW private moratorium for development loans is also used. This has been disclosed to the regulatory authorities.

LBBW thereby allows customers affected by the COVID-19 crisis to defer the loan repayments due for up to six months, or nine months for KfW development loans.

EUR million	Gross carrying value		Total amount of eligible guarantee	Gross carrying value
		Of which: forborne	Public guarantees received	Inflows in non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	216	-	185	-
Of which: households	11			-
Of which: secured by residential properties	0			-
Of which: non-financial corporations	206	-	175	-
Of which: small and medium-sized enterprises	111			-
Of which: secured by commercial properties	17			-

Figure 45: COVID-19 template 3

Newly originated exposures subject to public guarantee schemes essentially comprise KfW (Kreditanstalt für Wiederaufbau) loans with indemnity. No deferrals have been granted for these loans. To date this has not given rise to any inflows in non-performing exposures.

Appendix – country allocation

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

List of abbreviations

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

Index of tables

Figure 1: Type and amounts of capital instruments.....	5
Figure 2: Comparison of own funds and capital and leverage ratio applying and not applying transitional provisions for IFRS 9 in conjunction with Article 473a CRRII.....	6
Figure 3: Countercyclical capital buffer	7
Figure 4: Determining the institution-specific countercyclical capital buffer (pursuant to Article 140 CRD).....	8
Figure 5: Institution-specific countercyclical capital buffer (Article 140 CRD).....	8
Figure 6: EU OV1 – Overview of risk weighted assets (RWA) (Article 438 (c) to (f) CRR).....	9
Figure 7: EU CR10 – IRB specialized lending exposures and equity investments with a fixed risk weight.....	11
Figure 8: EU CR5 – CRSA – Breakdown by risk category and risk weight (Article 444 (e) CRR)	13
Figure 9: EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range (Article 452 (e) to (g) CRR)	17
Figure 10: EU CR8 – RWA flow statements of credit risks under the IRB approach (Article 438 (d) CRR and Article 92 (3) (a) CRR).....	18
Figure 11: EU CR1-A – Credit quality of exposures by exposure classes and instruments (Article 442 (g) and (h) CRR).....	21
Figure 12: EU CR1-B – Credit quality of exposures by industry sector (Article 442 (g) and (h) CRR)	22
Figure 13: EU CR1-C – Credit quality of exposure by country and geographic area (Article 442 (g) and (h) CRR).....	23
Figure 14: EU CR2-A – Changes in holdings of general and specific credit risk adjustments (Article 442 (i) CRR)	25
Figure 15: EU CR2-B – Changes in the holdings of defaulted and impaired loans and debt securities (Article 442 (i) CRR)	25
Figure 16: EU CR1-D – Maturity structure of past-due exposures (Article 442 (g) and (h) CRR).....	25
Figure 17: EU CR1-E – Non-performing and forborne exposures (Article 442 (g) and (i) CRR)	26
Figure 18: Credit quality of forborne exposures (template 1 of EBA-GL).....	27
Figure 19: Credit quality of performing and non-performing exposures by past due days (template 3 of EBA-GL)	28
Figure 20: Performing and non-performing exposures and related provisions (template 4 of EBA-GL)	29
Figure 21: EU CR3 – Credit risk mitigation techniques – overview (Article 453 (f) and (g) CRR).....	32
Figure 22: EU CR4 – Standardized approach – credit risk and impact of credit risk mitigation (Article 444 (e) CRR)	33
Figure 23: EU CR7 – IRB approach – Effect on the RWAs of credit derivatives used as credit mitigation techniques (Article 453 (g) CRR)	34
Figure 24: EU CCR1 – Analysis of counterparty credit risk by approach (Article 439 (e), (f) and (i) CRR)	35

Figure 25: EU CCR2 – Credit Valuation Adjustment capital charge (Article 439 (e) and (f) CRR)	36
Figure 26: EU CCR3 – Standardized approach – counterparty credit risk exposures by regulatory portfolio and risk weight (Article 444 (e) CRR in conjunction with Article 92 (3) (a) and (f) CRR)	36
Figure 27: EU CCR4 – IRB approach – counterparty credit risk exposures by portfolio and PD range (Article 452 (e) CRR and Article 92 (3) (a) and (f) CRR)	39
Figure 28: EU CCR5-A – Impact of netting and collateral held on exposure values (Article 439 (e) CRR)	40
Figure 29: EU CCR5-B – Composition of collateral for exposures to counterparty credit	40
Figure 30: EU CCR6 – Credit derivatives exposures (Article 439 (g) and (h) CRR)	41
Figure 31: EU CCR 8 – Exposures to central counterparties (Article 439 (e) and (f) CRR)	42
Figure 32: EU MR1 – Market risk under the standardized approach (Article 445 CRR)	43
Figure 33: EU MR4 – Value at risk of the CRR portfolio under the Internal Model Method and hypothetical buy-and-hold losses (Article 455 (g) CRR)	45
Figure 34: EU MR4 – Value at risk of the CRR portfolio under the Internal Model Method and actual portfolio changes excluding commissions and fees (Article 455 (g) CRR)	46
Figure 35: EU MR2-A – Market risk under the Internal Model Method (Article 455 (e) CRR)	47
Figure 36: EU MR2-B – RWA flow statement of market risk exposures under the Internal Model Method (IMM) (Article 455 (e) CRR)	48
Figure 37: EU MR3 – IMA values for trading portfolios (Article 455 (d) CRR)	49
Figure 38: Disclosure of qualitative elements	50
Figure 39: Comparison between balance sheet and overall exposure value measurement	51
Figure 40: Uniform disclosure schema for the leverage ratio	52
Figure 41: Breakdown of balance-sheet risk exposures (excluding derivatives, securities financing transactions (SFTs) and excluded risk exposures)	53
Figure 42: EU LIQ1 – Weighted total values of LCR	54
Figure 43: COVID-19 template 1	55
Figure 44: COVID-19 template 2	56
Figure 45: COVID-19 template 3	57

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