Creditreform Bank Rating

Landesbank Baden-Wuerttemberg AöR (Group)

Creditreform Rating

Rating Object	Rating Information
Landesbank Baden-Wuerttemberg AöR (Group) Creditreform ID: 7330529315	Long Term Issuer Rating / Outlook: **A+ / stable** Short Term: **L2** Type: Update / Unsolicited
Rating Date: **31 October 2024** Monitoring until: withdrawal of the rating Rating Methodology: CRA "Bank Ratings v.3.3" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.2" CRA "Government-Related Banks v.2.1" CRA "Environmental, Social and Governance Score for Banks v.1.1" CRA "Rating Criteria and Definitions v.1.3" CRA "Institutional Protection Scheme Banks v1.0" Rating History: www.creditreform-rating.de	Rating of Bank Capital and Unsecured Debt Instruments: Preferred Senior Unsecured (PSU): **A+** Non-Preferred Senior Unsecured (NPS): **A** Tier 2 (T2): **BBB** Additional Tier 1 (AT1): **BBB-**

Rating Action

Creditreform Rating upgrades Landesbank Baden-Wuerttemberg AöR's (Group) Long-Term Issuer Rating to A+ (Outlook: stable)

Creditreform Rating (CRA) upgrades Landesbank Baden-Wuerttemberg AöR's (Group) Long-Term Issuer Rating to A+. The rating outlook is stable.

CRA upgrades Landesbank Baden-Wuerttemberg's Preferred Senior Unsecured Debt to A+, Non-Preferred Senior Unsecured Debt to A, Tier 2 Capital to BBB and AT1 Capital to BBB-.

Please find a complete list of rating actions regarding the bank at the end of this rating update.

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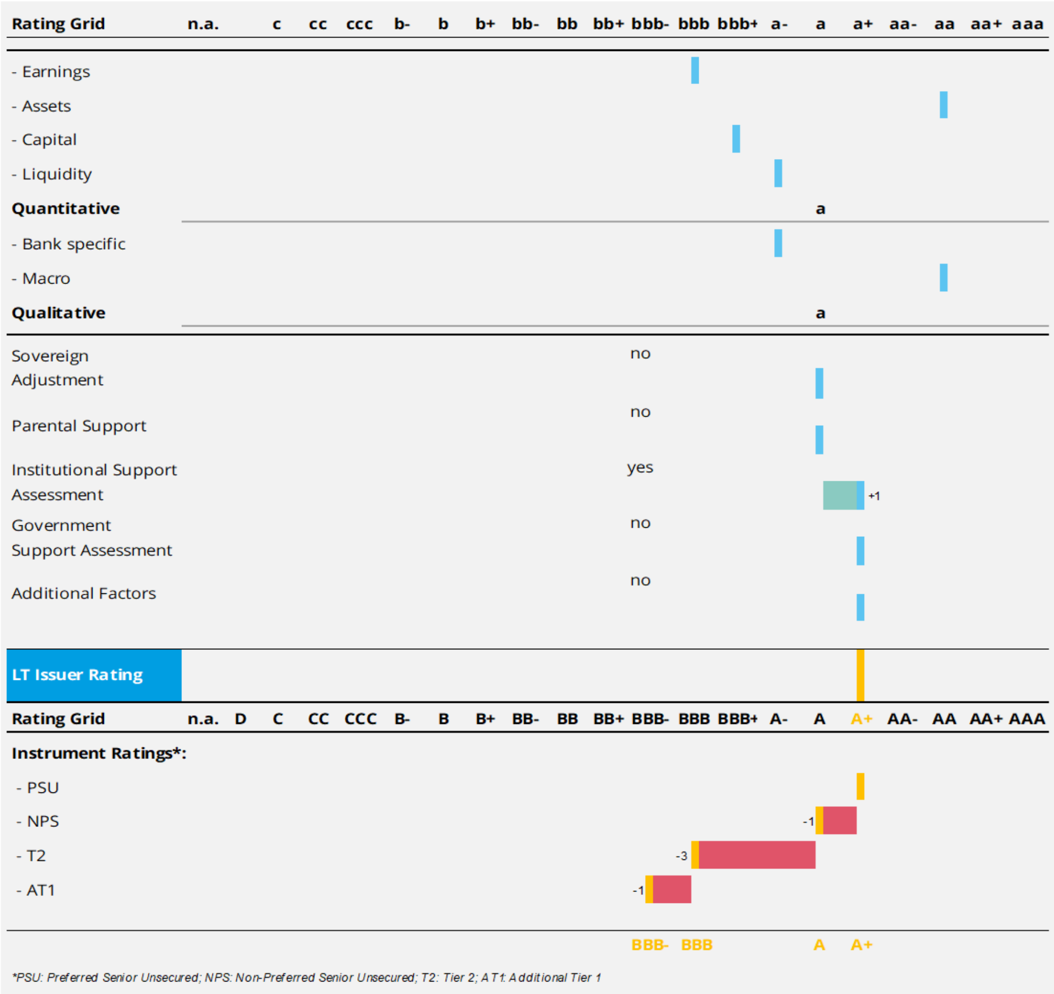
Key Rating Drivers

- Stability due to institution protection system (IPS) of SFG
- Establishment of an additional fund for the savings banks and Landesbanken beginning in 2025
- Higher interest rates and expanded credit volumes have a positive impact on earnings
- Sharp increase in NPL and stage 2 exposure
- Equity capital ratios remain comfortably high

Executive Summary



The rating of Landesbank Baden-Wuerttemberg AöR (hereinafter LBBW) is prepared on the basis of group consolidated accounts, supplemented by information on the institutional protection scheme the bank is affiliated with.

Creditreform Rating (CRA) upgrades LBBW's Long-Term Issuer Rating to A+. The rating outlook is stable. As with the other Landesbanks, LBBW also benefits from the institutional protection system of the Sparkassen Finanzgruppe.

In the Institutional Support Assessment, Creditreform Rating examines the extent to which an existing cross-guarantee system or IPS can have an influence on LBBW's rating. As a result, Creditreform Rating comes to the conclusion that in the case of LBBW's Long-Term Issuer Rating, there is a strong connection between Sparkassen Finanzgruppe (SFG) and LBBW due to Sparkassenunterstützungsfonds of the regional Sparkassen and Giroverbände, the Guarantee Fund of the Landesbausparkassen and the Guarantee Reserve of the Landesbanks and Girozentralen. This enables additional notching. In the opinion of Creditreform Rating, a stand-alone rating of LBBW is thus not appropriate due to its affiliation with SFG. LBBW does receive additional notching as a result of its membership in SFG/IPS.

The rating upgrade of one notch is mainly due to the new established supplementary fund, which leads to a strengthening of the IPS.

Company Overview

Landesbank Baden-Württemberg (LBBW) was formed on 01 January 1999 through the merger of Landesgirokasse, Südwestdeutsche Landesbank Girozentrale, and Landeskreditbank Baden-Württemberg Marktteil. LBBW's history dates back to 1818, when one of Germany's first Sparkassenwas founded under the name "Württembergische Spar-Casse". In terms of total assets, LBBW is the largest Landesbank in Germany (as of September 24). In addition to its headquarters in Stuttgart, LBBW has further headquarters in Karlsruhe, Mainz and Mannheim.

Together with its retailbank BW-Bank, LBBW operates nationwide as a universal bank. Sachsen Bank was legally dissolved as a dependent unit of LBBW on 31 March 2018. In 2022 LBBW purchased 100% of Berlin Hyp AG (Berlin Hyp), a German bank with focus on the real estate market.

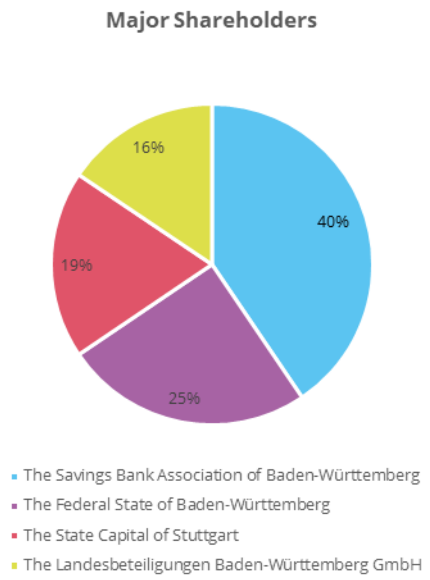
The main business areas of the LBBW Group are: *Corporate Customers* (in particular SMEs), *Real Estate/Project Finance*, *Retail Customers/Savings Banks* (mainly in Baden-Wuerttemberg, Saxony and Rhineland-Palatinate), *Capital Markets*.

As a cost-cutting measure, it was announced at the Group subsidiary BW Bank that almost half of the existing branches would be closed and 100 employees cut. A total of 700 jobs are to be cut across the Group by 2024, with the aim of reducing costs by almost EUR 100mn compared with 2019. In addition, the sustainable business volume is to reach EUR 250bn by 2025, of which EUR 65bn will be used for sustainable financing.

With the acquisition of Berlin Hyp, LBBW is strengthening the commercial real estate financing segment. The bank has an exposure of around EUR 30bn and has excellent financials from which LBBW should benefit. The bank has been part of the Group since 01 July 2022. At the same time, LBBW has taken over significant business shares in the interest rate, currency and commodity management segment from other Landesbanks since the end of 2020 as part of the efficient bundling within the Sparkassen-Finanzgruppe.

As a public-law institution with legal capacity, its ownership is as follows:

Chart 1: Major Shareholders of LBBW| Source: Website of LBBW



Prior to a reorganization starting in 2025, the Joint Liability Scheme of the SFG comprises three elements: The Sparkassen Guarantee Fund of the regional Sparkassen and Giro associations, the Guarantee Fund of the Landesbausparkassen and the Guarantee Reserve of the Landesbanks and Girozentralen. Together, these three guarantee funds ensure the continued existence of each individual Sparkasse and Landesbanks.

The primary objective of the IPS is to avoid a support case and to protect the institutions themselves, i.e. to ensure liquidity and solvency. The protection of the institutions can be ensured, for example, by the following measures: Injection of equity capital, assumption of guarantees and sureties, and compliance with third-party claims. Mergers with other institutions may also occur. The regional Sparkassen associations have a total of 11 Sparkassen guarantee funds. The individual guarantee funds are interlinked. There is a supra-regional equalization between them, which takes place if the funds available in a region are not sufficient for a so-called support case of an institution. In this case, the resources of all funds are available if required. If necessary, all the guarantee funds will stand together as part of the system-wide equalization process: all the Sparkassen guarantee funds, the guarantee reserve of the Landesbanks and the guarantee fund of the Landesbausparkassen. This applies in the event that the resources of one of the three protection schemes concerned are insufficient. This equalization means that all the funds of all the protection schemes are available for action in the event of a crisis.

The members of the protection scheme pay annual contributions to the Sparkassen deposit guarantee scheme. These are pooled in a special fund that is used to rescue the affected member institution in the event of a crisis.

As part of the restructuring of the protection scheme originally agreed in 2021, a supplementary fund will be established for the savings banks and Landesbanken, alongside the existing subfunds, which will be funded from 2025 onwards. A key improvement to the system is a more rules-based approach to decision-making, including tight deadlines. This should significantly increase the efficiency of the IPS. The additional fund is set to have a volume of 5.2bn EUR, which will be filled starting in 2025 until 2032. Landesbanks will cover EUR 2.6bn of said fund.

In the Institutional Support Assessment, Creditreform Rating examines the extent to which an existing cross-guarantee system or IPS can have an influence on LBBW's rating. As a result, Creditreform Rating comes to the conclusion that in the case of LBBW's Long-Term Issuer rating, there is a strong linkage due to its membership in SFG's cross-guarantee system/IPS, which in turn allows for additional notching. SFG's IPS has far-reaching competencies in monitoring and crisis situations and has an extensive catalog of measures at its disposal. Support cases are linked to restructuring agreements and conditions. In the opinion of Creditreform Rating, a stand-alone rating of LBBW is not appropriate due to its membership in SFG and its IPS. LBBW does receive additional notching as a result of its membership in SFG/IPS.

Business Development

Profitability

Creditreform Rating AG follows a structural approach in the presentation of the income statement and balance sheet as well as in the calculation of key ratios. The presentation may therefore differ from that of the bank. Creditreform Rating pursues the goal of making financial statements of different banks as well as within the scope of consolidation as comparable as possible. Certain key ratios are also taken or calculated from the Bank's Pillar III Report for reasons of comparability. Balance sheet and income statement figures are taken from the consolidated financial statements of the respective years. One-off or exceptional items are, where possible, relegated to the line items non-recurring revenue and expense.

After strong results in 2022, mostly driven by the acquisition of Berlin Hyp, as well as the change in the interest environment, LBBW posted a lower but still decent Net Profit.

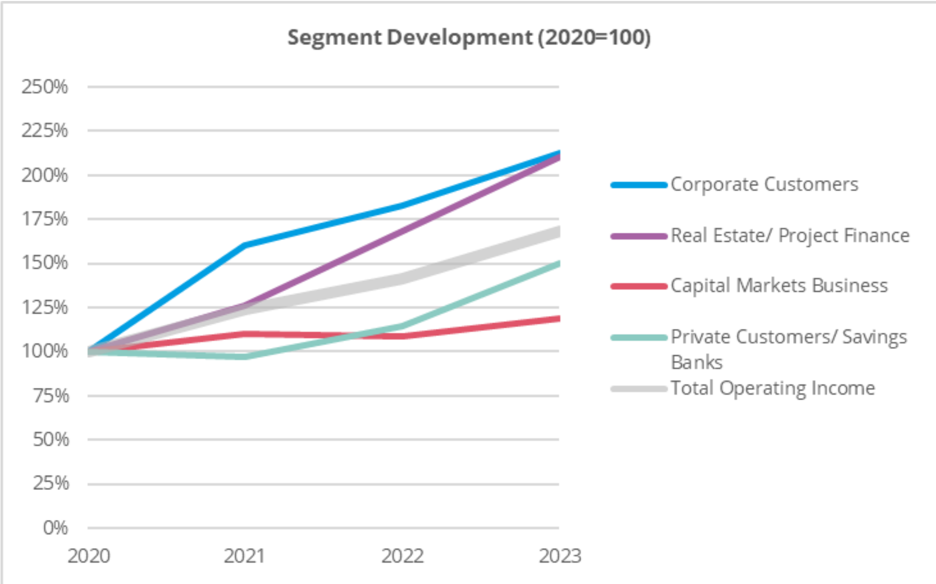
Operating Income was down 9.5% compared to last year amounting to more than EUR 4.2bn only due to a positive one-off effect from the previous year. Most major drivers of income recorded growth. Net Interest income increased by 22.6% to EUR 2.8bn compared with the previous year. The higher net interest income was mainly due to the higher financing needs of its customers. Net Fee & Commission Income decreased by 6.2% driven by higher Fee & Commission Expense. Net Trading & Fair Value Income made a somewhat smaller contribution to overall earnings, but increased very strongly compared with the previous year. Other income, which reported extreme growth last year due to one off effects regarding the acquisition of Berlin Hyp, normalized.

Almost all key items on the expenses side, increased compared with the previous year. Personnel Expenses rose for the third year in succession. It increased by 6.6% to EUR 1.18bn. Tech & communications expense also rose by 18% to EUR 484mn. Overall, Operating Expenses have increased by 2.2% compared with the previous year. These developments led to an increase in the cost income ratio (CIR). It rose from 54.4% to 61.4% in the course of the financial year 2023.

Risk costs, which amounted to EUR 257mn, remained almost at the same level as in the previous year, both in their amount and in their composition.

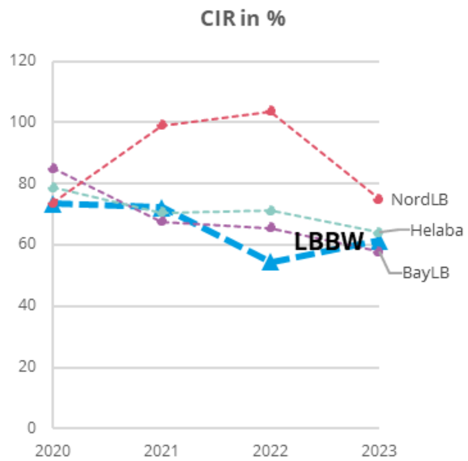
As in previous years, the majority of revenue was based on *corporate customer* business. Revenues actually increased compared with the previous year. Furthermore, the *Real Estate and Project Financing* segment made a significant contribution to earnings and improved both its income and the resulting profit again. This segment will continue to grow in the coming years through the acquisition of Berlin Hyp in 2022.

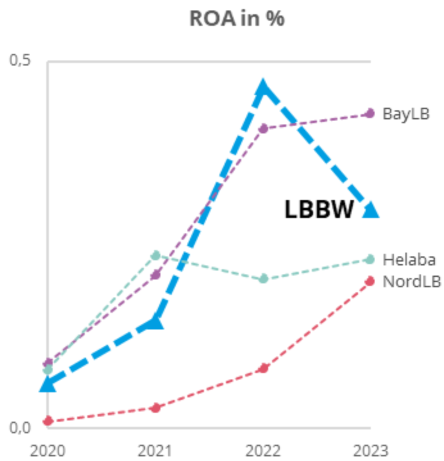
Chart 2: Segment Income Development of LBBW | Source: LBBW Annual Report



A comparison with the other major Landesbanks in Germany shows that LBBW lost some of its efficiency last year. Nevertheless, LBBW is still one of the leading Landesbanks in terms of CIR and ROA (according to our calculations).

Chart 2: CIR and ROA of LBBW in comparison to the peer group | Source: eValueRate / CRA



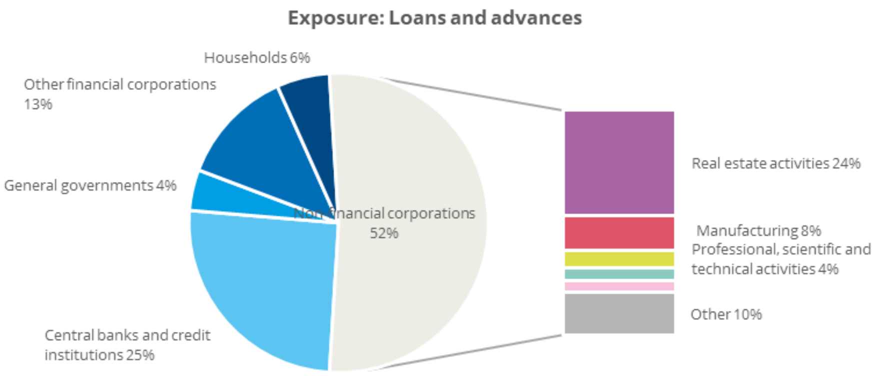


LBBW's half-year 2024 figures showed mixed results. Net profit is expected to be EUR 1bn and was mainly due to a decrease in operating expenses despite a decrease in operating income. The decline in income was due to lower net interest income and a lower other income. The key earnings figures remained virtually unchanged.

Asset Situation and Asset Quality

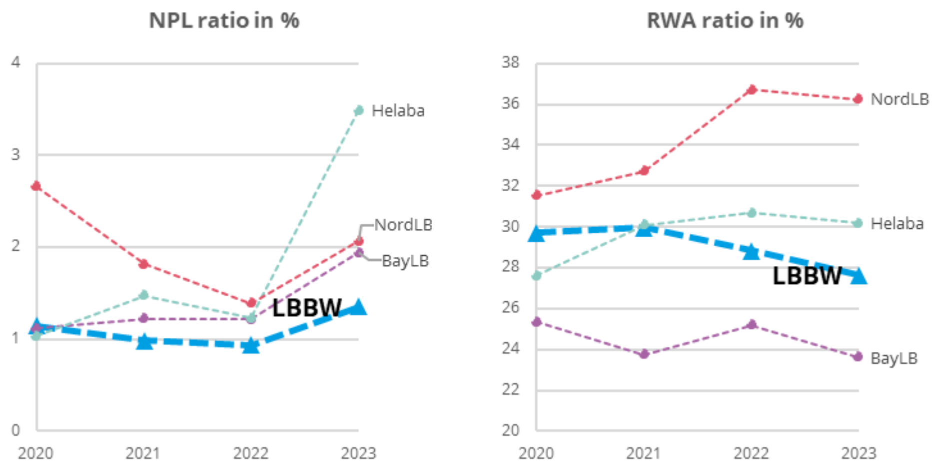
The balance sheet total increased by 2.8% in 2023. The largest change on the assets side in total amounts was in net loans to customers, which increased by 2.7% and amounted to around EUR 160.1bn at the end of fiscal year 2023. Net Loans to Banks, which rose significantly last year decreased by 3.2%. Cash and Balances with Central Banks increased by 13.8% in relative terms to approximately EUR 12bn. The volume of loans and advances breaks down by sector as follows:

Chart 3: Exposure Loans and Advances | Source: Pillar III



While Risk-Weighted Assets (RWA) decreased in absolute terms the RWA ratio decreased as well by more than one percentage point from 28.9% in 2022 to 27.8% in 2023. In a peer group comparison with the other three Landesbanken, LBBW has the second-lowest RWA ratio, as seen beyond. The ratio of non-performing customer loans (gross exposure excluding financials, Stage 3) rose to 1.36%. In a peer group comparison with the other Landesbanks, as seen in Chart 5 below, LBBW thus continues to assert its dominance in the area of NPLs, reflecting its good asset quality. At the same time, the potential problem loan ratios (gross exposure excluding financials, stage 2), which were also high by Landesbank standards, increased significantly from 13.4% to around 20.4% in 2023. Asset quality continues to be classified as excellent.

Chart 5: NPL and RWA ratios of LBBW in comparison to the peer group | Source: eValueRate / CRA

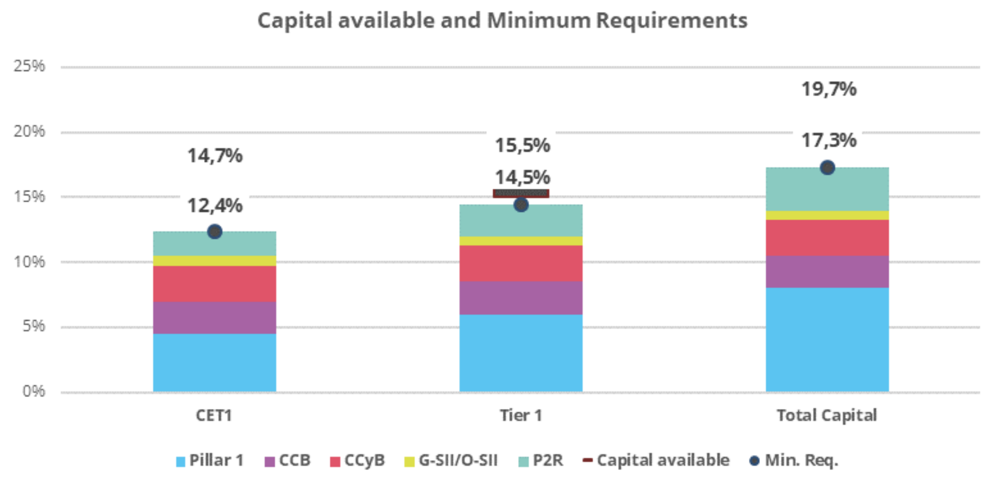


During the first half of 2024, LBBW's asset quality remained resilient, in some cases the asset ratios have even improved. Net Loans to Customer decreased by 1.75% while the RWA ratio decreased to 26.1%. Total Assets rose by 8.14%.

Refinancing, Capital Quality and Liquidity

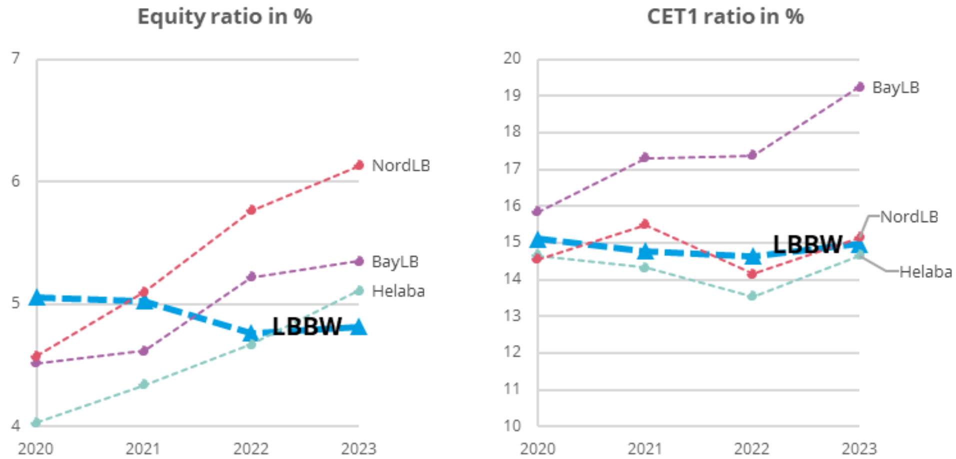
LBBW refinances its balance sheet assets primarily with bank and customer deposits, as well as with securitized liabilities. Customer deposits increased by 10.7%, mainly as a result of overnight and term deposits, which have been used by the German federal state. Total deposits from banks decreased by 13%. This decrease is attributable to TLTRO III repayments. Securitized liabilities increased significantly due to high demands for LBBW's issuances and amounted to approximately EUR 82.3bn. Total equity increased by 4% to EUR 16.1bn. This increase was mainly driven by the retention of last year's net income. Regulatory capital on the basis of the CET1 ratio remained virtually unchanged and actually increased slightly by 0.34% amounting to 14.98%. Both T2 and AT1 increased slightly in 2023.

Chart 6: Regulatory Capital Ratios and Minimum Requirements as per H1-24 | Source: P3 (EU KM1)



In the peer group comparison with the other three Landesbanken below, LBBW ranks last regarding its equity ratio. In terms of the CET1 ratio, LBBW ranks third. We continue to consider LBBW's capitalization to be sufficient. The expected high annual profits in the coming years should have a positive effect on the capital ratios.

Chart 7: Equity and CET1 ratios of LBBW in comparison to the peer group | Source: eValueRate / CRA



As of the first half of 2024, the CET1 ratio increased marginally, while the T1 ratio decreased marginally. The net stable funding ratio (NSFR) was 112.2%, while the liquidity coverage ratio (LCR) was 141.1%. On the liabilities side of the balance sheet, deposits from customers and banks both increased. Equity increased by 0.82% compared with year-end 2023, corresponding to an amount of approximately EUR 16.2bn.

Due to LBBW's bank capital and debt structure, the Group's Preferred Senior Unsecured Debt instruments are not notched down in comparison to the Long-Term Issuer Rating. Due to the seniority structure, LBBW's Non-Preferred Senior Unsecured debt is rated A. LBBW's Tier 2 Capital is rated BBB based on the LBBW's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 Capital is rated BBB-, reflecting the capital structure, seniority and a high bail-in risk in the event of resolution.

Environmental, Social and Governance (ESG) Score Card

LBBW has one significant and two moderate ESG rating drivers

• Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the Corporate Governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated neutral.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated positive, Coporate Behaviour is rated positive

ESG Bank Grade

3,5 / 5

Grade Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
< = 1,75	Poor

	Sub-Factor	Consideration	Relevance Scale 2022	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	1.2 Exposure to Environmental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	2	( )
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating.	1	(+)
Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	2	( )
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating.	1	(+)
Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	4	( )
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating.	1	(+)

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
(-)	Negative
(- -)	Strong negativ

The ESG Grade is based on the Methodology "Environmental, Social and Governance Grade of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage https://creditreform-rating.de/en/about-us/regulatory-requirements.html. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

Outlook

The outlook of the Long-Term Issuer Rating of LBBW is stable. In the medium term, CRA expects the bank's profitability to remain solid and to improve. Furthermore, we expect asset quality to stabilize after a further deterioration, although we do not expect asset quality to fall to an alarming level.

Scenario Analysis

Best-case scenario: AA-

Worst-case scenario: A

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank is able to reach a Long-Term Issuer Rating of AA- in the "Best-Case-Scenario" and a Long-Term Issuer Rating of A in the "Worst-Case-Scenario". The ratings of Bank Capital and Senior Unsecured Debt would respond similarly based on our rating methodology. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We might upgrade LBBW's Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt due to an upgrade of the SFG.

By contrast, a downgrade of LBBW's Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt due to a downgrade of the SFG.

Appendix

Bank ratings Landesbank Baden-Wuerttemberg AöR

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

Long-Term Issuer / Outlook / Short-Term **A+ / stable / L**[Betreff]**2**

Bank Capital and Debt Instruments Ratings Landesbank Baden-Wuerttemberg AöR

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred Senior Unsecured (PSU):	**A+**
Non-Preferred Senior Unsecured (NPS):	**A**
Tier 2 (T2):	**BBB**
Additional Tier 1 (AT1):	**BBB-**

Rating History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 1: Rating History

Long-Term Issuer Rating	Rating Date	Result
Initialrating	23.02.2017	A- / stable / L2
Rating Update	27.06.2018	A- / stable / L2
Rating Update	17.09.2019	A- / stable / L2
Monitoring	24.03.2020	A- / NEW / L2
Rating Update	02.10.2020	A- / stable / L2
Rating Update	24.09.2021	A- / stable / L2
Rating Update	23.11.2022	A- / stable / L2
Rating Update	17.10.2023	A / stable / L2
Rating Update	31.10.2024	A+ / stable / L2
Bank Capital and Debt Instruments	**Rating Date**	**Result**
Senior Unsecured / T2 / AT1 (Initial)	27.06.2018	A- / BB+ / -
PSU / NPS / T2 / AT1	17.09.2019	A- / BBB+ / BB+ / -
PSU / NPS / T2 / AT1	24.03.2020	A- / BBB+ / BB+ / -
PSU / NPS / T2 / AT1	02.10.2020	A- / BBB+ / BB+ / BB
PSU / NPS / T2 / AT1	24.09.2021	A- / BBB+ / BB+ / BB
PSU / NPS / T2 / AT1	23.11.2022	A- / BBB+ / BB+ / BB
PSU / NPS / T2 / AT1	17.10.2023	A / A- / BBB- / BB+
PSU / NPS / T2 / AT1	31.10.2024	A+ / A / BBB / BBB-

Tables Group (if applicable)

Figure 2: Income statement[1] | Source: eValueRate / CRA

Income Statement (EUR m)	2023	%	2022	2021	2020
Income					
Net Interest Income	2.825	+22,6	2.305	2.031	1.771
Net Fee & Commission Income	589	-6,2	628	598	538
Net Insurance Income	-	-	-	-	-
Net Trading & Fair Value Income	425	+18,4	359	253	178
Equity Accounted Results	-6	-86,4	-44	23	5
Dividends from Equity Instruments	-	-	-	-	-
Other Income	397	-72,2	1.427	908	506
Operating Income	**4.230**	**-9,5**	**4.675**	**3.813**	**2.998**
Expense					
Depreciation and Amortisation	140	+6,1	132	125	134
Personnel Expense	1.181	+6,6	1.108	1.031	1.010
Tech & Communications Expense	484	+18,0	410	365	321
Marketing and Promotion Expense	32	+6,7	30	20	20
Other Provisions	-31	> +100	-7	-13	-18
Other Expense	793	-8,9	870	1.227	734
Operating Expense	**2.599**	**+2,2**	**2.543**	**2.755**	**2.201**
Operating Profit & Impairment					
Operating Profit	**1.631**	**-23,5**	**2.132**	**1.058**	**797**
Cost of Risk / Impairment	257	-0,8	259	241	545
Net Income					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**1.374**	**-26,6**	**1.873**	**817**	**252**
Income Tax Expense	378	+4,1	363	399	80
Discontinued Operations	-	-	-	-	-
Net Profit	**996**	**-34,0**	**1.510**	**418**	**172**
Attributable to minority interest (non-controlling interest)	-3	-57,1	-7	-	-
Attributable to owners of the parent	999	-34,1	1.517	418	172

Figure 3: Key earnings figures| Source: eValueRate / CRA and Pillar III

Income Ratios (%)	2023	%	2022	2021	2020
Cost Income Ratio (CIR)	61,44	+7,05	54,40	72,25	73,42
Cost Income Ratio ex. Trading (CIRex)	68,30	+9,38	58,92	77,39	78,05
Return on Assets (ROA)	0,30	-0,17	0,47	0,15	0,06
Return on Equity (ROE)	6,20	-3,58	9,78	2,94	1,23
Return on Assets before Taxes (ROAbT)	0,41	-0,17	0,58	0,29	0,09
Return on Equity before Taxes (ROEbT)	8,55	-3,58	12,13	5,75	1,80
Return on Risk-Weighted Assets (RORWA)	1,08	-0,54	1,61	0,50	0,21
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,49	-0,51	2,00	0,97	0,31
Net Financial Margin (NFM)	1,00	+0,16	0,84	0,83	0,72
Pre-Impairment Operating Profit / Assets	0,49	-0,17	0,66	0,37	0,29

Change in %- Points

[1] Data by our data provider eValueRate, which is standardized for analytical reasons. Thus, the used data and the resulting figures do not have necessary to match the presentation of the bank, which refers to this and all subsequent tables and figures.

Figure 4: Development of assets| Source: eValueRate / CRA

Assets (EUR m)	2023	%	2022	2021	2020
Cash and Balances with Central Banks	12.026	+13,8	10.569	36.871	13.650
Net Loans to Banks	72.035	-3,2	74.397	39.640	58.267
Net Loans to Customers	160.066	+2,7	155.929	126.741	119.305
Total Securities	44.086	+4,4	42.214	38.344	38.158
Total Derivative Assets	17.032	-12,9	19.562	19.073	25.369
Other Financial Assets	19.297	+36,4	14.143	15.870	15.562
Financial Assets	**324.542**	**+2,4**	**316.814**	**276.539**	**270.311**
Equity Accounted Investments	203	-10,2	226	274	261
Other Investments	781	-1,3	791	805	796
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	2	+100,0	1	1	2
Tangible and Intangible Assets	1.047	+2,4	1.022	889	968
Tax Assets	1.086	+4,6	1.038	1.133	1.225
Total Other Assets	5.644	+31,8	4.282	2.703	2.881
Total Assets	**333.305**	**+2,8**	**324.174**	**282.344**	**276.444**

Figure 5: Development of asset quality| Source: eValueRate / CRA and Pillar III

Asset Ratios (%)	2023	%	2022	2021	2020
Net Loans to Customers / Assets	48,02	-0,08	48,10	44,89	43,16
Risk-weighted Assets[1] / Assets	27,75	-1,14	28,89	29,90	0,00
NPL[2]/ Loans to Customers[3]	1,36	+0,42	0,93	0,99	1,14
NPL[2]/ Risk-weighted Assets[1]	2,13	+0,73	1,40	1,28	1,35
Potential Problem Loans[4]/ Loans to Customers[3]	20,35	+6,96	13,39	23,61	39,24
Reserves[5]/ NPL[2]	83,98	+8,63	75,34	76,45	21,34
Cost of Risk / Loans to Customers[3]	0,18	-0,01	0,18	0,22	0,56
Cost of Risk / Risk-weighted Assets[1]	0,28	+0,00	0,28	0,29	0,66
Cost of Risk / Total Assets	0,08	-0,00	0,08	0,09	0,20

Change in %- Points
1 RWA: Pillar 3, EU CR1
2 NPL: Gross; Non- Performing Loans of the categories Households, Non- Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
3 Loans to Customers: Gross; Households, Non- Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
4 Potential Problem Loans: Stage 2; Households, Non- Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
5 Reserves: Impairment & Provisions and Collateral & Guarantees; Households, Non- Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

Figure 6: Development of refinancing and capital adequacy| Source: eValueRate / CRA

Liabilities (EUR m)	2023	%	2022	2021	2020
Total Deposits from Banks	72.962	-13,1	84.002	88.004	78.223
Total Deposits from Customers	126.910	+10,7	114.619	95.546	94.334
Total Debt	96.602	+16,5	82.893	60.486	59.832
Derivative Liabilities	13.197	-29,7	18.769	16.252	22.590
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	2.797	-22,7	3.620	3.481	2.663
Total Financial Liabilities	**312.468**	**+2,8**	**303.903**	**263.769**	**257.642**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	0
Tax Liabilities	118	-44,3	212	370	73
Provisions	1.881	+3,1	1.824	2.081	2.523
Total Other Liabilities	2.771	-0,8	2.793	1.927	2.219
Total Liabilities	**317.238**	**+2,8**	**308.732**	**268.147**	**262.457**
Total Equity	**16.067**	**+4,0**	**15.442**	**14.197**	**13.987**
Total Liabilities and Equity	**333.305**	**+2,8**	**324.174**	**282.344**	**276.444**

Figure 7: Development of capital and liquidity ratios | Source: eValueRate / CRA and Pillar III

Capital Ratios and Liquidity (%)	2023	%	2022	2021	2020
Total Equity / Total Assets	4,82	+0,06	4,76	5,03	5,06
Leverage Ratio[1]	4,70	+0,00	4,70	5,10	4,70
Common Equity Tier 1 Ratio (CET1)[2]	14,98	+0,34	14,64	14,78	15,12
Tier 1 Ratio (CET1 + AT1)[2]	15,78	+0,35	15,43	15,94	16,61
Total Capital Ratio (CET1 + AT1 + T2)[2]	20,24	+0,02	20,22	21,43	22,82
CET1 Minimum Capital Requirements[1]	9,52	+0,68	8,84	8,76	8,75
Net Stable Funding Ratio (NSFR)[1]	109,80	-1,63	111,43	108,54	0,00
Liquidity Coverage Ratio (LCR)[1]	134,90	+5,70	129,20	140,20	141,90

Change in %-Points
1 Pillar 3 EU KM1
2 Regulatory Capital Ratios: Pillar 3 EU KM1

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following table clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the following methodologies and Rating Criteria and Definitions (v1.3):

- Bank ratings (v3.3)
- Rating of bank capital and unsecured debt instruments (v2.2)
- Government-Related Banks (v2.1)
- Institutional Protection Scheme Banks (v1.0)
- Environmental, Social and Governance Score for Banks (v1.1)

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 31 October 2024, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Landesbank Baden-Wuerttemberg AöR, and the preliminary rating report was made available to the bank. There was no change in the rating.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

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1. Aggregated data base by eValueRate

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

5. Public and internal market analyses

6. Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

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