



Landesbank Baden-Württemberg

# LBBW RESOLUTION PLAN

## Public Section

### December 31, 2013

Landesbank Baden-Württemberg  
Anstalt des öffentlichen Rechts  
Stuttgart, Karlsruhe,  
Mannheim, Mainz

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Hans-Jörg Vetter, Chairman  
Michael Horn, Deputy Chairman  
Karl Manfred Lochner  
Ingo Mandt

Executive Managing Directors:  
Dr. Martin Setzer  
Volker Wirth

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## 1 Public Section

Landesbank Baden-Württemberg (“LBBW”) prepared this resolution plan (“Resolution Plan”) to address the rapid and orderly resolution of its material entities in the United States as required by the Board of Governors of the Federal Reserve System’s (“FRB”) and the Federal Deposit Insurance Corporation’s (“FDIC”) Joint Resolution Plan Rule as required under Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“DFA”) (such rule and the regulations issued thereunder and the DFA are collectively referred to herein as the “Resolution Plan Rule”). LBBW is filing a Tailored Resolution Plan as it meets all the requirements of paragraph (a)(3)(i) of section 4 and has not been jointly advised by the FRB/FDIC that it must submit a resolution plan that meets some or all of the requirements for a full resolution plan as set forth in paragraph (a)(1) or (a)(2) of section 4 of the Resolution Rule. This document is the public section of the LBBW Resolution Plan.

### 1.1 Material Entities

LBBW is a foreign banking organization (“FBO”) because of its US branch located in New York (“New York Branch”) and is treated as a bank holding company (“BHC”). LBBW additionally has elected to become a financial holding company and is considered the covered company for purposes of the Resolution Plan Rule.

In preparing this Resolution Plan, LBBW identified its New York Branch as a “material entity” based on the criteria set forth in the Resolution Plan Rule. 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 (24.98%) (iii) the city of Stuttgart (18.932%), (iv) the Landesbeteiligungen Baden-Württemberg GmbH (Landesbeteiligungen BW) (13.53%) and (v) the Landeskreditbank Baden-Württemberg (L-Bank) (2 %).

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 over twenty 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.

#### **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 (“NYBL”) and is supervised by the New York State Department of Financial Services (“NYDFS”) and the FRB using Federal Reserve Bank of New York (“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 head office divisions.

LBBW maintains the New York Branch to:

- Achieve regional diversification for LBBW's real estate portfolio by expanding the real estate loan business in the US;
- Fund local customer activity through deposits and borrowings in the financial markets; and
- Support the financial needs of US subsidiaries of German, Swiss and Austrian corporate customers.

## 1.2 Core Business Lines

LBBW has identified three core business lines as the term is defined in the Resolution Plan Rules. For purposes of this Resolution Plan, the LBBW 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, and multifamily properties located in major markets throughout the US. 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 and FX forward transactions and interest rate derivatives 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, guarantees, hedging solutions and USD online banking.

## 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, 2012.

**Table 1–1: Balance Sheet Information for the New York Branch as of December 31, 2012**

Statement of Financial Position	Amount (USD in millions)
Cash reserve	1,529.7
Loans and advances to other banks	(791.1)
Loans and advances to customers	4,461.8
Allowance for losses on loans and advances	(50.2)
Financial Assets measured at fair value through profit and loss	240.2
Investment securities	831.1
Investments accounted for using the equity method	–
Portfolio hedge adjustment attributable to assets	–
Non-current assets / disposal groups held for sale	–
Intangible assets	1.4
Investment property	–
Property and Equipment	1.4
Income tax assets	13.5
Other assets	1.8
<b>Total assets</b>	<b>6,239.6</b>
Deposits from other banks	9.9
Deposits due to customers	3,854.0
Securitized liabilities	–
Financial liabilities measured at FV through profit and loss	2,044.4
Portfolio hedge adjustment attributable to liabilities	–
Provisions	9.5
Liabilities related to disposal groups held for sale	–
Income tax liabilities	1.9
Other liabilities	15.5
Subordinated Debt	340.5
<b>Total liabilities</b>	<b>6,275.7</b>
Equity	(36.2)
<b>Equity and liabilities</b>	<b>6,239.6</b>

### Capital

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 directors (“Board”) of LBBW. As of December 31, 2012, this capital amounted to USD \$915 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 the head office.

**Major Funding Sources**

LBBW Head Office is the primary funding source for the New York Branch. Prior to 2013, all loans originated by the New York Branch were match funded by LBBW Head Office. The New York Branch Treasury & Capital Markets business also raises additional funding through its repurchase agreement (“Repo”) and securities lending activities.

In terms of liquidity, the New York Branch has an account at the Federal Reserve Bank of New York (“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 to cover any overnight liquidity needs. The collateral is comprised of securities pledged via the Depository Trust & Clearing Corporation (“DTCC”) and Clearstream (“CST”) 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 interest rate swaps and customer-related foreign exchange transaction services (“FX Forward” and “FX Spot”). FX Forward and 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.

Interest rate derivative transactions are driven by demand from Real Estate Finance customers looking to hedge interest rate exposure on underlying loans. All interest rate derivatives are transacted for hedging purposes and each position is connected to an outstanding loan position.

As part of its asset/liability management, the New York Branch engages in derivative transactions through Treasury & Capital Markets to hedge value fluctuations of on-balance sheet and/or off-balance-sheet items. For example fixed-income securities are used to hedge against potential changes in market interest rates and to hedge against widening credit spreads for corporate bonds. Derivatives are also used to hedge fluctuations in interest rates or market prices for trading transactions.

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

The New York Branch utilizes Financial Market Utilities (“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))	Clearing, settlement and information services for money market instruments
Fedwire	Payment and book-entry Government securities processing services
SWIFT	Payment messaging services

## 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.
- Sachsen Bank services the banking needs of small and medium–sized corporate customers and private retail customers in Saxony and neighboring regions.
- 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 over twenty international branches or representative offices, including branches located in New York, London 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, Delhi, Gurgaon 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 New York State Department of Financial Services (“NYSDFS”) and the FRB. LBBW’s primary home country supervisory authorities are Bundesanstalt für Finanzdienstleistungsaufsicht (“BaFin”) and Bundesbank. 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**

Name	Role	Responsibilities
Hans–Jörg Vetter	Chairman of the Board of Managing Directors	Corporate Center, Financial Markets

Name	Role	Responsibilities
Michael Horn <sup>1</sup>	Deputy Chairman of the Board of Managing Directors	Savings Banks, Private Banking, International Business
Dr. Martin Setzer	Executive Managing Director	Operations, IT and Services
Ingo Mandt	Member of the Board of Managing Directors	Finances, Controlling, Participations
Volker Wirth	Executive Managing Director	Risk Management, Compliance, Audit
Karl Manfred Lochner	Member of the Board of Managing Directors	Corporate Customers

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

For the initial development of the Resolution Plan, a dedicated project team was assembled and a program governance structure was developed with roles and responsibilities assigned at various levels to ensure that appropriate support and oversight was provided throughout the Resolution Plan’s development.

The project team (“Project Team”), consisting of members from both the New York Branch and LBBW Head Office, took the lead in coordinating and preparing this Resolution Plan. The project team members were supervised by senior management of the New York Branch and senior management at LBBW Head Office responsible for US operations (“Review Team”) and a US Resolution Plan Steering Committee consisting of senior managers of LBBW global operations and risk management (“Steering Committee”). Furthermore, in collecting the required information and assembling this Resolution Plan, the Project Team coordinated with several US and LBBW Head Office working groups and external advisors to ensure accurate plan content and compliance with legal requirements.

The initial draft Resolution Plan was prepared by the project team and then reviewed by both the Review Team and the Steering committee through several iterations. In addition, the Resolution Plan was reviewed by the members of the team responsible for generating the resolution and recovery plan for LBBW under German and European law. Ultimately, LBBW’s Board reviewed and approved the final draft of the Resolution Plan.

The initial resourcing and organization for the preparation of the Resolution Plan was specific to this submission, but the annual updating and revisions are to be assigned to the New York Branch that will be responsible for the preparation of such annual updates.

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<sup>1</sup> Michael Horn is on leave since November 26, 2013. In the interim, Michael Horn’s responsibilities have been delegated to Volker Wirth and Karl Manfred Lochner.

## 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.

For the initial development of the Resolution Plan, members of the New York Branch Project Team centrally gathered the information necessary to satisfy the requirements of the Resolution Plan Rule from functional groups in the New York Branch and LBBW Head Office. The data underlying this Resolution Plan was gathered through an information collection process in which the core business lines and the New York Branch’s support groups directly provided data to the Project Team.

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 Resolution 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 be resolved in an orderly manner which would mainly involve 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 (“Superintendent”) of the NYDFS 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.

The Resolution Plan proposes a resolution strategy for the Real Estate Finance and Corporate & Institutional Banking that includes the sale of the core business lines as a whole or alternatively through the sale of individual portfolios. To promote a rapid and orderly resolution, the Resolution Plan proposes, to the extent permissible under the NYBL, the maintenance of necessary operations of the core business lines in order to support their sale and protect the value of the loan assets. This strategy includes retaining necessary personnel, information technology and systems in order to continue to service the loan portfolios until the Superintendent can effect a sale of those assets that maximize the returns to creditors. The Resolution Plan assumes that outstanding transactions related to the Treasury & Capital Markets business would be resolved.