



# LBBW TAILORED RESOLUTION PLAN

## Public Section

December 31, 2018

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Contents

- 1 Public Section..... 2
  - 1.1 Material Entities ..... 2
  - 1.2 Core Business Lines..... 3
  - 1.3 Summary of Financial Information, Capital and Major Funding Sources..... 4
  - 1.4 Derivatives and Hedging Activities ..... 5
  - 1.5 Memberships in Material Payment, Clearing and Settlement Systems ..... 5
  - 1.6 Domestic and Foreign Operations ..... 5
  - 1.7 Material Supervisory Authorities ..... 6
  - 1.8 Principal Officers..... 6
  - 1.9 Corporate Governance Structure and Processes Related to Resolution Planning..... 7
  - 1.10 Material Management Information Systems..... 7
  - 1.11 High Level Description of the Covered Company’s Resolution Strategy ..... 7

## 1 Public Section

Landesbank Baden-Württemberg (“LBBW”), a public law institution in the Federal Republic of Germany, is a foreign-based covered company for purposes of (i) section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. § 5365(d) (the “Dodd-Frank Act”) and (ii) the implementing regulation jointly issued by the Board of Governors of the Federal Reserve System (the “Board”) and the Federal Deposit Insurance Corporation (the “FDIC” and, together with the Board, the “Agencies”) (“Regulation QQ”).

LBBW submitted its initial tailored resolution plan under Regulation QQ on December 31, 2013 (the “Initial Plan”). For this annual re-submission, LBBW remains eligible to file a tailored resolution plan pursuant to Regulation QQ and other applicable legal requirements.<sup>1</sup> Furthermore, the Agencies have identified LBBW as a covered company that may reduce the informational content that LBBW would otherwise be required to provide in its resolution plan submissions due by December 31 of 2016, 2017, and 2018 (the “Reduced Plans”), provided that LBBW satisfies certain criteria. LBBW, as the covered company, satisfies all the conditions for the submission of a Reduced Plan, and as a result, focuses this 2018 submission of its resolution plan (this “2018 Tailored Plan”) on information required by sections 243.4(b)(2), 243.4(b)(3) and 243.4(c)(1)(vi) (if applicable) of Regulation QQ. Furthermore, LBBW includes this Public Section to the 2018 Tailored Plan, which describes the business of LBBW as the covered company, and includes, to the extent material to an understanding of LBBW, the eleven informational elements required by section 243.8(c) of Regulation QQ.

### 1.1 Material Entities

LBBW is a foreign banking organization with a US branch located in New York (the “New York Branch”) and is treated as a bank holding company. LBBW additionally is a financial holding company and is considered the covered company for purposes of Regulation QQ.

In preparing this 2018 Tailored Plan, LBBW identified its New York Branch as a “material entity” based on the criteria set forth in Regulation QQ. The following section provides an overview of LBBW’s business managed out of its head office in Stuttgart (“LBBW Head Office”) and the New York Branch.

#### **LBBW (Covered Company)**

LBBW is a public law institution with four registered offices throughout Germany (located in the cities of Stuttgart, Karlsruhe, Mannheim, and Mainz) and operates over 200 branches under three different regional brand names. It is owned by (i) Sparkassenverband Baden-Württemberg (40.534%), (ii) the State of Baden-Württemberg (40.534%, directly and indirectly via the Landesbeteiligungen Baden-Württemberg GmbH) and (iii) the city of Stuttgart (18.932%).

LBBW offers a full range of retail and commercial banking products, consistent with it being a large, universal bank, directly through its branch network based primarily in the regions of Germany in which it operates. Additionally, LBBW offers the services of an international commercial bank, servicing the needs of its savings bank partners and international corporate customers requiring real estate financing, corporate financing or capital markets transaction services through seventeen international branches and representative offices. LBBW also serves as the central bank for the savings and loan institutions in the German states of Baden-Württemberg, Rhineland-Palatinate, and Saxony.

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<sup>1</sup> See 12 C.F.R. § 243.4(a)(3) (Board) and 12 C.F.R. § 381.4(a)(3) (FDIC).

## New York Branch

LBBW acquired a license from the State of New York Banking Department in 1998 to maintain a branch in New York, New York. The New York Branch operates under the New York Banking Law (the “NYBL”) and is supervised by the New York State Department of Financial Services (the “NYSDFS”) and the Board using the Federal Reserve Bank of New York (the “FRBNY”) examiners. The New York Branch is part of LBBW’s global branch network and is managed out of its New York location. As an extension of LBBW in the US, the New York Branch falls under the governance and oversight of LBBW’s principal officers and relevant LBBW Head Office divisions.

LBBW maintains the New York Branch to:

- Achieve regional diversification for LBBW’s real estate portfolio with its real estate loan business in the US;
- Fund local customer activity through deposits and borrowings in the financial markets;
- Support the financial needs of US subsidiaries of German, Swiss and Austrian corporate customers;
- Provide local expertise on the US financial markets to LBBW’s non-US operations.

## 1.2 Core Business Lines

LBBW has identified three core business lines for its US operations as the term is defined in Regulation QQ. For purposes of this 2018 Tailored Plan, the core business lines are (i) Real Estate Finance, (ii) Treasury & Capital Markets and (iii) Corporate & Institutional Banking. In the US, these three core business lines operate out of the New York Branch. The following section provides an overview of the core business lines.

### **Real Estate Finance** (“Real Estate Finance”)

Real Estate Finance provides commercial real estate financing for office, retail, multifamily, and logistics properties located in major markets throughout the U.S. and Canada. Real Estate Finance originates, underwrites, and executes primarily senior mortgage financings, including term and construction loans.

### **Treasury & Capital Markets** (“Treasury & Capital Markets”)

Treasury & Capital Markets offers a variety of products to customers of the New York Branch, including repurchase agreements, deposits, loans, commercial paper, certificates of deposits, foreign exchange (“FX”) spot, swaps and forward transactions and standby letter of credits mainly to Corporate & Institutional Banking and Real Estate Finance customers.

### **Corporate & Institutional Banking** (“Corporate & Institutional Banking”)

Corporate & Institutional Banking focuses on advising and assisting subsidiaries of German, Swiss and Austrian companies operating in the US, Canada and Mexico. Banking products offered to these customers include loans, working capital lines, standby letters of credit, hedging solutions and deposits.

### 1.3 Summary of Financial Information, Capital and Major Funding Sources

#### Balance Sheet

The following balance sheet summarizes the New York Branch's assets and liabilities as of December 31, 2017.

**Table 1-1: Balance Sheet Information for the New York Branch as of December 31, 2017**

Statement of Financial Position (According to IFRS)	Amount (USD in millions)
Cash reserve	5,746.52
Loans and advances to other banks	1,589.01
Loans and advances to customers	5,508.87
Financial Assets measured at Amortized Cost	(7.49)
Allowance for losses on loans and advances	(2.08)
Financial Assets measured at fair value through profit and loss	213.47
Investment securities	-
Investments accounted for using the equity method	1,061.58
Portfolio hedge adjustment attributable to assets	-
Non-current assets / disposal groups held for sale	-
Intangible assets	2.21
Investment property	
Property and Equipment	0.31
Income tax assets	45.40
Deferred TAX	
Other assets	0.73
<b>Total assets</b>	<b>14,158.53</b>
Deposits from other banks	2,937.60
Deposits due to customers	1,442.70
Securitized liabilities	9,536.16
Financial liabilities measured at FV through profit and loss	30.74
Portfolio hedge adjustment attributable to liabilities	-
Provisions	7.00
Liabilities related to disposal groups held for sale	-
Income tax liabilities	1.34
Other liabilities	25.19
Subordinated Debt	
<b>Total liabilities</b>	<b>13,980.73</b>
Equity	177.80
<b>Equity and liabilities</b>	<b>14,158.53</b>

The New York Branch has the benefit of being part of LBBW’s global network, for which capital is managed centrally out of the LBBW Head Office. The New York Branch receives its “working capital” from LBBW Head Office in accordance with the periodic approval of the board of managing directors of LBBW (the “Board of Managing Directors”). As of December 31, 2017, this capital amounted to USD \$ 685 million. The New York Branch receives from time to time an interoffice memorandum stating the date and the amount of any increase or decrease in the net capital amount owed to LBBW Head Office.

### Major Funding Sources

The New York Branch’s primary source of funding is client deposits and issuance of commercial paper and certificate of deposits. The New York Branch Treasury & Capital Markets business also raises funding through its repurchase agreement and securities lending activities. LBBW Head Office is also a funding source for the New York Branch.

In terms of liquidity, the New York Branch has an account at the FRBNY where excess liquidity is deposited and is callable daily. The New York Branch also has access to the Federal Reserve Discount Window, and the New York Branch has pledged collateral to the FRBNY available to cover any overnight liquidity needs. The collateral is comprised of securities pledged via the Depository Trust & Clearing Corporation (“DTCC”) and Clearstream and real estate loans.

## 1.4 Derivatives and Hedging Activities

The New York Branch, through Treasury & Capital Markets, provides execution and hedging services for Real Estate Finance and Corporate & Institutional Banking customers, including customer-related foreign exchange transaction services ( including FX forwards, FX swaps and FX spots). FX forward, FX swap and FX spot transactions are driven by demand from Corporate & Institutional Banking customers and Treasury & Capital Markets services these customers by swapping funding provided in EUR by LBBW Head Office for USD.

As part of its asset/liability management, the New York Branch manages its interest rate and spread widening risk with hedging activities with LBBW Head Office.

## 1.5 Memberships in Material Payment, Clearing and Settlement Systems

The New York Branch utilizes Financial Market Utilities (the “FMUs”) for day-to-day operations including payment, clearing and settlement activities. The table below highlights the FMUs utilized by the New York Branch.

**Table 1-2: FMU Memberships**

FMU	Description
DTCC (includes Fixed Income Clearing Corporation (FICC))	Payment and book-entry Government securities processing services
SWIFT	Payment messaging services
Fedwire	Clearing, settlement and information services for money market instruments

## 1.6 Domestic and Foreign Operations

LBBW offers the full range of commercial and retail banking products and services of a large bank to its core regions of Germany through more than 200 branches operated under three different regional brand

names. The regions covered by LBBW include the states of Baden-Württemberg, Saxony, and Rhineland-Palatinate, and the neighboring economic areas, and LBBW provides these services through the following retail banking subsidiaries, respectively:

- Baden-Württembergische Bank (“**BW-Bank**”), operates the private retail and corporate customer business in the core market of Baden-Württemberg. BW-Bank also functions as a savings bank within the state capital region of Stuttgart.
- Rheinland-Pfalz Bank services primarily the banking needs of small and medium corporate customers in Rhineland-Palatinate and neighboring regions.

Additionally, LBBW offers the services of an international commercial bank to its international corporate customers and savings bank partners requiring real estate financing, corporate financing or capital markets transaction services. These services are provided through seventeen international branches or representative offices, including branches located in New York, London, Singapore and Seoul, which offer support to LBBW’s corporate customers and savings bank partners by providing regional and local expertise, market know-how, and financial solutions.

To complement this global presence, LBBW also maintains “German Centers” in Beijing, Singapore, Mexico City and Moscow. The German Centers support small and medium-sized German companies venturing into foreign markets with office space solutions, administrative services and quick access to LBBW networks within the region in which they are located.

## 1.7 Material Supervisory Authorities

The US supervisory authorities responsible for supervision of the New York Branch are the NYSDFS and the Board, using the examiners from the FRBNY. LBBW’s primary (home country) supervisory authorities are the German Federal Financial and Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)*), the Central Bank for the Federal Republic of Germany (*Die Deutsche Bundesbank*) and the European Central Bank. LBBW Head Office is also subject to the supervision of bank supervisors in host countries in which it maintains a branch or representative office.

## 1.8 Principal Officers

The table below identifies LBBW’s principal officers.

**Table 1-3: LBBW Principal Officers as of December 31, 2017**

Name	Role	Responsibilities
Rainer Neske	Chairman of the Board of Managing Directors	Corporate Center
Michael Horn	Deputy Chairman of the Board of Managing Directors	Private and Business Customers
Thorsten Schönenberger	Member of the Board of Managing Directors	Real Assets
Dr. Christian Ricken	Member of the Board of Managing Directors	Financial Markets and Asset Management/International Business
Volker Wirth	Member of the Board of Managing Directors	Risk Management, Compliance and Group Internal Auditing
Karl Manfred Lochner	Member of the Board of Managing Directors	Corporate Customers

## **1.9 Corporate Governance Structure and Processes Related to Resolution Planning**

Resolution Planning for LBBW's U.S. operations is integrated into LBBW's governance framework for recovery and resolution planning. As such, authority and responsibility of LBBW's Resolution Plan rests with the Board of Managing Directors. Annual updates and revisions are prepared by LBBW's New York Branch, in coordination with the organizational unit responsible for LBBW's recovery and resolution planning and approved by the Board of Managing Directors.

## **1.10 Material Management Information Systems**

The New York Branch, including the identified core business lines, uses Management Information Systems ("MIS") to support business activities. MIS provides the information required to understand and evaluate financial information, risk management and performance and to enable management to strategically plan.

LBBW recognizes the importance of producing information in a timely manner. The New York Branch relies on reports that are both automatically and manually generated.

LBBW also has a business continuity plan and procedures for data backup for the New York Branch.

In the event of a resolution or periods leading up to a possible resolution, LBBW and the New York Branch have procedures in place for providing its supervisory authorities with pertinent information in a timely manner.

## **1.11 High Level Description of the Covered Company's Resolution Strategy**

The strategies proposed in the Initial Plan and the 2016, as well as the 2018 Tailored Plan aim to achieve resolution of the New York Branch to maximize recovery to creditors and avoid any significant adverse effects on US financial stability. To best meet these objectives, the overall resolution strategy assumes the New York Branch's operations would gradually be reduced until it is desirable or necessary to resolve the New York Branch in an orderly manner, which would mainly involve maintaining minimally necessary operations to facilitate the sale/liquidation of all of the New York Branch's assets, including its core business lines.

Pursuant to NYBL, the Resolution Plan assumes that the Superintendent of the NYSDFS would take possession of the New York Branch, "ring-fence" all assets of LBBW in the State of New York and proceed with a rapid and orderly resolution of the New York Branch.