Credit Rating Report
Landesbank Baden-Württemberg

Morningstar DBRS
5 June 2025

Contents

3 Franchise Strength
5 Earnings Power
8 Risk Profile
10 Funding and Liquidity
11 Capitalisation
13 ESG Analysis
15 IA Framework
16 Company Financials
17 Ratings
18 Related Research

Nicola De Caro
Senior Vice President, Sector Lead
European Financial Institution Ratings
+49 69 8088 3505
nicola.decaro@morningstar.com

Borja Barragán
Assistant Vice President
European Financial Institution Ratings
+49 69 8088 3686
borja.barragan@morningstar.com

Elisabeth Rudman
Managing Director
Global Financial Institution Ratings
+44 20 7855 6655
elisabeth.rudman@morningstar.com

Credit Ratings

Debt	Credit Rating	Credit Rating Action	Trend
Long-Term Issuer Rating	A (high)	Confirmed Apr. '25	Stable
Short-Term Issuer Rating	R-1 (middle)	Confirmed Apr. '25	Stable
Intrinsic Assessment	A	Maintained Apr. '25	--

Credit Rating Drivers

Factors with Positive Credit Rating Implications

- LBBW's Issuer Ratings benefit from the SFG's IPS, and therefore a change in SFG's credit ratings would lead to a change in LBBW's credit ratings.
- Morningstar DBRS would upgrade the Bank's IA if it improves profitability on a sustainable basis while maintaining solid asset quality.

Factors with Negative Rating Implications

- LBBW's Issuer Ratings benefit from the SFG's IPS, and therefore a change in SFG's credit ratings would lead to a change in LBBW's credit ratings.
- A significant deterioration in asset quality or a material decline in profitability would lead Morningstar DBRS to downgrade the IA.

Credit Rating Considerations

Franchise Strength (Strong / Good)

- Medium-sized commercial bank and largest Landesbank in Germany, with a focus on core regions in Baden-Württemberg, Rhineland-Palatinate und Saxony where it acts as central bank for the saving banks. LBBW's universal franchise includes its domestically leading CRE lending division. The Bank also has a growing asset and wealth management franchise.

Earnings Power (Good / Moderate)

- Positive earnings trajectory, albeit lagging international peers. Berlin Hyp's integration should support mid-term efficiency. Strategic focus on growing in key business segments, as well as revenue diversification to offset compressed margins from the lower interest environment.

Risk Profile (Strong / Good)

- Risk is well managed, despite high concentration in CRE and certain corporate segments that are vulnerable to the current sluggish economy in Germany, as well as to tensions and uncertainty in global trade and geopolitics.

Funding and Liquidity (Strong / Good)

- The Bank's liquidity position is solid and is supported by its membership in the SFG and its established covered bond franchise.

Capitalisation (Good)

- Solid capital ratios with cushions well over minimum requirements despite some slight deterioration in 2024 on the back of higher RWAs. We expect capital ratios to be maintained at appropriate levels over the medium-term.

Financial Data Through 2024 H1	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	S	G	S/G
Earnings	G/M	G/M	G/M
Risk	S/G	S/G	S/G
Funding & Liquidity	G	S	S/G
Capitalisation	G/M	S/G	G

Overall Assessment	Intrinsic Assessment Range (IAR)	Assigned IA
S/G	['AA (low)', 'A (high)', 'A']	A

Financial Information

			For the Year Ended December 31 (IFRS)				
(In EUR million unless otherwise stated)	H1 2024	H1 2023	2023	2022	2021	2020	2019
Total Assets	360,442	364,124	333,305	324,174	282,344	276,444	256,667
Gross Loans to Customers	149,731	147,760	148,872	145,008	116,297	109,265	106,798
Income Before Provisions and Taxes (IBPT)	853	807	1,643	1,167	1,056	829	796
Net Attributable Income	508	488	999	1,517	418	172	442
Net Interest Margin (%)	0.77	0.84	0.85	0.76	0.71	0.67	0.67
Cost-Income ratio (%)	58.96	61.14	60.25	66.86	66.74	70.26	72.21
LLP / IBPT (%)	13.95	14.50	15.46	20.48	22.73	65.74	18.97
Cost of Risk (%)	0.16	0.16	0.17	0.19	0.22	0.50	0.14
CET1 Ratio (%)	14.70	14.40	15.00	14.60	14.80	15.10	14.60

Source: Morningstar, Inc., company documents. Morningstar, Inc. data and Morningstar DBRS calculations based on company disclosure.
Note: Figures may not tie with reported data given Morningstar DBRS' standardised approach across global banks.

Issuer Description

Landesbank Baden-Württemberg (LBBW or the Bank) is a public-sector bank headquartered in Stuttgart, Baden-Württemberg and provides universal banking services to corporates, and to a lesser extent, to retail clients in its core regions of Baden-Württemberg, Rhineland-Palatinate and Saxony. The Bank also performs central banking and clearing functions for the savings bank associations in this region.

Credit Rating Rationale

On April 16, 2025, Morningstar DBRS confirmed the credit ratings for LBBW. The credit ratings reflect its membership of SFG and in SFG's Institutional Protection Scheme (IPS). Each member of the IPS, including LBBW, is generally rated at the floor level, which is currently A (high) with a Stable trend.

LBBW's Intrinsic Assessment (IA) reflects its strong franchise, particularly as a leading commercial lender in the wealthy region of Baden-Württemberg, in Germany. As a Landesbank, it serves as a central institution and clearing bank for savings banks in Baden-Württemberg, Rhineland-Palatinate, and Saxony. While the Bank's liquidity and funding profile leans toward wholesale funding, its resilience is supported by a well-established covered bond franchise and membership of SFG, which provides access to savings banks' liquidity. Capital ratios remain solid despite a slight reduction in 2024; however, cushions remain comfortably above minimum requirements. Morningstar DBRS expects this strength to remain in the medium term.

The IA also takes into account LBBW's higher profitability over recent years, although 2024 results no longer benefit from the peak margins seen in 2023 amid elevated interest rates. Asset quality softened in 2024 because of Germany's economic slowdown, particularly in CRE and some corporate segments, but remains manageable. While Morningstar DBRS expects the CRE portfolio to benefit from lower interest rates and the gradual market recovery, uncertainties around price developments will likely persist. Additionally, Morningstar DBRS continues to monitor potential impacts from global geopolitical and trade headwinds on the Bank's corporate portfolios. The Stable trend incorporates Morningstar DBRS' view that risks to the credit ratings are broadly balanced.

LBBW's IA of "A" is positioned at the lower end of the IA Range. This reflects the potential challenges in the operating environment and considers the Bank's concentration in highly cyclical sectors such as CRE and some corporate sectors that are more vulnerable to current headwinds in global geopolitics and trade.

Franchise Strength

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Strong	Good	Strong/Good

The franchise grids assessment is lower than the scorecard assessment, as we factor in the Bank's complex ownership mix that implies the involvement of parliamentary process in its decision making.

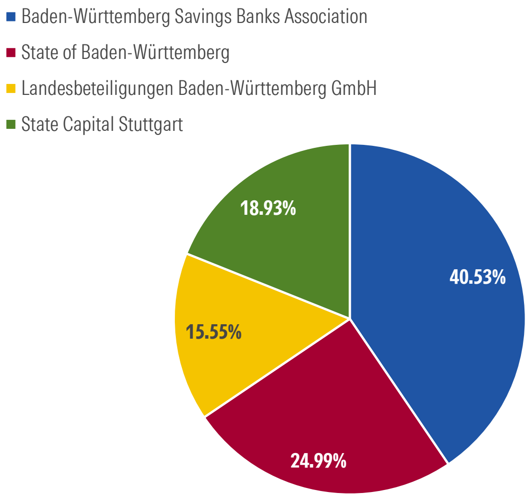
LBBW is a medium-sized commercial bank and the largest Landesbank in Germany with total assets of EUR 356 billion at YE2024. With its universal franchise, LBBW serves as both a commercial bank and the clearing bank for savings banks in its core regions of Baden-Württemberg, Saxony and Rhineland-Palatinate. The Bank provides universal banking services primarily to corporate clients across a diverse range of industrial and retail sectors. In addition, it also serves individuals, savings banks, and provides specialised services in real estate and project finance, alongside maintaining a significant presence in capital markets. While LBBW has a strong regional foundation in its core regions, it also engages in other German regions, such as North Rhine Westphalia, Bavaria, and Hamburg. Furthermore, its operations extend globally through 16 locations in 15 countries, where it offers special finance services to foreign clients as well as support German companies abroad.

As part of Sparkassen-Finanzgruppe, LBBW acts as the main provider for rates, currency, and commodity risk management services for the savings banks. LBBW is an institution incorporated under German public law with legal capacity (rechtsfähige Anstalt des öffentlichen Rechts, AöR) and is a member of the Sparkassen Finanzgruppe and therefore part of the Group's joint liability scheme. LBBW is designated as "other systemically important institution" within Germany, given its position as a major counterparty in the German capital markets.

Exhibit 1 LBBW Geographic Focus

Source: DSGV.

Exhibit 2 LBBW Ownership Structure (As of YE2024)



Sources: Morningstar DBRS, Company Documents.

LBBW operates through four core business segments: (i) Corporate Customers, (ii) Real Estate and Project Finance, (iii) Capital Markets, and (iv) Private Customers/Savings Banks. The Bank primarily uses the LBBW brand across its operations. When it comes to its Wealth Management segment, the Bank operates nationally under its well-established BW-Bank brand. This is also the case for other customer-facing businesses, for instance, Private Customer banking, Private Asset Management and SME Banking Services.

The Bank's leading position in German Commercial Real Estate (CRE) was further strengthened following the acquisition of Berlin Hyp in 2022. As a result, LBBW's gross exposure to the sector accounts for around 22% of the Bank's total exposures to customers at YE2024. Since the acquisition, Berlin Hyp continued to be managed separately with its own name and franchise. However, from H1 2025, LBBW is consolidating the entirety of its real estate business portfolio of around EUR 63 billion under the Berlin Hyp brand. With this initiative, the Bank's target is to enhance market competitiveness and increase operating efficiency via synergies. In addition, the new CRE competence centre would capitalise on Berlin Hyp's strong industry reputation as the leading commercial property lender in Germany.

LBBW currently operates in the following four business segments:

Corporate Customers

(2024 revenues: EUR 1,380 million; 2024 pre-tax profit: EUR 449 million)
The corporate customers segment provides financing, payments, hedging, factoring, leasing, and asset management. Despite weak demand in early 2024, the Bank increased its lending volumes and margins in this segment to public sector clients and corporates in H2, while deposit revenues declined as expected. The Bank reinforced its market leadership in Schuldscheinen or promissory notes and maintains a strong position in ABS/structured finance. While historically concentrated in automotive, reflecting its roots in Baden-Württemberg, LBBW has strategically diversified over recent years into pharma/healthcare, electronics/IT, utilities/energy, and consumer goods to reduce sector risks.

Real Estate/Project Finance

(2024 revenues: EUR 1,074 million; 2024 pre-tax profit: EUR 456 million)
LBBW is a leader in the German CRE sector, a position strengthened by its 2022 acquisition of Berlin Hyp and set to expand further with the integration of its CRE lending portfolios under the Berlin Hyp brand in H1 2025. With EUR 71 billion in commercial property exposure at YE2024, the segment was LBBW's most profitable business before taxes in 2024. after surpassing the corporates segment.

Despite persistent heightened risks in the CRE markets, the Bank lowered its risk provisioning for the segment in 2025 down 17% year over year (YOY), albeit still at high levels at EUR 150 million.

Capital Markets

(2024 revenues: EUR 828 million; 2024 pre-tax profit: EUR 217 million)

The Capital Markets segment provides savings banks, institutional clients, and banks with capital markets products, central bank services, and asset management solutions. Its offerings include customer-focused financing, investments, risk management, custodial services, and research. The segment also leverages on LBBW's international network to assist clients abroad. In Germany, it is a leader in covered bonds and retail certificates. As part of the Landesbanken sector consolidation, LBBW assumed rates, currency, and commodity management (RCCM) for savings banks. In 2024, businesses with institutional clients remained stable compared with the previous year. In addition to strong treasury earnings, foreign payment transactions and custody business contributed to the good result. LBBW also diversified its funding base with a debut issue on the Australian bond market with a volume of AUD 750 million.

Private Customers/Savings Banks

(2024 revenues: EUR 768 million; 2024 pretax profit: EUR 194 million)

This segment serves retail clients, private banking customers, and savings banks, offering products such as checking accounts, credit cards, commercial financing, securities management, and pension solutions. Through BW-Bank, LBBW operates as a savings bank in Stuttgart, while outside this region, it primarily focuses on affluent clients. In 2024, deposit revenues fell as anticipated on the back of compressed interest margins. Additionally, investment volumes for asset management increased by approximately 15%. Wealth management also experienced a positive development in 2024.

Earnings Power[1]

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good/Moderate	Good/Moderate	Good/Moderate

The earnings power grids assessment is in line with the scorecard assessment.

We view LBBW's earnings' trend over the past years positively; however, we note that profitability levels remain below European peers. We note that FY2023 results were exceptionally high on the back of high interest rates, and FY2024 reflects more normalised levels. While the Bank has focused on growth in strategic business segments, as well as revenue diversification to offset compressed margins from the lower interest environment, its profitability levels continue to be affected by factors, such as the competitive German banking market, the public mission of the business model of the Landesbanken, as well as the relatively high proportion of wholesale funding.

In 2024, LBBW reported a profit before tax of EUR 1,232 million down 10% YOY from EUR 1,374 million a year earlier, when the bank benefitted from the increased interest rate environment. In 2025, the Bank expects earnings before taxes to be above EUR 1.0 billion, despite high investments in strategic projects, particularly regarding the integration of Berlin Hyp.

The Bank's operating income remained broadly in line with the prior year's level at EUR 4.0 billion. While net interest income (NII) decreased 7% YOY to EUR 2.6 billion in 2024, due to margin compressions in all segments except for real estate/project finance, net fee and commission

1 Figures as reported.

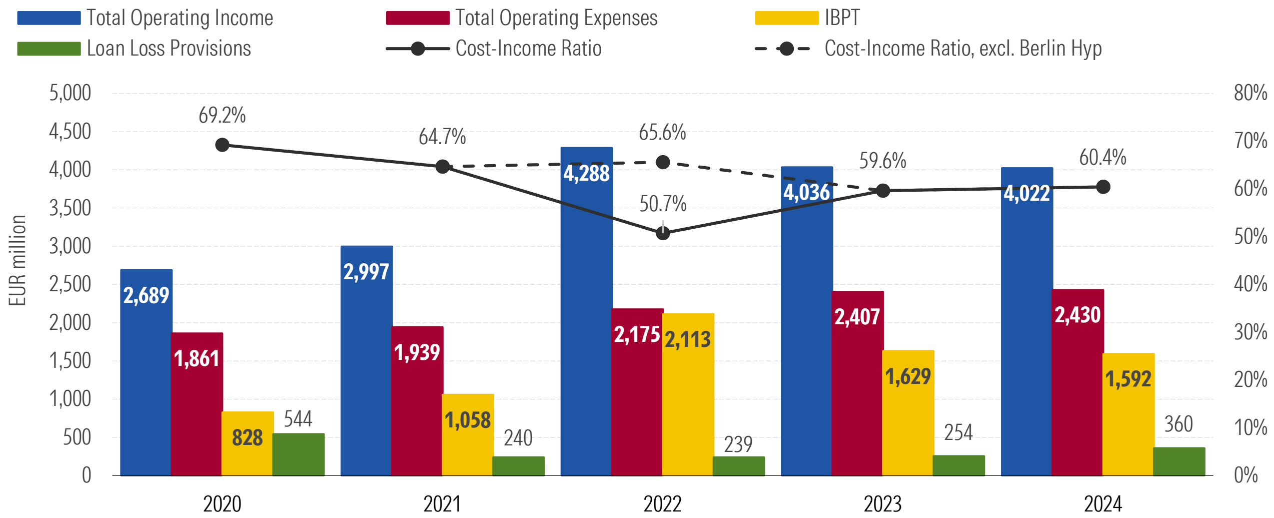
income increased 8% YOY to EUR 635 million on the back of the private customers / savings banks and capital markets businesses.

Total expenses increased slightly by 1% to EUR 2.4 billion, reflecting a rigorous cost management despite important investments in IT, since 10% were related to the enhancement of the Bank's cybersecurity infrastructure, but also benefitting from the absence of bank levies. In 2025, costs are expected to increase driven by the integration costs of Berlin Hyp, as well as higher employee costs resulting from the collective bargaining effects (Tarifverträge), as well as increasing investments in IT initiatives. Nevertheless from 2026 onwards, the Bank should benefit from the synergies from the integration of Berlin Hyp.

LBBW booked EUR 360 million in risk provisions in 2024, up 42% YOY, reflecting the challenges in the real estate market as well as Germany's sluggish economy and heightened geopolitical risks. For 2025, we expect the Bank to keep a prudent stance on risk provisions given the ongoing economic uncertainty.

LBBW's reported cost-to-income ratio deteriorated slightly to 60.4% in 2024 from 59.6%, resulting from slightly higher operating expenses despite higher IT investments, conservative risk provisioning and stable operating income. This was also reflected in a lower reported pretax return on equity (ROE) of 7.8% in 2024 down from 9.1% in 2023. We expect both metrics to remain broadly in line for FY2025, influenced by the integration costs of Berlin Hyp.

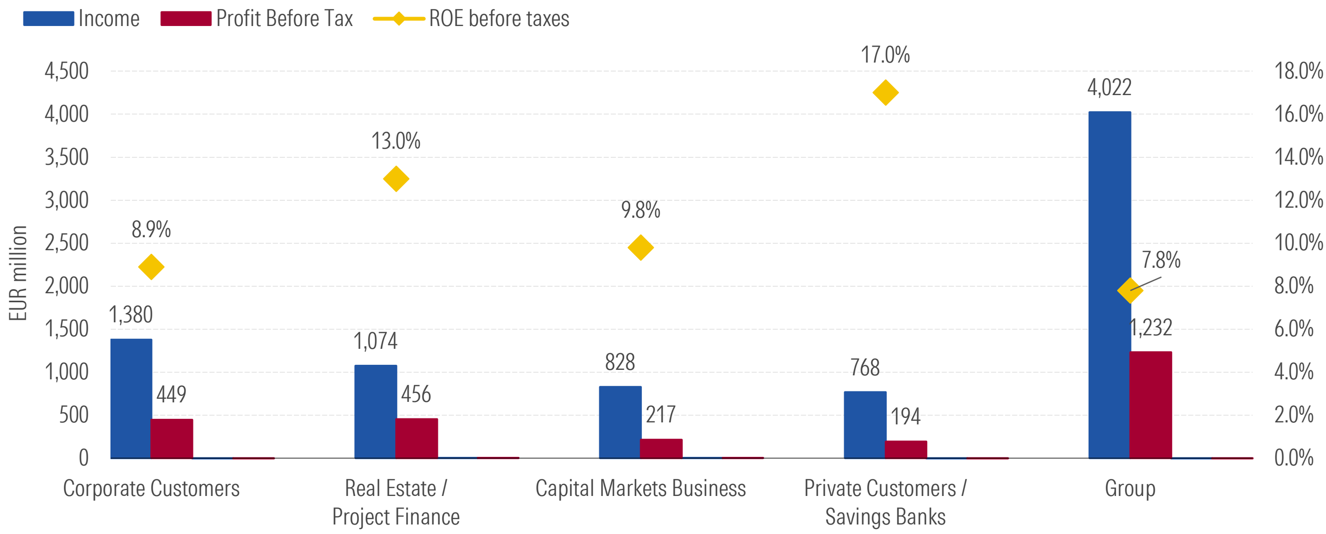
Exhibit 3 Profitability, As Reported



Sources: Morningstar DBRS, Company Documents.

In FY2024, Real Estate & Project Finance surpassed Corporate Customers as the top contributor to the Group's pre-tax profit, followed by Capital Markets and Private Customers/ Savings Banks. Real Estate & Project Finance's profit before taxes grew 31% YOY to EUR 456 million, with expenses down 1% YOY and a 17% YOY decline in loan loss provisions. In contrast, Corporate Customers' pre-tax profit declined 32% YOY to EUR 449 million, impacted by lower interest income and expenses slightly up by 1% YOY, while loan loss provisions doubled to EUR 200 million. Capital Markets reported EUR 217 million in pre-tax profit, up 5% YOY, supported by payment products and certificates, while Private Customers & Savings Banks saw a 23% YOY drop to EUR 194 million, as margin compression reduced deposit income, partially offset by asset management and private banking growth.

Exhibit 4 Profitability by Segment 2024



Sources: Morningstar DBRS, Company Documents.
Note:* As reported.

Risk Profile

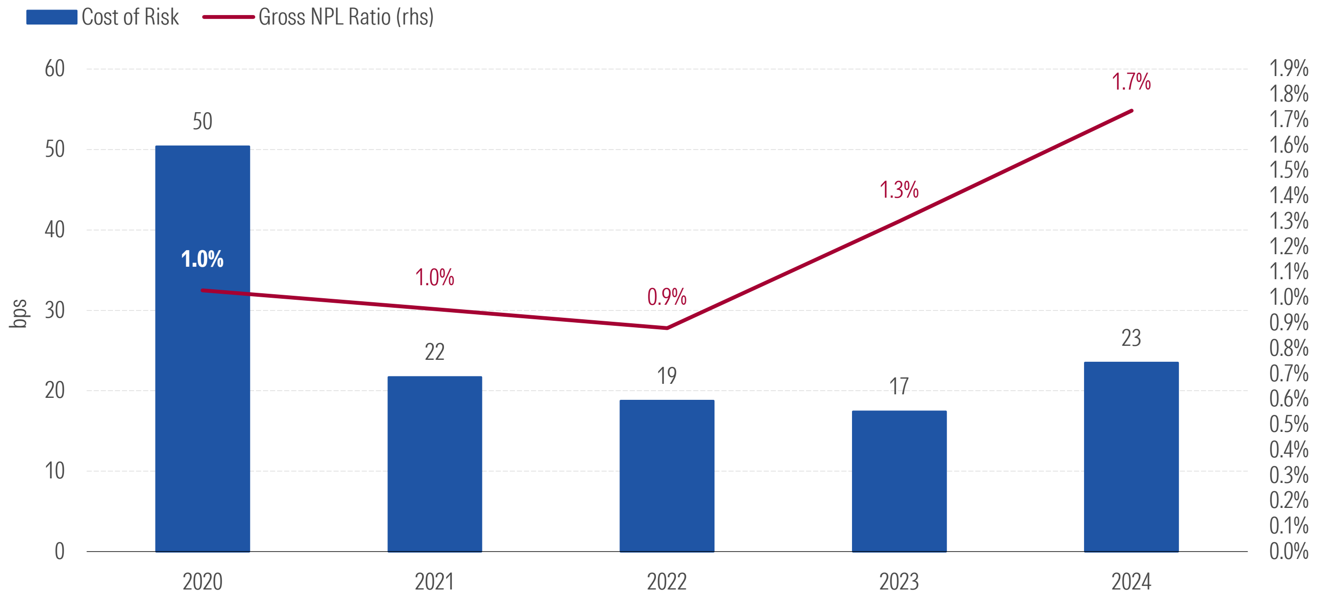
Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Strong/Good	Strong/Good	Strong/Good

The additional considerations risk profile grid has been lowered to reflect the Bank's high concentration in CRE.

We view LBBW's risk profile as well managed and its corporate portfolio as appropriately diversified. Nevertheless, we note a significant concentration to the highly cyclical CRE sector.

As expected, asset quality metrics continued to weaken in 2024, but have remained relatively solid. The NPL ratio as calculated by Morningstar DBRS was 1.7% at the YE2024 compared with 1.3% at YE2023. Reflecting the increase in provisions, despite loan expansion in the period, the cost of risk as calculated by Morningstar DBRS increased to 23 basis points (bps) in 2024 from 17 bps in 2023. In addition, we note that LBBW continued to maintain significant provisioning in the shape of model adjustments of EUR 880 million in FY2024, although down from EUR 929 million in the previous year following years of increases.

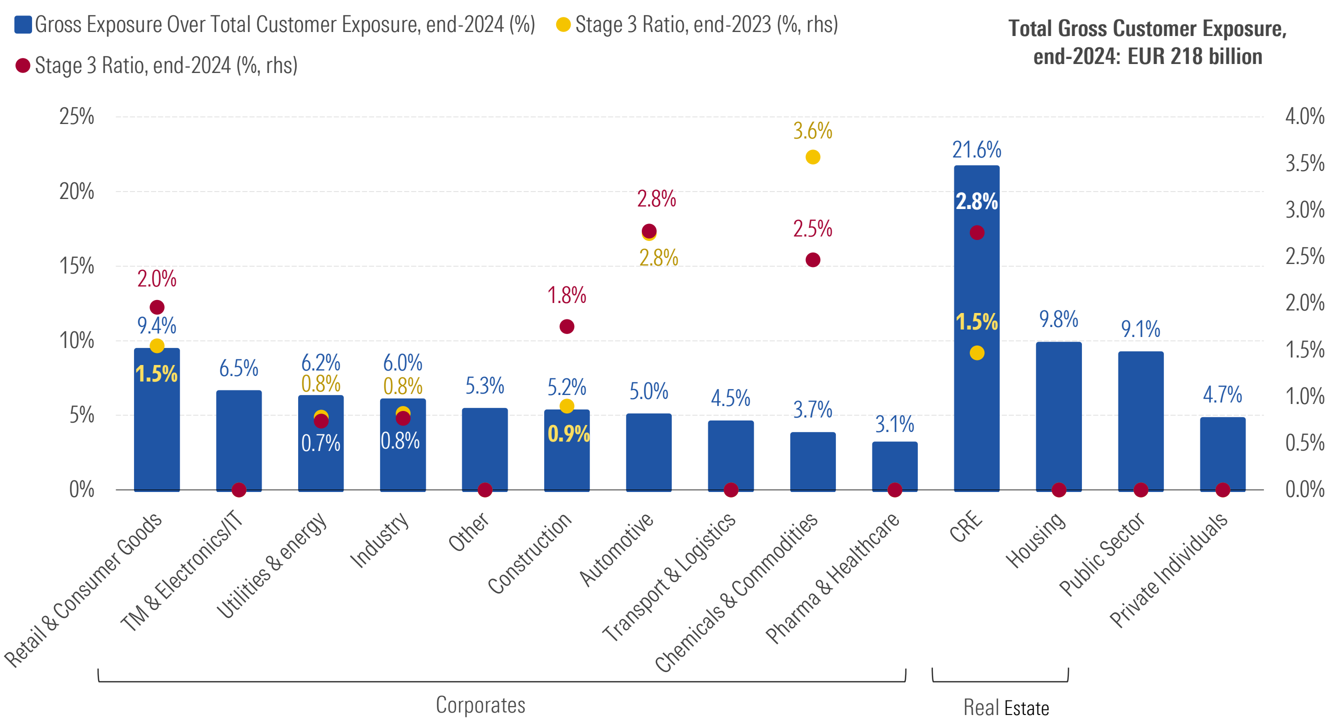
Exhibit 5 Cost of Risk and Gross NPL Ratio



Sources: Morningstar DBRS, Company Documents.

The asset deterioration in 2024 reflected the economic slowdown in Germany. The Bank's most affected portfolios were CRE, construction, and retail & consumer goods. In 2024, the stage 3 ratio for these sectors increased by 129 bps, 85 bps, and 41 bps, respectively.

Exhibit 6 Gross Exposures by Customer Segment*, YE2024 (lhs) & Stage 3 Ratios (end-2023 vs YE2024, rhs)



Sources: Morningstar DBRS, Company Documents. Note: *Total gross portfolio, excluding exposures to financial institutions.

LBBW operates primarily in stable, mature economies, with its largest loan exposures concentrated in Germany and Western Europe, followed by North America. As part of its strategy, LBBW has gradually reduced its exposure to the automotive sector from 17% of net corporate exposure in 2018 to 10.2% at YE2024. This shift reflects structural challenges in the industry amid the transition to electric vehicles and gains particular relevance in the light of increased pressure to the sector due to the recent imposition of higher U.S. tariffs.

At the same time, the exposure to sectors such as consumer goods, utilities and energy, TM and electronics/IT, and pharmaceuticals and healthcare has increased to 42% of net exposure in 2024 from 35% in 2018.

CRE

At YE2024 LBBW's exposure to CRE was roughly 22% of total gross exposure to customers (Gross exposure within the scope of the impairment requirements of IFRS 9). LBBW's CRE portfolio has demonstrated resilience so far, especially when compared with peers. However, structural changes in demand for CRE space are likely to play out over an extended period of time, and we could see more downside.

LBBW's CRE portfolio at YE2024 consisted of offices (39%), followed by residential housing (33%), retail (11%), and all other (17%). The biggest markets were Germany (69%), North America[2] (8%), and the UK (4%). The rating distribution of the CRE portfolio was mostly investment grade (80%),

2 83% U.S.; 17% Canada.

while around 2% was in default. Eighty-seven per cent of the exposure had a loan-to-value ratio (LTV) below 75%, and 8% of the exposure had an LTV above 75%. Five per cent of the exposure did not have an LTV assigned, mostly consisting of development/project finance loans. The average LTV was 54%. The reported average LTV for the North American portfolio was 60%, and 56% of North American exposure is to office properties.

While there have been signs of recovery in European CRE in light of the gradual interest rate cutting by the European Central Bank (ECB), we remain cautious on the sector.

Funding and Liquidity

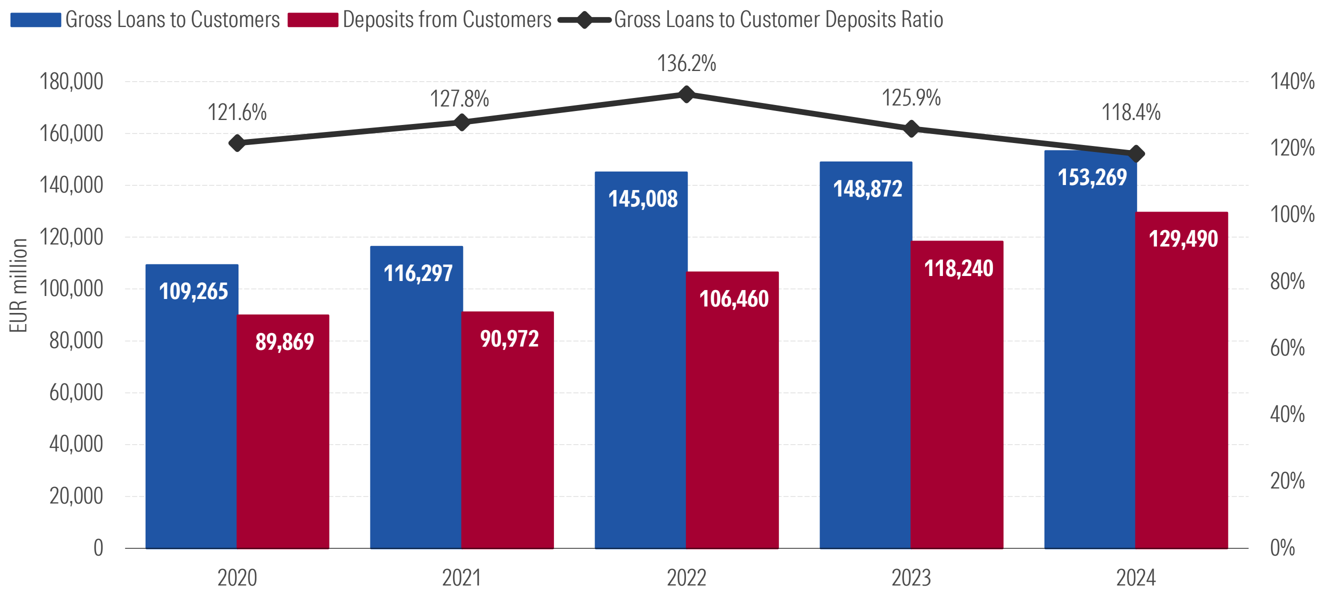
Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good	Strong	Strong/Good

The funding and liquidity grids assessment is higher than the scorecard assessment. This reflects the Bank's solid liquidity position, supported by its membership in the SFG and its established covered bond franchise.

In our view, LBBW's funding and liquidity profile is sound. The high reliance on wholesale funding reflects the Bank's commercial business model, which lacks a large retail franchise. However, we see this as mitigated by a well-matched asset/liability profile and good access to Pfandbriefe (German covered bonds), which we consider a stable source of funding. In 2025, Pfandbriefe placements will take place via LBBW and Berlin Hyp; however, from 2026 onwards only LBBW will remain active as an issuer.

In addition, LBBW has a solid liquidity position with Liquid Assets (cash, deposits with central banks, and securities) accounting for 25% of total assets. Furthermore, LBBW manages its portfolio effectively against interest rate changes through interest rates swaps, and valuation changes are recognised directly in equity or already in the income statement. The Bank also has access to the savings banks' liquidity pool and benefits from the confidence derived from its membership in the Sparkassen-Finanzgruppe. At YE2024, the Liquidity Coverage Ratio (LCR) was 149.0% and the Net Stable Funding Ratio (NSFR) was 113.9%, well above minimum requirements.

Exhibit 7 Loans to Deposits Evolution



Sources: Morningstar DBRS, Company Documents.

Capitalisation

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good/Moderate	Strong/Good	Good

The Capitalisation grid assessment is higher than the scorecard building block assessment to reflect strong capitalisation compared with similar rated peers, as well as very ample capital cushions. The additional considerations grid is adjusted lower to reflect its complex ownership structure, including public institutions.

We view LBBW's capital position as adequate, with ample cushions over regulatory requirements; however, we note a slight reduction in 2024. The Bank reported a fully loaded CET1 ratio of 14.4% and a total capital ratio of 19.2% at YE2024, down from 14.6% and 20.1%, respectively, a year before. Despite retaining profits in 2024, the deterioration was mainly driven by a 5.5% YOY increase in RWAs, resulting from larger business volumes and the challenging economic environment in Germany, which could not be offset by two synthetic securitisation transactions during the period. LBBW maintained cushions well over minimum requirements. LBBW's SREP requirement for CET1 increased somewhat by 16 bps in the course of 2024 to 10.72% (as of March 2025), mainly due to the increase of the countercyclical capital buffer to 0.73%, from 0.64% as well as the increase of the AT1 shortfall buffer to 1.08% from 1.03%. Both requirements were incorporated for the first time in 2023. In addition, the Pillar II Requirement increased by 2 bps in the course of 2024. The solid capital cushions should protect the Bank in case of increased pressure on asset quality. This is particularly important given the Bank's limited access for the issuance of equity to capital markets due to its ownership structure.

Exhibit 8 Capital Position, Fully Loaded

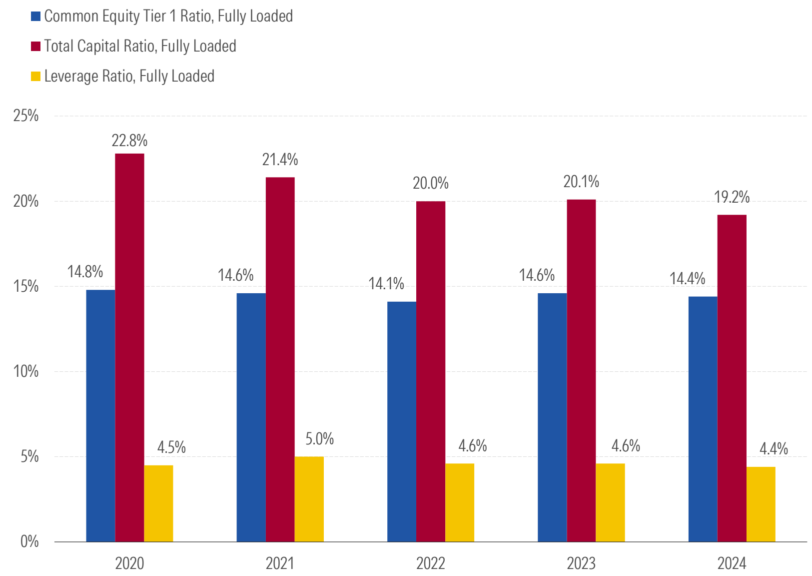
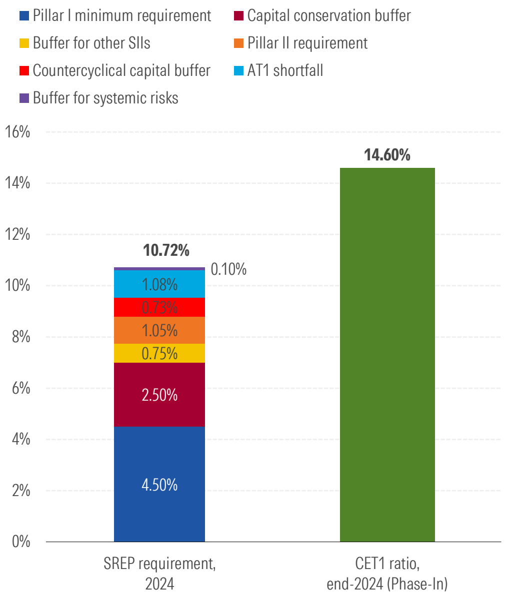


Exhibit 9 Regulatory Requirements, Phased-In



Sources: Morningstar DBRS, Company Documents.

Similar to other German banks, LBBW's MREL ratios also comfortably exceed minimum requirements as shown in the chart below. Related to leverage ratio exposure, the Bank's MREL ratio was 12.64% as of YE2024, comfortably exceeding the requirement of 8.76%. The MREL ratio related to the total risk exposure amount was 44.2% compared with a requirement of 26.4%.

Landesbank Baden-Wuerttemberg

ESG Checklist

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	**N**	**N**
	Emissions, Effluents, and Waste	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuer's financial, operational, and/or reputational standing?	N	N
	Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	N	N
	Land Impact and Biodiversity	Is there a financial risk to the issuer due to the loss of biodiversity and/or the mitigation of such loss, including land conversion and rehabilitation?	N	N
	Climate and Weather Risks	In the near term, will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
		In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially by physical and/or transition risks under key IPCC climate scenarios?	N	N
		Climate and Weather Risks	**N**	**N**
	Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social		**Overall:**	**N**	**N**
	Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services pose a financial or regulatory risk to the issuer?	N	N
		Do changes in consumer behaviour or secular social trends pose a financial or regulatory risk to the issuer?	N	N
		Social Impact of Products and Services	**N**	**N**
	Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts, that could result in a material financial or operational impact?	N	N
		Do violations of rights create a potential liability that can negatively affect the issuer's financial wellbeing or reputation?	N	N
		Human Capital and Human Rights	**N**	**N**
	Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
	Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could it result, in financial penalties or client attrition to the issuer?	N	N
	Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
	Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
	Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance		**Overall:**	**Y**	**R**
	Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
		Are there any political risks that could affect the issuer's financial position or its reputation?	N	N
		Bribery, Corruption, and Political Risks	**N**	**N**
	Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
	Corporate / Transaction Governance	Does the issuer's corporate structure allow for appropriate board and audit independence?	N	N
		Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Does the board and/or management lack a formal framework to assess climate related financial risks to the issuer?	N	N
		Corporate / Transaction Governance	**N**	**N**
	Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	Y	R
		Consolidated ESG Criteria Output:	**Y**	**R**

* A Relevant Effect means that the impact of the applicable ESG Factors has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG Factors has changed the rating or trend on the issuer.

Environmental

The environmental factor does not affect the rating or trend assigned to LBBW. The Bank supports the targets of the UN Global Compact and is working on higher transparency for sustainability risks and CO2 emissions of the portfolio and the definition of sector goals. Furthermore, LBBW is together with Berlin Hyp, one of the largest ESG bond issuers among European commercial banks. In 2024, the Bank further improved its ESG framework by developing its ESG checklist through the standardised assessment and inclusion of quantifiable parameters, which is being applied to its entire portfolios.

Social

The social factor does not affect the rating or trend assigned to LBBW. Similar to most large financial institutions, LBBW is exposed to a certain level of product risk as well as data security risk. No material pending issues are known. However, there is a constant risk of cyber-attacks targeted towards banks, and any significant data breach or cybersecurity attack could have significant reputational and financial consequences.

Governance

This factor currently does not affect the rating or trend assigned to LBBW. There are no known material ethics or other corporate governance violations. However, the governance structure resulting from predominantly State ownership may have contributed to inadequate risk controls in the past at various Landesbanken in the past. While we acknowledge an improvement in most Landesbanken risk controls, this remains an area we closely monitor.

Credit rating actions on Sparkassen-Finanzgruppe are likely to have an impact on this credit rating.

The subfactor Corporate Governance is relevant to the rating of Sparkassen-Finanzgruppe, and this is reflected in the franchise grid grades for the bank. In Morningstar DBRS' view, the ownership mix and the parliamentary process involved in decision making at the Landesbanken has made it difficult at times for SFG to swiftly react to challenges. In addition, the level of transparency and financial disclosure of SFG is limited compared with that of international peers.

Landesbank Baden-Wuerttemberg

	1		2	3	4	5
Financial Data Through 2024 H1	**Scorecard Indicator**	**Scorecard Indicator Data**	**Scorecard Indicator Assessment**	**Scorecard Building Block (BB) Assessment**	**Grids BB Assessment**	**Combined BB Assessment**
Franchise	Adjusted Assets	314	S	**S**	**G**	**S/G**
	Sovereign Rating Category	20	VS			
Earnings	Return on Equity	6.69%	G/M	**G/M**	**G/M**	**G/M**
	Return on Assets	0.36%	G/M			
	IBPT/Avg.Assets	0.51%	M			
Risk	Net NPLs/Net Loans	0.15%	VS/S	**S/G**	**S/G**	**S/G**
	Provisions/IBPT	18.74%	S/G			
Funding & Liquidity	Sovereign-Adjusted Funding Ratio	122.8%	G	**G**	**S**	**S/G**
Capitalisation	Sovereign-Adjusted Capital Ratio	14.80%	S	**G/M**	**S/G**	**G**
	NPL/[Equity + Loan Loss Reserves]	10.61%	S/G			
	5-Year Accumulated Net Income/Total Assets	1.47%	G/M			

6	7			8
Overall Assessment	**Intrinsic Assessment Range (IAR)**			**Assigned IA**
S/G	AA (low)	A (high)	A	**A**

Notes: (1) based on financial data as of H1 2024 . (2) For more information *see Global Methodology for Rating Banks and Banking Organisations* published on 4 June 2024. (3) IAR and IA refer to bank level rating.

Annual Financial Information

			For the Year Ended December 31 (IFRS)				
	H1 2024	H1 2023	2023	2022	2021	2020	2019
Balance Sheet (EUR million)							
Cash & Cash Equivalents*	101,984	111,131	84,059	84,965	76,513	71,916	62,739
Investments in Financial Assets	60,915	65,218	61,322	62,002	57,691	63,788	56,756
Gross Loans to Customers	149,731	147,760	148,872	145,008	116,297	109,265	106,798
Loan Loss Reserves	(1,779)	(1,528)	(1,641)	(1,364)	(1,288)	(1,077)	(877)
Net Lending to Customers	147,952	146,232	147,231	143,644	115,009	108,188	105,921
Total Assets	360,442	364,124	333,305	324,174	282,344	276,444	256,667
Deposits from Customers	128,118	122,628	118,240	106,460	90,972	89,869	83,826
Debt & Capital Lease Obligations	111,708	100,627	98,654	85,479	59,143	58,328	56,108
Total Liabilities	344,244	348,465	317,238	308,732	268,146	262,458	242,828
Total Equity	16,198	15,659	16,067	15,442	14,198	13,986	13,839
Income Statement (EUR million)							
Net Interest Income	1,287	1,393	2,768	2,257	1,959	1,749	1,642
Non Interest Income	805	681	1,366	1,317	1,208	1,027	1,213
Equity Method Results	(4)	-	(6)	(44)	23	5	6
Total Operating Income	2,088	2,074	4,128	3,530	3,190	2,781	2,861
Total Operating Expenses	1,231	1,268	2,487	2,360	2,129	1,954	2,066
Income Before Provisions and Taxes (IBPT)	853	807	1,643	1,167	1,056	829	796
Loan Loss Provisions (LLP)	119	117	254	239	240	545	151
Irregular Income/Expenses	(3)	1	(15)	945	1	(32)	(35)
Net Attributable Income	508	488	999	1,517	418	172	442
Growth (%) - YOY Change							
Net Interest Income	(7.61)	38.19	22.64	15.21	12.01	6.52	8.53
Total Operating Income	0.68	20.86	16.94	10.66	14.71	(2.80)	7.15
Total Operating Expenses	(2.92)	9.97	5.38	10.85	8.96	(5.42)	4.93
IBPT	5.70	43.09	40.79	10.51	27.38	4.15	13.88
Net Attributable Income	4.10	54.92	(34.15)	262.92	143.02	(61.09)	7.02
Gross Loans & Advances	1.33	26.20	2.66	24.69	6.44	2.31	4.44
Deposits from Customers	4.48	12.93	11.07	17.03	1.23	7.21	9.57
Earnings (%)							
Net Interest Margin	0.77	0.84	0.85	0.76	0.71	0.67	0.67
Non-Interest Income / Total Revenue	38.55	32.84	33.09	37.31	37.87	36.93	42.40
Cost-Income ratio	58.96	61.14	60.25	66.86	66.74	70.26	72.21
LLP / IBPT	13.95	14.50	15.46	20.48	22.73	65.74	18.97
Return on Avg Assets (ROAA)	0.29	0.28	0.29	0.48	0.15	0.06	0.17
Return on Avg Equity (ROAE)	6.31	6.29	6.36	10.39	2.96	1.24	3.32
IBPT over Avg RWAs	1.81	1.72	1.76	1.30	1.27	1.00	0.98
Internal Capital Generation	1.34	6.29	6.36	10.39	2.96	1.24	3.32
Risk Profile (%)							
Cost of Risk	0.16	0.16	0.17	0.19	0.22	0.50	0.14
Gross NPLs over Gross Loans	1.53	0.99	1.30	0.88	0.96	1.03	1.06
NPL Coverage Ratio	77.89	104.37	84.72	106.65	115.93	95.82	77.20
Net NPLs over Net Loans	0.32	(0.07)	0.18	(0.11)	(0.18)	0.03	0.23
NPLs to Equity and Loan Loss Reserves Ratio	12.72	8.53	10.95	7.62	7.19	7.48	7.74
Funding & Liquidity (%)							
Net Loan to Deposit Ratio	115.48	119.25	124.52	134.93	126.42	120.38	126.36
Liquidity Coverage Ratio	133.70	132.50	134.90	129.20	140.20	141.90	123.60
Net Stable Funding Ratio	111.80	114.20	109.70	111.40	108.50	NA	NA
Capitalisation (%)							
CET1 Ratio	14.70	14.40	15.00	14.60	14.80	15.10	14.60
Tier1 Ratio	15.50	15.20	15.80	15.40	15.90	16.60	16.50
Total Capital Ratio	19.80	19.90	20.20	20.20	21.40	22.80	23.00
Leverage Ratio	4.30	4.20	4.70	4.70	5.14	4.71	4.90
Dividend Payout Ratio	78.74	0.00	0.00	0.00	0.00	0.00	0.00

Source: Morningstar, Inc., company documents. Morningstar, Inc. data and Morningstar DBRS calculations based on company disclosure.

Note: Figures may not tie with reported data given Morningstar DBRS' standardised approach across global banks.

*Includes Loans to Banks

Credit Rating Methodology

The applicable methodologies are the *Global Methodology for Rating Banks and Banking Organisations* (4 June 2024) and *Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings* (13 August 2024), which can be found on our website under Methodologies.

Credit Ratings

Issuer	Obligation	Credit Rating Action	Credit Rating	Trend
Landesbank Baden-Wuerttemberg	Long-Term Issuer Rating	Confirmed	A (high)	Stable
Landesbank Baden-Wuerttemberg	Long-Term Senior Debt	Confirmed	A (high)	Stable
Landesbank Baden-Wuerttemberg	Long-Term Deposits	Confirmed	A (high)	Stable
Landesbank Baden-Wuerttemberg	Short-Term Issuer Rating	Confirmed	R-1 (middle)	Stable
Landesbank Baden-Wuerttemberg	Short-Term Debt	Confirmed	R-1 (middle)	Stable
Landesbank Baden-Wuerttemberg	Short-Term Deposits	Confirmed	R-1 (middle)	Stable
Landesbank Baden-Wuerttemberg	Senior Non-Preferred Debt	Confirmed	A	Stable
Landesbank Baden-Wuerttemberg	Subordinated Debt	Confirmed	A (low)	Stable
Landesbank Baden-Wuerttemberg	Long-Term Critical Obligations Rating	Confirmed	AA	Stable
Landesbank Baden-Wuerttemberg	Short-Term Critical Obligations Rating	Confirmed	R-1 (high)	Stable
Landesbank Baden-Wuerttemberg	LBBW EUR 10,000,000,000 Commercial Paper Programme 2019	Confirmed	R-1 (middle)	Stable
Landesbank Baden-Wuerttemberg	LBBW EUR 5,000,000,000 Negotiable European Commercial Paper Programme 2022	Confirmed	R-1 (middle)	Stable

Credit Ratings History

Issuer	Obligation	Current	2024	2023	2022
Landesbank Baden-Wuerttemberg	Long-Term Issuer Rating	A (high)	A (high)	A (high)	A (high)
Landesbank Baden-Wuerttemberg	Long-Term Senior Debt	A (high)	A (high)	A (high)	A (high)
Landesbank Baden-Wuerttemberg	Long-Term Deposits	A (high)	A (high)	A (high)	A (high)
Landesbank Baden-Wuerttemberg	Short-Term Issuer Rating	R-1 (middle)	R-1 (midd	R-1 (midd	R-1 (middle
Landesbank Baden-Wuerttemberg	Short-Term Debt	R-1 (middle)	R-1 (midd	R-1 (midd	R-1 (middle
Landesbank Baden-Wuerttemberg	Short-Term Deposits	R-1 (middle)	R-1 (midd	R-1 (midd	R-1 (middle
Landesbank Baden-Wuerttemberg	Senior Non-Preferred Debt	A	A	A	A
Landesbank Baden-Wuerttemberg	Subordinated Debt	A (low)	A (low)	A (low)	A (low)
Landesbank Baden-Wuerttemberg	Long-Term Critical Obligations Rating	AA	AA	AA	AA
Landesbank Baden-Wuerttemberg	Short-Term Critical Obligations Rating	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
Landesbank Baden-Wuerttemberg	LBBW EUR 10,000,000,000 Commercial Paper Programme 2019	R-1 (middle)	R-1 (midd	R-1 (midd	R-1 (middle
Landesbank Baden-Wuerttemberg	LBBW EUR 5,000,000,000 Negotiable European Commercial Paper Programme 2022	R-1 (middle)	R-1 (midd	R-1 (midd	R-1 (middle

Previous Actions

- "Morningstar DBRS Confirms Landesbank Baden-Württemberg's Long-Term Issuer Rating at A (high) With a Stable Trend", 16 April 2025
- "Morningstar DBRS Confirms Landesbank Baden-Württemberg LT Issuer Rating at A (high), Trend Remains Stable", 17 April 2024.
- "Morningstar DBRS Confirms Landesbank Baden-Württemberg LT Issuer Rating at A (high), Trend Remains Stable", 19 April 2023.
- "Morningstar DBRS Assigns R-1 (middle) Rating to Two of LBBW's Commercial Paper Programmes", 21 June 2022.
- "Morningstar DBRS Assigns First-Time Ratings to Landesbank Baden-Württemberg; LT Issuer Rating at 'A' (high), Stable Trend", 21 April 2022.

Related Research

- German Landesbanken: Solid Profits in 2024 Amid Uncertain Environment, 8 May 2025
- CRE Lending Continued to Pressure German Banks' Asset Quality in 2024, 7 May 2025
- Higher Tariffs Could Increase European Banks' Low Cost of Risk, 15 April 2025
- Gender Diversity in EU Banks: Some Progress in Meeting Targets, 5 March 2025
- Rethinking Bank Funding to the European Defence Sector, 5 March 2025
- Synthetic SRTs: A Well-Established Capital Management Tool for European Banks, 10 February 2025
- Global 2025 FIG Credit Outlook: Financial Institutions Benefitting from Benign Operating Environment, but Downside Risks Increase, 30 January 2025
- 2025 EBA Stress Test: Geopolitical and Trade Risks Pressure Adverse Scenario, 29 January 2025
- European Banks Poised to Maintain Low Cost of Risk in 2025, 6 January 2025

Previous Reports

- Landesbank Baden-Württemberg: Rating Report, 8 May 2024
- Landesbank Baden-Württemberg: Rating Report, 16 May 2023
- Landesbank Baden-Württemberg: Rating Report, 27 May 2022

European Bank Ratios & Definitions

- Bank Ratio Definitions, 14 March 2022

About Morningstar DBRS
Morningstar DBRS is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

Morningstar DBRS is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

That's why Morningstar DBRS is the next generation of credit ratings.

Learn more at dbrs.morningstar.com.