

An aerial photograph of the LBBW building, showing a large glass atrium with multiple levels and a modern facade. The building's name 'LBBW' is visible on the upper left part of the facade. The atrium is filled with people walking on different levels, and the glass reflects the surrounding environment.

**LBBW**

28/08/2023

**LBBW**  
Breaking new ground

# LBBW posts significant growth in H1 2023

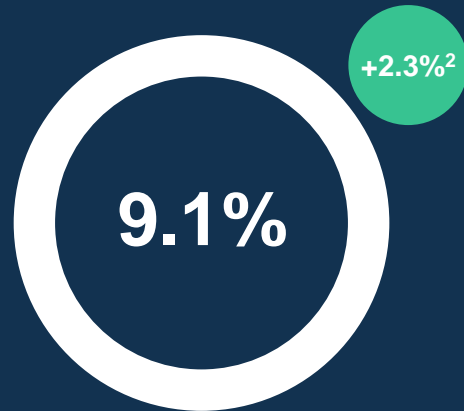
Profit before tax improved by 45% to € 691 million

# Best half-year result since 2007 - focus on growth and relevance

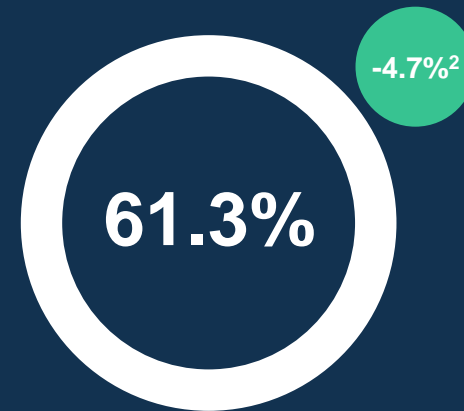
Profit before tax



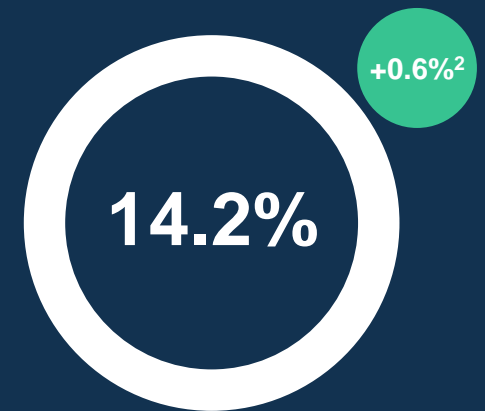
Return on equity



Cost/income ratio



CET 1 capital ratio



**Broad income base -**  
All customer segments  
with contributions to  
income of more than  
€ 100 million each



Strategic investments in  
**growth areas bear fruit**



**Strong profit growth**  
improves CIR



**Capitalization via**  
regulatory requirements

<sup>1</sup> Change compared to 06/2022

<sup>2</sup> Change compared to 06/2022 in %-points

# At the same time, challenges from the environment increase



Medium-sized universal bank

# Strategic alignment addresses the challenges of tomorrow

## Growth and Relevance



### Sustainable Transformation

Companion of the economic & social change

- **No. 1 ESG advisor** according to Finance magazine
- Among the **largest issuers of ESG bonds** in Europe



### Innovative Solutions

Universal solution provider for customers

- Pilot issue **digital security**
- Increase of **cross sell income**



### Enhanced Resilience

Optimize business model & risk management

- **Increase of CET 1 ratio** by 0.6%
- **RWA revenue productivity** +62 bp vs. PY
- Further development **Cyber Risk Management**



### Inspire Employees

Attracting, developing and retaining skilled workers

- In the first HY 2023 **62% more new hires**
- **-11% disposals** vs. PY



### Social Contribution

Social developments, discourses and initiatives

- Central Corporate **Volunteering offerings**
- **1 day off from work** p. a. to volunteer at LBBW initiated actions

# Today's priorities are actively addressed



## Profitability



- ✓ Expansion of **RWA revenue productivity**
- ✓ Safeguarding and profitabilization of **deposit volume**
- ✓ Prioritizing **growth investments** in the context of rising **costs**

## Resilience

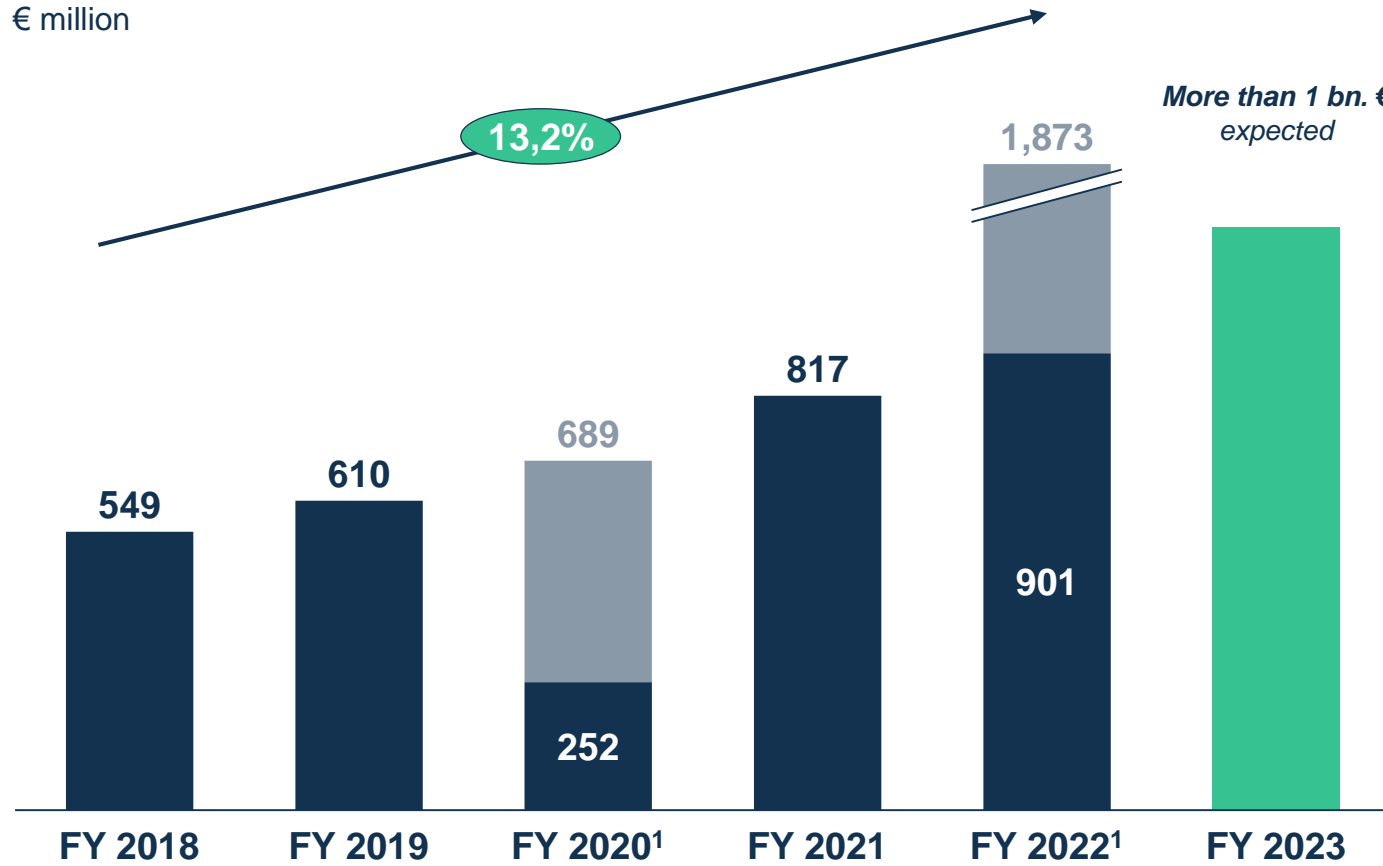


- ✓ **Proactive management** of the **real estate cycle** and the economic risks in the **corporate customer portfolio**
- ✓ Mobilization of the asset side through **securitizations and investor orientation**
- ✓ Management of **increasing capital-/ liquidity requirements**
- ✓ **Minimizing and managing** potential **cyber risks**

# Sustained increase in profit confirms LBBW's strong foundation

## Profit before tax

€ million



- Profit growth continuously driven forward
- Interest rates and acquisition of Berlin Hyp lead to significant jump in profit

Differences due to rounding

<sup>1</sup> Adjusted for special effects (2020: Risk provision for individual case & Covid 19; 2022: Valuation effect Berlin Hyp initial consolidation)

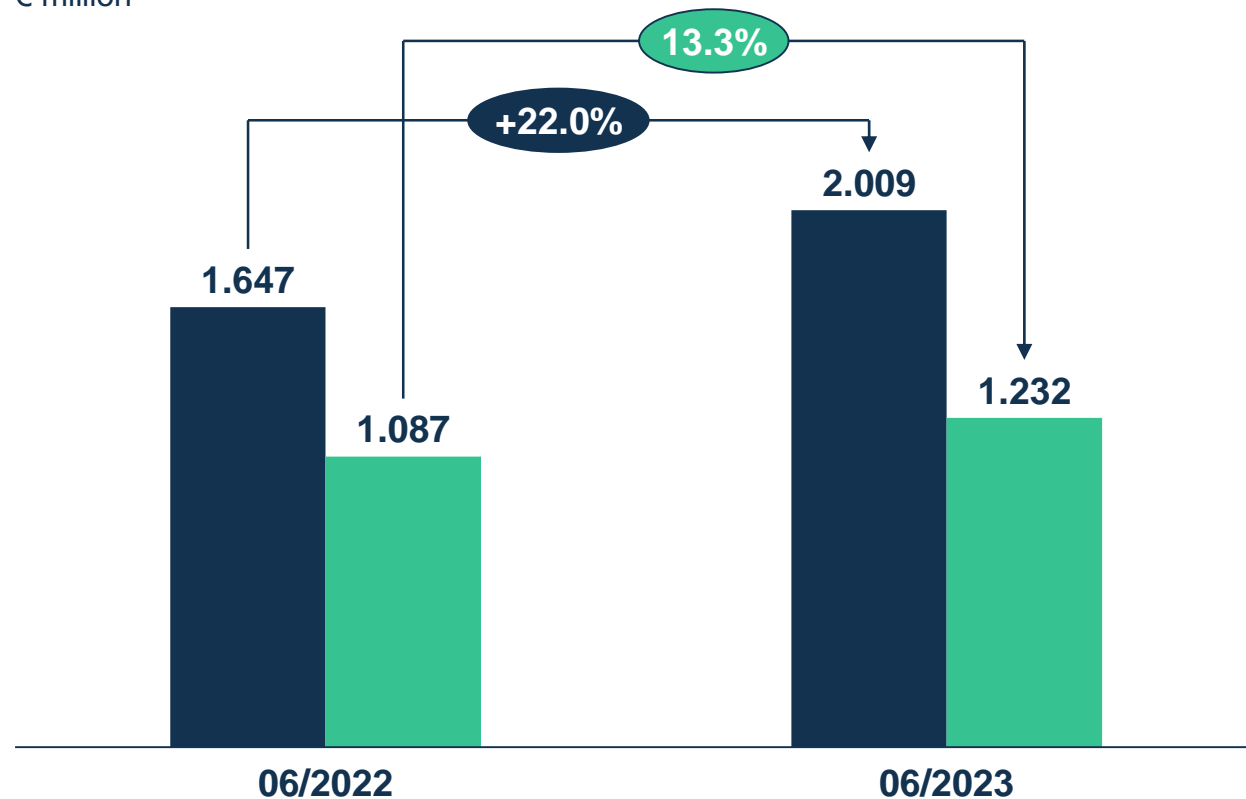
= CAGR



# Higher income - expenses under control

## Income and expenses

€ million



Income Expenses

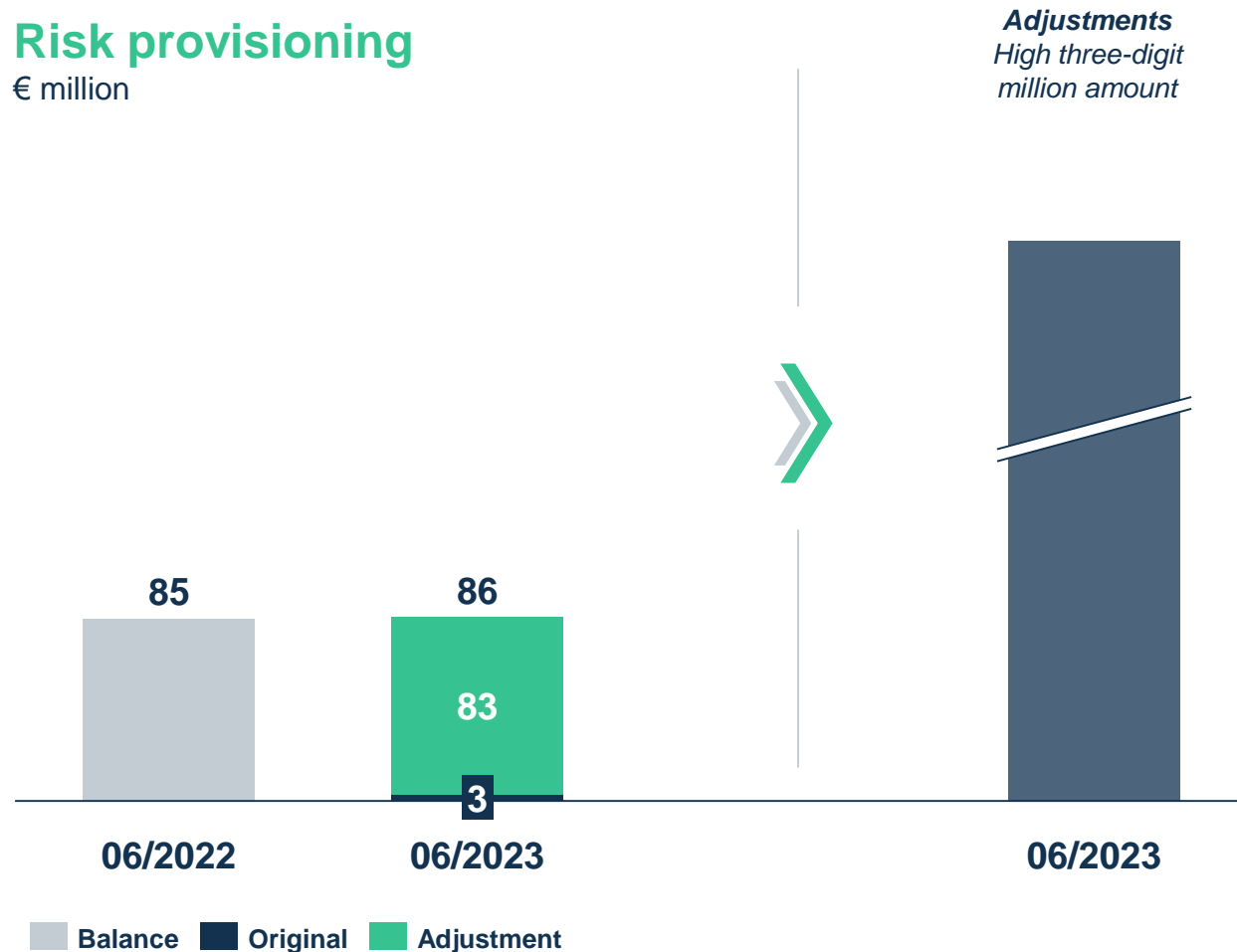
Differences due to rounding

- All four operating segments contribute significantly to the increase in profit (+22%)
- Increased interest rates and very good customer business make significant contribution
- Strategic investments in IT infrastructure and capacity building in clearly defined growth areas
- 2023 Berlin Hyp income and expenses included for the first time

# Original risk provisioning remains low at Group level underlines high quality of risk management

## Risk provisioning

€ million



- Continued stable level of risk provisioning with likewise low NPE ratio (0.4%)
- LBBW remains robustly positioned also due to adjustments
- Cost of risk<sup>1</sup> as of 06/2023 at 11bp

Differences due to rounding

<sup>1</sup> Cost of risk balance sheet as of 06/2022 at 14 bp, as of 06/2023 at 11bp; Additional definition: Cost of risk (net exposure) as of 06/2022 at 8 bp, as of 06/2023 at 7bp

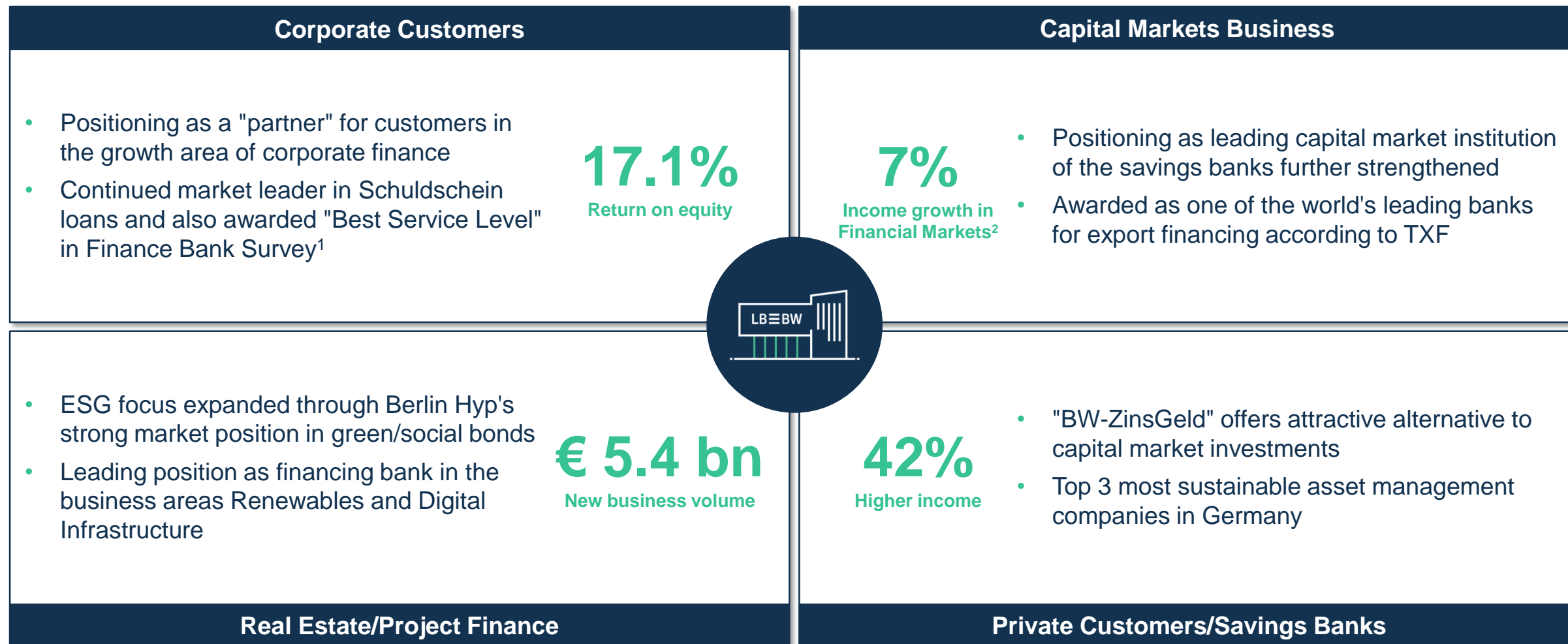


# Sustainable and balanced structure of segments serves as a stable basis



Differences due to rounding

# The bank's four operating segments offer a customer-oriented product range with a strong profit base

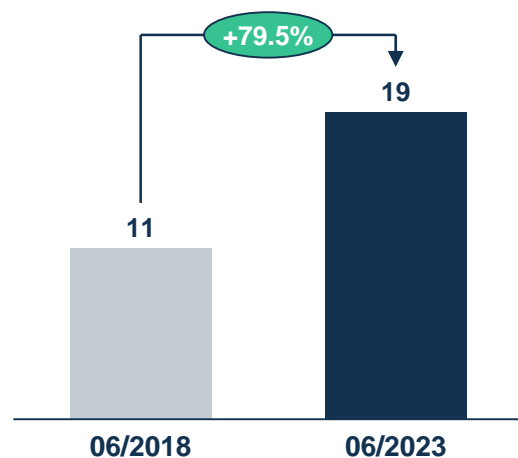


<sup>1</sup> Finance Research Banken Survey 2023, <sup>2</sup> Customer-related part of the segment

# Successful expansion of strategic growth areas in the past 5 years

## Expansion Corporate Finance

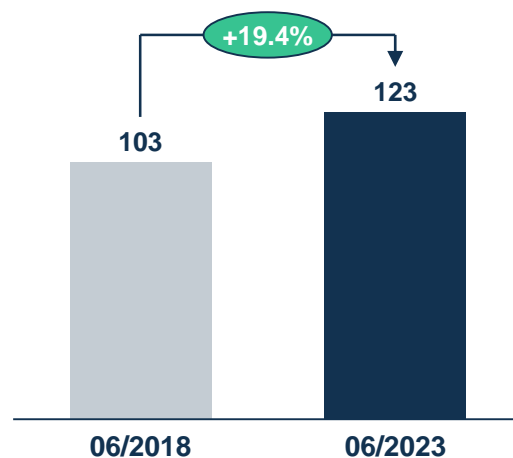
Financing volume in € billion



- Successful with our customers in financing solutions
- Successive establishment & expansion of corporate finance spectrum pays off

## Expansion AWM<sup>1</sup>

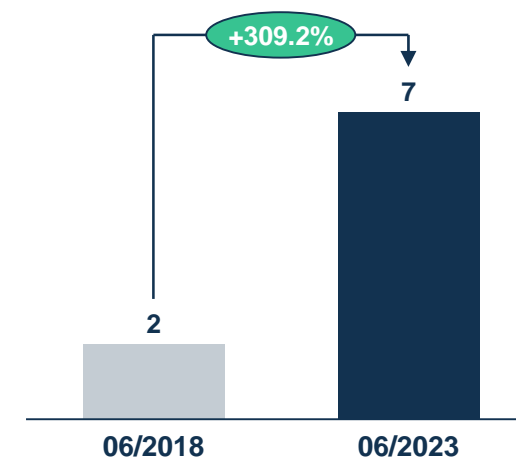
Assets under management in € billion



- LBBW AWM with broad expertise relevant player in the market
- Wide range of products to fully cover our customers' needs

## Sales of retail-targeted structured notes

Sales volume in € billion



- Turnaround in interest rates as key driver in combination with strong equity-based business
- Continuous expansion of market share from 12% to 16% over the last 5 years

Differences due to rounding

<sup>1</sup> Asset and Wealth Management

# Outlook 2023 - LBBW's strategic orientation with a viable business model as the basis for sustainable growth

## Strategy works

Best half-year result since 2007 provides good basis for achieving long-term strategic goals

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The viable business model of the "**Best Medium-Sized Universal Bank**" with **four strong customer segments** remains the basis for LBBW's market position



Further development of the strategy sharpens the focus on **Growth and Relevance**. Cross-segment levers strengthen the universal bank in this context.



Thanks to the **conservative risk policy** and corresponding provisioning, LBBW is resiliently positioned for financial and non-financial risks.



Following the strong first half of the year, LBBW expects a clearly positive **consolidated profit** before tax of more than € 1 billion for **the full year 2023**.

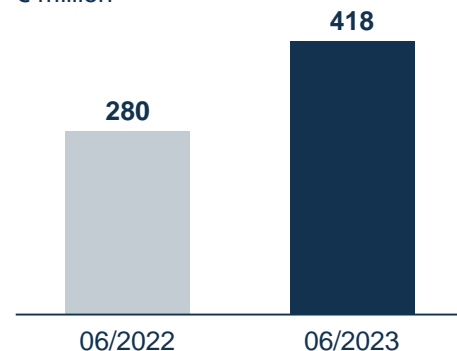
# Agenda

01	Segments	Page 13
02	Risk	Page 18
03	Capital	Page 25
04	Funding and Liquidity	Page 29
05	Sustainability	Page 35
06	Appendix	Page 39

# Corporate Customers: Resilient business model and established customer relationships pay off

## Profit before tax

€ million



€ mln	06/2022	Δ %	06/2023
<b>Total operating income/expenses</b>	<b>604</b>	<b>25%</b>	<b>757</b>
of which income	616	22%	752
of which allowances for losses on loans and securities	-12	-	5
<b>Expenses</b>	<b>-324</b>	<b>5%</b>	<b>-339</b>
of which administrative expenses	-295	5%	-309
<b>Consolidated profit/loss before tax</b>	<b>280</b>	<b>49%</b>	<b>418</b>
<b>RoE</b>	<b>10.8%</b>	6.3 p.p.	<b>17.1%</b>
<b>CIR</b>	<b>52.5%</b>	-7.5 p.p.	<b>45.1%</b>

Differences due to rounding

<sup>1</sup> PY incl. adjustments

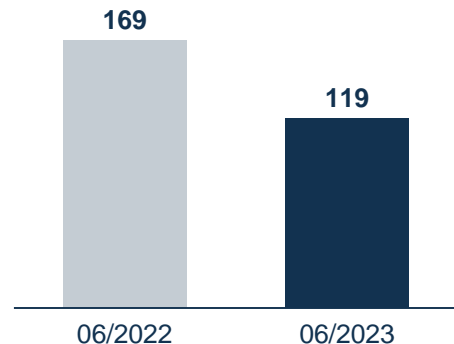
## Significant increase in profit

- Strong operating performance driven by significantly higher deposit revenues and continued good performance in cross-sell
- Good portfolio quality reflected in unremarkable risk provisioning for losses on loans and securities – reversal of last year´s provisions
- Investments made in focus products such as Corporate Finance and progress made in product development at Environmental Products

# Real Estate/Project Finance: Increased adjustments burden income, significant profit contribution despite difficult environment

## Profit before tax

€ million



€ mln	06/2022	Δ %	06/2023
<b>Total operating income/expenses</b>	<b>278</b>	<b>23%</b>	<b>341</b>
of which income	325	39%	450
of which allowances for losses on loans and securities	-46	>100	-109
<b>Expenses</b>	<b>-110</b>	<b>&gt;100</b>	<b>-222</b>
of which administrative expenses	-96	>100	-192
<b>Consolidated profit/loss before tax</b>	<b>169</b>	<b>-29%</b>	<b>119</b>
<b>RoE</b>	<b>17.2%</b>	<b>-10.3 p.p.</b>	<b>6.9%</b>
<b>CIR</b>	<b>33.8%</b>	<b>15.5 p.p.</b>	<b>49.3%</b>

Differences due to rounding

<sup>1</sup> PY incl. adjustments

## Decline in profit due to risk provisioning

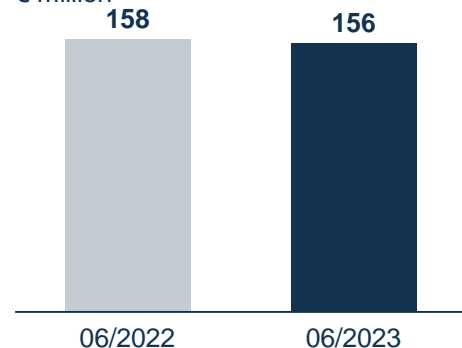
- New real estate financing business of € 5.4 billion despite difficult market situation; project financing business even grew significantly to € 1.5 billion
- Share of green financing in total CRE portfolio increased to 36%
- Allowances for losses on loans and securities dominated by adjustments, original allowances for losses on loans and securities remain manageable
- Increase in expenses mainly due to integration of Berlin Hyp



# Capital Markets Business: Profit at previous year's level despite difficult market situation and investments

## Profit before tax

€ million



€ mln	06/2022	Δ %	06/2023
<b>Total operating income/expenses</b>	<b>437</b>	<b>2%</b>	<b>447</b>
of which income	476	-9%	432
of which allowances for losses on loans and securities	-39	-	16
<b>Expenses</b>	<b>-279</b>	<b>4%</b>	<b>-291</b>
of which administrative expenses	-236	6%	-250
<b>Consolidated profit/loss before tax</b>	<b>158</b>	<b>-2%</b>	<b>156</b>
<b>RoE</b>	<b>11.4%</b>	2.5 p.p.	<b>13.9%</b>
<b>CIR</b>	<b>58.6%</b>	8.9 p.p.	<b>67.5%</b>

Differences due to rounding

<sup>1</sup> PY incl. adjustments

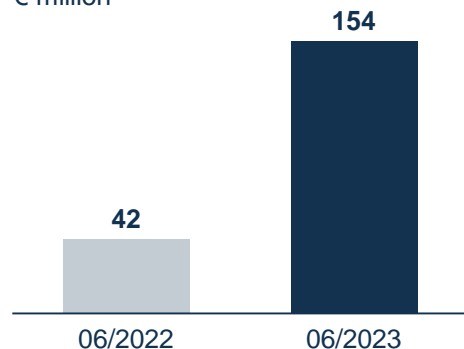
## Profit stable despite challenging market environment

- Heterogeneous development in the individual business areas due to market conditions
- Continued high customer demand for hedging and investment products, particularly in the business with retail targeted structured notes
- Growth cases AWM and depositary business further expanded

# Private Customers/Savings Banks: Increase in income still largely driven by deposit business as a result of good interest rate development

## Profit before tax

€ million



€ mln	06/2022	Δ %	06/2023
<b>Total operating income/expenses</b>	<b>287</b>	<b>41%</b>	<b>403</b>
of which income	283	42%	401
of which allowances for losses on loans and securities	3	-29%	2
<b>Expenses</b>	<b>-245</b>	<b>2%</b>	<b>-250</b>
of which administrative expenses	-242	2%	-248
<b>Consolidated profit/loss before tax</b>	<b>42</b>	<b>&gt;100</b>	<b>154</b>
<b>RoE</b>	<b>7.6%</b>	<b>19.4 p.p.</b>	<b>27.0%</b>
<b>CIR</b>	<b>86.4%</b>	<b>-24.2 p.p.</b>	<b>62.2%</b>

Differences due to rounding

<sup>1</sup> PY incl. adjustments

## Profit significantly increased

- Normalization of interest rate environment leads to significant increase in profitability
- Deposit business makes high positive contribution to income
- Risk profile remains good
- High cost discipline visible

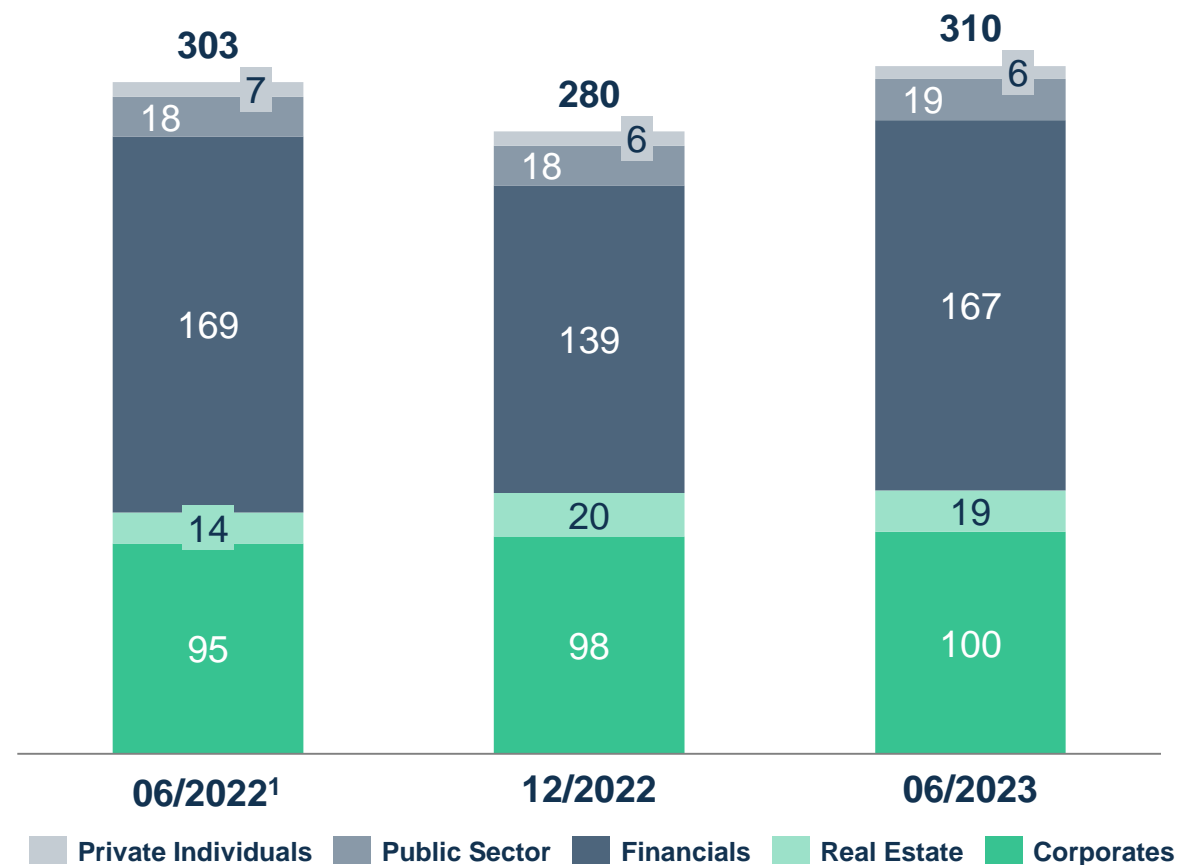
# Agenda

01	Segments	Page 13
02	Risk	Page 18
03	Capital	Page 25
04	Funding and Liquidity	Page 29
05	Sustainability	Page 35
06	Appendix	Page 39

# Further growth in corporate portfolio – Financials dominated by central banks and savings banks

## Net exposure by sector

€ billion



### Net exposure in the 1st quarter HY 2023 expanded

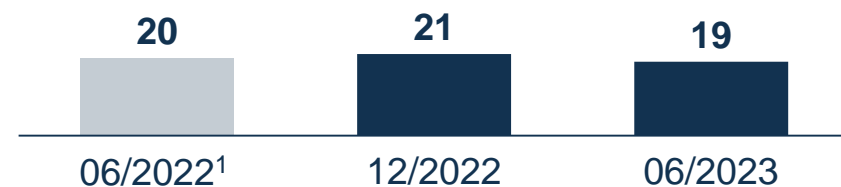
- **Corporates:** Diversification further advanced with expansion of growth sectors
- **Financials:** Increase at central banks and savings banks in particular
- Regional focus mainly on Germany (approx. 68.4%) and Western Europe<sup>2</sup> (approx. 17.0%)

Differences due to rounding / <sup>1</sup> Adjustment of prior-year figures due to methodological enhancements in the presentation of central bank deposits / <sup>2</sup> excluding Germany

# Continued high quality of diversified portfolio reflected in good risk ratios

## Ø PD net exposure

bp

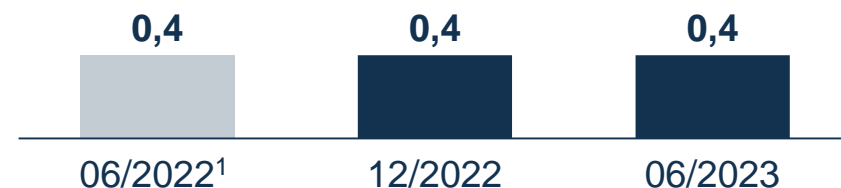


### Ø-PD net exposure slightly improved

93.0% of net exposure in investment grade (12/22: 91.3%)

## NPE ratio

%

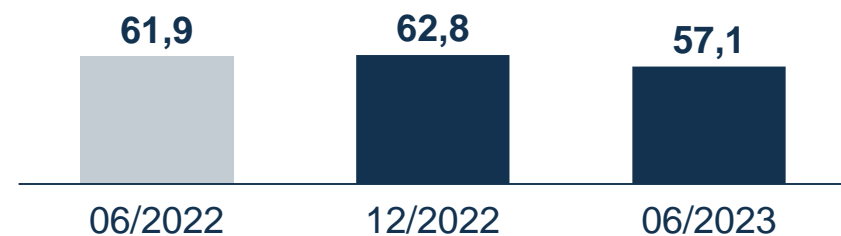


### NPE ratio remains stable

Reflects continued high quality of loan portfolio

## Coverage ratio

%



### Continued good coverage

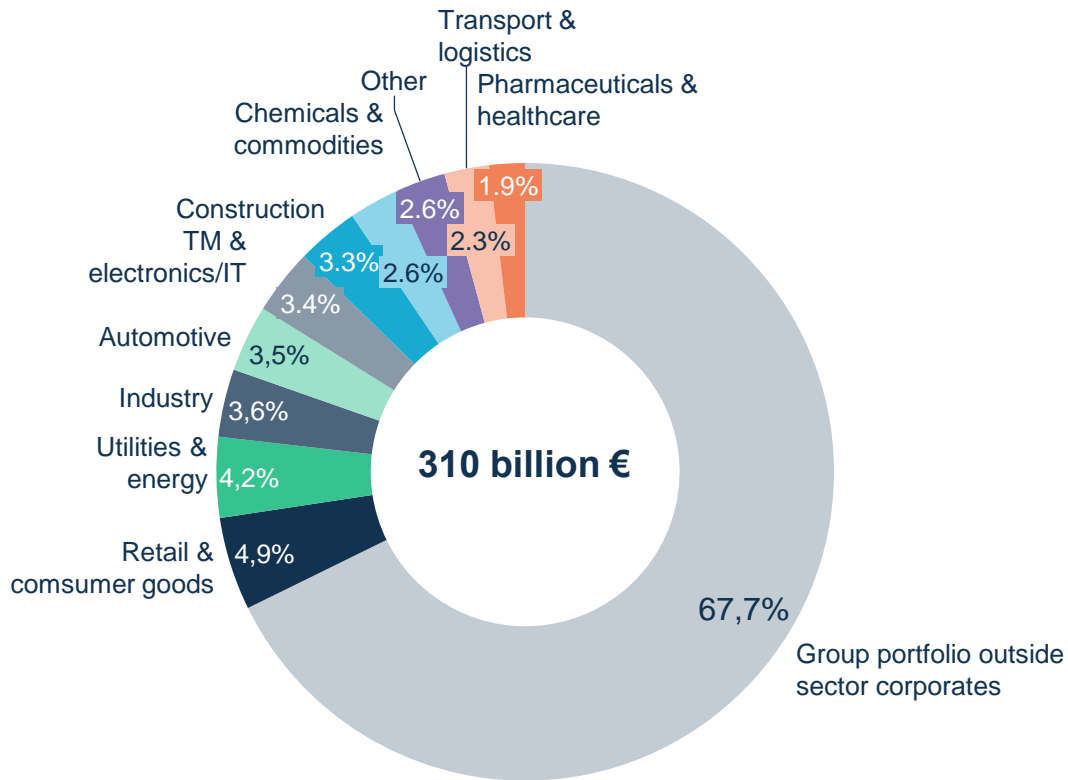
Decrease partly due to slight increase in NPE

Differences due to rounding / <sup>1</sup> Adjustment of prior-year figures due to methodological enhancements in the presentation of central bank deposits

# Balanced industry mix in the corporate portfolio

## LBBW Group

Shares of the corporate sectors



### Main sector corporates without concentration risks

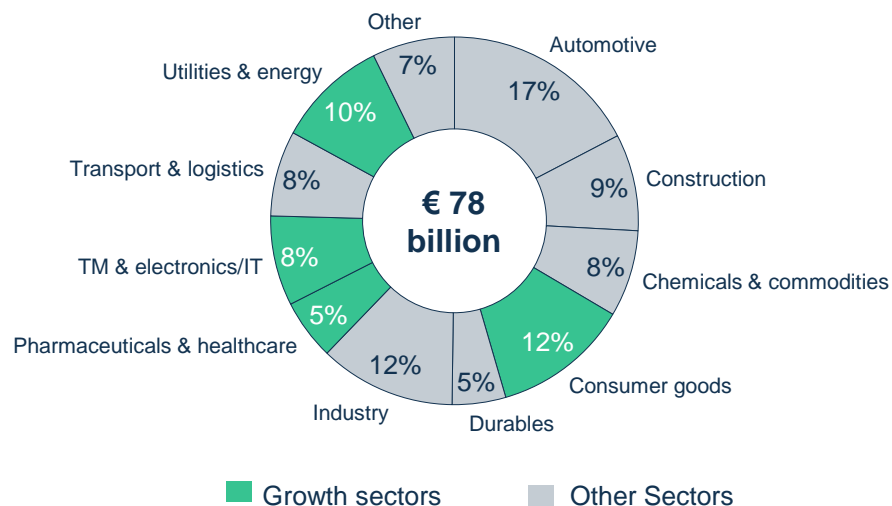
- Corporate portfolio with a share of around one third of the total Group portfolio
- Corporate portfolio with **balanced industry structure**
- **No industry with share >5%** in relation to total Group portfolio

Differences due to rounding  
Distribution of net exposure in % as of 06/2023

# Corporates: Portfolio diversification successfully driven forward since 2018 – growth sectors expanded

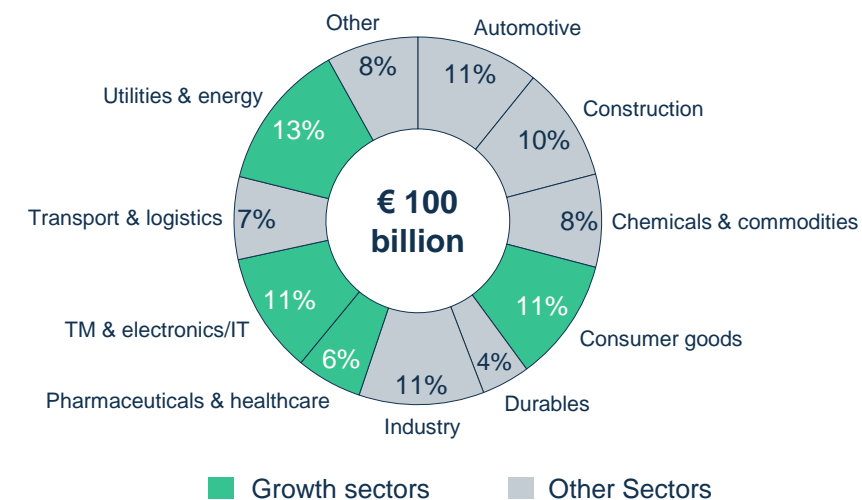
## Corporates as of 12/2018

Share of sector Corporates in %



## Corporates as of 06/2023

Share of sector Corporates in %.



## Broad diversification achieved across all sectors at Corporates

- Substantial and targeted portfolio expansion of € 22 billion since 2018
- At the same time portfolio developed on a balanced mix of sectors with individual shares <15%
- Absolute Automotive exposure reduced in consultation with customers and through redemptions - due to portfolio expansion, especially in the focus sectors, Automotive share in Corporates currently below 11%
- Growth sectors continuously expanded since 2018 (share currently at 40%)

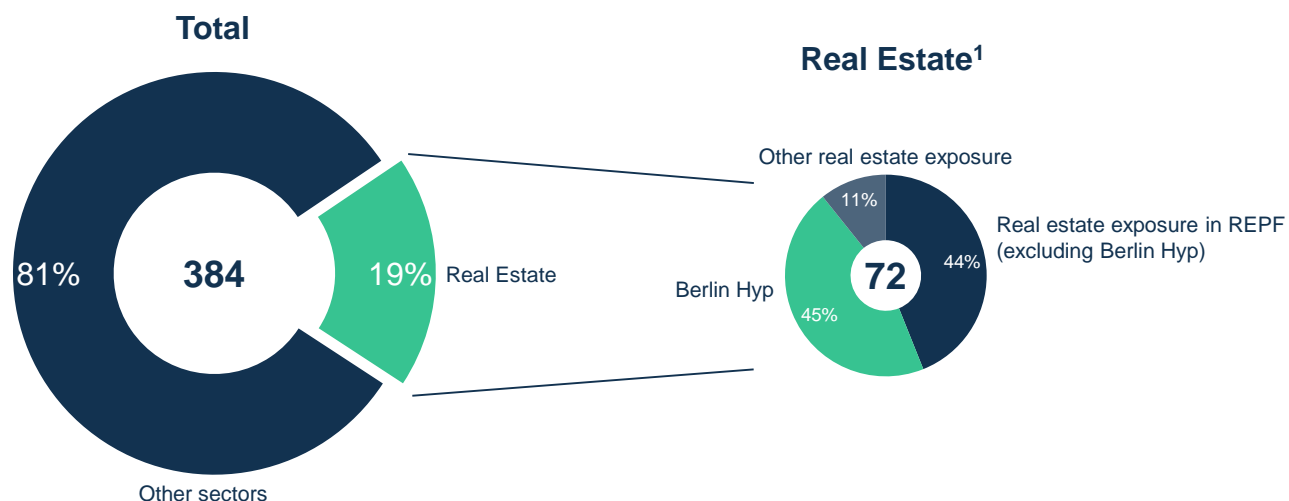
Differences due to rounding



# Real estate exposure in the LBBW Group in established asset classes and core markets

LBBW exposure as of 06/2023

billion €



## Real Estate Exposure

- Real Estate **19% of total exposure** (incl. Berlin Hyp)
- Real estate exposure in the **segment REPF<sup>2</sup> excluding Berlin Hyp in the amount of € 31.5 billion** includes large-volume commercial real estate financing (CRE) and housing, focus on **Germany** with foreign markets in **North America** and **UK**
- Real estate exposure of **Berlin Hyp in the amount of € 32.5 billion** with focus on **Germany** and foreign markets in **France, Benelux, Poland**, focus on CRE and housing industry
- **Other real estate commitments** include among others **wealth management** customers and decentrally managed, **small-volume regional business**

## Commercial Real Estate (CRE)



- Non-recourse financing important revenue pillar supplemented by RWA neutral commission business with consulting services
- Focus on established asset classes and core markets with unchanged risk and return standards
- Underwriting Standards: Debt service capability, LTV, occupancy rate, ESG status, sponsor quality

## Housing

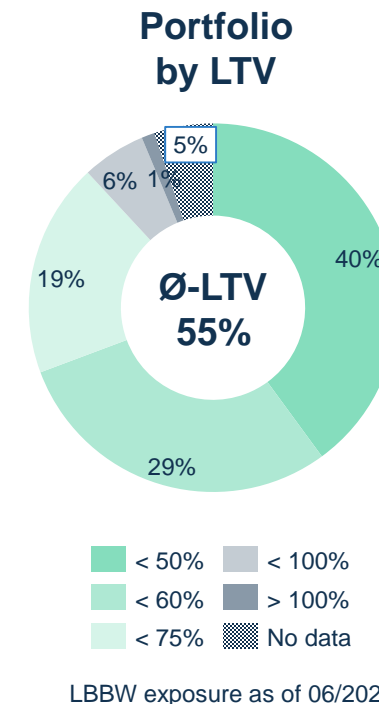
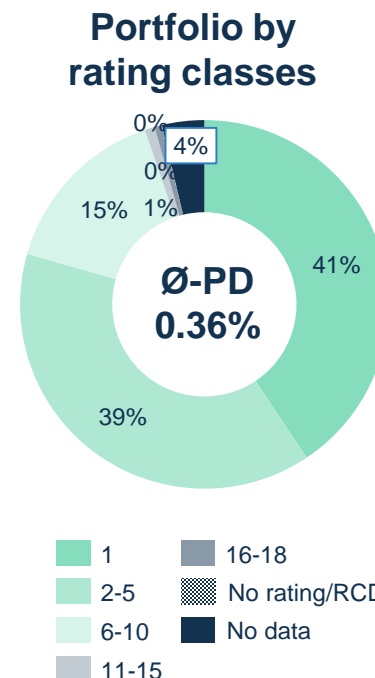
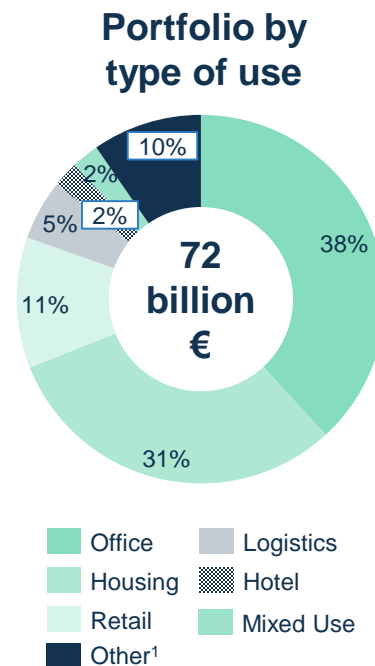
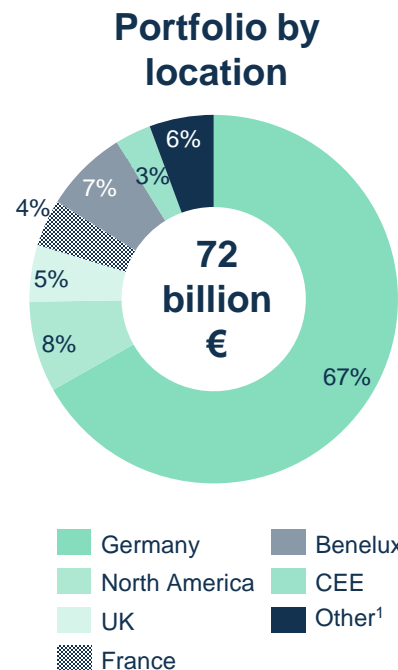


- Focus on German residential portfolios (public-sector housing associations, cooperatives and private investors) with historically low default rates

Differences due to rounding

<sup>1</sup> Real estate exposure excluding construction financing for private customers of around € 7.5 billion. / <sup>2</sup> Real Estate/Project Finance segment

# Real estate: Portfolio well diversified and with high portfolio quality



## Portfolio well diversified across locations and types of use with high portfolio quality

- **Locations:** Focus on core market Germany with approx. 2/3 of exposure. Good diversification of international markets
- **Usage types:** Approx. 80% of the exposure in the asset classes office/residential/retail
- **Rating:** Approximately 80% of the portfolio has a rating in the investment grade range (rating classes 1 to 5). The almost unchanged Ø-PD (previous report 12/2022: 0.33%) underlines the appropriate risk management and high quality of the portfolio
- **LTV:** Moderate LTV level, slightly increased compared to the previous report LTV level (12/2022: 53%). Just under 70% of the portfolio has an LTV < 60%

Differences due to rounding

¹ Includes a sub-portfolio of EUR 2.5 billion for which no evaluable data on location and type of use are available

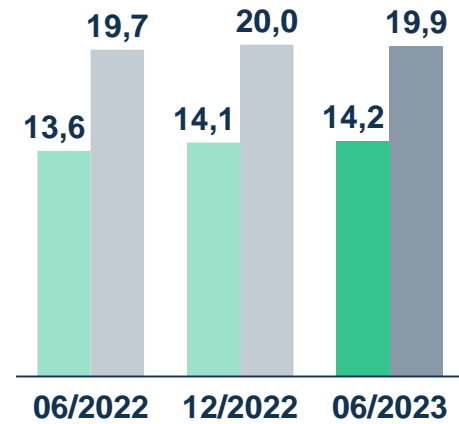
# Agenda

01	Segments	Page 13
02	Risk	Seite 18
03	Capital	Page 25
04	Funding and Liquidity	Page 29
05	Sustainability	Page 35
06	Appendix	Page 39

# Solid capital base despite business growth, Berlin Hyp takeover and market volatilities

## Capital ratios

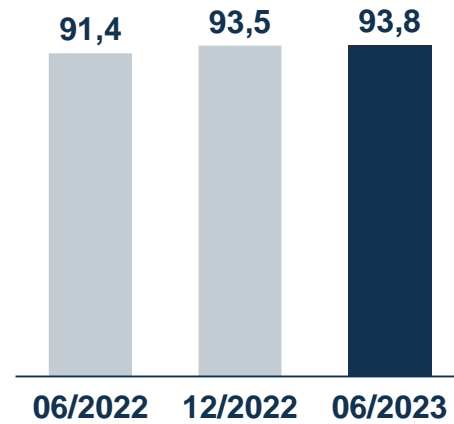
Fully loaded, %



Common Equity Tier 1 capital ratio (CET1)  
Total capital ratio

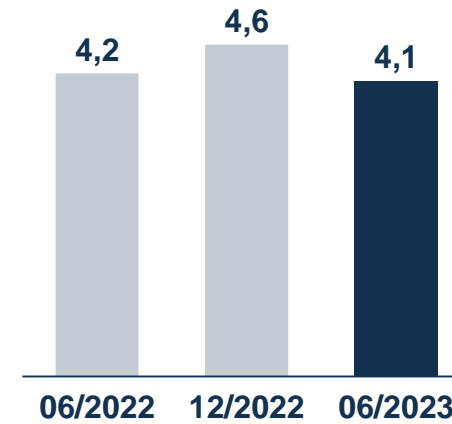
## RWA

Fully loaded, € billion



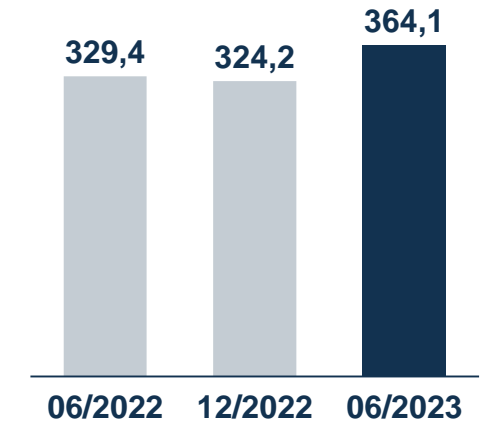
## Leverage ratio

Fully loaded, %



## Total assets

€ billion



### CET1 ratio with slight increase

- RWA vs. 12/2022 almost unchanged
- Capital strengthening from retention of profit

### Leverage ratio at a good level

- Business expansion at sovereigns and central banks

### Total assets expanded

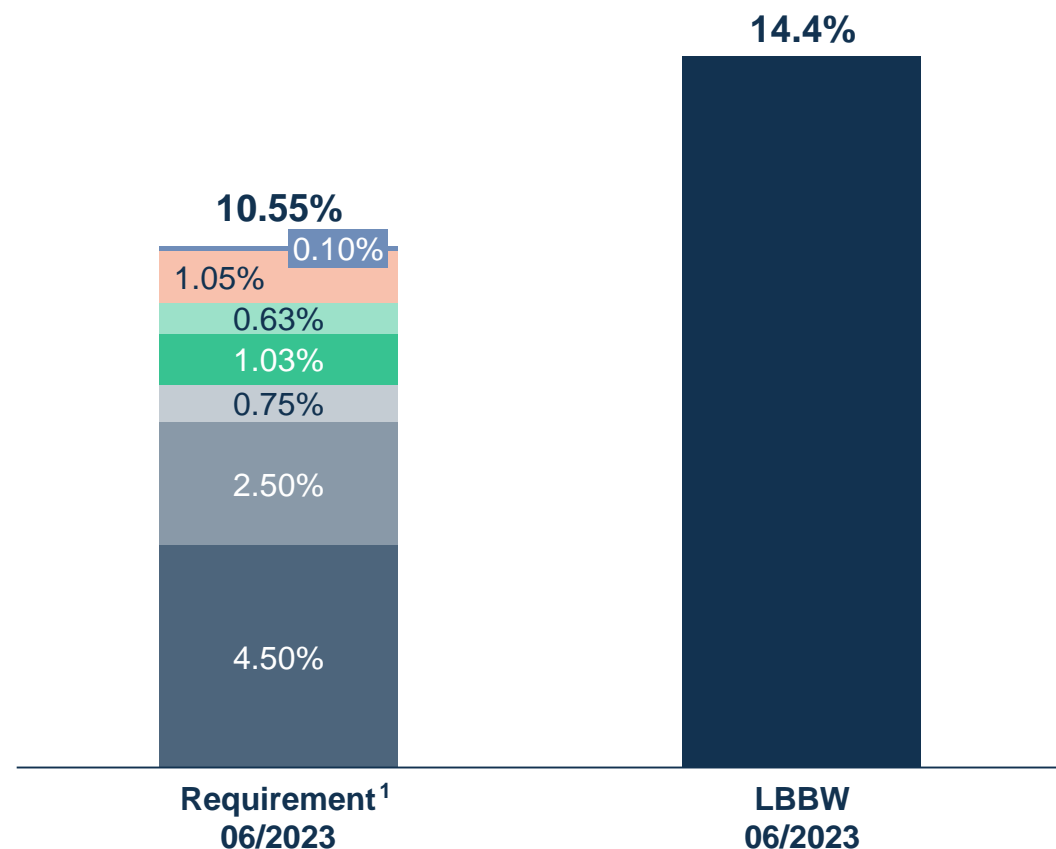
- Increase in deposit facility at the ECB

Differences due to rounding

# Regulatory requirements for CET1 capitalization and capital requirements significantly exceeded as of 30 June 2023

## Common Equity Tier 1 capital ratio (CET1 ratio)

Phase-in



## LBBW significantly exceeds capital requirements as of 06/2023

- CET1 requirement as of 30 June 2023 of 10.55% clearly exceeded - Even taking into account the Pillar II guidance (P2G) that goes beyond the mandatory requirement
- Pillar II requirement (P2R) reduced by ECB from 1.88% to 1.83%
- Countercyclical capital buffer as of 01 February 2023 in the amount of 0.75% of RWA on domestic risk positions subject to capital requirements



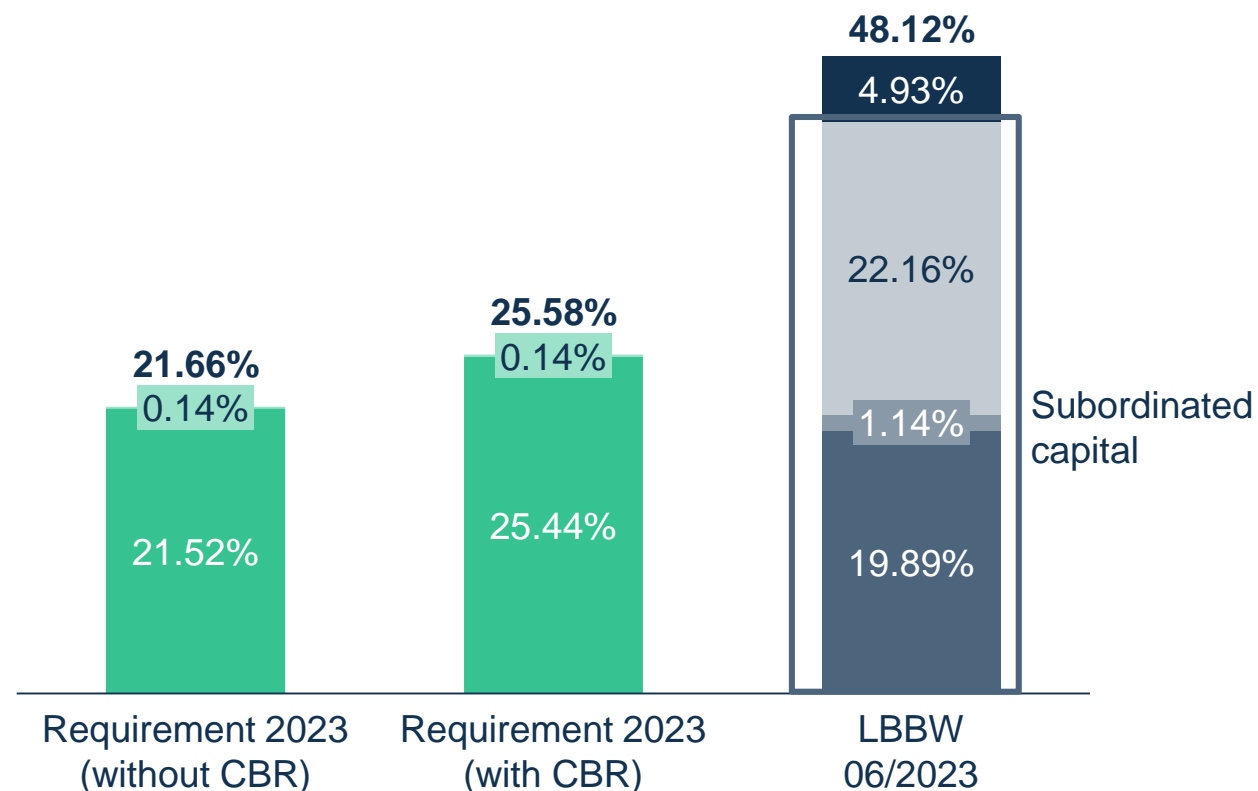
Differences due to rounding

<sup>1</sup> The countercyclical capital buffer, the buffer for systemic risks and the current AT1 shortfall must be maintained, each from common equity Tier 1 capital. In addition, the ECB supervisory authority expects further Common Equity Tier 1 capital to be held in subsequent years for sustainable capital management / <sup>2</sup> As of 1 February 2023, introduction of a buffer for systemic risks of 2% on receivables for which real estate liens on residential real estate located in Germany are taken into account in the calculation of capital requirements

# Regulatory requirements for MREL equipment remain stable and are exceeded substantially

## MREL ratio

related to TREA



- LBBW substantially exceeds MREL requirement
- 87% of all MREL-eligible liabilities are subordinated liabilities
- Subordinated liabilities represent 43.19% of total RWA
- **LRE requirement of 7.02%** was significantly exceeded at 13.14% as of the reporting date of 06/2023
- LBBW as Single Point of Entry, also for Berlin Hyp

Other capital    Senior Preferred    Subordinated  
 Subordinated capital    Senior Non-Preferred    Own Funds

Differences due to rounding

# Agenda

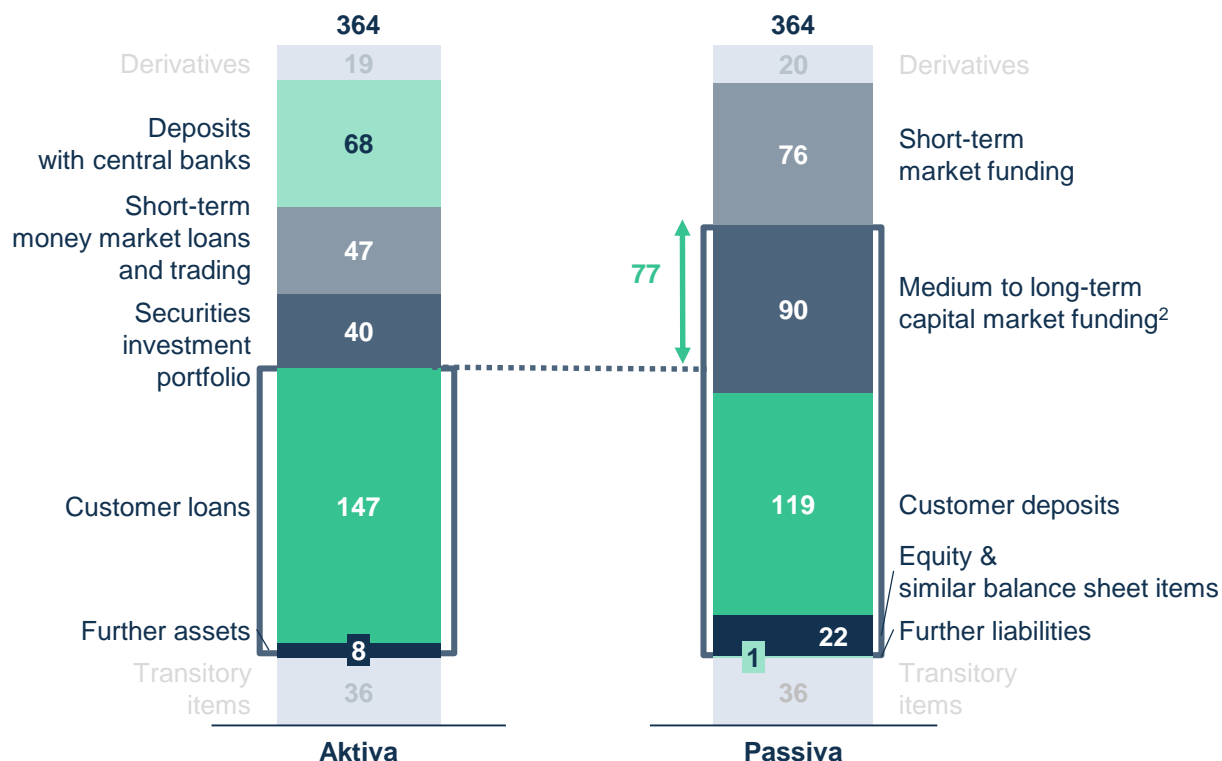
01	Segments	Page 13
02	Risk	Page 18
03	Capital	Page 25
04	Funding and Liquidity	Page 29
05	Sustainability	Page 35
06	Appendix	Page 39



# Strong LBBW balance sheet with broad funding structure from stable funding sources

## Balance sheet 06/2023

€ billion



### Stable funding sources

- LBBW's funding comes mainly from stable funding sources<sup>1</sup>
- Securities portfolio consists mainly of "high quality liquid assets" (HQLA)
- Short-term money market loans and trading essentially customer-related

### Structural liquidity surplus

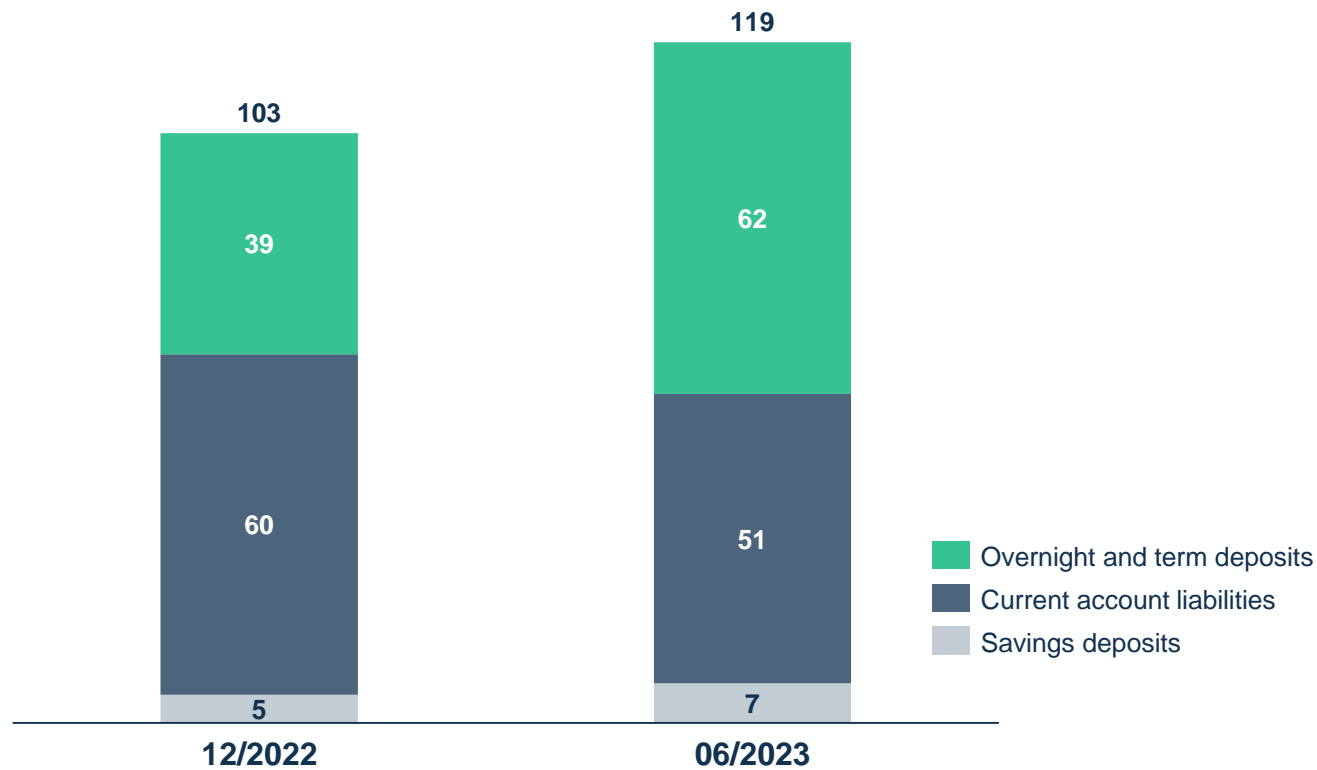
- Stable or medium- to long-term liabilities exceed medium- to long-term assets by € 77 billion

Differences due to rounding

<sup>1</sup>Equity, customer deposits, medium- to long-term capital market funding and other liabilities / equity and liabilities excluding short-term market funding, derivatives and transitory items. Customer deposits have proven to be a stable funding source in the past / <sup>2</sup>Of which € 9 billion from participation in targeted longer-term refinancing operations with the central bank (TLTRO III)

# LBBW with increased and diversified customer deposits

## Deposits<sup>1</sup> € billion



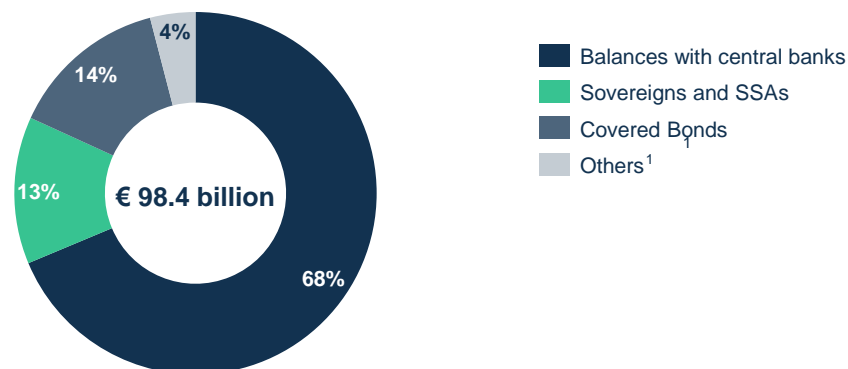
- Deposit base increased in H1 2023
- Interest rate situation leads to shifts from current account liabilities to term deposits

Differences due to rounding / <sup>1</sup> In addition, deposits from financials

# High and diversified liquidity reserve of the LBBW Group - LBBW with conservative valuation of its own securities portfolio

## Regulatory liquidity reserve 06/23

%

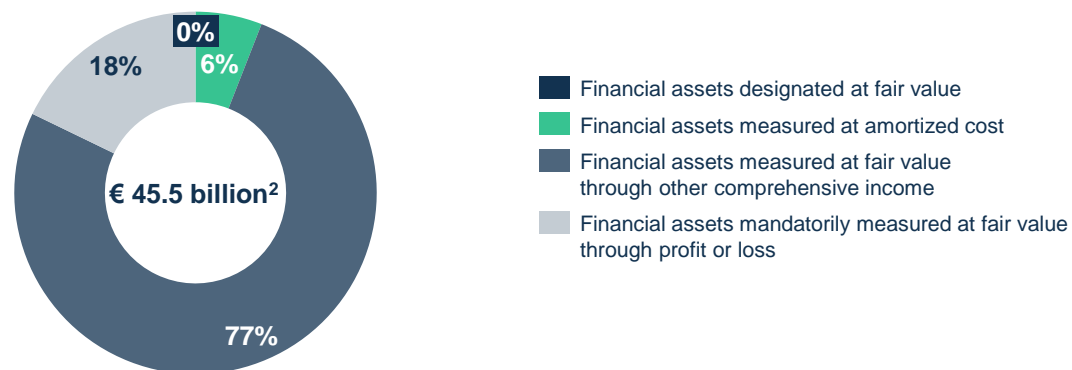


## LCR at 137.2%; NSFR at 114.2%

- Regulatory requirements met
- Liquidity reserve dominated by central bank balances and diversified securities holdings

## Securities portfolio 06/2023

%



## Conservative valuation of own securities portfolios

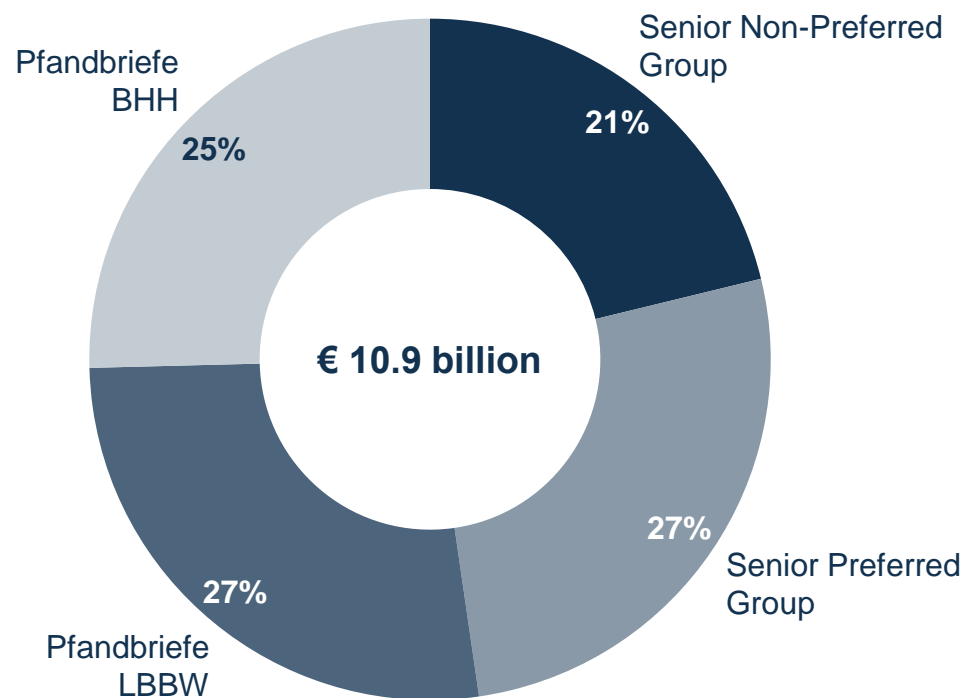
- Portfolio hedged against interest rate changes - valuation changes recognized in equity or in income statement
- Fixed-income securities in the banking book hedged against interest rate changes with interest rate swaps, i.e. valuation changes exclusively credit spread-induced
- For the majority of securities in the banking book, valuation gains and losses from changes in credit spreads are recognized directly in retained income
- Assuming that there are no permanent impairments, the valuation result will reverse by the time it matures
- Unrealized valuation result for H1 2023 of minor significance

Differences due to rounding / <sup>1</sup> other HQLA securities / <sup>2</sup> of which EUR 37.5 billion in the banking book

# Berlin Hyp and LBBW: two active issuers on the capital market - ESG issuance products account for almost a quarter of total funding

## New issues<sup>1</sup> H1 2023 by product

%



## Both issuers of the LBBW Group with many years of experience on the market

- In H1 2023, a total of € 10.9 billion raised on the capital market, of which 50% benchmarks and 50% private placements
- LBBW also offers customized issues for retail customers.
- LBBW as central issuer of MREL liabilities in the Group

## Pfandbriefe

- LBBW and Berlin Hyp with very successful issuance of Pfandbrief benchmarks, partly as Green / Social Bonds

## Green Bonds and Social Bonds

- More than 23% of total Group funding in ESG format
- Green & Social issue volume of € 2.6 billion



Differences due to rounding

<sup>1</sup> Funding raised on the capital market; FX rates as of 30 June 2023; original maturities > 1 year / Capital Finance International: Finance Awards 2023 - Best Covered Markets - Germany 2023 from 13/07/2023

# Ratings reflect LBBW's consistently good creditworthiness



Long-term Issuer Rating	Aa3, stable
Senior Unsecured Bank Debt	Aa3, stable
Junior Senior Unsecured Bank Debt	A2
Subordinate Rating	Baa2
Short-term Ratings	P-1
Public-Sector Covered Bonds	Aaa
Mortgage-backed Covered Bonds	Aaa



Long-term Issuer Default Rating	A-, stable
Long-term Senior Preferred Debt Rating	A
Long-term Senior Non-Preferred Debt Rating	A-
Non-guaranteed Tier 2 Subordinated Debt Rating	BBB-
Short-term Issuer Default Rating	F1
Public-Sector Covered Bonds	-
Mortgage-backed Covered Bonds	-



Long-Term Issuer Rating	A (high), stable
Long-Term Senior Debt	A (high), stable
Senior Non-Preferred Debt	A, stable
Subordinated Debt	A (low), stable
Short-Term Ratings	R-1 (middle), stable
Public-Sector Covered Bonds	-
Mortgage-backed Covered Bonds	-

# Agenda

01	Segments	Page 13
02	Risk	Page 18
03	Capital	Page 25
04	Funding and Liquidity	Page 29
05	Sustainability	Page 35
06	Appendix	Page 39

# LBBW with consistent strategic focus on achieving ESG targets

## LBBW's strategic focus

- Two of the bank's five strategic levers with a dedicated sustainability focus: **Social Contribution** and **Sustainable Transformation**
- LBBW is the first German universal bank to **sign the Principles for Responsible Banking (PRB)**
- LBBW commits to<sup>1</sup> Principle 1 of the PRBs to guide its corporate strategy:
  - **Paris Climate Agreement:** 1.5 degree target and commitment to a climate-friendly transformation of the global economy
  - **Sustainable Development Goals:** Specification of the ESG approach on the basis of 17 concrete objectives

## Significant contribution to achieving the SDGs and the Paris Climate Agreement by:

### Products

LBBW is one of the largest issuers of ESG bonds among European commercial banks



Assets in LBBW's **Green Loan Portfolio**<sup>2</sup>



Assets in LBBW's **Social Loan Portfolio**<sup>2</sup>



Outstanding volume of **Green & Social Bonds**<sup>2</sup>

### Sustainability Advisory

**Expertise in sustainability delivers added value for customers**

- 2023 recognized for the third time in a row as the bank with the **best ESG advice** to corporate customers by industry magazine FINANCE<sup>3</sup>
- LBBW Sustainability Advisory Team develops integrated corporate finance solutions together with clients for Sustainable Transformation

### Risk Management

**ESG risk analyses are integral part**


- Developed a Carbon & Physical Risk Tool
- Measurement of CO<sub>2</sub>e-intensity and corresponding management of the portfolio

<sup>1</sup>see [LBBW Sustainability Report 2022 p.17](#) | <sup>2</sup>incl. Berlin Hyp; Green & Social Bond volume includes covered and uncovered issues; volumes as of 31/12/2022 | <sup>3</sup>[Finance Research Banken Survey 2023](#)



# LBBW assumes responsibility, actively shaping the sustainable transformation of the economy and society on the way to Net Zero

## Science-based<sup>1</sup> transformation paths for sector-specific portfolio management

	Sector	Unit <sup>2</sup>	2021	Actual 2022 <sup>3</sup>	Target 2030
	Energy	kg CO <sub>2</sub> /MWh	224	241 <sup>4</sup>	110
	Automotive OEM	g CO <sub>2</sub> /vkm	153	158 <sup>5</sup>	95
	Automotive suppliers	Share of sales with combustion components	25%	22%	17%
	Steel	kg CO <sub>2</sub> /t steel	1074	1215 <sup>6</sup>	860
	Cement	kg CO <sub>2</sub> /t cement	565	587	480
	Commercial real estate	kg CO <sub>2</sub> /m <sup>2</sup>	51	40 <sup>3</sup>	22
	Aviation	kg CO <sub>2</sub> /pkm	88	83	66
	Guideline Oil & Gas	Regulation on guideline for general corporate funding of upstream activities and exclusion of controversial extraction methods			

- Member of the Net Zero Banking Alliance Germany and **Alignment of the portfolio in line with the Paris Climate Agreement and Achieving Net Zero**
- **Accompanying clients** on the way to sustainable business models and supporting the **development of sustainability strategies**
- Pathways published for seven particularly CO<sub>2</sub>-intensive sectors<sup>2</sup> by 2030
- Currently **>40% of financed CO<sub>2</sub> emissions<sup>2</sup>** covered
- New sector pathway chemicals (planned by the end of 2023) increases coverage to >50%

<sup>1</sup> International Energy Agency (IEA) climate scenario as benchmark | <sup>2</sup> Other relevant greenhouse gas emissions CO<sub>2</sub>-equivalent included | <sup>3</sup> Value for commercial real estate as of 13/07/2023 | <sup>4</sup> Slightly negative development for energy in light of gas supply freeze and state-subsidized coal use in 2022 not due to structural target miss | <sup>5</sup> Improvement in brand portfolio coverage in fleet emissions calculation leads to sideways movement for car manufacturers | <sup>6</sup> Significant increase for steel caused by an export financing for which no real data is available and thus strong weighting of high estimated value

# Convincing results in sustainability ratings show LBBW is on the right track



In the **ESG Rating**, ISS ESG gave LBBW an **overall rating of C+ (Prime Status)** on a scale from A+ to D-.

(as of 08/2022)



In its **ESG Risk Rating**, Sustainalytics gives LBBW a **low ESG risk rating** (18.7) on a scale from 0 to 100 (insignificant to serious).

(as of 01/2023)



In MSCI's **ESG Rating** 2023, LBBW receives a rating of **A** on a scale from AAA to CCC.

(as of 01/2023)



In Sustainable Fitch's first **solicited ESG rating**, LBBW scores **63 points** on a scale from 0 to 100. This corresponds to the **category 2 "good"**.

(as of 09/2022)



In the second **solicited ESG rating** by imug, LBBW achieved **70 out of 100 points** and thus the **category "good"** on a scale from 0 to 100 (weak to excellent).

(as of 01/2023)



Ratings as of: 01/02/2023; Current ratings at: [www.lbbw.de/sustainability](http://www.lbbw.de/sustainability)

The rating information we publish is publicly available information. The display serves only as an additional service. Explanations of the meaning of a rating are to be obtained exclusively from the relevant agency. LBBW does not adopt this information as its own. They are also not to be understood as a recommendation for the purchase of securities of LBBW. LBBW assumes no liability for the completeness, timeliness, accuracy and selection of the information.

# Agenda

01	Segments	Page 13
02	Risk	Page 18
03	Capital	Page 25
04	Funding and Liquidity	Page 29
05	Sustainability	Page 35
06	Appendix	Page 39

# LBBW: A brief overview



Medium-sized universal bank with deep roots in Baden-Württemberg



Strong partner for companies, institutional customers, savings banks and private customers

## Facts and figures:



**1818**

(year of foundation)  
Württembergische Spar-Casse



**10,158**

(30/06/2023)  
Employees



**€364 billion**

(30/06/2023)  
Total assets



**Specialized  
Group subsidiaries**

Berlin Hyp  
LBBW Asset Management

Süd Leasing

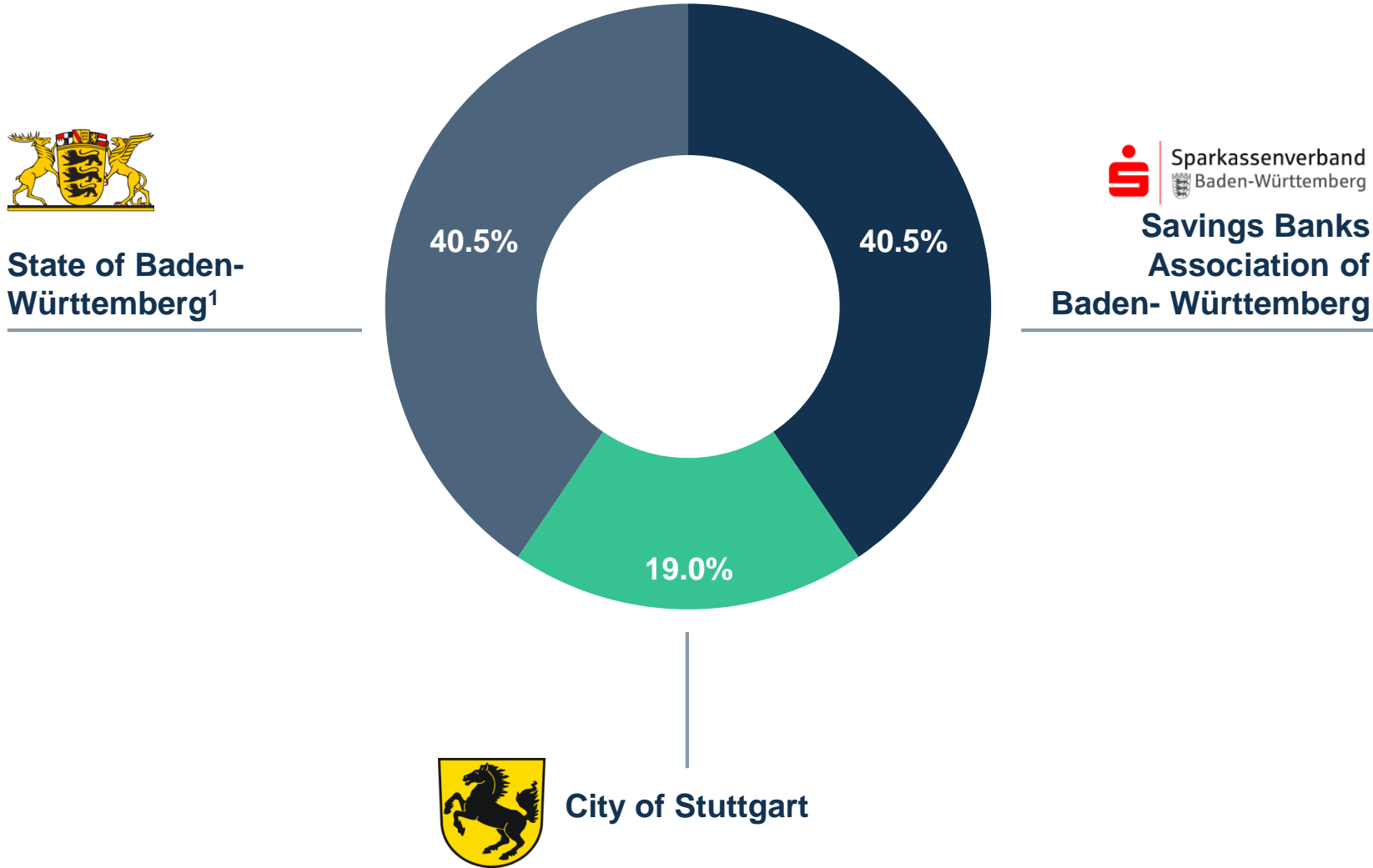
Süd Factoring  
LBBW Immobilien

SüdBG  
MMV Bank

# LBBW's international network: 17 locations in 16 countries



# LBBW's owners form a solid foundation



Figures rounded / <sup>1</sup> The State of Baden-Württemberg holds a direct interest of around 25% in LBBW and an indirect interest of around 15.5% via Landesbeteiligungen Baden-Württemberg GmbH

# Customer-focused and well-diversified business model as stable basis for strong operating income performance

Group				Corporate Customers			Real Estate/ Project Finance			Capital Markets Business			Private Customers/ Savings Banks			Corporate Items/ Reconciliation/Consolidation		
06/2022	Δ %	06/2023	€ mln	06/2022 <sup>1</sup>	Δ %	06/2023	06/2022 <sup>1</sup>	Δ %	06/2023	06/2022 <sup>1</sup>	Δ %	06/2023	06/2022 <sup>1</sup>	Δ %	06/2023	06/2022 <sup>1</sup>	Δ %	06/2023
1,039	36	1,417	Net interest income	484	20	580	247	67	411	190	17	222	141	88	266	-23	>100	-63
322	-5	305	Net fee and commission income	115	-2	113	9	-50	4	55	10	60	143	-7	134	0	>100	-6
125	-36	81	Net gains/losses on remeasurement and disposal	-3	-	52	-40	>100	-124	194	-18	159	4	-2	4	-30	-65	-11
76	58	120	Other operating income/expenses	7	71	13	62	-21	49	-2	-	6	-2	-94	0	10	>100	53
<b>1,563</b>	<b>23</b>	<b>1,923</b>	<b>Total operating income/expenses</b>	<b>604</b>	<b>25</b>	<b>757</b>	<b>278</b>	<b>23</b>	<b>341</b>	<b>437</b>	<b>2</b>	<b>447</b>	<b>287</b>	<b>41</b>	<b>403</b>	<b>-43</b>	<b>-40</b>	<b>-26</b>
1,647	22	2,009	of which income	616	22	752	325	39	450	476	-9	432	283	42	401	-53	-51	-26
-85	2	-86	of which allowances for losses on loans and securities	-12	-	5	-46	>100	-109	-39	-	16	3	-29	2	10	-	0
<b>-1,087</b>	<b>13</b>	<b>-1,232</b>	<b>Expenses</b>	<b>-324</b>	<b>5</b>	<b>-339</b>	<b>-110</b>	<b>&gt;100</b>	<b>-222</b>	<b>-279</b>	<b>4</b>	<b>-291</b>	<b>-245</b>	<b>2</b>	<b>-250</b>	<b>-130</b>	<b>0</b>	<b>-131</b>
-897	16	-1,043	of which administrative expenses	-295	5	-309	-96	>100	-192	-236	6	-250	-242	2	-248	-28	59	-45
-188	0	-188	of which expenses for bank levy and deposit guarantee system	-29	2	-30	-14	>100	-30	-43	-4	-41	-2	-27	-2	-100	-14	-86
-2	-80	0	of which net income/expenses from restructuring	0	-	0	0	-	0	0	23	0	0	-	0	-2	-	0
<b>476</b>	<b>45</b>	<b>691</b>	<b>Consolidated profit/loss before tax</b>	<b>280</b>	<b>49</b>	<b>418</b>	<b>169</b>	<b>-29</b>	<b>119</b>	<b>158</b>	<b>-2</b>	<b>156</b>	<b>42</b>	<b>&gt;100</b>	<b>154</b>	<b>-173</b>	<b>-10</b>	<b>-156</b>
<b>06/2022</b>	<b>Δ p.p.</b>	<b>06/2023</b>	<b>%</b>	<b>06/2022<sup>1</sup></b>	<b>Δ p.p.</b>	<b>06/2023</b>	<b>06/2022<sup>1</sup></b>	<b>Δ p.p.</b>	<b>06/2023</b>	<b>06/2022<sup>1</sup></b>	<b>Δ p.p.</b>	<b>06/2023</b>	<b>06/2022<sup>1</sup></b>	<b>Δ p.p.</b>	<b>06/2023</b>	<b>06/2022<sup>1</sup></b>	<b>Δ p.p.</b>	<b>06/2023</b>
6.8	2.3	9.1	RoE	10.8	6.3	17.1	17.2	-10.3	6.9	11.4	2.5	13.9	7.6	19.4	27.0			
66.0	-4.7	61.3	CIR	52.5	-7.5	45.1	33.8	15.5	49.3	58.6	8.9	67.5	86.4	-24.2	62.2			
<b>06/2022</b>	<b>Δ %</b>	<b>06/2023</b>	<b>€ bn</b>	<b>06/2022<sup>1</sup></b>	<b>Δ %</b>	<b>06/2023</b>	<b>06/2022<sup>1</sup></b>	<b>Δ %</b>	<b>06/2023</b>	<b>06/2022<sup>1</sup></b>	<b>Δ %</b>	<b>06/2023</b>	<b>06/2022<sup>1</sup></b>	<b>Δ %</b>	<b>06/2023</b>	<b>06/2022<sup>1</sup></b>	<b>Δ %</b>	<b>06/2023</b>
329.4	11	364.1	Total assets	66.9	5	70.1	33.9	>100	69.8	183.5	-1	181.1	41.9	3	43.0	3.3	-99	0.0
91.4	3	93.8	RWA	40.8	-8	37.5	15.0	74	26.1	22.0	-20	17.6	8.5	0	8.5	5.0	-19	4.1

Differences due to rounding

<sup>1</sup> PY incl. adjustments

# Gross exposure (IFRS 9) with low share of Level 3

€ billion	Stage 1	Stage 2	Stage 3	POCI	Total
	06/2023	06/2023	06/2023	06/2023	06/2023
<b>Financials</b>	<b>190.4</b>	<b>0.7</b>	<b>0.0</b>	<b>0.0</b>	<b>191.1</b>
<b>Corporates</b>	<b>94.1</b>	<b>14.4</b>	<b>1.2</b>	<b>0.0</b>	<b>109.7</b>
Automotive	8.2	2.3	0.5	0.0	11.0
Construction	9.9	0.9	0.1	0.0	10.9
Chemicals and commodities	7.8	0.9	0.0	0.0	8.7
Retail and consumer goods	15.2	2.8	0.3	0.0	18.4
Industry	10.2	1.5	0.1	0.0	11.9
Pharmaceuticals and healthcare	5.5	0.8	0.0	0.0	6.3
TM and electronics/IT	9.8	1.0	0.0	0.0	10.8
Transport and logistics	6.9	1.9	0.0	0.0	8.8
Utilities and energy	11.4	1.6	0.1	0.0	13.1
Other	9.2	0.5	0.0	0.0	9.8
<b>Real estate</b>	<b>60.1</b>	<b>8.8</b>	<b>0.3</b>	<b>0.0</b>	<b>69.3</b>
Commercial real estate (CRE)	41.2	7.3	0.3	0.0	48.8
Housing	18.9	1.6	0.0	0.0	20.5
<b>Public sector</b>	<b>17.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>17.2</b>
<b>Private individuals</b>	<b>9.7</b>	<b>1.6</b>	<b>0.0</b>	<b>0.0</b>	<b>11.3</b>
<b>LBBW Group</b>	<b>371.6</b>	<b>25.5</b>	<b>1.5</b>	<b>0.0</b>	<b>398.7</b>

Differences due to rounding

Stage 1: 12-month expected credit loss; Stage 2: Life-time expected credit loss; Stage 3: Credit impairment after recognition; POCI: Credit impairment at recognition



# Mortgage Pfandbriefe LBBW (Bank): Commercial and residential real estate business



## Commercial assets

- Focus on core markets **North America, UK and open-end funds**
- Focus on **residential, office and selective logistics uses**
- Established locations and selected sites in metropolitan regions
- Preferred objects: High-quality, long-term leased properties with good tenant credit ratings



## Residential assets

- Focus on **Germany for residential portfolios**
- For private customers, focus on single-family and two-family homes as well as multi-family homes with a focus on Baden-Württemberg
- Cost efficiency through expansion of standardization (product and processes)

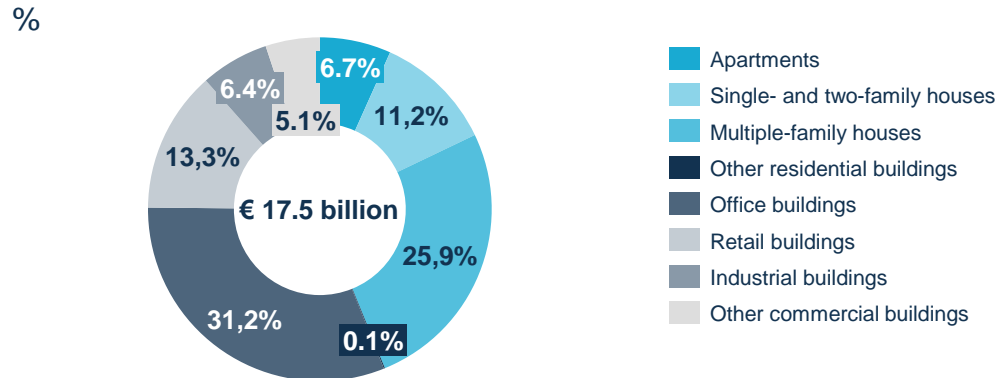


## Mortgage Cover Pool

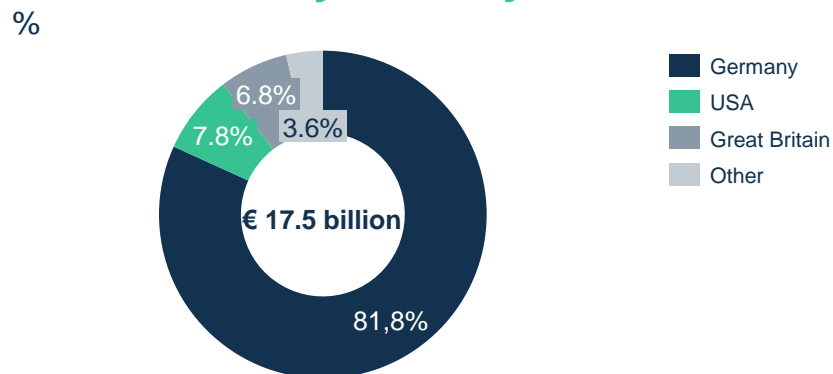
- **Volume** of mortgage cover pool increased in fiscal year 2023
- **Balanced mix of residential and commercial assets**; share of residential assets at least 40%
- **Focus on Germany**, domestic share at over 80% (as of: 06/2023)
- No payments in arrear in the cover pool

# Mortgage cover assets LBBW (Bank): Breakdown of loans

## Breakdown by loan type<sup>1</sup> 06/2023



## Breakdown by country<sup>1</sup> 06/2023



## Residential cover assets

- Almost exclusively in Germany
- Apartments, single-family and two-family houses, multiple-family houses

## Commercial cover assets

- Focus on core markets Germany, USA, Great Britain and open-ended real estate funds, Canada and new: France
- Office buildings, retail buildings, industrial buildings and other commercial buildings

## Further cover assets

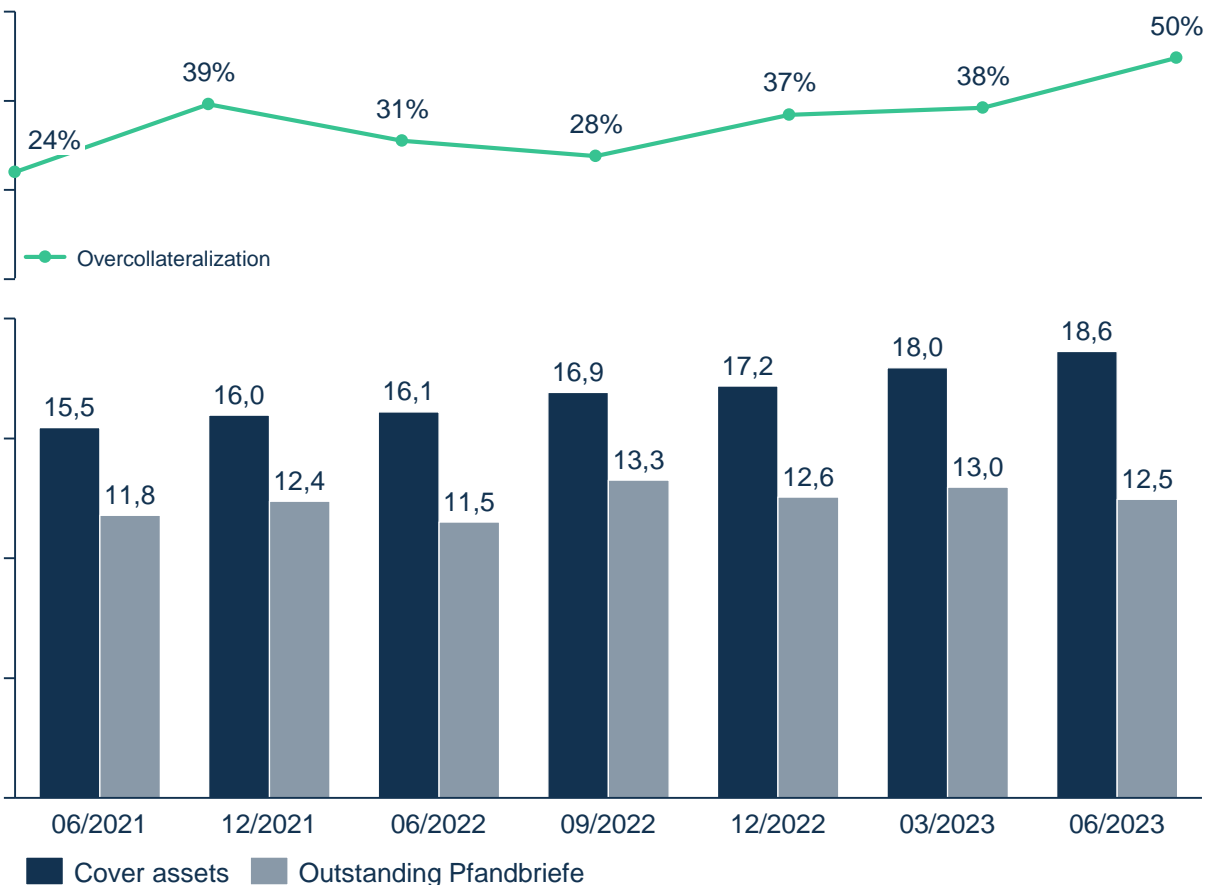
- As of 30 June 2023 further cover assets in the amount of approximately € 1,098 million
- Mainly SSAs

Differences due to rounding / <sup>1</sup> without further cover assets. Further information on the mortgage cover assets can be found in the reporting acc. to Section 28 Pfandbrief Act of LBBW as of 30 June 2023: [Covered Bonds \(Pfandbriefe\) - LBBW](#)

# Mortgage Pfandbriefe and cover pool LBBW (Bank)

## Mortgage cover pool 06/2023

€ billion



## Positive development of cover assets

- Stable overcollateralization
- AAA rating from Moody's
- Average elapsed term since loan origination - Seasoning 5.5 years
- Share of fixed-interest cover assets: 79.9%
- Share of fixed-income Pfandbriefe: 72.7%
- The Pfandbrief Act requires that real estate financing may only be taken as cover up to the lending limit of 60% of the mortgage lending value
- As a rule, the mortgage lending value is significantly below market values - even in the event of a sustained downturn in the real estate market

Differences due to rounding / Further information on the mortgage cover assets can be found in the reporting acc. to Section 28 Pfandbrief Act of LBBW as of 30 June 2023: [Covered Bonds \(Pfandbriefe\) - LBBW](#)

# Public Pfandbriefe LBBW (Bank): Focus on the core business



## Municipal Finance

- The **focus** is on **traditional municipal financing in our core markets** Baden-Württemberg, Free State of Saxony and Rhineland-Palatinate
  - The **municipal loan** is the **anchor product**
  - There is a **cooperation** with the **regional savings banks**
- **Control** of the **portfolio quality** via an internal cluster process, control of the **maturity structure** via key figures
- Portfolio Public Sector as basis for Social Bonds with a view to sustainable financing



## Export financing

- LBBW active in over **30 different markets**
- **Expansion of ECA financing** - above all exports from Europe, also in the large-volume sector, supplemented by untied loans for raw materials and key industries in the interests of the German economy
- Resulting **diversification** in ECA portfolio (ECA cover provider) with approx. 2/3 German-speaking regions, rest of Europe, supranational coverage and Asian ECAs
- LBBW is among the world's best export finance banks for the fifth time in 2023<sup>1</sup>
- **2023**: further **expansion** of portfolio in size and **diversification** (ECAs, products, sectors, regions)



TOP PERFORMING EXPORT FINANCE BANK  
LBBW



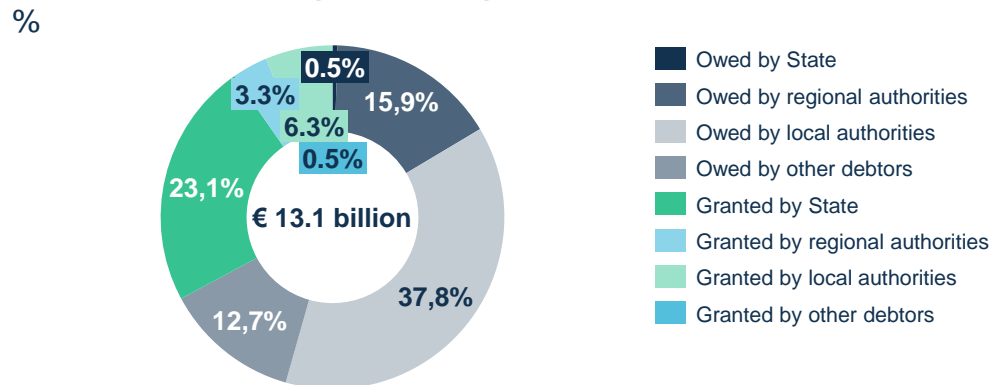
## Cover pool

- **Volume** of public cover pool 2023 **increased**
- **Focus on Germany**, domestic share currently at **more than 93%**

<sup>1</sup> TXF Export Finance Research Report 2023 result

# Public cover assets LBBW (Bank): Breakdown of loans

## Breakdown by loan type<sup>1</sup> 06/2023



### States

- Mainly export financing guaranteed by Euler Hermes and other export credit agencies

### Regional authorities

- German federal states
- Regional rail transport

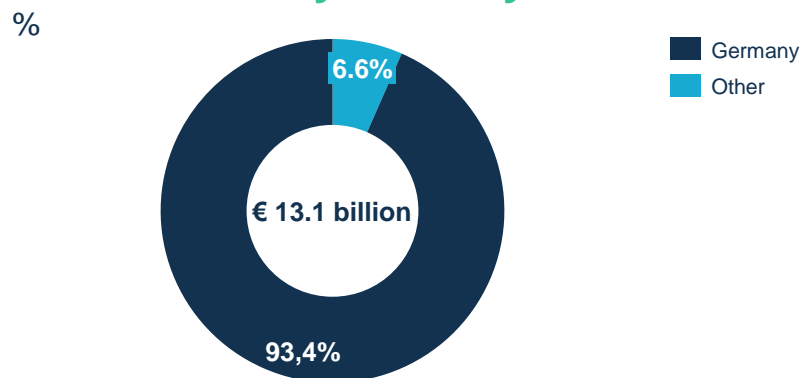
### Local authorities

- Mainly German cities, municipalities and districts as well as public and municipal utilities in private legal form

### Other

- Special-purpose associations, municipal utilities and other public-sector enterprises (e.g. university hospitals) in public legal form as well as agencies

## Breakdown by country<sup>1</sup> 06/2023

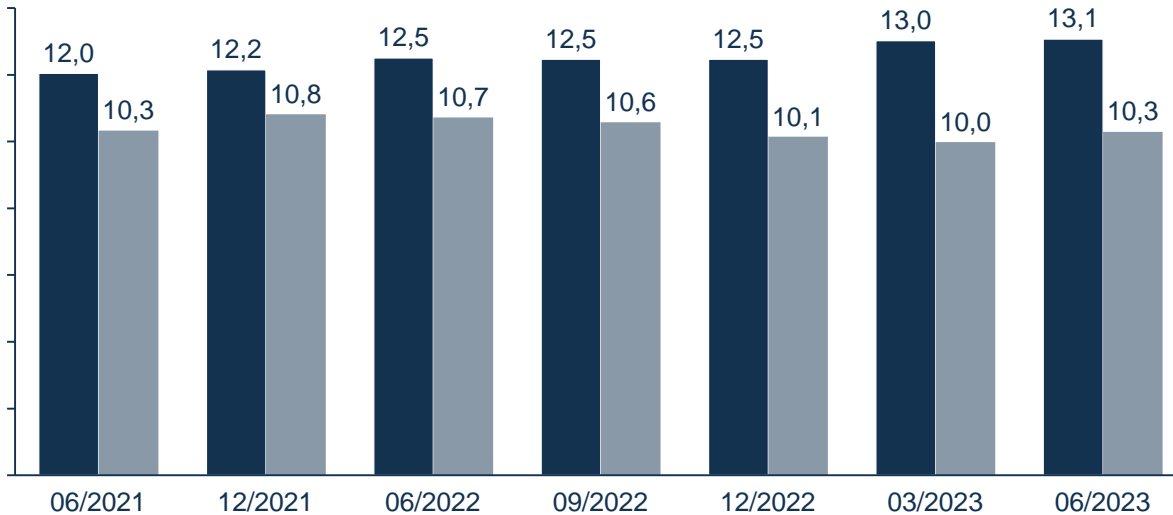
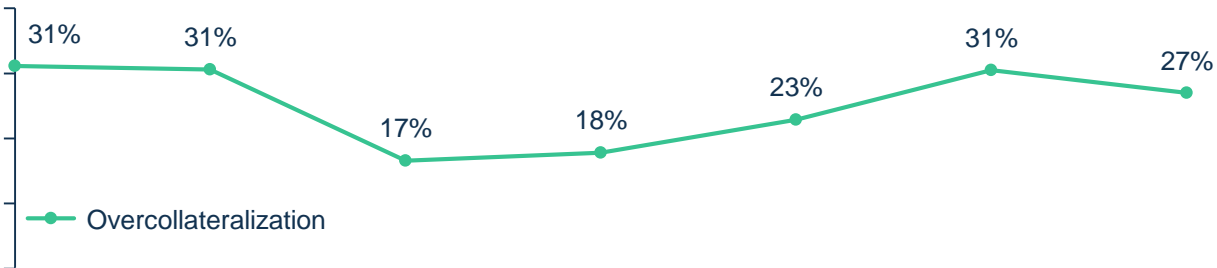


Differences due to rounding / <sup>1</sup> without further cover assets. Further information on the public cover assets can be found in the reporting acc. to Section 28 Pfandbrief Act of LBBW as of 30 June 2023: [Covered Bonds \(Pfandbriefe\) - LBBW](#)

# Public Pfandbriefe and cover pool LBBW (Bank)

## Public cover pool 06/2023

€ billion



■ Cover assets ■ Outstanding Pfandbriefe

## Balanced public cover pool

- 93.4% of the receivables are related to Germany
- High overcollateralization
- AAA rating from Moody's
- Proportion of fixed-interest cover assets: 73.0%
- Share of fixed-interest Pfandbriefe: 80.5%

Differences due to rounding / Further information on the public cover assets can be found in the reporting acc. to Section 28 Pfandbrief Act of LBBW as of 30 June 2023: [Covered Bonds \(Pfandbriefe\) - LBBW](#)

# Glossary

<b>Expenses</b>	Administrative expenses + Expenses for bank levy and deposit guarantee system + Net income/expenses from restructuring
<b>Income</b>	Net interest income + net fee and commission income + net gains/losses on remeasurement and disposal before allowances for losses on loans and securities + other operating income/expenses
<b>RoE</b>	Return on Equity Group: (Annualized) consolidated profit/loss before tax / average equity on the balance sheet adjusted for the unappropriated profit for the current reporting period Segments: (Annualized) consolidated profit/loss before tax / Average tied-up equity in the current reporting period
<b>CIR</b>	Cost Income Ratio Group/segments: Expenses / Income
<b>RWA revenue productivity</b>	Operating sales performance of the operating segments (annualized) / RWA average of monthly figures of the operating segments
<b>CAGR</b>	Compounded Average Growth Rate
<b>CET1 / AT1 / T2</b>	CET1: Core Equity Tier 1; AT1: Additional Tier 1; T2: Tier 2
<b>RWA</b>	Risk weighted assets
<b>Phase-In / Fully Loaded</b>	Phase-In: In consideration of transitional rules of CRR Fully Loaded: Without consideration of transitional rules of CRR
<b>SREP</b>	Supervisory Review and Evaluation Process
<b>P2R</b>	Pillar 2 Requirement / Institution-specific additional capital requirement to cover risks which are not already covered by the general regulatory requirements (CRR, Pillar 1), set by the competent authority
<b>P2G</b>	Pillar 2 Guidance / In addition, the ECB Supervision expects, to ensure a sustainable capital management in the subsequent years, the maintenance of further Common Equity Tier 1 in line with a Pillar II Guidance
<b>SREP ratio</b>	Capital ratio requirement set by ECB based on the Supervisory Review and Evaluation Process (SREP); This ratio includes the Pillar I capital requirement, the Pillar II capital requirement (Pillar 2 Requirement (P2R)), the common equity Tier 1 capital to be held as a capital conservation buffer in accordance with German Banking Act (KWG) and as a capital buffer for other systemically important financial institutions in accordance with § 10g KWG; in addition, a countercyclical capital buffer in accordance with § 10d KWG must be held, the Pillar II Guidance (P2G) of the ECB and potential shortfalls from the other capital classes
<b>MREL</b>	Minimum Requirement for own funds and Eligible Liabilities; TREA: Total Risk Exposure Amount; LRE: Leverage Ratio Exposure measure; CBR: Capital Buffer Requirement
<b>Net exposure</b>	Drawdown plus free external credit lines less capital market-related collateral (collateral, netting, etc.) less loan collaterals
<b>Exposure</b>	Drawdown plus free external credit lines less capital market-related collateral (collateral, netting, etc.)
<b>Gross exposure</b>	Drawdown plus free external credit lines
<b>Net exposure (IFRS 9) / Gross exposure (IFRS 9)</b>	Net exposure/Gross exposure only related to financial instruments under the scope of application of the impairment rules of IFRS 9
<b>Ø PD</b>	Average Probability of Default
<b>NPE ratio</b>	Non-performing exposure related to Net exposure (IFRS 9) / Net exposure (IFRS 9)
<b>Coverage Ratio</b>	Accumulated impairment stage 3 + POCI (in default) / Non-performing exposure related to Net exposure (IFRS 9)
<b>Cost of risk (balance sheet)</b>	(Annualized) Allowances for losses on loans and securities / Average net balance-sheet figure of loans and advances to customers based on quarterly average figures
<b>Cost of risk (net exposure)</b>	(Annualized) Allowances for losses on loans and securities / Average Net exposure (IFRS 9)
<b>Rating classes</b>	Investment-Grade: RC 1: PD 0.00% - 0.10%; RC 2-5: PD 0.10% - 0.48% Non-Investment-Grade: RC 6-10: PD 0.48% - 3.63%; RC 11-15: PD 3.63% - <100%; Default: RC 16-18: PD 100% Waiver of ratings or not rated: Other
<b>CAGR</b>	Compounded Average Growth Rate
<b>LCR</b>	Liquidity Coverage Ratio; HQLA: High Quality Liquid Assets
<b>NSFR</b>	Net Stable Funding Ratio



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