DISCLOSURE REPORT

2024

Breaking new ground

LBBW

The Disclosure Report 2024

1 General provisions (Articles 431 – 434a CRR)

The Basel Committee on Banking Supervision (BCBS) has published a comprehensive package of reforms known as "Basel III" for the purpose of reinforcing regulation, supervision and risk management in the banking sector.

The Basel rules have been implemented as European law in Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR – Capital Requirements Regulation). The rules contained in the supplementary Directive 2013/36/EU (CRD IV – Capital Requirements Directive) were transposed into German national law with the publication of the CRD IV Implementation Act.

CRR II (Capital Requirements Regulation – Regulation (EU) No 2019/876) and CRD V (Capital Requirements Directive V – Directive (EU) 2019/878) took effect in stages from 27 June 2019. Further significant amendments took effect on 28 June 2021, which LBBW has implemented accordingly in the disclosure report. Hereinafter, for the purposes of this report, Regulation (EU) No 575/2013 is supplemented by the revisions of Regulation (EU) No 2019/876 and defined as "CRR".

The step-by-step regulatory disclosure of ESG risks in accordance with Article 449a CRR has been conducted since 31 December 2022. The voluntary disclosure of *Template 9 – Mitigating actions: BTAR* is not presented as at the reporting date on 31 December 2024.

The complete regulatory disclosure of the minimum requirements for own funds and eligible liabilities (MREL) is additionally presented as at 31 December 2024 in accordance with Regulation (EU) No 575/2013 and Directive 2014/59/EU (Bank Recovery and Resolution Directive, BRRD).

Pursuant to Article 2 of Regulation (EU) 2024/1623 ("CRR III"), the disclosure of crypto asset exposures in accordance with Article 451b CRR is additionally presented for the first time as at the reporting date on 31 December 2024.

The section on the disclosure of own funds pursuant to Article 437 CRR continues to be supplemented by GL 2018/01 (comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 in conjunction with Article 473a CRR II).

The figures will be published by the Supervisory Board in the disclosure report on 10 April 2025 after the annual financial statements have been approved. There will be slight increases in regulatory equity as a result of earnings retention and in the total risk exposure amount as a result of the changes to operational risks compared with the 2024 annual report, and these will have a corresponding impact on the related ratios.

Landesbank Baden-Württemberg (LBBW) prepares the disclosure report in aggregate form at group level in its function as a parent company (application of waiver rule pursuant to Article 7(3) CRR) in order to comply with the currently applicable requirements pursuant to Part Eight of the CRR in conjunction with Implementing Regulation (EU) 2021/637.

This report is based on the International Financial Reporting Standards (IFRS).

In addition, the *results of the quantitative analysis for global systemically important banks (G-SIB)* as required by Commission Implementing Regulation (EU) No 1030/2014 and the *remuneration report* required under the Remuneration Ordinance for Institutions (Instituts-Vergütungsverordnung), which also includes the disclosures required under Article 450 CRR, are published at the same location on LBBW's website. As at the publication date of this report, not all relevant remuneration components for the 2024 reporting year have been finalized yet.

Changes to figures are commented on at the time the tables in question are published. There are thus various observation periods for comments.

The figures published in the disclosure report have been rounded to the next million in accordance with commercial principles. Amounts under EUR 500,000 are therefore shown as "0". Accordingly, rounding differences may arise through aggregation.

The obligation to disclose tables EU INS1 and EU INS2 does not apply to LBBW, as it has no equity holdings in insurance undertakings and is not a financial conglomerate.

2 Disclosure of key metrics and overview of risk-weighted exposure amounts (Articles 438, 447 CRR)

2.1 Key metrics (Articles 438 (b), 447 (a) to (g) CRR)

The figures will be published by the Supervisory Board in the disclosure report on 10 April 2025 after the annual financial statements have been approved. There will be slight increases in regulatory equity as a result of earnings retention and in the total risk exposure amount as a result of the changes to operational risks compared with the 2024 annual report, and these will have a corresponding impact on the related ratios.

The common equity Tier 1 capital ratio increased as at 31 December 2024 to 14.6% (30 September 2024: 14.4%) and the Tier 1 capital ratio to 15.4% (30 September 2024: 15.2%), while the total capital ratio remained constant at 19.3%. The changes are explained in sections *2.2 Overview of risk-weighted exposure amounts (Article 438 (d) CRR)* and *5.1 Composition of regulatory own funds (Article 437 (a), (d) to (f) CRR)*.

The leverage ratio on the basis of the CRR transitional provisions (phase-in) came to 4.4% as at the end of the year (as at 30 September 2024: 4.1%). The leverage ratio exposure (phase-in) decreased by EUR 19.2bn in the last quarter. This decline is attributable in particular to the reduction in transactions with sovereigns and central banks.

In the fourth quarter of 2024, the reduction in money market transactions had a positive effect on the LCR, which moved in a corridor between 125% and 149%.

As at 31 December 2024, the net stable funding ratio (NSFR) stayed largely stable relative to the previous quarter.

		a	b	c	d	e
	EUR million	**31/12/2024**	**30/09/2024**	**30/06/2024**	**31/03/2024**	**31/12/2023**
	Available own funds (amounts)					
1	Common equity Tier 1 (CET1) capital	14,199	13,798	13,815	13,834	13,852
2	Tier 1 (T1) capital	14,944	14,541	14,559	14,578	14,596
3	Total capital	18,766	18,435	18,584	18,715	18,719
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	97,318	95,601	94,032	95,971	92,480
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common equity Tier 1 ratio (CET1 ratio) (%)	14.6	14.4	14.7	14.4	15.0
6	Tier 1 ratio (%)	15.4	15.2	15.5	15.2	15.8
7	Total capital ratio (%)	19.3	19.3	19.8	19.5	20.2
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.87	1.87	1.87	1.87	1.83
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.05	1.05	1.05	1.05	1.03
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.40	1.40	1.40	1.40	1.37
EU 7d	Total SREP own funds requirements (%)	9.87	9.87	9.87	9.87	9.83
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50	2.50	2.50	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution-specific countercyclical capital buffer (%)	0.73	0.74	0.72	0.66	0.64
EU 9a	Systemic risk buffer (%)	0.10	0.10	0.10	0.10	0.10
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer	0.75	0.75	0.75	0.75	0.75
11	Combined buffer requirement (%)	4.08	4.09	4.07	4.01	3.99
EU 11a	Overall capital requirements (%)	13.95	13.96	13.94	13.88	13.82
12	CET1 available after meeting the total SREP own funds requirements (%)	7.95	7.81	8.08	7.79	8.41
	Leverage ratio					
13	Total exposure measure	338,919	358,121	339,357	350,645	308,740
14	Leverage ratio (%)	4.4	4.1	4.3	4.2	4.7
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)					
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)					
EU 14e	Overall leverage ratio requirement (%)	3.0	3.0	3.0	3.0	3.0
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	86,229	101,492	100,422	101,801	75,586
EU 16a	Cash outflows - Total weighted value	79,996	100,910	99,402	99,328	69,240
EU 16b	Cash inflows - Total weighted value	22,107	24,794	23,868	22,611	19,005
16	Total net cash outflows (adjusted value)	57,889	76,116	75,532	76,718	50,235
17	Liquidity coverage ratio (%)	149.0	134.1	133.7	133.4	150.5
	Net Stable Funding Ratio					
18	Total available stable funding	172,588	170,585	171,767	172,488	162,088
19	Total required stable funding	151,525	149,098	153,699	156,045	147,788
20	NSFR ratio (%)	113.9	114.4	111.8	110.5	109.7

Figure1: EU KM1 - Key metrics template

2.2 Overview of risk weighted exposure amounts (Article 438 (d) CRR)

LBBW uses the internal ratings-based approach (foundation IRB approach) approved by the Federal Financial Supervisory Authority (BaFin) for calculating the own funds requirements for counterparty risks arising from the main exposure classes.

Equity exposures are reported exclusively using the simple risk weight approach under the IRB approach. Significant investments in financial sector entities must be risk-weighted at 250%.

The own funds requirements for securitization transactions take place in accordance with the securitization regulations. A distinction is made based on SEC-ERBA (Securitization – External Ratings Based Approach), SEC-IAA (Securitization – Internal Assessment Approach), SEC-IRBA (Securitization Internal Ratings Based Approach), 1,250% / deduction and SEC-SA (Securitization – Standardized Approach).

The own funds requirements for market price risks for the general interest rate risk, general share price risk and associated option price risks of LBBW (Bank) are calculated based on an internal market price risk model also approved by the regulatory authority. This also includes the own funds requirements for the stressed VaR. The other market price risks are calculated using the standardized approach.

Own funds requirements for operational risks are calculated using the standardized approach.

The following table sets out the total risk exposure amounts and own funds requirements for risk types that are relevant from a prudential point of view.

Significant investments in financial sector entities to which a 250% risk weight must be applied along with deferred taxes resulting from temporary differences are reported in the line “Amounts below the thresholds for deduction”.

A breakdown by exposure class is provided as follows:

- Disclosure of the use of the standardized approach, section 11
- Disclosure of the use of the IRB approach to credit risk, section 12
- Disclosure of exposures to counterparty credit risk, section 14

		a	b	c
		Total risk exposure amounts (TREA)		Total own funds requirements
	EUR million	**31/12/2024**	**30/09/2024**	**31/12/2024**
1	*Credit risk (excluding CCR)*	*76,627*	*75,625*	*6,130*
2	Of which the standardised approach	12,119	11,942	970
3	Of which the foundation IRB (F-IRB) approach	62,272	61,480	4,982
4	Of which slotting approach	92	92	7
EU 4a	Of which: equities under the simple risk-weighted approach	1,494	1,395	119
5	Of which the advanced IRB (AIRB) approach			
6	*Counterparty credit risk - CCR*	*6,053*	*5,626*	*484*
7	Of which the standardised approach	2,999	2,836	240
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP	349	458	28
EU 8b	Of which credit valuation adjustment - CVA	1,342	1,204	107
9	Of which other CCR	1,362	1,127	109
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	*Settlement risk*	*9*	*10*	*1*
16	*Securitisation exposures in the non-trading book (after the cap)*	*3,970*	*3,618*	*318*
17	Of which SEC-IRBA approach	1,064	928	85
18	Of which SEC-ERBA (including IAA)	1,035	1,057	83
19	Of which SEC-SA approach	191	149	15
EU 19a	Of which 1,250%/ deduction	1,679	1,485	134
20	*Position, foreign exchange and commodities risks (Market risk)*	*5,004*	*5,195*	*400*
21	Of which the standardized approach	2,719	2,794	218
22	Of which IMA	2,285	2,400	183
EU 22a	*Large exposures*			
23	*Operational risk*	*7,335*	*7,012*	*587*
EU 23a	Of which basic indicator approach			
EU 23b	Of which the standardized approach	7,335	7,012	587
EU 23c	Of which advanced measurement approach			
24	*Amounts below the thresholds for deduction (subject to 250% risk weight - for information purposes)*	*2,722*	*2,599*	*218*
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	*Total*	*98,998*	*97,085*	*7,920*

Figure 2: EU OV1- Overview of total risk exposure amounts

The total risk exposure amount remained largely at the same level as in the previous quarter. The further expansion of the business volume, re-rating effects based on the economic situation and, offsetting these, another synthetic securitization transaction that was placed are reflected in the RWA of the credit risk.

The increase in the CCR results from normal market fluctuations in the SACCR and CVA, the increase in operational risk can essentially be explained by higher gross earnings.

In the presentation of securitization exposures, exposures subject to capital deduction and thus not backed with RWAs must also be reported in this template. The total RWAs shown in the template are therefore EUR 1,679m higher than the total RWAs actually reported.

2.3 ICAAP information (Article 438 (a), (c) CRR)

For a description of internal capital adequacy, please refer to *section 3.1 Institution's risk management approach (Article 435(1) CRR)* below.

3 Disclosure of risk management objectives and policies (Article 435(1) – (2) CRR)

3.1 Institution's risk management approach (Article 435(1) CRR)

Risk-oriented integrated bank management

Risks are managed in accordance with LBBW's strategy, the Landesbank Baden-Württemberg Act (LBBW-Gesetz) and LBBW's Articles of Association. Risks and the associated opportunities for income and growth potential are taken in a deliberate and controlled manner within the scope of a defined risk appetite. Particular focus is given to capital and liquidity management.

Clearly defined organizational structure and procedures, internal control processes, risk management and controlling structures, and process-independent internal auditing ensure that business operations are consistent with the strategy.

The processes, procedures and methods are regularly reviewed and enhanced to ensure their adequacy. These reviews also take account of the findings of the statutory auditor, the Group Auditing division and the SREP process (Supervisory Review and Evaluation Process) of the European Central Bank (ECB) and these findings are implemented accordingly.

Material risk types

An annual Group risk inventory is used to identify, manage and monitor all of LBBW's material risk types. A comprehensive analysis of environmental, social and governance risk drivers was carried out in 2024 as part of the Group risk inventory. The particularly important interdisciplinary risk of environmental risk covers climate and environmental risks, which can have (acute/chronic) transitory or physical effects.

This is used to ascertain the overall risk profile of the LBBW Group, which is presented to the Board of Managing Directors for approval. Risk measurement of the material subsidiaries from a risk perspective is based on the transparency principle, i.e. the types of risk identified as material in the respective companies are integrated in the Group-wide risk measurement of the respective type of risk for material subsidiaries. This also applies to risks from LBBW pension funds to which the Bank has outsourced most of its direct defined benefit obligations. LBBW assigns companies whose risks are regarded as immaterial in investment risk.

Further information on ESG risks can be found in *section 21 Regulatory disclosure of ESG risks (Article 449a CRR)*.

The following material risk types have been identified:

Financial risks
- Counterparty risks
- Market price risks
- Liquidity risks
- Real estate risks
- Development risks
- Investment risks

Non-financial risks
- Legal risks
- ICT risks (information and communication technology)
- Compliance risks
- Outsourcing risks
- Data protection risks

- Tax compliance risks
- Operational risks in the narrower sense
- Reputational risks
- Business risks
- Model risks

With effect from 1 August 2024, organizational responsibility for data protection was hived off from Group Compliance and transferred to the newly created Non-Financial Risk Management unit. This was accompanied by the separation of compliance and data protection processes. Accordingly, data protection risk is shown as a separate risk type even though it still constitutes a sub-risk of compliance in the current risk universe.

LBBW defines "financial risks" as risks that are knowingly taken ex ante and that can be priced to generate income. "Non-financial risks" are individual, unforeseeable transactions that cannot be quantified or that can be quantified only with considerable uncertainty.

LBBW also considers "interdisciplinary risks". These can also have adverse effects on several other risk types, but they are already (implicitly) taken into account there and so do not comprise a risk type of their own.

Material interdisciplinary risks are:

- ESG risks (environmental, social, governance)
- Concentration risks
- Pandemic risks

LBBW develops its methods and procedures for managing financial and non-financial risks and ESG risks on an ongoing basis.

Specific risk strategies are created for all risk types that the Group considers material. In addition, a concentration analysis is carried out for these risks to identify central vulnerabilities. As well as the concentration effects within the respective risk type ("intra-risk concentrations"), this also takes into account effects between different risk types ("inter-risk concentrations").

Risk strategy and risk tolerance

The Board of Managing Directors and the Risk Committee of the Supervisory Board set out the principles of the risk management system for all risk types identified as material in risk strategies. The risk strategies are drawn up by the Board of Managing Directors in line with the business strategy and acknowledged by the Risk Committee.

Risk strategy guidelines are defined in the group risk strategy, which applies to the entire Group and across all risk types, in accordance with the Minimum Requirements for Risk Management (MaRisk) and the relevant European standards.

In this context, the Group risk strategy defines specifications on risk appetite in both quantitative and qualitative respects that are to be observed in all business activities.

In terms of capital, the quantitative part of risk appetite sets out concrete specifications in the form of thresholds for LBBW’s material economic and regulatory steering parameters. Specifications are defined for times of normal business operations as well as stress conditions. There are processes in place to ensure that these requirements are adhered to all times, including escalation processes based on a traffic light system and regular stress tests. As part of the quantitative risk appetite, the strategic limit system operationalizes the requirements and objectives defined in the business strategy for all material risk types included in the Group risk inventory. Berlin Hyp is integrated in the limit system.

The liquidity risk tolerance caps the liquidity risk in the narrower sense (i.e. it limits the risk of not being able to meet payment obligations). Further information can be found in the section on liquidity risks.

The risk guidelines form the qualitative element of risk appetite. They constitute the key strategic principles and rules of conduct that are used for weighing up risks and opportunities within the LBBW Group. They play a part in creating a uniform risk culture and form the framework for the precise organization of the risk management processes, procedures and methods. This qualitative element of risk appetite is completed with further guidelines, such as in the form of a Code of Conduct and Ethics which applies to all employees throughout the entire Group.

The sustainability policy of the LBBW Group must be observed. It is the LBBW Group’s intention to act in the best and long-term interest of its customers and stakeholders. Sustainability aspects are included in the existing risk guidelines to meet internal sustainability targets and account for the resulting risks. Quantitative targets have also been set at LBBW.

In addition, the specific risk strategies approved for each material risk type document the current and target risk profile of LBBW, specify customer-, product- and market-specific guidelines and thereby set out regulations on how to handle the identified risks in a deliberate and controlled manner in order to take advantage of the opportunities they present from a risk/return perspective. Additional information on the specific risk strategies is provided in the sections on the respective risk type.

Risk capital and liquidity management

The objective of this process is to ensure adequate capital and liquidity, both during normal business operations and under stress conditions, and thus to guarantee the permanent resilience of the LBBW Group.

Capital adequacy that is suitable in the long term

Annual medium-term planning comprises the economic and regulatory considerations, brings these together and acts as a link between the strategic framework and integrated bank management throughout the year. The planning period covers five years and is based on expected economic development, with particular consideration given to the current geopolitical/economic situation and to business activity planned in this environment.

The planning thus lays the groundwork for monitoring the targets set at all management levels. Within the management areas and dimensions, deviations from targets are subsequently analyzed, forecasts and target/actual deviations reported and, where necessary, measures to achieve the targets are agreed, implemented and monitored throughout the year.

In addition, compliance with the internal targets and thus with minimum regulatory requirements is also ensured in the case of adverse economic developments. Both dynamic, adverse developments during the time frame of medium-term planning and a shock occurrence of stress scenarios are considered.

Economic considerations complement regulatory considerations

To ensure adequate capitalization from an economic perspective, a Group-wide compilation of risks across all material risk types and subsidiaries (economic capital requirement) is prepared and compared with the capital calculated from an economic perspective (aggregate risk cover) in addition to the regulatory capital view.

Risks within the framework of the LBBW Group’s risk-bearing capacity are described before possible measures to limit risks ("gross presentation").

At LBBW, aggregate risk cover (corresponds to risk coverage potential as per MaRisk) denotes the equity restricted according to economic criteria which is available to cover unexpected losses. In addition to consolidated equity in accordance with IFRS including valuation reserves, conservative deductible items are included due to regulatory requirements.

Economic capital is calculated as a uniform risk measure at the highest level. This is deemed to constitute the amount of capital necessary to cover the risk exposure resulting from LBBW’s business activities. In contrast to the equity stipulated by regulatory bodies, it is quantified as value at risk (VaR) with a confidence level of 99.9% and a one-year holding period for credit, market price, real estate, development, investment, operational (in accordance with "Key variables: Operational risk" (economic capital operational risks) in the Non-financial risks – Operational risks (in accordance with Basel/CRR framework) section), business and reputation risks.

The upper risk limit for economic capital (economic capital limit) as part of the quantitative risk tolerance represents the Group-wide overarching limit for all relevant and quantified risk types. This limit reflects the maximum willingness of the LBBW Group to accept risk. In keeping with the balanced principle underlying risk tolerance, it is below the aggregate risk cover and thus provides scope for risks arising from unforeseeable stress situations. Economic capital limits are set for the quantified risk types based on the upper economic capital limit. Berlin Hyp has its own economic capital limits related to risk types based on the upper economic capital limit.

By contrast, liquidity risks (in the sense of the risk of failing to meet payment obligations) are managed and limited in accordance with the quantitative and procedural rules defined in the liquidity risk tolerance for regulatory and economic considerations. Further information can be found in the section on liquidity risks. Model risks are managed entirely via the model risk management process and the corresponding tools described in the relevant section.

Stress tests and scenario analyses

In addition to risk measurement tools and statistical indicators based on historical data, various stress scenarios play an important part in risk assessment. They analyze the impact of potential serious future economic downturns and other market crises in terms of LBBW’s risk-bearing capacity. The scenario analysis also allows for potential vulnerabilities affecting the Bank in various adverse situations to be identified at an early stage and hence managed proactively.

The scenarios are designed using various criteria: LBBW takes into account specific scenarios considering the current risk situation, for example regarding acute geopolitical risks and current monetary policy at major central banks, as well as hypothetical scenarios with exceptional but plausible events of varying severity and exposure scenarios under which the existence of the Bank is threatened within the context of the recovery plan. The stress scenarios are defined either for a multi-year, dynamic time frame as part of medium-term planning or simulated as sudden shock scenarios. Stress tests are based on the risk inventory, which specifically analyses LBBW’s vulnerabilities using a holistic approach and thus serves as a basis for a comprehensive scenario analysis.

Medium-term planning accounts for adverse developments and expected developments in the form of scenarios. The design of the scenarios and their parameters are based on assumptions about macroeconomic conditions and the scenarios cover a five-year period. They also take account of the interdependency between the development of the real economy and the financial economy. This aims to assess medium-term planning assuming adverse market conditions and to demonstrate a clear relationship between risk tolerance, business strategy and the capital and liquidity plan.

The scenarios are designed to present the effects on the economic and regulatory capital and liquidity situation. Particular focus is additionally placed on LBBW’s risk concentrations when the scenarios are defined. These complex macroeconomic scenarios addressing multiple risk types are also complemented by simple sensitivity analyses.

ESG scenarios constitute their own scenario class in LBBW’s conceptual framework for stress tests and scenario analyses. ESG scenario analyses serve primarily as an early warning, a way of identifying the need to take action in the long term and as a basis for strategic discussion. To quantify the potential impact of climate and environmental risks on the portfolio, LBBW carries out regular internal climate risk stress tests. The scenarios in the climate risk stress test are designed for both short-term and long-term time frames based on scientifically sound, state-of-the-art climate risk scenarios. In particular, they test LBBW’s strategic portfolio focus under adverse climate risk scenarios.

Risk management processes, organization and reporting

Risk management and monitoring

LBBW’s risk management and monitoring are based on the guidelines of the risk strategy and the defined limits and approval powers.

At LBBW, transactions can only be entered into within clearly defined limits or approval powers and in accordance with the principles of the risk strategy. Within the defined framework, risk management decisions are made by the departments with portfolio responsibilities in the first line of defense, maintaining the separation of functions; these decisions are monitored by central Risk Control in the second line of defense. The risk controlling and risk management system established for this purpose covers all material risks and the details specific to the risk types.

Potential concentration of risk receives particular attention. At LBBW, appropriate processes are used to identify and to deliberately manage risk concentration. Risks to the Group’s going concern status must be excluded. Corresponding monitoring processes (e.g. report on risk concentrations, stress tests) and limits (e.g. sector and country limits) are available for the purpose of monitoring this strategic requirement.

An overview of the structure and individual elements of the risk management system of LBBW is given in the following chart. Additional information on this is provided in the sections on the respective risk type.

Risk management structure

<table>
<tr><td colspan="3">Annual General Meeting
Supervisory Board
Committees</td></tr>
<tr><td colspan="3">Group’s Board of Managing Directors
Business strategy, Group risk strategy</td></tr>
<tr><td colspan="3">Risk Committee, Asset Liability Committee, Regulatory/Accounting Committee</td></tr>
<tr><td colspan="3">Authority based on decision-making hierarchy for loans and trading, Articles of Association and rules of procedure of the executive bodies and the Group’s Board of Managing Directors</td></tr>
<tr><td colspan="2">Financial risks</td><td>Non-financial risks</td></tr>
<tr><td>Credit risk strategy</td><td>Market price risk, liquidity risk, investment risk, real estate risk and development risk strategy</td><td>Non-financial risk strategy</td></tr>
<tr><td rowspan="4">Counterparty risks/Country risks

Front office departments
Back office departments
– Credit and risk management
– Central loan processing
Country Limit Committee
Joint decision-making authority on lending (front office/back office)
Group Risk Control
Credit Committee</td><td>Market price risks/liquidity risks

Treasury
Financial Institutions & Markets
Group Risk Control</td><td rowspan="4">Legal risks
Information and communication technology (ICT) risks
Compliance risks
Outsourcing risks
Data protection risks
Tax compliance risks
Operational risks in the narrower sense
Model risks
Business risks
Reputational risks

Involved units, incl. Finance, Group Compliance, Human Resources, Non-Financial Risk Management, Legal, Risk Control</td></tr>
<tr><td>Investment risks

Group investments</td></tr>
<tr><td>Real estate risks

LBBW Immobilien Group
LBBW Corporate Real Estate Management GmbH
Berlin Hyp AG</td></tr>
<tr><td>Development risks

LBBW Immobilien Management GmbH</td></tr>
<tr><td colspan="3">Interdisciplinary risks (incl. ESG risks)</td></tr>
</table>

Committees and reporting

The members of the Group’s Board of Managing Directors with responsibility for managing risks are supported in their decision-making by corporate bodies and a comprehensive risk and subject-specific reporting system. The overall risk report and the report to the Asset Liability Committee (ALCo) thus form the reporting system relevant to risk within the context of the MaRisk requirements.

The monitoring body, the Risk Committee, comprises the board members with responsibility for Capital Markets Business and asset management/international business, risk management and compliance, as well as divisional managers from Risk Control, Group Compliance, Finance Controlling, Finance, Non-Financial Risk Management, Treasury, and the Corporate Customers central division. The Risk Committee supports the Board of Managing Directors in risk monitoring, risk methodology and strategic risk decisions. The monthly overall risk report and other reports prepared on specific issues as required form the basis for this. Covering all risk types, the overall risk report describes the risk situation in the operational units, thus facilitating a structured discussion between front office and monitoring units in the Risk Committee.

The managing body, the ALCo, focuses on strategic resource management for the Group as a whole. Among other things, it supports the Board of Managing Directors in structuring the balance sheet, managing capital and liquidity, funding, and managing market price risks. The committee comprises the board members with responsibility for Capital Markets Business and asset management/international business, risk management and compliance as finance and operations, as well as the divisional managers from Risk Control, Financial Controlling and Treasury. The heads of the sales management units in the Corporate Customers central division, Real Estate/Project Finance segment management, the Private Customers/Savings Banks central division and the Chief Operating Officer Capital Markets are also included in matters of relevance to sales. The committee includes the heads of Human Resources and Finance when handling matters of relevance to pension obligations.

The Regulatory/Accounting Committee evaluates at an early stage the requirements of the large number of provisions of banking supervisory law and accounting that are relevant for management purposes and takes the measures required. The committee comprises the heads of Legal, Risk Control, Group Compliance, Finance, Strategy & Group Development, Group Auditing, the Private Customers/Savings Banks central division, the COO Risk Management, and the heads of IT Governance & Cyber Defense, Digitalization & Innovation, and Business Management Capital Markets.

Processes of adjustment

New types of trading and credit product at LBBW are subject to a New Product Process that ensures the product is included in LBBW’s various systems, such as in Accounting or Risk Control. Any potential legal consequences are also outlined.

The main focus is on products from the Capital Markets Business division. If it is not possible to fully integrate the products into the model immediately, a step-by-step approach is taken in which the products are initially traded only under very strict supervision.

In the case of material changes in the set-up and procedural organization and in the IT systems, LBBW analyzes the potential effects on control procedures and control intensity within the framework of a predefined standard process.

Process-independent monitoring

The Group Auditing division is a process-independent division that, as the third line of defense, monitors the operations and business work flows, risk management and controlling and the internal control system (ICS) with the aim of safeguarding LBBW’s assets and boosting its operating performance. The Group Auditing division exercises its duties autonomously. The Board of Managing Directors is informed of the results of audits in written audit reports, which are discussed with the audited operating units. The Group Auditing division also monitors the measures taken in response to the audit findings.

The audit work of the Group Auditing division is conducted in principle in accordance with an annual audit plan that is drawn up on the basis of long-term, risk-oriented planning and approved by the Board of Managing Directors. All activities and processes of the LBBW Group have to be recorded within a reasonable period, in principle within three years, in due consideration of the risk weighting.

There were no changes to the heads of internal audit, the internal control function, the risk management function or the compliance function in the past financial year.

Statement by the Board of Managing Directors

The Board of Managing Directors of LBBW regards the risk management procedures pursuant to Article 435(1) (e) and (f) CRR as fundamentally appropriate in light of the type, scope, complexity and risk content of the business activities and the business strategy. The structure takes account of MaRisk and other relevant statements by national and international regulatory authorities. All the principal risks are included in the risk management procedures. The processes, procedures and methods are regularly reviewed to ensure their adequacy and are constantly being refined. The findings of the statutory auditor and the Group Auditing division and also any comments made in the context of the SREP process of the European Central Bank (ECB) are taken into account and implemented accordingly in the course of these reviews. Key figures and an overview of the bank’s risk profile are described briefly in the following section. The risk declaration was approved by the Group’s Board of Managing Directors as a whole.

LBBW Group – Risk situation

LBBW Group – Risk-bearing capacity

	31/12/2024		31/12/2023	
EUR million	Absolute[1]	Utilization in %	Absolute[1]	Utilization in %
Aggregate risk cover	14,218	46	13,700	47
Economic capital limit[2]	11,450	57	11,050	59
Correlated total economic capital	6,528		6,475	
of which:				
Counterparty risk	4,110		3,848	
Market price risk	1,885		1,928	
Investment risk	20		22	
Operational risk[3]	898		803	
Development risk	110		132	
Real estate risk	154		150	
Other risks[4]	222		409	
Inter-risk correlations	-871		-817	

[1] Confidence level 99.9% / 1 year.
[2] The individual risk types are capped by economic capital limits.
[3] In accordance with the presentation “Operational risk factors” in the section Non-financial risks – Operational risks
[4] Other risks (business and reputational risks)

Aggregate risk cover increased by a further EUR 0.5 billion to EUR 14.2 billion compared to year-end 2023. This was largely thanks to the positive earnings performance.

The economic capital requirement has increased by EUR 0.1 billion in total since the end of 2023. The higher level of counterparty risk is mainly due to business growth as well as interest rate and rating developments. Operational risks increased in 2024 due to a methodological enhancement. Business and reputation risks declined in 2024 thanks to LBBW’s stable results of operations.

In summary, it can be stated that the risk-bearing capacity of the LBBW Group was maintained at the reporting dates during the 2024 financial year as a whole. The stress resistance required in the sense of permanent viability was also guaranteed at all times. The economic capital limit was maintained at the reporting dates at Group level.

Details on the regulatory key figures can be found in the report on results of operations, net assets and financial position, the notes and in the section on liquidity risks.

The further potential effects of geopolitical conflicts, continued disruption to the global commodity markets and supply chains, inflation and interest rate developments on LBBW’s economic and regulatory key performance indicators are regularly analyzed and investigated in stress scenarios. Given the dynamic pace of developments, however, the ability to provide an exact forecast is very limited.

3.2 Disclosure on governance arrangements (Article 435(2) CRR)

The maximum number of directorships which members of the Board of Managing Directors and the Supervisory Board may hold is determined by the German Banking Act (KWG). Under Section 25c KWG, the managers of a significant institution are not permitted to act as the managing director of another company or to be a member of the management or supervisory body of more than two companies.

For this purpose, multiple directorships count as a single directorship if they are held with companies

- that belong to the same group within the meaning of Article 4(1) no. 138 of Regulation (EU) no. 575/2013,
- that fall within the same institutional protection scheme or
- in which the institution holds a significant investment.

Under Section 25d KWG, the members of the supervisory body of a significant CRR institution are not permitted to simultaneously act as the managing director of another company or to be a member of the management or supervisory body of more than two companies. Similarly, a person who is a member of the management or supervisory body of more than four companies is disqualified from being a member of the supervisory body of a significant CRR institution.

Members of the Landesbank Baden-Württemberg Board of Managing Directors comply with the maximum number of directorships permitted under the German Banking Act. The members of the Supervisory Board have been duly informed of the maximum number of directorships permitted under the act.

LBBW observes the requirements under Section 25c(2) no. 1 and Section 25d(3) nos. 1 and 2 KWG with respect to the non-compatibility of management and supervisory directorships.

The following table shows the number of directorships held by members of the Supervisory Board in management and/or supervisory bodies as at 31 December 2024 (Article 435(2) (a) CRR):

	Number of directorships held in management and/or supervisory bodies in accordance with the rules pursuant to Section 25d(3) KWG	Number of directorships of management and/or supervisory bodies effectively held in other undertakings, irrespective of whether the undertaking in question pursues commercial objectives or not
Jörg Armborst	1	0
Jens Baumgarten	1	0
Dr Danyal Bayaz	0	5
Christian Brand	2	1
Christian Hirsch	1	0
Berhard Ilg	3	4
Gabriele Kellermann	3	2
Marc Oliver Kiefer	1	0
Bettina Kies-Hartmann	2	1
Dr Matthias Neth	4	7
Dr Frank Nopper	2	14
Dr Fritz Oesterle	2	1
Martin Peters	2	45
B. Jutta Schneider	2	1
Wiebke Sommer	1	0
Dr Florian Stegmann	3	4
Thomas Strobl	0	3
Dr Jutta Stuible-Treder	1	0
Burkhard Wittmacher	3	3
Prof. Eckart Würzner	2	6
Norbert Zipf	1	0

The following table shows the number of directorships held by members of the Board of Managing Directors in management and/or supervisory bodies as at 31 December 2024 (Article 435(2) (a) CRR):

	Number of directorships held in management and/or supervisory bodies in accordance with the rules pursuant to Section 25c(2) KWG	Number of directorships of management and/or supervisory bodies effectively held in other undertakings, irrespective of whether the undertaking in question pursues commercial objectives or not
Rainer Neske	3	3
Anastasios Agathagelidis	1	6
Joachim Erdle	2	6
Andreas Götz	3	3
Dirk Kipp	1	2
Stefanie Münz	2	2
Thorsten Schönenberger	2	3

Section 25c of the German Banking Act stipulates that managing directors must hold the necessary professional qualifications, be trustworthy and dedicate sufficient time to performing their functions. They are assumed to possess the necessary professional qualifications if they have sufficient theoretical and practical knowledge of the business concerned as well as managerial experience.

The Board of Managing Directors consists of several members. The members of the Board of Managing Directors are appointed for a maximum period of five years, after which they may be reappointed. A resolution approving the reappointment of members of the Board of Managing Directors must be passed no earlier than twelve and no later than six months before the previous appointment expires. In exceptional cases, the Supervisory Board may also pass a resolution approving an appointment or re-appointment beyond this.

The selection process is governed by the statutory provisions contained in the German Banking Act and the bylaws of the Executive Committee, which performs the duties of a nomination committee in accordance with Section 25d(11) of the German Banking Act.

Under these rules, the Executive Committee is responsible for preparing the Supervisory Board's decisions on the appointment and dismissal of the members of the Board of Managing Directors as well as long-term successor planning for the Board of Managing Directors. To this end, it in particular identifies candidates for a position on the Board of Managing Directors and, in doing so, takes account of the balance and diversity of the knowledge, skills and experience of all the members of the Board of Managing Directors, prepares a job description with a candidate profile and specifies the time commitment associated with the task.

LBBW's Supervisory Board takes into account aspects of diversity when selecting suitable candidates for the Board of Managing Directors and the Supervisory Board (e.g. gender, educational background and age) in order to include a wide range of qualities and skills. The various diversity aspects and their relevance to LBBW are reassessed regularly, at least once a year, to ensure they remain up to date.

On account of its legal form, LBBW is not subject to the national requirements that a target has to be set for the proportion of women on the Board of Managing Directors and Supervisory Board as set out in the German act on equal participation of men and women in leadership positions in the private sector and in public service (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst). The Executive Committee has set the Supervisory Board a target to encourage representation by a greater proportion of women as well as a strategy for reaching this target. The target for the minimum proportion of women on the Supervisory Board was 7 members as at the end of the reporting period and is intended to be realized in 2025. The target for the minimum proportion of women on the Board of Managing Directors set by the Supervisory Board was one member as at the end of the reporting period, which was achieved. In order to boost the proportion of women in upper management, including the Board of Managing Directors, LBBW has introduced measures to promote women in management positions.

When appointing members, LBBW takes into account the widest possible spectrum of educational and professional backgrounds and experience in relation to the bodies' key activities. The aim of this is to bring together people with diverse occupational and educational backgrounds in the Board of Managing Directors and the Supervisory Board. Using this concept for a balanced and diverse composition, the Supervisory Board aims to ensure members are highly suitable at an individual level and that LBBW's management and supervision incorporates as many diverse perspectives and experience as possible.

LBBW aims for a balanced range of ages within the executive bodies as a whole (Board of Managing Directors and the Supervisory Board) to ensure the continuity of their work and to enable smooth successor planning. The articles of association set an age limit for the Board of Managing Directors. No individual should be over 65 years of age when appointed, although an exemption to this may be granted in justified cases.

LBBW's Supervisory Board consists of 21 members. The chair and deputy chair of the Supervisory Board are elected from the Supervisory Board's own numbers on the basis of a proposal made by the shareholders' meeting in the absence of any requirements to the contrary in the Landesbank Baden-Württemberg Act. The members of the Supervisory Board must be reliable, possess the necessary expertise to assess and monitor the Bank's business in the performance of their supervisory duties and have sufficient time to perform their duties. They are not bound by any instructions. They must perform their duties impartially and responsibly.

At least one member of the Supervisory Board must have expertise in the field of accounting and at least one other member of the Supervisory Board must have expertise in the field of auditing.

In the absence of any requirements to the contrary in the Landesbank Baden-Württemberg Act, the members of the Supervisory Board cannot be appointed for a period exceeding the conclusion of the shareholders' meeting at which a resolution is passed to issue formal approval of the activities of the Supervisory Board for the fourth year after their term of office commenced. Repeated appointments are possible. Upon the expiry of their term of office, the members of the Supervisory Board continue to perform their duties until the new Supervisory Board has convened.

The selection process is governed by the statutory provisions contained in the German Banking Act and the bylaws of the Executive Committee, which performs the duties of a nomination committee in accordance with Section 25d(11) of the German Banking Act.

Under these rules, the Executive Committee is responsible for preparing proposals for the election of members of the Supervisory Board who are not appointed by the employees. To this end, the Executive Committee takes account of the balance and diversity of the knowledge, skills and experience of all the members of the Supervisory Board, prepares a job description with a candidate profile and specifies the time commitment associated with the task. The members of the

Supervisory Board are elected by the general meeting unless they are required to be elected as an employee representative and in the absence of any requirements to the contrary in the Landesbank Baden-Württemberg Act. The owners have the right to submit nominations.

Furthermore, the Executive Committee assists the Supervisory Board with the regular evaluation of the structure, size, composition and performance of the Board of Managing Directors and the Supervisory Board, which must be conducted at least once a year, and submits relevant recommendations to the Supervisory Board. In doing so, the Executive Committee ensures that individual persons or groups are unable to exert any influence on the decision-making processes within the Board of Managing Directors that is liable to have an adverse effect on the Bank.

In addition, the Executive Committee assists the Supervisory Board with the regular evaluation of knowledge, skills and experience, which must be conducted at least once a year.

In addition, the Supervisory Board has established a process for the regular evaluation of the Board of Managing Directors as a whole and of the Supervisory Board in accordance with Section 25d(11) sentence 1 nos. 3 and 4 KWG.

Each member of the board must have an up-to-date understanding of LBBW's business model and the related risks. This also includes an adequate understanding of areas for which an individual member is not directly or solely responsible but for which the member is jointly responsible with another member. Each member must clearly understand LBBW's governance regulations, their own role and responsibilities, the Group structure and any potential conflicts of interest arising from this. In addition, all members must have the skills to put a suitable corporate culture into practice.

As a basis for assessing professional qualifications, target requirements in the form of job profiles for the Supervisory Board and the Board of Managing Directors have been established on the basis of roles and responsibilities. The job profiles describe the responsibilities of the relevant positions and the professional and personal requirements that LBBW considers to be met for the current members of the Board of Managing Directors and Supervisory Board.

Key professional requirements for members of the Board of Managing Directors:

- Ideally a degree or equivalent qualification in banking (in particular, economics, banking or law)
- Managerial authorization in accordance with the German Banking Act
- Many years of relevant professional and management experience at a bank
- Knowledge of legal and regulatory requirements and banking regulation
- Knowledge and practical experience in the areas of integrated bank management and internal governance

Key personal requirements for members of the Board of Managing Directors:

- Leadership skills, a highly motivated and genuine personality combined with a focus on teamwork
- High level of personal integrity, loyalty, excellent reputation
- Strategic vision, negotiating skills, ability to deal with criticism and conflict, good judgment, decisive
- Strong and persuasive communication skills and possessing a clear focus on customers and quality

Key professional requirements for members of the Supervisory Board:

- Ideally a degree or vocational apprenticeship
- Good knowledge of banking, financial services, financial markets and the financial sector
- Good knowledge of legal and regulatory requirements and banking regulation
- Good knowledge of LBBW's strategic focus and business areas
- Efficient and effective monitoring skills
- General understanding of accounting and auditing issues

Key personal requirements for members of the Supervisory Board:

- Analytical skills, structured approach and good judgment
- High level of personal integrity, loyalty and excellent reputation
- Strategic vision, strong communication skills and willingness to develop skills
- Ability to critically analyze and scrutinize reports

Practical experience from previous positions and theoretical knowledge and skills acquired through training must be taken into account when evaluating individual suitability. Knowledge and skills that the member of the Board of Managing Directors or Supervisory Board has demonstrably acquired while working for LBBW are also to be considered.

Based on the assessment carried out by the Supervisory Board, the structure, size, composition and performance of the Board of Managing Directors and the Supervisory Board as well as the knowledge, skills and experience of the individual members were deemed to meet the requirements in law and under the articles of association.

Members of the Supervisory Board and the Board of Managing Directors regularly take part in training events in order to keep up their professional qualifications and ensure they have the necessary expertise.

The Supervisory Board has established a Risk Committee from its own number. The Risk Committee comprises eight members. It elects a chair and a deputy chair from its own numbers. The chair and the deputy chair of the Risk Committee must possess banking expertise. The Risk Committee is managed by the chair or, in their absence, the deputy chair.

In 2024, the Risk Committee convened ten times as part of the Board of Managing Directors' routine risk reporting. It conducted an in-depth review of the Bank's risk profile, key risk categories, risk-bearing capacity and risk management. It also granted its approval/took note of the Bank's exposure for which reporting duties apply in accordance with the law, the Articles of Association and the rules of procedure.

The committee, in collaboration with the Board of Managing Directors, discussed the Group's risk strategy derived from the business strategy, covering credit, market price, liquidity, real estate, development, investment, and NFR risk strategies. As part of its quarterly review of NFR risks, the committee examined various sub-categories within this risk type, with a strong emphasis on information and communication technology risks, ESG considerations, and reputational risks. Given their importance, additional regular reports were provided on the Bank's risk position and ongoing initiatives to strengthen IT security.

The committee also reviewed the annual report on country limits and their utilization and conducted assessments of the portfolios for France, China and the Shanghai branch. It took note of updates to the recovery plan pursuant to MaSan (minimum requirements for the design of recovery plans), the stress test concept and the implementation of BCBC 239. The Risk Committee also regularly dealt with current issues and business areas. This also included periodic updates on the performance of the pension fund, the Weinberg portfolio and the LCR portfolio, as well as real-time reports on major exposures and the loan portfolio, particularly in relation to credit and non-financial risks. Besides regular industry reports, specific portfolio reports covered commercial real estate financing (CRE), fiber optic financing, and developments in the automotive and supplier industries. The Board of Managing Directors continuously updated the Risk Committee about current risk-relevant developments in the market and competitive environment, such as risk provisions and spreads, as well as regulatory requirements with the corresponding impact on the Bank. The committee also thoroughly examined the findings from ECB audits. The Risk Committee also examined whether the Bank's remuneration system took adequate account of the Bank's risk, capital and liquidity structure.

The chair of the Risk Committee regularly reported to the members of the Supervisory Board on the committee's activities and the resolutions that it passed.

At its meetings, the Board of Managing Directors was kept regularly informed in detail and with minimum delay of LBBW's risk situation and risk management as well as the exposures requiring approval under the Bank's rules and, where necessary, granted this approval.

4 Disclosure of the scope of application (Article 436 CRR)

Unless otherwise indicated, all disclosures in this report relate to the scope of prudential consolidation of the LBBW Group in accordance with Section 10a of the German Banking Act in conjunction with Article 18 et seqq. CRR as at 31 December 2024.

Application of waiver rule (Article 436 (f) to (h) CRR, EU LIB)

At the request of LBBW, the ECB upheld in April 2016 the option provided for in Article 7(3) CRR under which individual institutions may be excluded if organizational and procedural requirements of certain regulations for own funds and regulatory reporting at an institution level are satisfied (waiver rules). In its function as a parent company of the LBBW Group, LBBW is exempt from the reporting requirements on solvency, leverage ratio and large exposures at the institution level for the duration of the waiver. Only IFRS group reporting has to be prepared for these reports.

There is no material legal or practical impediment within the LBBW Group to the prompt transfer of own funds or repayment of liabilities between LBBW as the parent company and its subsidiaries.

As at the end of the reporting period on 31 December 2024, no non-consolidated subsidiary had less than the prescribed own funds.

4.1 Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories (Article 436 (b) and (c) CRR, EU LIA)

Reconciliation statement of items within the accounting scope and the scope of prudential consolidation

The disclosure requirements call for a full reconciliation of the published annual financial statements with data in accordance with FINREP and, moreover, with data in accordance with COREP.

For FINREP, accounting figures will be used in accordance with the scope of prudential consolidation; for COREP, the figures in question will be calculated in accordance with regulatory rules. The FINREP figures are reported in accordance with the respective COREP types of risk. Market price risk transactions are not reported more than once if they are reported under different types of risk in the COREP report.

	EUR million	a Carrying values as reported in published financial statements	b Carrying values under scope of prudential consolidation	c Carrying values of items Subject to the credit risk framework	d Subject to the CCR framework	e Subject to the securitization framework	f Subject to the market risk framework	g Not subject to own funds requirements or subject to deduction from own funds
	Assets							
1	Cash and cash equivalents	10,336	10,334	10,334			6,781	
2	Financial assets measured at amortized cost:	250,698	247,036	233,616		13,286	29,519	134
3	Of which: Loans and advances to banks	92,396	92,367	92,367			2,064	
4	Of which: Loans and advances to customers	154,157	150,525	138,518		11,873	27,057	134
5	Of which: Debentures and other fixed-income securities	4,145	4,145	2,732		1,413	398	
6	Financial assets measured at fair value through other comprehensive income	37,839	38,132	38,132			6,265	
7	Financial assets designated at fair value	956	956	956			238	
8	Financial assets mandatorily measured at fair value through profit or loss	48,351	49,789	17,351	13,829	15	34,031	
9	Shares in investments accounted for using the equity method	185						
10	Portfolio hedge adjustment attributable to assets	-194	-194					-194
11	Non-current assets held for sale and disposal groups	0	0	0				
12	Intangible assets	205	195					195
13	Investment property	880	32	32				
14	Property and equipment	1,009	932	932				
15	Property and equipment	268	265	265				
16	Deferred income tax assets	973	1,012	867				145
17	Other assets	4,850	4,476	4,394			167	
18	*Total assets*	*356,355*	*352,965*	*306,879*	*13,829*	*13,301*	*77,001*	*281*

		a	b	c	d	e	f	g
		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
	EUR million			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Equity and liabilities							
1	Financial liabilities measured at amortized cost, of which	310,831	307,754				60,359	247,396
2	Deposits from banks	70,239	69,679				22,209	47,470
3	Deposits from customers	140,765	140,939				15,593	125,346
4	Securitized liabilities	95,329	92,638				21,889	70,750
5	Subordinated capital	4,498	4,498				668	3,829
6	Financial liabilities designated at fair value	3,395	3,395				861	2,535
7	Financial liabilities mandatorily measured at fair value through profit or loss	21,883	21,889		13,223		21,131	243
8	Portfolio hedge adjustment attributable to liabilities	-1,174	-1,174					-1,174
9	Provisions	1,808	1,736					1,736
10	Liabilities from disposal groups							
11	Current income tax liabilities	195	186					186
12	Deferred income tax liabilities	26	5					5
13	Other liabilities	2,662	2,593				42	2,551
14	Equity	16,730	16,582					16,582
15	*Total equity and liabilities*	*356,355*	*352,965*		*13,223*		*82,392*	*270,059*

Figure 3: EU LI1 – Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

4.2 Main sources of differences between regulatory exposure amounts and carrying values in financial statements (Article 436 (d) CRR, EU LIA)

		a	b	c	d	e
			Items subject to			
	EUR million	Total	Credit risk framework	Securitization framework	CCR framework	Market risk framework
1	Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	352,684	306,879	13,301	13,829	77,001
2	Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	82,907			13,223	82,392
3	Total net amount under the scope of prudential consolidation	315,395	306,879	13,301	605	– 5,390
4	Off-balance-sheet amounts	79,790	76,284	3,505		
5	Differences in valuations	– 173				
6	Differences due to different netting rules, other than those already included in row 2	10,594			10,594	
7	Differences due to consideration of provisions					
8	Differences due to the use of credit risk mitigation techniques (CRMs)					
9	Differences due to credit conversion factors					
10	Differences due to securitization with risk transfer					
11	Other differences	26,545	24,103	– 7	2,449	
12	*Exposure amounts considered for regulatory purposes*	*432,151*	*407,266*	*16,799*	*13,649*	*18,741*

Figure 4: EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Exposure amounts considered for regulatory purposes

- in the credit framework consist of on-balance-sheet and off-balance-sheet items, the securities financing activities of the CRSA and IRB, investments reported under IRB, other non-credit obligation assets and the default fund contributions of a central counterparty (CCP)
- in the CCR framework consist of the combined derivative positions in the CRSA and IRB approach
- in the securitization framework include securitizations pursuant to
  - SEC-ERBA (Securitization – External Ratings Based Approach)
  - SEC-IRBA (Securitization – Internal Ratings Based Approach)
  - SEC-SA (Securitization – Standardized Approach)
  - IAA (Internal Assessment Approach).

The other differences in the credit risk framework result mainly from the differing valuation for securities financing transactions.

4.3 Outline of the differences in the scopes of consolidation (entity by entity) (Article 436 (b) CRR, EU LIA)

Differences from the IFRS scope of consolidation arise in particular with regard to the following aspects:

- Companies outside the financial sector are also consolidated in the IFRS consolidated financial statements if it is possible to exercise control in accordance with IFRS. However, these companies are outside the scope of prudential consolidation.
- Conversely, companies which do not meet the consolidation criteria in accordance with IFRS or are not consolidated due to their minor significance are also included in the scope of consolidation in accordance with CRR.

In the following table, the main companies included in the scope of prudential consolidation in accordance with Article 436 CRR are classified according to the type of business and its regulatory treatment and are shown alongside their classification in the scope of consolidation under IFRS. Equity investments in entities in the financial sector not consolidated under the prudential framework are taken into account in the threshold method. No deduction from own funds was necessary in the year under review. Both scopes of consolidation include numerous other companies that are not disclosed here, however, due to their immateriality. The companies are classified on the basis of the definitions set out in Article 4 CRR.

a	b	c	d	e	f	g	h
Name of the entity	**Method of accounting consolidation**	**Method of prudential consolidation**					**Description of the entity**
		Full consolidation	**Proportional consolidation**	**Equity method**	**Neither consolidated nor deducted**	**Deducted**	
Landesbank Baden-Württemberg	Full consolidation	X					Credit institution
MMV Bank GmbH	Full consolidation	X					Credit institution
Berlin Hyp AG	Full consolidation	X					Credit institution
Hypo Vorarlberg Bank AG	At equity/accounted for using the equity method				X		Credit institution
LBBW Asset Management Investmentgesellschaft mbH	Full consolidation	X					Asset management company
LBBW México S.A. de C.V.	Full consolidation	X					Financial institution
LBBW Venture Capital GmbH	Full consolidation	X					Financial institution
Süd Beteiligungen GmbH	Full consolidation	X					Financial institution
SüdFactoring GmbH	Full consolidation	X					Financial institution
SüdLeasing GmbH	Full consolidation	X					Financial institution
Austria Beteiligungsgesellschaft mbH	Full consolidation	X					Financial institution
German Centre for Industry and Trade GmbH, Beteiligungsgesellschaft	Full consolidation	X					Financial institution
LBBW US Real Estate Investment LLC	Full consolidation	X					Financial institution
Zweite LBBW US Real Estate GmbH	Full consolidation	X					Financial institution
LBBW Immobilien-Holding GmbH	Full consolidation	X					Financial institution
LBBW Corporate Real Estate Management GmbH	Full consolidation	X					Ancillary services undertaking
LBBW Service GmbH	Full consolidation	X					Ancillary services undertaking

Figure 5: EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

4.4 Prudent valuation adjustments (PVA) (Article 436 (e) CRR)

In order to comply with the requirements for a prudent valuation in accordance with Article 105 and Article 34 CRR, LBBW regularly calculates various valuation reserves that adhere to the principle of prudent valuation. All positions measured at fair value are taken into account and the total valuation adjustments are deducted from Common Equity Tier 1 capital. These include adjustments for market price uncertainty, netting costs, model risks, as yet unearned risk premiums, concentration positions as well as administrative expenses and operational risks.

In order to quantify market price uncertainty and netting costs, LBBW uses an accuracy aim of 90%. LBBW uses a price approach for securities. To this end, the bid and offer prices of various price-makers are analyzed on a quarterly basis and a price level is determined at which there is a 90% probability that the positions in question can be liquidated. LBBW uses a sensitivity approach for derivatives. To this end, market price uncertainty and netting costs are calculated by multiplying the net sensitivity for each risk type (interest rate delta, interest rate vega, FX delta, FX vega, equity delta, equity vega and credit delta) against a risk factor and the uncertainty inherent in the risk factor in question.

A valuation adjustment is made for model risks if there are no reliably observed market price parameters. This adjustment is measured based on suitable alternative models or calibrations. The basic assumption in this case is strictly that there is a 90% probability that the valuation adjustments made will be sufficient to cover potential losses in the event of that the transactions are liquidated.

"As yet unearned risk premiums" are an estimate of uncertainty in relation to the counterparty credit risk (CVA) in the case of derivatives.

A "concentrated position" is defined as an exposure which cannot demonstrably be liquidated within the space of 10 days. The 10-day holding period is defined in Article 365 CRR on the value-at-risk calculation. In order to determine a concentration, LBBW's own position is set against the volumes traded in the market. A valuation adjustment is made for the remaining exposure for positions which cannot be liquidated completely within the 10-day period. The adjustment is calculated for bond, interest-rate, credit and equity positions. An adjustment is made for future administrative costs for positions for which either market price uncertainty or netting costs cannot be calculated or which are highly illiquid, require continuous additional hedging or which are complex. Administrative costs factor in continued costs over the period until the positions in question can be liquidated.

A valuation adjustment of 10% of the sum of market price uncertainty and netting costs is applied for operational risks in line with the definition in Article 17(3) of Commission Delegated Regulation (EU) 2016/101.

		a	b	c	d	e	EU e1	EU e2	f	g	h
		Risk category					**Category level AVA – Valuation uncertainty**				
	Category level AVA	**Equity**	**Interest rates**	**Foreign exchange**	**Credit**	**Commodities**	**Unearned credit spreads AVA**	**Investment and funding costs AVA**	**Total category level post-diversification**	**Of which: Total core approach in the trading book**	**Of which: Total core approach in the banking book**
1	Market price uncertainty	31	39	0	27		5		59	20	40
2	Not applicable										
3	Close-out cost	15	53	0	4		4		38	19	19
4	Concentrated positions				20				20	3	17
5	Early termination										
6	Model risk	21	14	0	1	0	1		19	20	0
7	Operational risk	3	5	0	2				10	4	6
8	Not applicable										
9	Not applicable										
10	Future administrative costs	8	10	1	8	0			27	27	
11	Not applicable										
12	Total additional valuation adjustments (AVAs)								173	91	82

Figure 6: EU PV1 – Prudent valuation adjustments (PVA)

5 Disclosure of own funds (Article 437 CRR and EBA/GL/2018/01)

5.1 Composition of regulatory own funds (Article 437 (a), (d) to (f) CRR)

The following table shows the composition of regulatory own funds. The table also includes regulatory adjustments, regulatory ratios and relevant capital buffers.

The "Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation" column in *table EU CC1*reconciles the components of the Bank's own funds under CRR with the balance sheet. *Table EU CC2* shows the relevant items of the balance sheet with figures based on IFRS and FINREP (Financial Reporting).

The LBBW Group's own funds are made up of

- Common equity Tier 1 (CET1) capital, which comprises the following items:
  - paid-in capital
  - share premiums (capital reserves)
  - retained earnings
  - other eligible reserves (including revaluation reserves)
- Additional Tier 1 (AT1) capital, which comprises the following items:
  - subordinated AT1 bonds
- Tier 2 (T2) capital, which comprises the following items:
  - non-current subordinated liabilities
  - silent partners' contributions
  - IRB valuation adjustment excess

With regard to the valuation of AT1 and T2 instruments, we use, with effect from 31 December 2024, the procedure described by the EBA in its monitoring report of 27 June 2024 and recognize the instruments at their carrying amount. In the past, AT1 and T2 instruments were recognized at the amount effectively received.

Tier 2 capital instruments must be amortized based on the actual number of days elapsed in the five years prior to maturity under the applicable rules.

Explanation of changes from 2023 to 2024:

The figures will be published by the Supervisory Board in the disclosure report on 10 April 2025 after the annual financial statements have been approved. There will be slight increases in regulatory equity as a result of earnings retention and in the total risk exposure amount as a result of the changes to operational risks compared with the 2024 annual report, and these will have a corresponding impact on the related ratios.

The common equity Tier 1 (CET1) of the LBBW Group increased from the previous year. This is essentially the result of the inclusion of the net profit for 2024. Offsetting this, the revaluation reserve for securities and equity investments developed negatively and the eligible amount arising from the IFRS 9 transitional arrangements declined.

Additional Tier 1 capital comprises the AT1 bond newly issued in the 2024 financial year, which largely replaced the AT1 bond issued in 2019. Any portions of the 2019 AT1 bond that were not replaced are no longer eligible for recognition as additional Tier 1 capital.

Tier 2 capital (T2) decreased primarily on account of the amortization of Tier 2 capital instruments based on the actual number of days elapsed. The effects of first-time adoption pursuant to IFRS 9 to be deducted from the Tier 2 capital were reduced compared with the previous year.

The changes impacting CET1 capital have an effect on all capital ratios. An increase in AT1 capital influences the Tier 1 capital ratio and the total capital ratio. Changes in T2 capital affect only the total capital ratio.

No restrictions are applied to the calculation of own funds in accordance with the CRR (Article 437 (e) CRR). The calculation of the capital ratios does not include any elements of own funds that are determined on a basis other than that laid down in the Capital Requirements Regulation (Article 437 point (f) CRR).

The development of the total risk exposure amount is shown in more detail in *section 2.2 Overview of risk-weighted exposure amounts (Article 438 (d) CRR)*.

		a	b
	EUR million **Capital instruments**	**Amounts**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	11,724	
	of which: paid-in capital	3,484	j
	of which: capital reserves	8,240	k
	of which: other		
2	Retained earnings	3,242	l
3	Accumulated other comprehensive income (and other reserves)	- 285	m + n + o
EU-3a	Funds for general banking risks		
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	495	
6	*Common Equity Tier 1 (CET1) capital before regulatory adjustments*	*15,177*	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	- 173	
8	Intangible assets (net of related tax liability) (negative amount)	- 195	a + b
9	Not applicable		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	- 63	c
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		
12	Negative amounts resulting from the calculation of expected loss amounts	- 6	
13	Any increase in equity that results from securitized assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	- 39	
15	Defined benefit pension fund assets (negative amount)	- 21	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	- 134	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)		
EU-20c	of which: securitisation positions (negative amount)	- 134	
EU-20d	of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		
22	Amount exceeding the 17.65% threshold (negative amount)		
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
24	Not applicable		
25	of which: deferred tax assets arising from temporary differences		
EU-25a	Losses for the current financial year (negative amount)		
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		

		a	b
	EUR million **Capital instruments**	**Amounts**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
27a	Other regulatory adjustments	- 346	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	- 978	
29	Common Equity Tier 1 (CET1) capital	14,199	
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	745	
31	of which: classified as equity under applicable accounting standards	745	
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1		
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		
35	of which: instruments issued by subsidiaries subject to phase out		
36	Additional Tier 1 (AT1) capital before regulatory adjustments	745	p
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		
42a	Other regulatory adjustments to AT1 capital		
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital		
44	Additional Tier 1 (AT1) capital	745	
45	Tier 1 capital (T1 = CET1 + AT1)	14,944	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	3,535	e + f + g + h + i
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR		
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2		
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments	412	
51	Tier 2 (T2) capital before regulatory adjustments	3,947	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	- 25	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
54a	Not applicable		

	EUR million Capital instruments	a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
EU-56b	Other regulatory adjustments to T2 capital	-100	
57	*Total regulatory adjustments to Tier 2 (T2) capital*	*-125*	
58	*Tier 2 (T2) capital*	*3,822*	
59	*Total capital (TC = T1 + T2)*	*18,766*	
60	Total risk exposure amount	97,318	
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1	14.6	
62	Tier 1	15.4	
63	Total capital	19.3	
64	Institution CET1 overall capital requirements	9.63	
65	of which: capital conservation buffer requirement	2.50	
66	of which: countercyclical capital buffer requirement	0.73	
67	of which: systemic risk buffer requirement	0.10	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.75	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.05	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	7.95	
	National minima (if different from Basel III)		
69	Not applicable		
70	Not applicable		
71	Not applicable		
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	449	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	222	
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38(3) CRR are met)	867	d
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	154	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	686	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	412	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		

		a	b
	EUR million Capital instruments	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

Figure 7: EU CC1 – Composition of regulatory own funds

5.2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements (Article 437 (a) CRR)

The following table compares the components of the Bank's own funds relevant for the CRR report on the basis of the accounting scope and the scope of prudential consolidation. It includes only those items of the balance sheet which are relevant for the calculation of the Bank's own funds in accordance with CRR. Accordingly, it does not show all the components reported on the face of the balance sheet.

The disclosure of the shareholders' equity rows in the following template EU CC2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements is not relevant for LBBW, as it has no shareholders' equity.

		a	b	c
		Balance sheet as in published financial statements (IFRS)	Under regulatory scope of consolidation (FINREP)	
	EUR million	As at period end		Reference
	Assets – Breakdown by asset classes according to the balance sheet in the published financial statements			
1	*Intangible assets*	*205*	*195*	
2	of which goodwill			a
3	of which other intangible assets	205	195	b
4	*Deferred income tax assets*	*973*	*1,012*	
5	of which from unused tax losses	63	61	c
6	of which from temporary differences	910	952	d
	Equity and liabilities – Breakdown by equity and liability classes according to the balance sheet in the published financial statements			
1	*Financial liabilities designated at fair value*	*3,395*	*3,395*	
2	of which subordinated liabilities	384	384	e
3	of which capital generated from profit participation rights			f
4	*Subordinated capital*	*4,498*	*4,498*	
5	of which subordinated liabilities	3,615	3,615	g
6	of which typical silent partners' contributions	883	883	h
7	of which capital generated from profit participation rights			i
8	*Equity*	*16,730*	*16,582*	
9	of which share capital	3,484	3,484	j
10	of which capital reserve	8,240	8,240	k
11	of which retained earnings	3,462	3,242	l
12	of which other income	-312	-231	
13	of which revaluation reserve	-392	-300	
14	of which revaluation reserve for equity investments	-48	44	m
15	of which revaluation reserve for debt instruments	-344	-344	n
16	of which currency translation reserve	25	15	o
17	of which additional equity components (Additional Tier 1)	970	970	p

Figure 8: EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

5.3 Main features of regulatory own funds instruments and eligible liabilities instruments (Article 437 (b) to (c) CRR)

For presentation reasons, the disclosures required under Article 437(1) (b) CRR on the main features of all capital instruments issued are published separately in the annex “Table EU CCA – Main features of regulatory own funds instruments and eligible liabilities instruments” at the same location on LBBW’s website. The full terms and conditions in accordance with Article 437(1) (c) CRR are published on the “LBBW Markets Portal” under the heading “Private Customers Homepage – Topics – Legal –Subordinated Issues” and on the homepage of Berlin Hyp under the heading “Investors – Base Prospectus / Final Terms”.

5.4 Comparison of own funds and capital and leverage ratio with and without the application of transitional arrangements for IFRS 9 in conjunction with Article 473 (a) CRR II (EBA/GL/2018/01)

The calculation of capital ratios does not include any elements of own funds calculated on a basis other than that stipulated in the Capital Requirements Regulation (Article 437 (f) CRR).

LBBW has made use of the phase-in of the IFRS 9 effects since March 2020. This results in a temporary increase in the common equity tier 1 capital. LBBW is therefore required to disclose the following values both with and without the application of the transitional arrangements.

		a	b	c	d	e
	Ratios in %	**31/12/2024**	**30/09/2024**	**30/06/2024**	**31/03/2024**	**31/12/2023**
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	14,199	13,798	13,815	13,834	13,852
2	Common equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,099	13,704	13,719	13,744	13,639
3	Tier 1 capital	14,944	14,541	14,559	14,578	14,596
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,844	14,447	14,462	14,487	14,382
5	Total capital	18,766	18,435	18,584	18,715	18,719
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,766	18,434	18,584	18,714	18,716
	Risk-weighted assets					
7	Total risk-weighted assets	97,318	95,601	94,032	95,971	92,480
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	97,425	95,701	94,135	96,067	92,706
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	14.6	14.4	14.7	14.4	15.0
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.5	14.3	14.6	14.3	14.7
11	Tier 1 capital (as a percentage of risk exposure amount)	15.4	15.2	15.5	15.2	15.8
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.2	15.1	15.4	15.1	15.5
13	Total capital (as a percentage of risk exposure amount)	19.3	19.3	19.8	19.5	20.2
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.3	19.3	19.7	19.5	20.2
	Leverage ratio					
15	Leverage ratio total exposure measure	338,919	358,121	339,357	350,645	308,740
16	Leverage ratio	4.4	4.1	4.3	4.2	4.7
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.4	4.0	4.3	4.1	4.7

Figure 9: Comparison of own funds and capital and leverage ratio with and without the application of transitional arrangements for IFRS 9

6 Disclosure of countercyclical capital buffers (Article 440 CRR)

6.1 Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (Article 440 (a) CRR)

The composition of the institution-specific countercyclical capital buffer must be disclosed on a semi-annual basis.

The countries with the greatest risk exposure in accordance with the guidelines for the countercyclical buffer and those that imposed a countercyclical capital buffer as at 31 December 2024 are shown in the following table.

The “Other countries” item groups countries whose share in the weighted own funds requirements is only 5.4%. These are therefore regarded as non-material and not listed individually in accordance with Article 432(1) CRR.

	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
EUR million Breakdown by country:	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures – Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Armenia	0	0				0	0			0	0	0.00	1.50
Australia	1	235	7			243	7	0		7	88	0.12	1.00
Belgium	9	621	189			819	23	3		26	327	0.44	1.00
Bulgaria	0					0	0			0	0	0.00	2.00
Chile	0	4	7			11	0	0		0	2	0.00	0.50
Denmark	7	234	8			249	8	0		9	107	0.14	2.50
Germany	21,351	92,316	6,105		10,688	130,461	3,774	53	87	3,914	48,924	65.61	0.75
Estonia	0	0				0	0			0	0	0.00	1.50
France	18	3,886	434			4,338	131	8		139	1,736	2.33	1.00
United Kingdom	256	2,616	879			3,751	114	15		129	1,611	2.16	2.00
Hong Kong	49	253				303	16			16	198	0.27	0.50
Ireland	99	1,027	3		4,643	5,772	27	0	83	109	1,367	1.83	1.50
Iceland	0					0	0			0	0	0.00	2.50
Croatia	1		0			1	0	0		0	0	0.00	1.50
Latvia	0		0			0	0	0		0	0	0.00	0.50
Lithuania	0	80				80	1			1	7	0.01	1.00
Luxembourg	72	5,871	49		1,233	7,224	214	2	11	227	2,837	3.80	0.50
Netherlands	132	8,424	332			8,889	266	7		274	3,420	4.59	2.00
Norway	2	1,272	44			1,318	20	0		20	247	0.33	2.50
Austria	84	3,216	109			3,409	116	1		117	1,469	1.97	
Poland	172	1,897	5			2,074	71	0		71	884	1.19	
Republic of Korea	88	339	408		235	1,070	22	2	3	27	336	0.45	1.00
Romania	3	7				9	0			0	4	0.01	1.00
Sweden	3	452	42			497	21	1		22	270	0.36	2.00
Switzerland	156	2,794	1,083			4,034	90	5		95	1,181	1.58	
Slovakia	1		2			3	0	0		0	1	0.00	1.50
Slovenia	0	3				3	0			0	1	0.00	0.50
Czech Republic	12	209	2			223	6	0		6	77	0.10	1.25
Hungary	2	7	0			9	0	0		0	5	0.01	0.50
USA	449	16,292	389			17,130	428	6		434	5,429	7.28	
Cyprus	0					0	0			0	0	0.00	1.00
Other countries	1,182	9,169	4,061			14,412	285	38		323	4,041	5.42	
Total	*24,150*	*151,227*	*14,158*		*16,799*	*206,333*	*5,641*	*142*	*183*	*5,966*	*74,572*	*100*	

Figure 10: EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

6.2 Amount of institution-specific countercyclical capital buffer (Article 440 (b) CRR)

The amount of LBBW's institution-specific countercyclical capital buffer is shown in the figure below. The figures will be published by the Supervisory Board in the disclosure report on 10 April 2025 after the annual financial statements have been approved. There will be a slight increase in the total risk exposure amount compared with the 2024 annual report.

		a
	Amount of institution-specific countercyclical capital buffer	**Amount**
1	Total risk exposure amount (EUR million)	97,318
2	Institution-specific countercyclical capital buffer rate (%)	0.73
3	Institution-specific countercyclical capital buffer requirements (EUR million)	709

Figure 11: EU CCyB2- Amount of institution-specific countercyclical capital buffer.

At 0.73% as at 31 December 2024, the institution-specific countercyclical capital buffer rate had barely changed compared to 30 June 2024, when it was 0.72%. The CET1 capital cover of the total countercyclical capital buffer of all relevant countries is capped at 2.5%.

7 Disclosure of the leverage ratio (Article 451 CRR)

7.1 Summary reconciliation of accounting assets and leverage ratio exposures (Article 451(1) (b) CRR)

		a
		Applicable amount EUR million
1	*Total assets as per published financial statements*	*356,355*
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-3,386
3	(Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference)	
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	
5	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	2,449
9	Adjustment for securities financing transactions (SFTs)	3,348
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	42,195
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)e	
12	Other adjustments	-62,042
13	*Total exposure measure*	*338,919*

Figure 12: EU LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

7.2 Leverage ratio common disclosure (Article 451(1) (a) to (b) and (c), (2), (3) CRR)

Row *EU-22e* consists entirely of exposures arising from passing-through promotional loans to other credit institutions, if the promotional loans were granted by an entity set up by the central government, regional government or local authority of a Member State through an intermediate credit institution.

		a	b
		CRR leverage ratio exposures	
EUR million		31/12/2024	30/06/2024
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	296,769	299,015
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-6,176	-5,581
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)	-438	-546
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	290,155	292,888
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	9,891	10,654
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach		
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	13,739	11,717
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		
EU-9b	Exposure determined under Original Exposure Method		
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-6,478	-8,101
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardized approach)		
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)		
11	Adjusted effective notional amount of written credit derivatives	5,622	5,554
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-4,010	-4,031
13	Total derivatives exposures	18,764	15,793
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	40,468	35,226
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-9,816	2
16	Counterparty credit risk exposure for SFT assets	2,823	2,244
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	Total securities financing transaction exposures	33,475	37,472
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	91,345	88,060
20	(Adjustments for conversion to credit equivalent amounts)	-49,151	-47,995
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)		
22	Off-balance sheet exposures	42,195	40,066
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-15,922	-17,324
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off-balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) – Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) – Promotional loans)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-26,615	-26,253
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-3,133	-3,383
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	(Total exempted exposures)	-45,670	-46,959
Capital and total exposure measure			
23	Tier 1 capital	14,944	14,462
24	Total exposure measure	338,919	339,260

EUR million		a	b
		CRR leverage ratio exposures	
		31/12/2024	30/06/2024
Leverage ratio			
25	Leverage ratio (%)	4.41	4.26
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.41	4.26
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.41	4.26
26	Regulatory minimum leverage ratio requirement (%)	3.00	3.00
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU-26b	of which: to be made up of CET1 capital (percentage points)		
27	Leverage ratio buffer requirement (%)		
EU-27a	Overall leverage ratio requirement (%)	3.00	3.00
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	35,079	34,731
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	30,652	35,228
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	343,346	338,764
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	343,346	338,764
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.33	4.27
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.33	4.27

Figure 13: EU LR2- LRCom: Leverage ratio common disclosure

The promotional loans are granted in order to promote the public policy objectives of the central government, regional government or local authority in a Member State. These are stipulated in the respective articles of association of the promotional institutions. At LBBW, promotional loans are passed through both to other credit institutions and to customers.

The leverage ratio on the basis of the CRR transitional provisions (“phase-in”) came to 4.4% as at 31 December 2024 (30 June 2024: 4.3%). The leverage ratio exposure (“phase-in”) was EUR 338.9bn as at 31 December 2024 (EUR 339.3bn as at 30 June 2024).

7.3 Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (Article 452(1) (b) CRR)

		a
		CRR leverage ratio exposures EUR million
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	248,790
EU-2	Trading book exposures	17,429
EU-3	Banking book exposures, of which:	231,361
EU-4	Covered bonds	14,497
EU-5	Exposures treated as sovereigns	71,240
EU-6	Exposures to regional governments, MDB, international organizations and PSE, not treated as sovereigns	116
EU-7	Institutions	13,607
EU-8	Secured by mortgages of immovable properties	48,259
EU-9	Retail exposures	5,242
EU-10	Corporates	71,634
EU-11	Exposures in default	1,617
EU-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	5,147

Figure 14: EU LR3 – LRSpl: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

The “Exposures treated as sovereigns” item mainly includes exposures to central banks.

7.4 Disclosure of qualitative information on the leverage ratio (Article 451(1) (d), (e) CRR)

LBBW takes account of the risk of excessive indebtedness by including the leverage ratio in its planning and management process. An internal future target for the leverage ratio is calculated on the basis of LBBW’s business and risk strategy and its implementation in medium-term planning. The management of the leverage ratio is embedded in the management of the LBBW Group’s balance sheet structure. LBBW’s comprehensive internal management reporting is used to report on the leverage ratio and key influencing factors at monthly intervals. If required, the management approaches of the leverage ratio that have been identified for LBBW are discussed in detail in the Asset Liability Committee (ALCo). The ALCo submits proposals for specific management measures to the Group’s Board of Managing Directors where appropriate. Decisions are taken by the Group’s Board of Managing Directors. The description of the change in the leverage ratio can be found in *section 7.2 Leverage ratio common disclosure*.

8 Disclosure of liquidity requirements (Article 451a CRR)

With Commission Implementing Regulation (EU) 2021/637 of 15 March 2021, the European Commission laid down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council in respect of liquidity risk. In addition, the Regulation includes specifications and requirements on which information institutions must disclose with regard to the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

The LCR shows the short-term resilience of the liquidity profile and is defined as the ratio of liquid assets (liquidity buffer) to total net cash outflows over the next 30 days.

The NSFR ensures that institutions have an adequate ratio of stable funding by requiring the available stable funding – the liabilities side of the balance sheet – to at least equal the required stable funding – the assets side of the balance sheet.

8.1 Liquidity risks

Definition

In its liquidity risk monitoring and management activities, LBBW draws a distinction between short-term liquidity risk in the narrower sense, which represents the risk of insolvency due to an acute funding shortfall, and the funding (spread) risk, which describes the adverse effects on income resulting from a possible deterioration in funding spreads.

Risk measurement

Liquidity risk tolerance is primarily defined by reference to a survival period concept, i.e. time frames are specified by senior management over which LBBW is expected to remain at least solvent even in the event of severely limited opportunities to borrow on the market, subject to different combinations of assumptions (development paths).

A buffer requirement for excess liquidity and free collateral to be held applies for the main time horizons in the Group perspective. There are also limits for the maximum funding requirements based on maturities from the business portfolio across various time frames and currencies, and utilization reviews that match the funding requirements with the potential funding capacity.

Internally developed models are used to determine call risks from demand and savings deposits, loan commitments and the collateralization of derivatives for the economic steering group. They are used to determine the effect of uncertain cash flows on liquidity in normal market phases due to common fluctuations, and are in part the basis for identifying call risks in stress scenarios. In addition to a change in the speed at which demand and savings deposits are called under stress conditions, the call risks for the provision of cash collateral were extended in 2023 to include additional underlyings, while a separate stress test was introduced for the New York branch.

Call risks from demand and savings deposits are calculated using historic changes in portfolios and their volatility. For loan commitments, future utilization is estimated based on their product features, existing and planned utilization and past draw-downs for the respective sub-portfolio. The model for the securitization of derivatives is based on the value-at-risk approach and calculates potential additional contribution obligations for LBBW using the relevant market risk factors for the derivatives portfolio.

For the stress scenarios pursuant to MaRisk BTR 3, the results from the call risk models are expanded to include further call risks specific to the scenario. The results of the call risks calculated for internal management are integrated into the review of risk tolerance requirements. This examines whether solvency is ensured for at least three months even under stress. The call risks determined are also included in the calculation of liquidity risk for the MaRisk stress scenarios addressing multiple risk types.

LBBW also analyzes the development of intraday liquidity in the key currencies every day and performs daily stress tests.

A liquidity flow analysis is prepared for longer-term views of liquidity of > 1 year, which limits LBBW's maturity transformation. The reporting of funding spread risks was revised in 2023 and will be taken into account in the market price risk in the future.

The LCR and NSFR stipulations apply in the regulatory steering view and are partially supplemented by internal guidelines and an LCR stress assessment. A daily LCR forecast is also prepared to support steering.

The stress scenarios and the model assumptions are regularly checked to determine whether they are still adequate under the ongoing market conditions. If they need to be adjusted due to current developments, this is reported to senior management via the Risk Committee and, if approved, results in timely adjustments.

In order to identify new call risks or an increase in known call risks at an early stage, models, assumptions and materiality classifications are reviewed, in part within the scope of the risk inventory process, and changes to the liquidity position resulting from business activities or market changes are analyzed on a regular basis.

All key subsidiaries as defined in the risk inventory (Risk Management Group) and conduits are transferred via the liquidity risk strategy into a single framework for strategic specifications of the activities involving liquidity risks. The liquidity risks for subsidiaries and affiliates are assessed using a regularly revised risk inventory and transferred to the Risk Management Group's regulatory framework, which essentially matches the regulatory framework in place at LBBW (Bank), according to their materiality.

Following the takeover of Berlin Hyp, it was directly integrated into the Group's risk identification and monitoring processes. Work on aligning methods and consolidating data was also continued in 2024.

Risk monitoring and reporting

The regular monitoring of liquidity risks in terms of economic and regulatory aspects is the responsibility of the LBBW Risk Committee. It prepares decisions for the Group's Board of Managing Directors. As part of the second line of defense, Liquidity Risk Controlling is responsible for daily monitoring at the operational level. All material aspects of liquidity risk are reported in detail in the Risk Committee via the monthly overall risk report, such as liquidity requirements, liquidity buffer and compliance with the specifications on liquidity risk tolerance including the results of the stress tests carried out and the intraday liquidity. Detailed reports are prepared daily as part of the continuous monitoring, which show the different partial aspects of liquidity and liquidity risk – such as disaggregation of the liquidity gaps by currency – and are distributed to recipients in Group Risk Controlling and Treasury.

Risk management

The Asset Liability Committee (ALCo), which meets on a monthly basis, is the central body for managing liquidity and funding. The ALCo also draws up the funding strategy and planning on behalf of the Group's Board of Managing Directors, presents it to the Board for approval and monitors implementation of decisions.

As part of the first line of defense, Treasury implements all the decisions to be made by ALCo with the aim of active income and risk optimization while simultaneously ensuring solvency at all times and compliance with the regulatory requirements and the requirements with respect to liquidity risk tolerance. Regulatory liquidity requirements are firmly embedded in operational management and are actively managed using forecasts and monitored on an ongoing basis. The strategic parameters in terms of liquidity risk tolerance are designed in such a way that the Group's solvency in EUR and foreign currency is secured for a sufficiently long period even in extreme market situations and in the event of a marked deterioration of LBBW's credit rating as perceived by market players. This also ensures that in the event of temporary adverse developments an adequate time window is available for adapting the business strategy and considering alternative business policies.

In cooperation with Risk Controlling, Treasury further develops the methods used to determine internal funds transfer pricing (FTP). The ALCo is responsible for FTP policy, internal netting interest rates (opportunity interest rates), for monitoring the steering effects of the opportunity interest rates and pricing models on the business units and on the liquidity and funding situation of the Group. Group Risk Controlling oversees and reviews the risk adequacy of changes to methodology before these are approved by the Board of Managing Directors on the recommendation of the ALCo.

Treasury is responsible for operational (risk) management.

LBBW's funding strategy is implemented by way of the capital market funding plan. As part of this, LBBW aims for diversification and a broad, international investor base with the goal of achieving optimal refinancing costs. Savings banks, institutional investors and retail business again constituted the main sources of medium and long-term funding. On the capital market, LBBW obtained funding in 2024 through covered bonds, senior preferred and senior non-preferred bonds in various currencies, both via private placements and as syndicated high-volume transactions and in some cases as ESG green and social bonds.

To avoid concentrations, LBBW manages the composition of eligible securities in terms of rating and product group. Thresholds are defined and monitored.

Treasury is responsible for securing the intraday liquidity. It actively manages the daily payments via the Bundesbank account and calculates liquidity requirements up to the end of the day, while continuously taking into account euro payment inflows and outflows that become known during the course of the day, as well as performing the central bank function for savings banks.

A contingency plan is in place for securing liquidity in acute crisis situations. The provisions made include the formation of a crisis response team bringing in members of the Board of Managing Directors. The emergency plan is reviewed annually and resolved anew by the Board of Managing Directors.

Risk situation of the LBBW Group

2024 was characterized by restrictive monetary policy on the part of the central banks, which included the ECB reducing the money supply available on the market. Even in this phase, LBBW successfully presented itself to investors and was able to raise the required cash funds. The LBBW Group's sources of funding are stable in terms of volume and diversification.

As at the reporting date of 31 December 2024, the funding needs and the counterbalancing capacity were as follows:

Overview of funding requirements and counterbalancing capacity

	3 months		12 months	
EUR billion	**31/12/2024**	**31/12/2023**	**31/12/2024**	**31/12/2023**
Funding requirement from the business portfolio (deterministic cash flow)	9.7	11.7	19.7	17.1
Funding requirement from material call risks (stochastic cash flow)	26.5	30.7	55.8	62.3
Funding potential from free liquidity reserves	35.5	37	39	37.9
Funding potential on the market	94.6	86.7	121.7	108.7
Surplus	93.8	81.3	85.1	67.3

To determine the liquidity position in the sense of the risk of failing to meet payment obligations, funding potential must always be sufficient to cover the liquidity requirements from the business portfolio and potential call risks.

The surplus of EUR 93.8 billion and EUR 85.1 billion on a 3-month and 12-month basis reflects LBBW's good liquidity position and shows that the funding potential is sufficient to compensate for any short-term liquidity outflows or adverse effects of fluctuating market factors.

Results of the economic stress scenarios

	Funding requirement (3 months)		Funding potential (3 months)	
EUR billion	**31/12/2024**	**31/12/2023**	**31/12/2024**	**31/12/2023**
Rating downgrade scenario	48.5	47.4	62.2	60.9
Financial market crisis scenario	45.3	51.8	74.1	71.3
Combined scenario of market crisis with downgrade	45.8	51.8	72.5	70

The results of liquidity risk stress scenarios of a rating downgrade, a financial market crisis and a combination of the two, structured in accordance with the guidelines of MaRisk (BTR 3.2), show that the funding potential significantly exceeds the potential funding requirements under stress scenarios. Additional stress tests, such as the foreign currency stress tests or the EUR stress test for intraday liquidity, also resulted in a sufficient surplus at all times.

Compliance with regulatory requirements:

The prescribed minimum value of 100% for the European indicator for short-term liquidity "Liquidity Coverage Ratio (LCR)" was observed on each day in 2024. At 149.0%, it was exceeded at year-end (31 December 2023: 150.5%). The net stable funding ratio (NSFR) requirements were also met and exceeded at year-end at 113.9% (31 December 2023: 109.7%).

Risk management system for Pfandbrief (covered bond) operations

A differentiated limit system was put in place to monitor risks from covered bond (Pfandbrief) operations (section 27 of the German Covered Bond Act (PfandBG)). Regular stress tests are conducted with regard to NPV (net present value) overcollateralization. In the event that the fixed limits are reached, a process for then cutting the risk is implemented. The Board of Managing Directors and the Risk Committee are informed on a quarterly basis of compliance with the provisions of the PfandBG and the utilization of legal and internal limits. The statutory requirements were met in 2024. The risk management system is reviewed at least annually.

8.2 Quantitative information of LCR (Article 451a(2) CRR)

LCR disclosure

Levels and components of LCR

LBBW is required to disclose quantitative information on the components of LCR using the template in Annex XIII of Commission Implementing Regulation (EU) 2021/637. The average liquidity coverage ratio is calculated by taking the average liquidity coverage ratios of the last twelve months before the end of each quarter. Based on LCR data collated at the end of each month, the unweighted and weighted values (simple average values over twelve month-values before the end of each quarter) can be presented as follows.

The LCR over the entire disclosure period was consistently above the minimum ratio of 100% required for 2024.

		a	b	c	d	e	f	g	h
	EUR million	**Total unweighted value**				**Total weighted value**			
EU 1a	**Quarter ending on**	**31/12/24**	**30/09/24**	**30/06/24**	**31/03/24**	**31/12/24**	**30/09/24**	**30/06/24**	**31/03/24**
EU 1b	**Number of data points used in the calculation of averages**	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)					86,229	101,492	100,422	101,801
	Cash outflows								
2	Retail deposits and deposits from small business customers, of which:	22,476	22,548	22,761	22,900	1,410	1,326	1,368	1,420
3	Stable deposits	8,041	8,208	8,513	8,879	402	410	426	444
4	Less stable deposits	6,836	6,840	7,049	7,313	914	913	941	974
5	Unsecured wholesale funding	117,783	115,383	113,308	114,406	57,222	74,328	73,356	73,570
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	19,167	19,328	19,509	20,071	4,859	4,893	4,943	5,086
7	Non-operational deposits (all counterparties)	78,244	75,456	72,982	73,993	41,350	48,836	47,596	48,142
8	Unsecured debt	20,372	20,599	20,817	20,342	10,727	20,599	20,817	20,342
9	Secured wholesale funding					1,020	1,086	1,220	1,553
10	Additional requirements	42,644	42,864	42,694	42,277	14,137	13,443	13,108	13,087
11	Outflows related to derivative exposures and other collateral requirements	6,332	6,444	6,449	6,316	4,579	4,642	4,657	4,612
12	Outflows related to loss of funding on debt products	125	275	216	326	125	275	216	326
13	Credit and liquidity facilities	36,187	36,145	36,029	35,635	8,733	8,526	8,235	8,149
14	Other contractual funding obligations	9,082	8,651	8,094	7,443	8,905	8,452	7,875	7,232
15	Other contingent funding obligations	38,624	38,617	38,745	38,684	2,120	2,276	2,475	2,466
16	*TOTAL CASH OUTFLOWS*					*79,996*	*100,910*	*99,402*	*99,328*
	Cash inflows								
17	Secured lending (e.g. reverse repos)	19,868	18,703	17,582	16,553	2,512	3,108	2,940	2,481
18	Inflows from fully performing exposures	16,306	16,456	16,599	16,553	12,777	10,260	10,332	10,300
19	Other cash inflows	13,468	13,358	12,509	11,829	6,216	11,426	10,596	9,830
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialized credit institution)								
20	*TOTAL CASH INFLOWS*	*49,642*	*48,517*	*46,690*	*44,936*	*22,107*	*24,794*	*23,868*	*22,611*
EU-20a	Fully exempt inflows								
EU-20b	Inflows subject to 90% cap								
EU-20c	Inflows subject to 75% cap	45,063	43,883	41,899	40,088	22,107	24,794	23,868	22,611
	Total adjusted value								
EU-21	LIQUIDITY BUFFER					86,229	101,492	100,422	101,801
22	TOTAL NET CASH OUTFLOWS					57,889	76,116	75,532	76,718
23	LIQUIDITY COVERAGE RATIO					149.0%	134.1%	133.7%	133.4%

Figure 15: EU LIQ1 - Quantitative information of LCR

8.3 Qualitative information on LCR, which complements template EU LIQ1 (Article 451a(2) CRR)

The LCR is shaped by a diversified funding mix across various maturities (short and long), product groups (secured and unsecured) and investor groups (private customers, corporate customers, public sector and financial customers). All the usual liability products are offered on a secured and unsecured basis in various maturity segments. In addition, the open-market transactions offered by central banks can be used if necessary.

The short-term maturities from the funding mix and potential additional liquidity outflows are countered by an adequate buffer of highly liquid assets and expected incoming payments from maturing exposures. The structural funding requirements are derived from the expected business performance (funding planning) on the basis of the economic planning and complemented by short-term fine-tuning measures for the purposes of LCR management.

In the fourth quarter of 2024, the LCR stayed within a corridor between 125% and 149% as at the reporting dates.

The liquidity available on the market remains high, but is declining on account of the current monetary policy of the central banks. LBBW has a high liquidity buffer, significant parts of which are held in cash balances at central banks, and additionally enjoys a good standing on the market and can obtain unsecured funding to the extent required. After the TLTRO III program expired, LBBW paid back the funds it had borrowed to the central banks.

Deposits of private and corporate customers and investments of affiliated savings banks as well as domestic institutional investors continue to form the main funding sources. Potential concentrations are monitored by way of investor lists.

In addition, the long-term funding requirement is covered by Pfandbriefe and unsecured issues, which are highly attractive to investors because of the bank’s good market standing and the partial configuration as green or social bonds.

The bank’s liquidity buffer comprises a strategic buffer aligned to the requirements of the business model (e.g. call risks from non-maturity deposits, loan commitments, intended maturity transformation), supplemented by buffer stocks that can be adjusted at short notice.

For the strategic buffer, the bank manages a stock of highly liquid securities that are funded structurally. In addition, short-term liquidity buffers are held in the form of cash balances at central banks or within the framework of securities received via repurchase agreements and lending transactions.

LBBW enters into derivative exposures at customer’s request and to hedge risks from its own business portfolio (e.g. interest rate risks). If adverse market conditions are encountered, a portion of these derivative exposures has to be secured with cash on the basis of collateralization agreements. These outflows are calculated at LBBW using the historical look-back approach (HLBA) within the meaning of Commission Delegated Regulation (EU) 2017/208. As at the end of the reporting period on 31 December 2024, the average proportion of the outflows calculated on the basis of the HLBA amounted to approximately 5% of the total net cash outflows.

LBBW manages compliance with the LCR across all currencies. At the moment, the US dollar is a significant currency in the sense of Article 415(2) CRR.

All LBBW Group liquidity risks classified as material, including subsidiaries which are material for the liquidity risk, are managed centrally or in close collaboration with LBBW Treasury. With the exception of Berlin Hyp, the impact of the other subsidiaries on the LCR was generally marginal during the disclosure period.

LBBW sees no further positions that might be relevant for its liquidity profile that are not included in the figures or in the text of this disclosure report.

8.4 Disclosure of net stable funding ratio (NSFR) (Article 451a(3) CRR)

The net stable funding ratio (NSFR) as defined by Regulation (EU) No 575/2013 in conjunction with Regulation (EU) 2019/876 is a structural liquidity ratio that took effect from 28 June 2021 to ensure that the institution has a stable funding structure. Compliance with the ratio requires that the amount of permanently available weighted liabilities and own funds – available stable funding (ASF) – at least matches the amount of the permanent funding requirement from weighted assets and off-balance sheet exposures – required stable funding (RSF).

The regulatory requirement of a minimum requirement is binding for LBBW, including the subsidiaries within the Group, from 28 June 2021.

At LBBW, disclosures on the NSFR are based on the scope of prudential consolidation within the meaning of CRR.

The disclosure presents the figures as at the end of each quarter of the relevant disclosure period. The annual and semiannual disclosures therefore present two quarters – the quarter as at the reference date of disclosure and the preceding quarter.

The management of the NSFR is embedded in LBBW's management of the balance-sheet structure. Fulfillment of the NSFR requirement is a core requirement in the economic and funding planning (five-year perspective). The ratio is thus a significant influencing factor in the definition of the funding requirement on the liabilities side. The aim of the funding mix strategy is to achieve balanced diversification in relation to product and investor groups. To this end, all the usual liability products are offered on a secured and unsecured basis in various maturity segments.

In addition to long-term capital market issues, NSFR management is supplemented by active daily management of short-term deposits and loans of non-finance customers. Open-market transactions offered by central banks can also be used when necessary or when favorable opportunities present themselves.

The NSFR remained largely stable throughout 2024 (113.9% as at 31 December 2024) as a result of a balance between the asset-side business activities and the funding activities (including portfolio of preferred deposits) and increased slightly in comparison with the previous year (+3.8 percentage points).

The interdependent assets and liabilities included in the NSFR currently comprise promotional business in the form of pass-through and transmitted loans and derivative clearing activities for customers. For the transmitted promotional loans, LBBW recognizes both a liability to the development bank and a receivable in the same amount from the final borrower, i.e. public savings banks. Derivative clearing activities for customers are also recognized as interdependent. In total, the volume of interdependent assets and liabilities came to EUR 39,677m each as at 31 December 2024 (30 June 2024: EUR 39,706m), of which EUR 35,646m (30 June 2024: EUR 35,849m) was from promotional business and EUR 4,031m (30 June 2024: EUR 3,828m) was from derivative clearing activities.

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
	31/12/2024 EUR million	**No maturity**	**< 6 months**	**6 months to < 1 year**	**≥ 1 year**	
	Available stable funding (ASF) Items					
1	Capital items and instruments	15,377	0.00	0.00	4,716	20,093
2	Own funds	15,377	0.00	0.00	4,716	20,093
3	Other capital instruments					
4	Retail deposits		20,492	1,639	1,002	21,509
5	Stable deposits		10,991	786	588	11,776
6	Less stable deposits		9,501	853	415	9,733
7	Wholesale funding:		162,549	18,218	78,228	130,140
8	Operational deposits		20,610			4,548
9	Other wholesale funding		141,939	18,218	78,228	125,592
10	Interdependent liabilities		5,244	2,135	32,297	
11	Other liabilities:	1,431.00	4,173	33	830	846
12	NSFR derivative liabilities	1,431.00				
13	All other liabilities and capital instruments not included in the above categories		4,173	33	830	846
14	*Total available stable funding (ASF)*					*172,588*
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					2,988
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		462	770	32,323	28,522
16	Deposits held at other financial institutions for operational purposes		2	0	0	1
17	Performing loans and securities:		64,246	19,423	93,552	107,125
18	Performing securities financing transactions with financial customers collateralized by Level 1 HQLA subject to 0% haircut		13,246	346	14	3,229
19	Performing securities financing transactions with financial customer collateralized by other assets and loans and advances to financial institutions		28,008	6,045	20,204	25,326
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		17,001	10,912	51,382	65,664
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		631	918	2,590	7,963
22	Performing residential mortgages, of which:		650	1,097	10,303	
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		394	665	7,293	
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		5,341	1,024	11,650	12,905
25	Interdependent assets		5,244	2,135	32,297	0
26	Other assets:		13,277	473	6,660	10,066
27	Physical traded commodities				961	817
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,358	113	2,432	3,317
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted		5,968			298
31	All other assets not included in the above categories		5,951	360	3,267	5,634
32	Off-balance sheet items		33,033	5,358	35,200	2,822
33	*Total RSF*					*151,525*
34	Net stable funding ratio (%)					113.9%

Figure 16: EU LIQ2 – Net stable funding ratio (NSFR) 31/12/2024

The disclosure of the net stable funding ratio for the previous period as at 30 September 2024 is presented below.

		a	b	c	d	e
		Unweighted value by residual maturity				**Weighted value**
	30/09/2024 EUR million	**No maturity**	**< 6 months**	**6 months to < 1 year**	**≥ 1 year**	
	Available stable funding (ASF) Items					
1	Capital items and instruments	15,142	0.00	0.00	4,675	19,817
2	Own funds	15,142	0.00	0.00	4,675	19,817
3	Other capital instruments					
4	Retail deposits		20,913.00	518	689	20,566
5	Stable deposits		11,534	256	429	11,630
6	Less stable deposits		9,378	262	260	8,936
7	Wholesale funding:		179,875	16,918	76,180	128,212
8	Operational deposits		18,806			4,987
9	Other wholesale funding		161,069	16,918	76,180	123,225
10	Interdependent liabilities		5,011	2,035	32,359	
11	Other liabilities:	2,672.00	3,959	1	1,990	1,990
12	NSFR derivative liabilities	2,672.00				
13	All other liabilities and capital instruments not included in the above categories		3,959	1	1,990	1,990
14	*Total available stable funding (ASF)*					*170,585*
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					2,521
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		684	1,412	32,159	29,117
16	Deposits held at other financial institutions for operational purposes		2	0	0	1
17	Performing loans and securities:		66,577	15,938	94,787	104,978
18	Performing securities financing transactions with financial customers collateralized by Level 1 HQLA subject to 0% haircut		14,496	2,082	511	3,022
19	Performing securities financing transactions with financial customer collateralized by other assets and loans and advances to financial institutions		29,298	5,736	20,132	25,136
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		18,067	6,342	50,448	64,055
21	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk		368	188	2,746	7,589
22	Performing residential mortgages, of which:		1,095	828	11,263	
23	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk		676	624	7,110	
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		3,620	951	12,434	12,765
25	Interdependent assets		5,011	2,035	32,359	0
26	Other assets		12,117	404	6,463	9,795
27	Physical traded commodities				511	434
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,233	130	2,281	3,098
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted		4,858			243
31	All other assets not included in the above categories		6,026	274	3,671	6,020
32	Off-balance sheet items		34,214	4,314	33,430	2,686
33	*Total RSF*					*149,098*
34	Net stable funding ratio (%)					114.4%

Figure 17: EU LIQ2 – Net stable funding ratio (NSFR) as at 30/09/2024

9 Disclosure of exposures to credit risk, dilution risk and credit quality (Article 442 CRR)

9.1 EU CRA - General qualitative information about credit risk (Article 435(1) (a) to (b), (d), (f) CRR)

Counterparty risk management

Berlin Hyp has been integrated into all material aspects of counterparty risk management at LBBW since 1 July 2022. Any cases where a significantly different approach or methodology is used to account for Berlin Hyp in Group management compared to LBBW are indicated below.

The management of counterparty risk is implemented as an integrated process at LBBW and can be broken down into the three main components of risk measurement, risk monitoring and reporting and risk management.

Risk measurement

In order to measure risk, LBBW uses an extensive range of instruments involving quantitative measuring procedures. These are subject to regular and ad-hoc quality control and undergo development as needed.

Risk classification procedures

LBBW uses specific rating and risk classification procedures for all relevant business activities. These procedures quantify the probability of default (PD) of the individual investments. For this purpose, the counterparty risk is calculated both including and excluding the transfer risk. These procedures are maintained and updated by LBBW on its own initiative or in cooperation with Rating Service Unit GmbH & Co. KG (an associated company of the Landesbanks) or Sparkassen Rating und Risikosysteme GmbH.

Most of the portfolio is measured using internal rating procedures that have been approved for the internal ratings-based approach (IRBA) by the banking regulator. The rating scores are used not only for internal management purposes but also to measure the regulatory capital requirements.

ESG risks are taken into account in the rating procedure if they are shown to be relevant to the probability of default.

Evaluating collateral

Collateral is evaluated on the basis of its market value, which is reviewed regularly and on an ad hoc basis and adjusted in the event of any change in the relevant factors. Loss given default (LGD) is estimated on the basis of the valuation of the individual items of collateral. Statistical models are used to forecast LGD depending on various risk factors, especially the level of collateralization. This is determined using differentiated statistical estimates for recovery rates (average proceeds expected from the liquidation of collateral). The statistical models are generally estimated on the basis of internal loss data.

Exposure at default

Whereas exposure is tied to a specific date (exposure at default, EaD) for reporting purposes, the credit value at risk (CVaR) calculation and the utilization of internal limits, e.g. for derivatives, are linked to potential future exposure. This is calculated for the most part on the basis of fair values and the corresponding add-ons. The add-on calculation takes account of the remaining maturity, the product type and market factors (interest, currency, etc.). Netting and collateral agreements are used for reducing risk. The capital charges for issuer risks held in the trading book take account of the settlement payments and actual fair value losses as a result of default (jump-to-default method). The (modified) nominals are used for issuer and reference borrower risks from securities and holdings in the non-trading book. Berlin Hyp will use the standardized approach for counterparty credit risks (SA-CCR) for derivatives until it is integrated into LBBW.

Expected losses, value adjustments and credit valuation adjustment

The expected loss (EL) – which depends on customer creditworthiness, an estimation of the loss at default and the expected exposure at default – provides the basis for the level of the standard risk costs. In preliminary costing at the individual transaction level, these are included in the calculation of risk-adequate loan terms. The concept of expected loss is also used in the calculation of allowances for losses on loans and advances under IFRS 9: for transactions in which creditworthiness has deteriorated significantly since conclusion, the EL over the entire residual term (stage 2) is recognized, otherwise the EL for one year (stage 1) is recognized. Where there are special circumstances (significant macroeconomic turbulence), however, the EL over the entire residual term is also recognized for stage 1 transactions in vulnerable portfolios. This means that the overall increased risk of loss in special circumstances is adequately accounted for. In the case of specific loan loss provisions (SLLP), the present values of the expected cash flows (including proceeds from the liquidation of collateral) are calculated and allowances for losses on loans and advances are made on the basis of uniform standards applied throughout the Group.

The market price of the counterparty risk of OTC derivatives accounted for at fair value is measured using the credit valuation adjustment (CVA). This is included in the income statement of LBBW as a valuation adjustment. The credit ratings of the counterparty and of LBBW are taken into consideration.

Credit value-at-risk

Credit value-at-risk (CVaR) quantifies the unexpected loss of the portfolio. A credit portfolio model that takes the defaults as well as rating migration into account is used to calculate this value. It is calculated using a Monte Carlo simulation approach and takes account of correlations between borrower credit ratings as well as borrower, sector and country concentrations.

CVaR is used as the parameter for economic capital used for counterparty risks in the risk-bearing capacity analysis and in LBBW's management. Like economic capital, it is defined using a confidence level of 99.9% and a time horizon of one year.

Risk concentrations

Risk concentration is measured using the CVaR / the exposure, among other methods, and is limited using the LBBW Group's free aggregate risk cover / free CET1 capital. Risk Control proposes concentration risk thresholds and the concentration limit both for individual borrowers and at sector level, which are then set by the Board of Managing Directors. The thresholds and limits are reviewed regularly and adjusted if necessary, depending on the development of the loan portfolio and the risk-bearing capacity.

Stress tests

LBBW uses stress tests to evaluate the impacts of adverse economic and political developments on key performance indicators in the lending portfolio (e.g. CVaR, RWA and allowances for losses on loans and securities). The potential effects of the simulated developments are converted into negative changes to the key lending risk parameters (PD, LGD and correlations) of the transactions in the portfolio in question. Berlin Hyp is consistently included in Group stress testing. Depending on the progress of the incorporation project, this link is made on the basis of assumptions, where necessary, for relevant risk categories.

Risk monitoring and reporting

Individual transaction level

Risk management at the level of individual exposures is the duty of the risk management divisions as part of the first line of defense. These are organized independently from the front office divisions in line with the regulatory requirements. Clear responsibilities and appropriate experience and expertise are ensured in the risk management divisions by a customer or sector-specific organizational structure. Credit decisions are made in a system of graded competencies, which are regulated in the Group's decision-making system.

As part of risk monitoring, the risk managers responsible continuously check changes in information of relevance for credit ratings as well as compliance on the basis of systems with the limits granted. This includes monitoring any irregularities in account behavior, evaluating company news and observing macroeconomic and sector trends. A market data-based system is also used for listed companies.

A system is in place for the early detection of risks, comprising procedural regulations and system generated signals, whose goal it is to detect any deterioration in credit ratings at an early stage.

The early detection of any deterioration in credit ratings allows appropriate countermeasures, e.g. additional collateral or pre-emptive restructuring, to be taken in consultation with the customer. Depending on the level of risk, high-risk, problem assets are classified as cases requiring monitoring, intensified support, restructuring or liquidation and are dealt with by the risk management divisions responsible or by special loan management. LBBW generally aims to minimize losses through successful restructuring activities, in line with the Bank’s own interests and those of its customers.

Portfolio level

Counterparty risk is monitored as part of the second line of defense at the portfolio level in the Group Risk Controlling division, which is separate from the front office and risk management divisions from an organizational perspective. The utilization of the economic capital limit and the exposure and CVaR limits set for sector risks is documented each month in the overall risk report. High limit utilizations are shown at an early stage using a traffic light system. Compliance with country limits is monitored on a daily basis using the Bank’s global limit system. At present, Berlin Hyp is included in the country limit monitoring process on a monthly basis and ad hoc as required. At institution level, the monitoring of country limit utilization by Berlin Hyp is also ensured on a daily basis.

An ad hoc reporting process is implemented for limit overdraft and extraordinary events for specific reporting to the decision-makers in charge.

The most important periodic reports are as follows:

- The overall risk report that is presented each month in the Risk Committee, which includes details about the risk situation at the portfolio level, compliance with the material limits and size classes, risk concentrations and segments. Portfolio analyses provide additional reporting on the risk situation of individual sectors, for example. Each quarter, the risk report also contains detailed information on key exposures and rating migrations, for example.
- The half-yearly in-depth sector report with detailed information on the sector situation, portfolio development and important customers in each sector.
- The half-yearly in-depth CRE portfolio analysis, with detailed information on the portfolio structure and development, is broken down by segment, customer group, location and use type.
- The ESG risks of financed emissions and physical risks for collateral items that have a material effect on counterparty risk are discussed in separate reports.

Risk management

Counterparty risks are managed in particular through the requirements of the credit risk strategy, through the economic capital allocation to sub-portfolios with the aid of the CVaR and by avoiding and limiting concentration risks at the sector, country and individual counterparty levels.

Individual transaction level

As a rule, the upper limits on the individual transaction level taking the concentration limit into account are set individually by the respective authorized person responsible for the front office or risk management divisions. This upper limit is taken into account for all risk-relevant transactions by a customer or group of connected clients. A material part of managing individual transactions involves monitoring compliance with the binding requirements and guidelines defined in the credit risk strategy. This determines the underlying terms and conditions for LBBW’s lending business on the basis of the business strategy and in the light of the Group risk strategy. Particular attention is paid to avoiding concentration risks.

From an economic perspective, the question of whether a transaction will produce an adequate profit on a risk-adjusted basis is a key consideration before entering into business; for this reason, preliminary costing of all individual transactions is compulsory. In addition to the historical interest rate, the components in the preliminary costing include cover for expected loss (risk margin), interest on equity to be held in case of unexpected losses (capital margin) and cover for liquidity and processing costs. The results form the basis of business management at customer level.

Sub-portfolio level

The risk management measures differ depending on the respective sub-portfolio level:

Country limits are determined by the Board of Managing Directors, based on the proposals of the Country Limit Committee. To reduce risks, a ban on business is imposed in the case of a limit overdraft. If the country credit rating deteriorates, limits are reduced and/or suspended.

Sector limits are determined by the Board of Managing Directors on the basis of risk-bearing capacity. They are set on a sector-specific basis below absolute concentration limits. The limit system is based on a risk-oriented sector key designed specifically for this purpose, which combines sector segments that have high economic dependencies along the value chains. The limits trigger controlling measures, such as hedging transactions to reduce risk or a ban on new business, etc., if certain thresholds are exceeded. As well as sector limits, there are additional limits for specific areas of the portfolio, e.g. for shadow banks and leverage transactions.

At the business area or sub-business area level, risks are limited through measures to ensure adherence to the portfolio guidelines of the credit risk strategy with regard to upper limits, rating structures and the portfolio quality, among others.

Total portfolio level

In the management of the Group's credit portfolio, the limit in particular for the economic capital for counterparty risks based on the CVaR is allocated to the sectors. As well as risk parameters (in particular avoiding concentration risks), appropriate consideration is given to LBBW's strategic targets for developing the lending portfolio. Suitable measures are taken in the event of high limit utilization. In addition, the results of the stress tests may provide indications of potentially critical or even dangerous risk situations, which may require suitable countermeasures or risk management measures to be taken.

For further disclosures pursuant to Article 435 CRR on credit risks, please refer to *section 3.1 Institution's risk management approach* in this report.

9.2 EU CRB - Additional disclosure related to the credit quality of assets (Article 442 (a) to (b) CRR)

Non-performing exposures and loans

Overview

Definitions

An exposure is classified as a *non-performing* exposure if it is unlikely that the obligor will meet their commitments without realizing the collateral (unlikely to pay) or if the key exposure is more than 90 days past due.

For the purposes of identifying non-performing exposures, the ECB published "UTP indicators" (unlikely to pay) in its guidance on non-performing loans dated March 2017. These are based less on quantitative criteria as on events that ultimately result in a classification as non-performing.

A UTP indicator requires that a case-by-case assessment is conducted on whether a case of default is involved – this means that it does not necessary lead to the result "default". The following UTP indicators are used:

- Early warning criteria that result in classification as "intensified loan management"
- Massive and permanent lack of ability to service debts (e.g. permanent loss of salary in the case of private customers).
- The sources of the borrower's recurring income are no longer available to meet the installment payment obligations.
- There are legitimate concerns regarding the borrower's ability to generate stable and sufficient cash flows in the future.
- The borrower's overall level of debt has increased significantly or there is a reasonable expectation that the overall level of debt will deteriorate.
- The borrower has breached the terms of a loan agreement, where these breaches have to be classed as material in terms of the credit rating and result in doubts regarding full debt servicing.
- The bank has requested (additional) collateral (including a warranty or guarantee) because the credit rating has deteriorated.
- For natural persons: Default of a company wholly owned by a single natural person, where this natural person has issued a personal guarantee to the bank for all of the company's obligations.

- No impairment loss is recognized because the exposure is collateralized in full.
- Sale of a financial asset at a considerable discount due to a deterioration in the obligor's credit rating.
- When lending fraud is identified, if there is no other cause of default.
- If the loan agreement explicitly allows the obligor, under certain circumstances, to amend the schedule or suspend or postpone payments and the obligor is acting within its rights granted in the agreement, the reasons for the change must be analyzed.
- If the repayment of an obligation is suspended because a law allows this option or because of other legal restrictions, the reasons for exercising the option to suspend this repayment should be analyzed where possible.
- Where external databases are used (e.g. credit register, macroeconomic indicators or public sources of information), potential indications of "unlikely to pay" include:
- The credit register records significant delays in payments to other creditors.
- A crisis in the sector in which the obligor operates, combined with weak positioning of the obligor in this sector.
- Disappearance of an active market for a financial asset because the obligor encounters financial difficulties.
- A bank receives information that a third party (in particular another bank) has initiated bankruptcy or comparable proceedings to protect the obligor.
- If the repayment plan changes as a result of the obligor's financial difficulties or the obligor's payment obligation decreases by a maximum of 1%, the following criteria must be checked:
  - Large planned payments at the end of the new repayment plan.
  - Irregular repayment plan with substantially lower payments at the start of the new repayment plan.
  - Substantial grace period at the beginning of the repayment plan.
  - Multiple distressed restructurings at the obligor.
- Default of the superordinate company.
- When a default becomes known at another member of the LBBW Group.
- Reporting of an exposure as "non-performing" in line with the template for submitting financial information (FINREP).

An exposure is deemed to be defaulted in the sense of the regulatory definition in Article 178 CRR in conjunction with EBA (GL) 2016/07 when at least one of the following events has taken place:

- There has been a default in payment/overdraft of > 90 days
- The entirety of liabilities are 90 days past due if these have been significantly overdrawn for more than 90 consecutive calendar days. The liabilities to be checked to see whether they are 90 days past due comprise all liabilities arising from the borrower's legal relationships to the bank. The total of all of an obligor's liabilities that are past due is initially calculated at account level and subsequently on an aggregated basis at the customer level. An overdraft is when the loan drawn on a day exceeds the underlying liability. An overdraft is considered material if it accounts for more than 1% of the total amount of all of the bank's risk exposures to the borrower recognized on the balance sheet, subject to a minimum of EUR 100 (retail business) or EUR 500 (non-retail).
- Unlikeliness to pay (based on doubts about the customer's creditworthiness)
  Unlikely to pay is when the bank believes that the obligor is very unlikely to meet its loan commitments in full.
- Unlikeliness to pay due to transfer
  The defaulting of obligors with a joint liability results in the default of individual obligors who have not already defaulted. In addition, if all individual obligors default, this results in the default of obligors with a joint liability who have not already defaulted.
- Rescheduling/restructuring
  The aim of distressed, unavoidable and loss-making restructuring or rescheduling is to rehabilitate the customer or individual exposures.
- Sale of a credit obligation
  A sale of a credit obligation involves selling it at a considerable economic loss as a result of the credit rating. The reason for the sale is the impending prospect that the payment obligations will not be met.
- Termination/maturity
  The purpose of the bank terminating the loan agreement and calling in the receivable is to settle the receivable, if necessary by conducting recovery operations such as sale or liquidation. Terminating the loan agreement generally initiates the settlement phase. This also includes bullet loans after maturity where liquidation is initiated.
- Insolvency (petition)
  Obligors file for bankruptcy or bankruptcy proceedings are instigated within the meaning of collective enforcement under the control of a state authority to ensure that all creditors are equally satisfied with regard to their outstanding receivables.
- Full write-off
  Uncollectible exposures, in particular significant direct write-downs, are written off.
- Impairment
  A partial write-down is carried out or impairment is recognized as a loan loss provision for potential future losses from

the credit exposure as a result of the credit rating if it can be assumed that an exposure or part of an exposure is uncollectible.

A loan is considered *forborne* if it is classified as a forborne exposure (FBE – receivables with concessions on account of financial difficulties). This applies when the following conditions are met:

- The obligor faces or is about to face financial difficulties, and
- The bank makes concessions to the obligor that are justified by the financial difficulties.

An exposure is deemed to be *restructured* if the aim of this distressed, unavoidable and loss-making restructuring/rescheduling is to rehabilitate the customer or individual exposures. The following concessions/forbearance measures result in restructuring:

- Changes in contractual terms and conditions or full or partial rescheduling that would not have been granted to the obligor if not for the financial difficulties
- The contractual terms and conditions are here more favorable than for other obligors with a similar risk profile in the institution
- Utilization of options to amend the contractual terms and conditions by the obligor if the institution agrees to the application of these clauses and concludes that the obligor is in financial difficulties
- Rescheduling: Recourse to debt contracts to ensure the full or partial repayment of other debt contracts that the obligor cannot fulfill

Concessions by the bank that are justified by the obligor’s financial difficulties can, as a UTP indicator, lead to a credit default within the regulatory definition and represent objective evidence of impairment. Forborne risk exposures can be classified both as performing exposures and as non-performing exposures.

A risk exposure is considered to be *impaired* when there is objective evidence of impairment and when a stage 3 impairment loss has been recognized in accordance with the accounting provisions (IFRS) in place at LBBW. A more in-depth explanation of the provisions and methods and a detailed description of what constitutes objective evidence of impairment under IFRS 9 are provided in the next section “Credit risk adjustments”.

Transactions that are not impaired and are reported as being more than 90 days past due at the individual transaction level are mostly significant exposures for which there are objective indications for impairment, but for which an individual valuation does not lead to any loan loss provision. The estimated expected cash flows as part of this valuation are in line with and/or exceed the carrying amount, meaning that no impairment has to be recognized (e.g. where sufficient collateral is available).

Credit risk adjustments

Methods of loan loss provisioning

LBBW has applied the IFRS 9 (Financial Instruments) standard, in the version adopted by the European Union, since 1 January 2018.

The IFRS 9 impairment methods cover only those financial instruments recognized in the statement of financial position at amortized cost (financial assets measured at amortized cost) and financial assets measured at fair value through other comprehensive income. These can be loans, receivables or securities, provided these are considered debt instruments. The provisions also apply to lease receivables and off-balance sheet transactions such as sureties, financial guarantees and loan commitments where these are not measured at fair value through profit or loss (FVR).

They do not apply to financial instruments that do not meet the cash flow criteria and equity instruments that must be measured at fair value through profit or loss (FVR) under IFRS 9 or financial instruments that are voluntarily designated for measurement at fair value through profit or loss (FVO).

Under the expected loss model set out in IFRS 9, financial instruments are allocated to one of three loan loss provision stages:

- Stage 1: Impairment losses included at the amount of the expected losses resulting from potential loss events in the next twelve months.
  The financial instruments are generally allocated to stage 1 at the beginning of the transaction.
- Stage 2: Impairment losses equal to the expected losses over the entire remaining term of the financial instrument. The financial instrument is allocated or transferred to stage 2 if its default risk has significantly increased since it was recognized.
- Stage 3: Impairment losses of financial instruments with objective evidence of impairment, where the amount of the impairment loss is calculated as the difference between the financial instrument’s gross carrying amount and the present value of the estimated cash flows. To calculate anticipated future cash flows, various probability-weighted

scenarios are used to estimate expected proceeds from the financial instrument (payments of principal and interest) and any payments from the liquidation of collateral on the basis of their amount and accrual date. The procedure for financial assets that are not significant is the same as for Stage 2 assets (Stage 3 based on parameters).

Significant economic turbulence (e.g. an abrupt rise in interest rates, an escalation of tariff and trade conflicts or disruptive transformation processes), the effects of which on the credit ratings of financial instruments cannot be specifically and individually determined, does not immediately trigger a stage transfer. To adequately account for the overall increased risk of loss, however, impairment losses for stage 1 assets that are fundamentally affected in these special circumstances are also determined on the basis of the expected credit losses over their entire residual term. This procedure was again applied in the 2024 annual financial statements.

Provisions governing stage allocation

Assessing whether an impairment loss is measured on the basis of the expected loss over twelve months (stage 1) or over the remaining term of a financial instrument (stage 2) is based on three criteria (transfer criteria):

- Quantitative transfer criterion: Based on the initial rating and expected migrations defined specifically for each segment, the probability of default of a transaction expected at the time of acquisition is determined for the time frame between the end of the reporting period and the end of its term to begin with. If the actual probability of default over the remaining term is significantly higher at the end of the reporting period than the value expected for this reporting date, a transfer is carried out.
- “De minimis threshold” criterion: A change in the probability of default by a maximum of 10 basis points in comparison to the initial rating is considered low. In these cases, the impairment loss is measured using the expected loss over twelve months. This is relevant only for financial instruments with an initial rating of up to three, as a one-notch downgrade for instruments with a rating of four or higher causes the probability of default to deteriorate by more than 10 basis points.
- “Warning signal” criterion: If certain warning signals have been triggered, the impairment loss of a receivable is always measured using the expected credit loss over the remaining term. These include internal warnings (e.g. transaction under observance or seizure), 30 days past due, intensified loan management or forbearance measures.

If the “de minimis threshold” and “warning signal” criteria are both met, priority is given to the warning signal.

Securities are exempt from the above criteria; stages are allocated on the basis of the current rating. If this is “investment grade”, the securities are allocated to stage 1. In all other cases, they are allocated to stage 2 and the impairment loss is measured using the expected loss over the remaining term. The definition of “investment grade” is based on international standards.

Financial assets for which there are already objective indications of impairment at the time of acquisition constitute another exception. These are known as “Purchased or originated credit-impaired (POCI) financial instruments”. They may be loans/receivables or securities that have been acquired from third parties or as part of the original issue of a new financial instrument. The latter case may arise, for example, where, in the course of amending the contract, this amendment is so material that the previous financial instrument is disposed of and a new financial instrument is acquired. In this case, impairment loss is always measured using the life-time expected credit losses of the financial instrument, even when recovery is expected or actually occurs. There is no stage transfer for these instruments.

A financial instrument that was not impaired upon acquisition but for which there is objective evidence of impairment must be allocated to stage 3.

The following events are considered objective evidence of impairment:

- Material financial difficulties of the obligor
- Breach of contract by the obligor, e.g. default in payment
- Concessions by the bank due to financial difficulties experienced by the obligor that would not have been granted if not for the financial difficulties
- Insolvency or restructuring of the obligor’s funds is likely
- Financial difficulties experienced by the obligor cause the loss of an active market for the financial instrument
- A financial instrument is acquired or issued at significantly below its nominal value due to loan losses

At LBBW, the definition that is key for accounting purposes is based on the regulatory definition of default. An exposure shall be deemed to be defaulted in the sense of the regulatory definition in Article 178 CRR when at least one of the following events has taken place:

- There has been a default in payment/overdraft of > 90 days
- The exposure is unlikely to be repaid (there are doubts about the obligor’s creditworthiness)

- The exposure is unlikely to be repaid due to transfer
- Impairment is recognized
- The exposure has been rescheduled/restructured
- The credit obligation has been sold
- The exposure has been terminated/called in
- The obligor has filed for bankruptcy
- The exposure has been fully written off

If the conditions for measuring the impairment loss over the remaining term of a financial instrument (stages 2 and 3) are no longer met, an impairment loss is measured on the basis of the expected loss over twelve months (stage 1).

Determining the impairment loss

For financial assets allocated to stages 1 and 2 or measured on the basis of parameters under stage 3, the expected credit loss is calculated based on the probability of default (PD), the estimated loss given default (LGD) and the expected exposure at default (EaD). These parameters are standardized at 12 months for stage 1 financial instruments. For calculating the expected loss over the entire term, the parameters are standardized at the remaining term of the financial asset.

Regardless of the remaining term, expected credit losses (calculated as the product of the three parameters already described) are discounted to the end of the reporting period using the effective interest rate of the financial instrument or an approximation of this rate. This does not apply to significant financial assets which already show credit impairment at initial recognition. In this case, the effective interest rate is adjusted by taking into account the life-time expected credit losses, with the result that no further allowances for losses on loans and securities are reported on initial recognition. The credit-adjusted effective interest rate resulting from this is used for subsequent measurement.

Description of the parameters:

- PD (probability of default)
  Specific rating and risk classification procedures are applied to all relevant business activities. These procedures quantify the probability of default of the individual investments, which is initially standardized to twelve months. In addition, multi-year probabilities of default are determined on the basis of many years of internal rating and default histories. Historical, current and forward-looking information is considered when determining customer creditworthiness, provided that this demonstrably improves the forecast quality. In addition, the regulatory rating for the bank’s core areas of business – corporate customers and real estate financing – is also adjusted for expected economic effects using macroeconomic models.
- LGD (loss given default)
  The loss given default is determined largely by the likelihood of recovery and the level of collateralization for the underlying asset. The level of collateralization is the ratio of projected proceeds from realization of the collateral and the expected exposure at default. There are specific forecasts for different types of collateral and customer groups. The estimates of the model parameters are generally based on internal loss data. The LGD is initially standardized at twelve months. In addition, multi-year loss rates for defaults are determined using collateral value models and EaD forecasts for each potential default date for the obligor. Similar to the probability of default forward-looking information is also considered.
- EaD (exposure at default)
  The expected exposure at default (EaD) is calculated using different models depending on the properties of the underlying financial instrument. The EaD of a fully paid out, non-revolving financial instrument is equal to the mean exposure in the year of default and is calculated taking into account the contractual cash flows. For non-revolving financial instruments that have not yet been fully paid out at the measurement date, the expected date of full payment (full disbursement) is determined using models featuring customer and transaction-specific properties as risk factors. Payments are estimated by way of linear interpolation until the date of full disbursement and are included in the EaD estimate in this way. A separate category of models has been developed for revolving commitments. These models forecast the expected use of commitments for any time in the future until the end of the contract in question. Model inputs include structural transaction and customer properties, the duration until default and the past drawdown pattern of the credit facility. The models are estimated on internal data using different types of regression models. Sureties that are not fully utilized in the event of default constitute a special case. The amount at risk for these transactions is calculated using a credit conversion factor (CCF). For loan commitments that do not have a defined date for the end of the transaction, the expected remaining term is estimated on a behavior basis using historical data.

A stage 3 impairment loss is determined individually for significant receivables in contrast to stage 3 (parameter-based). The bank uses a discounted cash-flow method for this. The impairment requirement is calculated as the difference between the carrying amount of the asset and the net present value of the sum of all expected future cash flows (including proceeds from the sale of collateral), which are discounted by the original effective interest rate determined at the date of acquisition. Cash flows estimated to determine the need for allowances for losses on loans and advances are to be calculated weighted by probability using various scenarios (going concern excluding or adjusted for debt capital and gone concern) and analyst estimates.

Depreciation, amortization and write-downs

A financial instrument is to be written down directly in the event of an actual or only partial default or loss. If a surrogate does not take the place of the defaulted receivable, it is considered uncollectible. The receivable is derecognized if no recovery is expected. This is the case, for example, with:

- insolvency, when no further proceeds from the liquidation of collateral or an insolvency ratio are expected,
- terminated exposures where the residual receivables cannot be settled,
- full or partial debt waiver,
- sale of receivable at a loss and
- private customers who pay small installments on a high outstanding receivable after disposing of the collateral because it is assumed that the customers will not be able to repay the claim fully within the two-year period.

Exposures that are still subject to enforcement activity after being written down are serviced centrally. The objective is to collect extraordinary income from these receivables.

Recovery and probation period

Recovery is not initially automatic after all reasons for default cease to apply. Instead, there is a transition into a probationary period. The purpose of this probationary period is to ensure that the obligor's recovery is stable. The obligor remains in defaulted status during the probationary period, which also means the default rating grade is retained. The obligor is deemed to be recovered only after a minimum period and after a stable economic recovery has been successfully verified. The length of the probationary period depends on the reason for the default in the specific case. The period is at least 366 days if the reason for default was restructuring or at least 92 days for all other reasons for default.

Reversal of impairment losses

A financial instrument is deemed to be impaired when there is objective evidence of impairment. If there is a reduction in the impairment requirement or if objective evidence of impairment for a receivable ceases to exist, the existing allowance for losses on loans and advances must be reversed through profit or loss. However, the reversal of the impairment loss must not exceed the carrying amount that the receivable would have had if it had not been impaired.

Sensitivity analysis of changes in material assumptions

There were no changes to material assumptions in impairment methods last year.

The gross carrying amount of unimpaired receivables more than 90 days past due came to EUR 124.9m at the end of 2024. Impairment is not required here due to overcollateralization and/or other firmly expected incoming payments.

9.3 Performing and non-performing exposures and related provisions (Article 442 (c), (e) CRR)

The table below shows the performing and non-performing exposures and related provisions.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures – Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
	EUR million		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
005	Cash balances at central banks and other demand deposits	47,107	47,106	1	0		0	-0	-0	-0	-0		-0			
010	*Loans and advances*	*208,953*	*173,612*	*34,217*	*2,718*	*1*	*2,639*	*-1,013*	*-392*	*-621*	*-959*	*-0*	*-957*	*-204*	*98,851*	*1,152*
020	Central banks	737	737												727	
030	General governments	9,664	8,918	36	0		0	-16	-16	-0	-0		-0		960	
040	Credit institutions	54,838	54,715	74	22		22	-7	-6	-1	-21		-21		10,855	1
050	Other financial corporations	23,173	20,137	2,756	243		181	-95	-44	-51	-102		-102	-4	18,029	96
060	Non-financial corporations	109,127	79,449	29,604	2,380	1	2,364	-841	-298	-543	-809		-807	-183	61,152	1,030
070	Of which: SMEs	37,772	25,212	12,552	904	1	896	-316	-110	-205	-204		-204	-1	28,587	487
080	Households	11,414	9,658	1,748	72	1	72	-54	-28	-25	-26	-0	-26	-17	7,127	25
090	*Debt securities*	*40,035*	*39,390*		*6*		*6*	*-4*	*-4*		*-6*		*-6*		*168*	
100	Central banks	416	416					-0	-0							
110	General governments	8,993	8,975					-2	-2						168	
120	Credit institutions	26,526	26,526					-1	-1							
130	Other financial corporations	3,778	3,150					-0	-0							
140	Non-financial corporations	323	323		6		6	-0	-0		-6		-6			
150	*Off-balance sheet exposures*	*84,697*	*68,890*	*6,051*	*188*	*1*	*144*	*-240*	*-101*	*-139*	*-76*	*-0*	*-61*		*3,251*	*7*
160	Central banks	0														
170	General governments	2,844	2,706	0				-0	-0	-0					364	
180	Credit institutions	9,021	8,502	7				-0	-0	-0					61	
190	Other financial corporations	10,679	9,281	410	1	1	0	-14	-7	-7	-0				530	
200	Non-financial corporations	59,049	45,465	5,478	186	0	144	-223	-92	-131	-76		-61		2,215	7
210	Households	3,104	2,937	156	1	0	1	-2	-1	-1	-0	-0			80	
220	*Total*	*380,792*	*328,999*	*40,270*	*2,912*	*3*	*2,790*	*-1,257*	*-497*	*-760*	*-1,041*	*-0*	*-1,024*	*-204*	*102,269*	*1,159*

Figure 18: EU CR1 – Performing and non-performing exposures and related provisions

9.4 Residual maturity of exposures (Article 442 (g) CRR)

The following table shows net exposure values by maturity. Net value is the gross carrying amount less allowances/impairments.

		a	b	c	d	e	f
		Net exposure value					
	EUR million	**On demand**	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
1	*Loans and advances*	*6,470*	*48,951*	*68,200*	*86,078*		*209,698*
2	*Debt securities*		*4,747*	*20,901*	*14,384*		*40,032*
3	*Total*	*6,470*	*53,698*	*89,101*	*100,461*		*249,730*

Figure 19: EU CR1-A – Maturity of exposures

9.5 Changes in the stock of non-performing loans and advances (Article 442 (f) CRR)

The following table shows the stock of non-performing loans and advances as at 31 December 2024 in accordance with FINREP.

The difference between the disclosed non-performing values and the values as if the definition of defaulted in accordance with Article 178 CRR were applied was immaterial as at 31 December 2024.

		a
	EUR million	**Gross carrying amount**
010	*Initial stock of non-performing loans and advances*	*2,331*
020	Inflows to non-performing portfolios	886
030	Outflows from non-performing portfolios	-499
040	Outflows due to write-offs	-4
050	Outflow due to other situations	-496
060	*Final stock of non-performing loans and advances*	*2,718*

Figure 20: EU CR2 – Changes in the stock of non-performing loans and advances

Disclosure of template *EU CR2a – Changes in the stock of non-performing loans and advances and related net accumulated recoveries* is not relevant for LBBW, as its NPL ratio is currently below 5%.

9.6 Credit quality of forborne exposures (Article 442 (c) CRR)

		a	b	c	d	e	f	g	h
		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
			Non-performing forborne						
	EUR million	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
005	*Cash balances at central banks and other demand deposits*								
010	*Loans and advances*	*4,599*	*1,388*	*1,387*	*1,374*	*-56*	*-422*	*3,926*	*620*
020	Central banks								
030	General governments								
040	Credit institutions								
050	Other financial corporations	415	97	97	91	-3	-70	360	10
060	Non-financial corporations	4,183	1,286	1,286	1,278	-53	-350	3,565	609
070	Households	1	6	5	5	0	-2	2	2
080	*Debt securities*								
090	*Loan commitments given*	*254*	*39*	*39*	*39*	*-5*	*-10*	*102*	*24*
100	*Total*	*4,853*	*1,427*	*1,426*	*1,413*	*-61*	*-433*	*4,029*	*644*

Figure 21: EU CQ1: Credit quality of forborne exposures

Disclosure of template *EU CQ2 – Quality of forbearance* is not relevant for LBBW, as its NPL ratio is currently below 5%.

9.7 Credit quality of performing and non-performing exposures by past due days (Article 442 (d) CRR)

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
	EUR million		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	*Cash balances at central banks and other demand deposits*	*47,107*	*47,107*	*0*	*0*	*0*							*0*
010	*Loans and advances*	*208,953*	*208,695*	*257*	*2,718*	*1,805*	*288*	*242*	*173*	*150*	*22*	*37*	*2,716*
020	Central banks	737	737										
030	General governments	9,664	9,662	2	0				0				0
040	Credit institutions	54,838	54,823	14	22	1		0	0	21	0	0	22
050	Other financial corporations	23,173	23,173	0	243	132	0	10	44	57		0	243
060	Non-financial corporations	109,127	108,905	222	2,380	1,639	284	227	118	69	18	24	2,379
070	Of which SMEs	37,772	37,732	40	904	627	130	80	57	9	0	1	904
080	Households	11,414	11,396	18	72	33	3	5	11	3	4	13	72
090	*Debt securities*	*40,035*	*40,035*		*6*					*6*			*6*
100	Central banks	416	416										
110	General governments	8,993	8,993										
120	Credit institutions	26,526	26,526										
130	Other financial corporations	3,778	3,778										
140	Non-financial corporations	323	323		6					6			6
150	*Off-balance sheet exposures*	*84,697*			*188*								*187*
160	Central banks	0											
170	General governments	2,844											
180	Credit institutions	9,021											
190	Other financial corporations	10,679			1								0
200	Non-financial corporations	59,049			186								186
210	Households	3,104			1								1
220	*Total*	*380,792*	*295,838*	*257*	*2,912*	*1,805*	*288*	*242*	*173*	*157*	*22*	*37*	*2,910*

Figure 22: EU CQ3 – Credit quality of performing and non-performing exposures by past due days

9.8 Quality of non-performing exposures by geography (Article 442 (c), (e) CRR)

The following table breaks down exposures by country. The 15 largest countries in terms of “gross carrying amounts of on-balance sheet exposures” and the 10 largest countries in terms of “nominal amounts of off-balance sheet exposures” are classified as significant. The countries shown represent more than 90% of the total gross carrying amounts of on-balance sheet exposures and more than 90% of the nominal amounts of off-balance sheet exposures. The other countries as well as supranational organizations are shown under “Others/supranational organizations”. These are therefore regarded as non-material and not listed individually in accordance with Article 432(1) CRR.

Disclosure of columns b (Gross carrying/nominal amount – of which non-performing) and d (Gross carrying/nominal amount – of which subject to impairment) of the following template *EU CQ4 – Quality of non-performing exposures by geography* is not relevant for LBBW, as its NPL ratio is currently below 5%.

		a	c	e	f	g
	EUR million	**Gross carrying/nominal amount**	**Of which: non-performing and defaulted**	**Accumulated impairment**	**Provisions on off-balance sheet commitments and financial guarantees given**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
010	*On balance sheet exposures*	*251,712*	*2,723*	*-1,982*		
020	Germany	139,566	1,581	-1,336		
030	USA	15,788	557	-244		
040	France	15,707	75	-42		
050	United Kingdom	10,268	0	-29		
060	Luxembourg	10,086	94	-50		
070	Netherlands	8,388	3	-43		
080	Canada	6,425	0	-17		
090	Austria	4,452	101	-87		
100	Singapore	4,054		0		
110	Republic of Korea	3,916		0		
120	Poland	2,312	0	-22		
130	Switzerland	2,180	36	-9		
140	Spain	2,049	0	-2		
150	Belgium	2,011	0	-1		
160	Finland	1,796		0		
170	Other countries/supranational organizations	22,713	275	-100		
180	*Off balance sheet exposures*	*84,885*	*187*		*-316*	
190	Germany	59,192	122		-229	
200	France	5,323	0		0	
210	Ireland	4,997			0	
220	Switzerland	2,909			-6	
230	Austria	2,857	17		-9	
240	USA	2,509	48		-41	
250	Netherlands	1,191			-10	
260	Luxembourg	719			-5	
270	Republic of Korea	584			0	
280	United Kingdom	400			-1	
290	Other countries/supranational organizations	4,205	0		-14	
300	*Total*	*336,597*	*2,910*	*-1,982*	*-316*	*0*

Figure 23: EU CQ4 – Quality of non-performing exposures by geography

9.9 Credit quality of loans and advances to non-financial corporations by industry (Article 442 (c), (e) CRR)

In the following table, the loans and advances to non-financial corporations are grouped by industry using the NACE code on the basis of the principal activity of the business partner.

Disclosure of columns b (Gross carrying amount – of which non-performing) and d (Gross carrying amount – of which loans and advances subject to impairment) of the following template *EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry* is not relevant for LBBW, as its NPL ratio is currently below 5%.

		a	c	e	f
	EUR million **Industry**	**Gross carrying amount**	**Of which: non-performing and defaulted**	**Accumulated impairment**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
010	Agriculture, forestry and fishing	126	6	-2	
020	Mining and quarrying	772	7	-5	
030	Manufacturing	16,395	725	-441	
040	Electricity, gas, steam and air conditioning supply	5,414	29	-41	
050	Water supply	2,747	2	-8	
060	Construction	2,526	154	-64	
070	Wholesale and retail trade	6,736	187	-177	
080	Transport and storage	3,552	15	-38	
090	Accommodation and food service activities	150	1	-5	
100	Information and communication	5,693	27	-69	
110	Financial and insurance activities				
120	Real estate activities	51,263	1,070	-547	
130	Professional, scientific and technical activities	8,318	76	-161	
140	Administrative and support service activities	4,465	52	-66	
150	Public administration and defense, compulsory social security				
160	Education	228	0	-3	
170	Human health services and social work activities	1,343	13	-8	
180	Arts, entertainment and recreation	364	0	-2	
190	Other services	1,415	16	-12	
200	*Total*	*111,506*	*2,379*	*-1,650*	

Figure 24: EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry

Disclosure of template *EU CQ6 – Collateral valuation – loans and advances* is not relevant for LBBW, as its NPL ratio is currently below 5%. Disclosure of template *EU CQ7 – Collateral obtained by taking possession and execution processes* is not relevant for LBBW, as it does not currently hold any such collateral. Disclosure of template *EU CQ8 – Collateral obtained by taking possession and execution processes – vintage breakdown* is not relevant for LBBW, as its NPL ratio is currently below 5%.

10 Disclosure of the use of credit risk mitigation techniques (Article 453 (a) to (f) CRR)

10.1 Qualitative disclosure requirements related to CRM techniques (Article 453 (a) to (e) CRR)

Main types of collateral

Lending business

Registered liens, guarantees, financial assets and credit derivatives are recognized as risk-reducing.

- Real estate secured by liens in Germany: These are residential real estate properties as well as office, retail and warehousing real estate.
- Real estate secured by liens abroad (France, Netherlands, United Kingdom of Great Britain (excluding Northern Ireland) and selected provinces of Canada and federal states of the USA): These are residential real estate properties as well as office, retail and warehousing real estate.
- Registered liens on aircraft entered in public aircraft registers.
- Guarantees/warranties from domestic and foreign local authorities, banks and corporates as well as guarantees mainly from government export credit insurers.
- Financial collateral: This includes
  - pledging of balances at banks, building and loan associations and insurance companies
  - assignment of entitlements from endowment and capital-yield pension policies, provided they have the option for one-off payment
  - pledging of deposits with a daily revaluation based on closing prices of recognized stock exchanges.

Capital Markets Business

In addition to traditional collateral in the lending business, LBBW also utilizes various hedging instruments to mitigate risk in trading and capital markets business for regulatory purposes. As at 31 December 2024, no credit derivatives were used in the non-trading book as part of the credit risk mitigation techniques. The following types of collateral are primarily used:

- Financial collateral (securities, cash collateral)
- Eligible guarantees
- Netting agreements for derivatives plus collateral agreements (in accordance with *section 14 Disclosure of exposures to counterparty credit risk*)

The main hedging instruments used by LBBW are also employed for regulatory purposes, as they satisfy the requirements of eligible credit risk mitigation techniques. The LBBW subsidiaries do not use any credit risk mitigation techniques that go beyond those used by LBBW (Bank).

Credit derivatives

Credit derivatives can be eligible as unfunded credit protection and be recognized as an eligible form of credit risk mitigation. The relevant credit derivatives include the following pursuant to Article 204(1) CRR:

- Credit default swaps
- Total return swaps
- Credit linked notes (CLN) to the extent of their cash funding

- Instruments that may be composed of these credit derivatives specified above or that have the same economic effect

CRR gives a comprehensive list of all eligible guarantors allowed to provide guarantees as unfunded credit protection. These rules are taken into account when guarantors are selected. Similarly, CRR requirements are complied with if they are relevant to the issue in question. The process for recognizing a credit derivative as credit protection is documented in the relevant internal rules. Legal efficacy is ensured at all times; at the same time, the underlying legal conditions are subject to ongoing observation. The guarantors (counterparties) and their default risk/creditworthiness are monitored. There are defined procedures to ensure that the risk transfer of the credit derivative is effective. As at the present reporting date, LBBW does not recognize any credit derivatives as reducing credit risk. A disclosure pursuant to Article 453 (d) CRR is therefore not necessary.

Netting

At LBBW, risk mitigation measures in connection with derivative counterparty risk exposures are applied by means of on and off-balance sheet contractual netting and collateralization agreements and the use of central counterparties (e.g. LCH Limited).

Principles for assessing collateral

The procedures for measuring and managing the eligible collateral are set out in the bank’s rules. The internal processes and systems ensure that collateral is only used for weighting if it meets all of the CRR requirements. If a significant positive correlation between the value of an item of collateral and the borrower providing the collateral is established, then the collateral in question is not included. In the case of standard collateral located in Germany, the model contracts issued by Deutscher Sparkassen- und Giroverband are predominantly used in order to minimize legal risks. In addition, the Legal department has drafted contract templates that are approved for use for the individual case after review. Legal efficacy is ensured at all times; at the same time, the underlying legal conditions are subject to ongoing observation.

The real estate property is initially valued and real estate valuations are reviewed and monitored on the basis of set methods:

- Small loans within the meaning of Section 24 of the Beleihungswertermittlungsverordnung (BelWertV – Regulation on the Determination of Mortgage Lending Value) (residential property or mixed-use property where no less than two thirds of the gross income comes from residential use that is located in Germany may be used as collateral if the loan amount to be secured by the property including all previous encumbrances does not exceed EUR 600,000): The collateral is measured using a computer-aided program (LORA), which holds data on a property’s location, characteristics and equipment. The market value is calculated based on normal purchase prices and taking into account the property’s location and characteristics as mentioned above. At the same time, a lower mortgage lending value is calculated that can be achieved on a sustained basis even in the event of a change in market conditions. In addition, the property is usually inspected.
- Residential real estate properties outside the scope of the small loans limit and commercial properties in Germany: valuation is carried out by a qualified valuer in accordance with Section 6 BelWertV. The market and mortgage lending values are calculated using separate valuation methods in this process.
- Foreign real estate: Reports are commissioned here from external experts with local market knowledge and their plausibility is then verified by OE Real Estate Valuation. On the basis of the country-specific report, the mortgage lending value is determined pursuant to Section 25 BelWertV by the appraisers of LBBW’s internal Real Estate Valuation unit.
- Monitoring of real estate markets: To monitor the domestic real estate markets, the bank uses the granular market fluctuation concept of vspResearch at the zip code level in order to identify the real estate properties that have dropped below the tolerance limit of negative market fluctuation and that thus require a special review. LBBW uses the internal market watch concept to monitor real estate markets outside Germany. Foreign real estate is also reviewed and monitored in accordance with the provisions under the CRR.
- Review of real estate values as a result of anomalies arising from the monitoring/observation of real estate markets: The carrying amounts are reviewed on an ad hoc basis when events become known that may affect values (e.g. wide-scale flooding) or the market fluctuation concept identifies declines in market value that are higher than the thresholds (10% commercial use, 20% residential use) or the market watch concept (outside Germany) identifies declines in market value that are higher than the thresholds (10% commercial and residential use).
- The market and mortgage lending values are reviewed every three years if the limit set out in Article 208(3) (b) CRR is exceeded.

Management of concentration risks in the credit and collateral portfolio

When measuring the risk arising from collateral, LBBW distinguishes between collateral in the lending business and collateral in the capital markets business.

Concentrations of collateral in the variation margin in the case of OTC derivatives are avoided by receiving primarily cash collateral (approximately 95%), especially in EUR (95%) and other currencies, or first-class sovereign, sub-sovereign and corporate bonds (essentially EU). Risks are also limited by evaluating all derivatives transactions to be collateralized and securities collateral on a daily basis, by applying contractually agreed haircuts and by avoiding wrong-way risks.

10.2 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (Article 453 (f) CRR)

The following table shows the net values of secured and unsecured exposures for credit risks, not including counterparty credit risk, as well as the collateral, financial guarantees and derivatives used for credit risk mitigation. Net value is the gross carrying amount less allowances/impairments.

	EUR million	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	*Loans and advances*	*156,802*	*100,003*	*87,255*	*12,748*	
2	*Debt securities*	*39,864*	*168*		*168*	
3	*Total*	*196,666*	*100,171*	*87,255*	*12,915*	
4	Of which non-performing exposures	607	1,152	851	301	
EU-5	Of which defaulted	607	1,152			

Figure 25: EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

The change in the unsecured exposure values (carrying amounts) for loans and advances compared with the previous period is primarily due to the decline in receivables due on demand or current receivables (essentially cash balances at central banks).

11 Disclosure of the use of the standardized approach (Articles 444, 453 (g) to (i) CRR)

11.1 Qualitative disclosure requirements related to standardized approach (Article 444 (a) to (d) CRR)

External credit rating assessments from the following ratings agencies are applied to calculate regulatory capital requirements under the credit risk standardized approach:

- Standard & Poor’s Ratings Services
- Moody’s Investors Service
- Fitch Ratings Ltd.

These are applied on a standardized basis for all relevant CRSA exposure classes.

Where a directly applicable credit assessment exists for the item constituting an exposure in CRSA, it is used to determine the risk weight to be assigned to the item (Article 139(1) CRR). Where no directly applicable credit assessment exists, the risk is weighted using the credit assessment for a comparable exposure or using a general credit assessment for the issuer (Article 139(2) CRR).

Comparable exposures are exposures which must be met by the same obligor of the CRSA exposure and for which a credit assessment exists for a specific issuing program.

At LBBW, possible further (comparable) exposures to the same obligor with an issuer or issue credit assessment are calculated automatically using customer-related information. The reporting software uses predefined selection criteria to assign an external rating to the exposure.

In all other cases, the exposures are treated as unrated.

LBBW uses the allocation prescribed by the EBA pursuant to CRR when mapping the credit assessments of external credit assessment institutions with the credit quality steps under the Standardized Approach.

11.2 Standardized approach – Credit risk exposure and CRM effects (Articles 444 (e), 453 (g) to (i) CRR)

The following table shows exposures to be reported before and after credit conversion factor and credit risk mitigation as well as RWA and RWA density. RWA density is the ratio of risk-weighted assets to exposures after taking into account credit conversion factors and credit risk mitigation.

		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWA density	
	EUR million Exposure classes	On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWAs	RWA density (%)
		a	b	c	d	e	f
1	Central governments or central banks	107	66	518	44	3	0.49
2	Regional government or local authorities	2,014	295	2,590	165	1	0.04
3	Public sector entities	445	904	501	351	79	9.26
4	Multilateral development banks						
5	International organizations	651		651			
6	Institutions	39,362	3,027	41,644	1,578	704	1.63
7	Corporates	10,350	3,004	8,324	330	5,788	66.88
8	Retail	5,242	2,812	5,082	154	3,486	66.58
9	Secured by mortgages on immovable property	5,100	16	5,100	11	1,794	35.10
10	Exposures in default	107	4	94	1	130	137.22
11	Exposures associated with particularly high risk	27	1	27	0	41	150.00
12	Covered bonds	485		485			
13	Institutions and corporates with a short-term credit assessment						
14	Collective investment undertakings	20		20		27	134.01
15	Equity						
16	Other items	67		67		67	99.98
17	*Total*	*63,977*	*10,128*	*65,101*	*2,635*	*12,119*	*17.89*

Figure 26: EU CR4 – standardized approach – Credit risk exposure and CRM effects

11.3 Standardized approach (Article 444 (e) CRR)

	EUR million Exposure classes	Risk weight 0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	559									3						562	242
2	Regional government or local authorities	2,750				5											2,755	1,031
3	Public sector entities	458				394					0						852	426
4	Multilateral development banks																	
5	International organizations	651															651	
6	Institutions	40,652				1,946		621			4						43,223	41,229
7	Corporates	519				2,337	3	422	6		5,324	44			0		8,654	4,383
8	Retail exposures									5,236							5,236	4,175
9	Exposures secured by mortgages on immovable property						4,752	358									5,110	
10	Exposures in default										24	71					95	69
11	Exposures associated with particularly high risk											27					27	
12	Covered bonds	485															485	74
13	Exposures to institutions and corporates with a short-term credit assessment																	
14	Units or shares in collective investment undertakings	0														20	20	
15	Equity exposures																	
16	Other items	0									67						67	0
17	*Total*	*46,073*				*4,681*	*4,756*	*1,400*	*6*	*5,236*	*5,423*	*142*			*0*	*20*	*67,736*	*51,629*

Figure 27: EU CR5 – standardized approach

12 Disclosure of the use of the IRB approach to credit risk (Articles 438, 452, 453 (g) to (j) CRR)

12.1 Qualitative disclosure requirements related to IRB approach (Article 452 (a) to (f) CRR)

Permission to use the IRB approach (Article 452 (a) CRR)

In LBBW's Group of institutions, LBBW and Berlin Hyp have been authorized to use the foundation IRB approach since 2008 at Group level and institution level respectively. Regulatory capital adequacy is based on the following rating systems in line with the IRB approach:

- Banks (LBBW, Berlin Hyp)
- Country and transfer risks (LBBW, Berlin Hyp)
- Corporates (LBBW, Berlin Hyp)
- International real estate finance (LBBW, Berlin Hyp)
- Sparkassen Immobiliengeschäftsrating (LBBW, Berlin Hyp)
- Insurance companies (LBBW)
- Project finance (LBBW)
- DSGV-Haftungsverbund (LBBW)
- Sparkassen StandardRating (LBBW)
- Leasing (LBBW)
- Leveraged finance (LBBW)
- Aircraft finance (LBBW)
- International administrative authorities (LBBW)
- Funds (LBBW)

Following the inclusion of Berlin Hyp in LBBW's group of institutions (since 1 July 2022), LBBW's approval to use the IRB approach at Group level does not yet include the IRB model of Berlin Hyp. An application to expand the approval accordingly was submitted to the ECB in the year under review after the necessary return to compliance plan pursuant to Article 146 CRR was concluded. A decision on the application has not been made yet The return to compliance plan has been used to fulfill all regulatory requirements for the use of the IRB approach within the expanded group of institutions. Based on this plan, LBBW was also granted permission in accordance with an ECB resolution to use Berlin Hyp's rating systems to calculate own funds requirements at Group level until the approval applied for in the meantime is decided on.

In addition, mandatory treatment of positions in IRB is carried out at LBBW in the form of applying fixed risk weights for specialized lending (slotting criteria) that is not covered by the scope of one of the approved rating systems for specialized lending listed above as well as at LBBW, Berlin Hyp and all other subsidiaries for equity exposures and other non-credit obligation assets.

The CRSA is used for all other portfolios of LBBW (Bank), Berlin Hyp and all other companies included in the scope of prudential consolidation of the LBBW Group.

With the existing IRB cover, the materially significant LBBW Group portfolios are treated under the IRB approach.

Description of the internal rating procedures

As a general rule, the internal rating procedures of LBBW and Berlin Hyp used in IRB can be divided into two categories:

Scorecard-based rating procedures

A scorecard procedure is a standardized measurement method. These procedures involve the measurement of quantitative and qualitative factors in the light of liability relationships. Finally, overrides and warning signals are included in the rating result.

Simulation-based rating procedures

In contrast to a scorecard-based rating procedure, which estimates the probability of default on the basis of the current status of factors, a simulation-based rating generates scenarios for the future net cash flows of, for example, a project financing company (special-purpose vehicle, SPV). This takes account of the entire term and structure of the exposure. In addition, the simulation also includes macroeconomic scenarios (e.g. inclusion of interest and exchange rates) where relevant.

The following table describes the various rating procedures in detail.

Business area	Subgroup	Rating/assessment procedures	Methodology
Private and investment customers	Private customers with main cash flow from renting and leasing	Non-accounting customers in Sparkassen ImmobiliengeschäftsRating	Scorecard-based rating procedure
Corporate Customers	Basic customers	Sparkassen StandardRating	Scorecard-based rating procedure
	Business customers	Sparkassen StandardRating	Scorecard-based rating procedure
	Corporate Customers	Sparkassen StandardRating	Scorecard-based rating procedure
	Start-ups	Sparkassen StandardRating	Scorecard-based rating procedure
	Corporate customers/key accounts	Rating for corporates	Scorecard-based rating procedure
Project and specialized lending	National commercial real estate	Sparkassen ImmobiliengeschäftsRating	Scorecard-based rating procedure
	International commercial real estate	Rating for international real estate finance	Simulation-based rating procedure
		Slotting criteria approach where applicable	Slotting criteria
	Open-end real estate funds	Sparkassen ImmobiliengeschäftsRating	Scorecard-based rating procedure
	Aircraft finance	Airlines: rating for corporates	Scorecard-based rating procedure
		SPC: rating for aircraft finance	Simulation-based rating procedure
		Slotting criteria approach where applicable	Slotting criteria
	Other project finance	Rating for project finance	Simulation-based rating procedure
		Slotting criteria approach where applicable	Slotting criteria
	SPC real estate leasing	Rating for leasing refinancing	Simulation-based rating procedure
	Leveraged finance	Rating for leveraged finance	Scorecard-based rating procedure
Wholesale	Banks	Rating for banks	Scorecard-based rating procedure
		Rating for DSGV-Haftungsverbund	Simulation-based rating procedure
	Insurance companies	Rating for insurance companies	Scorecard-based rating procedure
	Leasing companies	Rating for leasing companies	Scorecard-based rating procedure
	National (German) administrative authorities/public sector loans	Rating inheritance	n/a
	International administrative authorities	Rating for international administrative authorities	Scorecard-based rating procedure
	Municipal corporations	Sparkassen StandardRating	Scorecard-based rating procedure
		Rating for corporates	Scorecard-based rating procedure
	Sovereigns & transfer risks	Rating for country and transfer risks	Scorecard-based rating procedure
	Funds	Rating for funds	Scorecard-based rating procedure

All rating procedures result in a one-year probability of default in local currency (local currency PD). Any transfer risk is taken into account in a separate foreign currency (FC) rating. These PDs are transferred to a rating class using the master scale applied uniformly within Sparkassen-Finanzgruppe. The master scale comprises a total of 18 rating classes; of these, the first class is broken down into a further eight subclasses and the last class before the default classes into a maximum of three sub-classes, depending on the rating procedure. Ratings 15(B) and 15(C) are currently used only for the following rating methodologies: Sparkassen StandardRating, Sparkassen ImmobiliengeschäftsRating, leveraged finance rating. Ratings 16 to 18 indicate default.

Ratings	LBBW rating master scale	Probability of default (%)
	1(AAAA)	0.00
	1(AAA)	0.01
	1(AA+)	0.02
	1(AA)	0.03
	1 (AA-)	0.04
	1(A+)	0.05
	1 (A)	0.07
	1 (A-)	0.09
	2	0.12
	3	0.17
	4	0.26
Investment grade	5	0.39
	6	0.59
	7	0.88
	8	1.32
	9	1.98
	10	2.96
	11	4.44
	12	6.67
	13	10.00
	14	15.00
	15	20.00
	15B	30.00
Speculative grade	15C	45.00
	16	100.00
	17	100.00
Default classes	18	100.00

Control mechanisms and functions for rating systems (Article 452 (c) to (e) CRR)

Within LBBW and Berlin Hyp, the units or functions below are responsible for the IRB rating systems:

- Credit risk control unit
- Validation unit
- Risk management
- Internal Audit

The departments or groups that perform these functions are organizationally separate and thus independent of each other at both banks and are separately accountable for the performance of their regulatory tasks. The structure of these functions and the interfaces between Berlin Hyp and LBBW were also partly covered by the return to compliance plan (see comments on Article 452 (a) CRR).

The credit risk control units are responsible for the design and development of the rating systems, in particular for the design, selection, implementation, ongoing monitoring and performance of the rating systems (Article 190 CRR). They report to the relevant senior management (within the meaning of Article 189 CRR) at least every six months on the performance of the internal rating procedures and processes. The forecasting quality is measured by comparing the model forecasts with defaults which have occurred (backtesting). Key criteria are calibration (is the expected portfolio default rate (mean PD) consistent with the actual defaults?) and precision (does the rating method correctly separate good from bad customers?). Key findings from the rating process validation (e.g. ongoing rating controlling process and current local checks carried out by the credit risk control unit) are presented as part of the report on the performance of the rating processes. In addition, the credit risk control units inform the relevant senior management annually of ratings-based analyses of the credit risk profile in accordance with Article 189(3) CRR. Reporting must include, as a minimum, the “risk profiles by grade”, migration across grades and a comparison of realized default rates per grade with expected default rates.

With the exception of the rating for leveraged finance used at LBBW, the rating procedures used by both banks were developed in joint projects where the ongoing cooperation was placed on an independent legal and organizational foundation through the establishment of Sparkassen Rating und Risikosysteme GmbH, Berlin (SR), and RSU GmbH & Co. KG, Munich. SR is responsible for processes for national companies and business clients, private customers and commercial real estate financing. All other jointly developed procedures are regularly maintained and, if necessary, refined by RSU. LBBW and Berlin Hyp staff provide support for these activities.

The rating systems of both banks are subject to a regular review process performed by the respective credit risk control units, the central elements of which are conducted under the guidance of RSU or SR (this activity has been outsourced in line with Section 25b of the German Banking Act and disclosed accordingly). Data is derived from the RSU data pool (Landesbanks' pool data) and the SR data pool (data pooled by the Landesbanks and savings banks).

The core element of the review process is the annual review and further development of the rating procedures. The results are submitted to a working group comprising methodology experts from all member institutions. The review involves confirming, adjusting or optimizing the rating procedure and its parameter estimates as necessary. Before introducing modified procedures, LBBW and Berlin Hyp perform a test to ensure that they are representative. In turn, this ensures that the rating procedures can also be applied to the portfolios of the two banks without restriction. Senior management is informed of the results of the pool review for each rating process.

Revisions to the rating procedure at both banks are implemented in accordance with a Group-wide Model Change Policy, which stipulates that banking regulators must be informed or even grant prior approval depending on the significance of a model revision. Banking regulators are informed of the relevant version of the Model Change Policy.

In addition, the correct use of rating systems is analyzed and evaluated extensively at LBBW by a rating controlling process, which also initiates and monitors any adjustments that may be required. Relevant reports are sent on a regular basis to senior management and the management tiers below them of all relevant units of the Bank.

The validation units at LBBW and Berlin Hyp assess the performance of the rating procedures at the respective banks in accordance with Article 185 CRR in an independent process separate from the credit risk control unit's review process. The validation units report the validation results to the respective senior management and the respective management body or one of its committees appointed for this purpose on a quarterly basis.

Risk Management at each bank is responsible for the application of the rating procedures, i.e. the integrity of the assignment process in accordance with Article 173 CRR.

The review, validation and further development of the rating procedures are checked by the respective Internal Audit units as independent units at RSU, SR, LBBW and Berlin Hyp. In the case of LBBW, Internal Audit also reviews the rating systems and their operations at least once a year in accordance with Article 191 CRR. The review includes checking compliance with all minimum requirements in accordance with Articles 142 to 191 CRR. This includes, among other things, a review of the correct application of the rating procedures, the efficacy of the internal control system and an assessment of the written policy.

Process of allocating items or borrowers by exposure class (Article 452 (f) CRR)

At both LBBW and Berlin Hyp, the exposure classes are determined electronically at a system level downstream from the operational booking systems. In principle, an exposure class has to be assigned to every transaction that falls within a portfolio subject to the IRB approach. It is generally assigned by means of the rating procedure that is used. If a clear allocation using the rating procedure is not possible, exposure classes are distinguished on the basis of additional information, such as customer group allocation or transaction-specific information such as collateral.

The following section describes the rating procedures used for the individual exposure classes and their scope of application.

Central governments and central banks exposure class

Country and transfer risks are measured using a special rating procedure. The key aspects are the economic situation, the political environment as well as the domestic and foreign trade situation of the country in question. The rating procedure for country and transfer risks is used to classify exposures to obligors that are allocated to the IRBA exposure class "Central governments and central banks" in accordance with Article 147(3) CRR and Articles 115(2), 115(4), 116(4), 117(2) and 118 CRR.

The rating methodology currently in use was developed at pool level by RSU in cooperation with the Landesbanks. It was developed following a statistical approach (mainly comparison with external ratings, plus factoring in internal default history). Expert assessments were also taken into account in order to ensure the economic plausibility of the model results.

Banks exposure class

The rating procedure for banks is applied to all obligors that are allocated to the IRBA exposure class "Banks" under Article 147(4) CRR and in the light of Article 4(1) sentences 1, 2, 3, Article 115(2) and (4), Article 116(4), Article 117 and Article 119(5) CRR. The purpose of the rating procedure for banks is to measure counterparty risks of banks worldwide. In terms of content, their use is limited to banks that mostly perform typical banking transactions (material interpretation of the term “bank”). Thus, bank holdings, building and loan associations, state finance agencies, financial and finance companies and financial service providers should also be rated with the banks module, regardless of their legal form, assuming they mostly perform typical banking transactions. Similarly, institutions which do not hold a banking permit but primarily engage de facto in quasi-banking business are rated with this procedure. Furthermore, only entities that are subject to regulation and therefore operate in a supervised environment are covered by this rating.

In accordance with Article 107(3) CRR, non-EU investment firms, credit institutions, exchanges and clearing houses are treated as exposures to an institution only if the requirements applied to that entity are at least equivalent to those applied in the EU. If their requirements are not equivalent, they are treated as corporates.

Corporates exposure class

The rating systems for corporate clients classify obligors assigned to IRBA exposure class “corporates” in accordance with Article 147(7) CRR. The corporates rating is applied to a substantial part of the portfolio. Large domestic customers and all international corporate customers are assessed using the “corporates” rating. Domestic borrowers not classified using the corporates rating are rated using the Sparkassen Standardrating methodology. Either a Corporates Rating or a Sparkassen Standardrating is used to classify domestic borrowers depending on the borrower’s consolidated revenue. Customers are also assigned to the ratings procedure of the “Corporates” exposure class, e.g. customers assessed with the rating procedure for insurance companies. The purpose of the rating procedure for insurance companies is to measure their counterparty risk. For this purpose, insurance companies also include companies that generate most of their income from typical insurance transactions, which also includes bancassurance providers.

Transactions to which the rating procedure for funds is applied are also assigned to the “Corporates” exposure class.

Corporates exposure class: specialized lending exposures

The rating systems for specialized lending exposures are applied to obligors that are also assigned to the “Specialized lending exposures” IRBA exposure class in accordance with Article 147(8) CRR. They form a subclass of the “Corporates” exposure class.

Ratings for project finance are normally based on the cash flow generated or the user/beneficiary of the results of the project. Compared with other types of specialized lending exposures, project finance is distinguished by the fact that net cash is generated from a narrowly defined activity rather than from several parallel business models. The simulation-based rating process is based on an economic model which reflects cause-and-effect correlations. Cash flows, the value of the item being financed, factors specific to the transaction as well as macroeconomic factors are used as major risk drivers in the simulation. The results of the simulation are transformed, calibrated and adjusted using qualitative factors.

Real estate lending business where the loan is serviced solely from income in the form of rental, lease or sales proceeds arising from the financed item is also assigned to the specialized lending exposures subclass. The rating procedure developed for this is based on the total international commercial real estate finance business if the property being financed is located abroad. The simulation-based rating process is based on an economic model which reflects cause-and-effect correlations. Cash flows, the value of the item being financed, factors specific to the transaction as well as macroeconomic factors are used as major risk drivers in the simulation. The results of the simulation are transformed, calibrated and adjusted using qualitative factors.

The rating procedure for aircraft finance is applied to finance for special-purpose vehicles (SPVs) and to direct loans to airlines in which there is a direct link to the financed asset (direct asset-linked loan, “virtual SPVs”). All financing coming within the scope of the rating procedure for aircraft finance is assigned to the specialized lending exposures exposure class. The simulation-based rating process is based on an economic model which reflects cause-and-effect correlations. Cash flows are not the main source of risk in the case of aircraft finance. Instead, the value of the aircraft, the default probability of the airlines and factors specific to the transaction as well as macroeconomic factors are used as major risk drivers in the simulation.

Corporates/specialized lending exposures exposure class: check whether it is a small or medium-sized enterprise (SME)

Under Article 147(5) (a) (ii) CRR, the customer’s (consolidated) annual revenue is used as a size indicator (SME threshold).

Corporates are classified as SMEs if they have annual revenue of EUR 50m or less.

Equity investment exposure class

Equity exposures are backed by fixed risk weightings. System allocations and product numbers ensure the correct assignment to the Equity investments exposure class in accordance with Article 147(6) CRR.

Retail business exposure class

Exposure positions which are classified as retail business are not currently allocated using the IRB approach.

The following section shows the credit risk exposures reported under the IRB approach, excluding counterparty credit risks.

A distinction between A-IRB and F-IRB is not currently relevant for LBBW, as LBBW exclusively applies F-IRB at present.

12.2 IRB approach – Scope of the use of IRB and SA approaches (Article 452 (b) CRR)

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the standardized approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
		a	b	c	d	e
1	Central governments or central banks	66,097	67,868	3.13%	96.87%	
1.1	Of which Regional governments or local authorities		13,701	0.00%	85.73%	
1.2	Of which Public sector entities		1,889		78.81%	
2	Institutions	30,248	32,495	9.33%	90.67%	
3	Corporates	135,823	129,247	1.78%	98.22%	
3.1	Of which Corporates - Specialised lending, excluding slotting approach		43,542	1.44%	98.56%	
3.2	Of which Corporates - Specialised lending under slotting approach		24,356		100.00%	
4	Retail		6,440	100.00%		
4.1	of which Retail – Secured by real estate SMEs		142	100.00%		
4.2	of which Retail – Secured by real estate non-SMEs		3,886	100.00%		
4.3	of which Retail – Qualifying revolving					
4.4	of which Retail – Other SMEs		181	100.00%		
4.5	of which Retail – Other non-SMEs		2,231	100.00%		
5	Equity	3,650	3,650		100.00%	
6	Other non-credit obligation assets	3,321	2,238	1.92%	98.08%	
7	*Total*	*239,138*	*241,938*	*5.76%*	*94.24%*	

Figure 28: EU CR6-A – IRB approach – Scope of the use of IRB and SA approaches

The difference between the first and second columns is essentially because some of the institutions’ total exposure value is subject to permanent partial use of the standardized approach.

12.3 IRB approach – Credit risk exposures by exposure class and PD scale (Article 452 (g) CRR)

The following table shows IRB credit risk exposures by exposure class and PD scales set by the regulator.

The column “Number of obligors” shows the number of obligors allocated to the individual PDs listed in the table. The column “Density of risk-weighted exposure amount” refers to the ratio of risk-weighted assets to exposures post credit conversion factors and credit risk mitigation.

F-IRB EUR million PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk-weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	b	c	d	e	f	g	h	i	j	k	l	m
Exposure class Central governments and central banks												
0.00 to < 0.15	65,060	1,200	0.43	71,609	0.00	1,933	44.99	2	888	0.01	1	-1
0.00 to < 0.10	64,555	1,200	0.43	71,104	0.00	1,929	44.99	2	687	0.01	1	0
0.10 to < 0.15	505			505	0.13	4	45.00	3	201	0.40	0	0
0.15 to < 0.25	31			19	0.20	2	45.00	3	9	0.47	0	0
0.25 to < 0.50	80			80	0.39	1	45.00	3	52	0.66	0	0
0.50 to < 0.75												
0.75 to < 2.50	0			0	1.21	2	45.00	3	0	1.03	0	0
0.75 to < 1.75	0			0	1.06	1	45.00	3	0	1.00	0	0
1.75 to < 2.5	0			0	2.39	1	45.00	3	0	1.28	0	0
2.50 to < 10.00	135	260	0	7	8.04	2	45.00	3	13	1.89	0	0
2.5 to < 5												
5 to < 10	135	260	0	7	8.04	2	45.00	3	13	1.89	0	0
10.00 to < 100.00	25	206	0.75	0	15.65	3	45.00	3	0	2.37	0	0
10 to < 20	25	206	0.75	0	15.00	2	45.00	3	0	2.35	0	0
20 to < 30	0			0	24.10	1	45.00	3	0	2.60	0	0
30.00 to < 100.00												
100.00 (Default)												
Subtotal	*65,331*	*1,666*	*0.52*	*71,715*	*0.00*	*1,943*	*44.99*	*2*	*963*	*0.01*	*1*	*-1*
Exposure class Institutions												
0.00 to < 0.15	27,095	824	0.30	27,347	0.04	279	27.45	2	3,626	0.13	3	-2
0.00 to < 0.10	26,370	784	0.31	26,657	0.04	259	27.12	2	3,423	0.13	3	-2
0.10 to < 0.15	725	39	0.14	690	0.11	20	40.10	3	202	0.29	0	0
0.15 to < 0.25	353	99	0.24	375	0.19	17	38.92	3	169	0.45	0	0
0.25 to < 0.50	102	62	0.22	115	0.28	16	45.00	3	84	0.73	0	0
0.50 to < 0.75	422	24	0.22	289	0.63	8	45.00	3	283	0.98	1	0
0.75 to < 2.50	48	1	0.20	43	0.97	8	45.00	3	46	1.07	0	0
0.75 to < 1.75	47	1	0.20	42	0.94	8	45.00	3	45	1.06	0	0
1.75 to < 2.5	1			1	2.00		45.00	3	1	1.22	0	
2.50 to < 10.00												
2.5 to < 5												
5 to < 10												
10.00 to < 100.00	95			4	16.11	4	45.00	3	10	2.73	0	-1
10 to < 20	95			4	16.11	4	45.00	3	10	2.73	0	-1
20 to < 30												
30.00 to < 100.00												
100.00 (Default)	0			0	100.00	1	45.00				0	0
Subtotal	*28,114*	*1,009*	*0.29*	*28,174*	*0.06*	*333*	27.88	2	4,218	0.15	5	-3
Exposure class Corporates – SMEs												
0.00 to < 0.15	6,023	2,584	0.19	6,498	0.07	2,130	38.55	3	941	0.14	2	-4
0.00 to < 0.10	4,419	2,116	0.14	4,709	0.05	1,699	38.52	3	556	0.12	1	-1
0.10 to < 0.15	1,604	467	0.39	1,789	0.13	431	38.65	3	385	0.21	1	-2
0.15 to < 0.25	1,740	390	0.28	1,812	0.19	549	38.21	3	471	0.26	1	-3
0.25 to < 0.50	2,288	733	0.31	2,491	0.34	1,120	37.99	3	874	0.35	3	-4
0.50 to < 0.75	633	293	0.23	686	0.60	462	42.10	3	351	0.51	2	-2
0.75 to < 2.50	979	553	0.32	1,014	1.33	873	43.49	3	721	0.71	6	-9
0.75 to < 1.75	687	420	0.32	753	1.07	662	43.21	3	499	0.66	4	-6
1.75 to < 2.5	293	133	0.33	261	2.07	211	44.30	3	222	0.85	2	-3
2.50 to < 10.00	580	182	0.23	339	4.16	326	40.86	3	324	0.95	6	-13
2.5 to < 5	370	132	0.17	265	3.45	248	39.78	3	236	0.89	4	-8

F-IRB EUR million PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk-weighted exposure amount	Expected loss amount	Value adjustments and provisions
a	b	c	d	e	f	g	h	i	j	k	l	m
5 to < 10	210	50	0.40	74	6.69	78	44.76	3	88	1.19	2	-6
10.00 to < 100.00	239	32	0.25	131	17.44	176	41.23	3	207	1.58	10	-8
10 to < 20	138	25	0.27	77	12.35	90	42.59	3	112	1.46	4	-5
20 to < 30	93	3	0.19	48	21.65	35	38.77	3	85	1.78	5	-2
30.00 to < 100.00	7	4	0.18	6	46.41	51	43.37	3	10	1.49	1	-1
100.00 (Default)	116	7	0.45	108	100.00	75	44.22				48	-44
Subtotal	*12,597*	*4,774*	*0.23*	*13,079*	*1.37*	*5,711*	*39.10*	*2*	*3,889*	*0.30*	*78*	*-87*
Exposure class Corporates – Specialized lending												
0.00 to < 0.15	12,368	889	0.76	12,505	0.10	324	39.26	3	2,551	0.20	5	-14
0.00 to < 0.10	6,974	573	0.74	6,957	0.07	269	40.44	3	1,240	0.18	2	-5
0.10 to < 0.15	5,394	316	0.79	5,548	0.13	56	37.78	3	1,311	0.24	3	-9
0.15 to < 0.25	6,527	523	0.73	6,832	0.19	64	37.65	3	2,047	0.30	5	-13
0.25 to < 0.50	8,390	813	0.70	8,788	0.34	101	39.85	3	3,920	0.45	12	-23
0.50 to < 0.75	2,923	618	0.72	3,361	0.60	45	41.41	3	2,014	0.60	9	-25
0.75 to < 2.50	3,146	624	0.71	3,300	1.23	58	40.07	3	2,509	0.76	17	-46
0.75 to < 1.75	2,697	521	0.70	2,787	1.09	50	39.69	3	1,996	0.72	13	-32
1.75 to < 2.5	450	103	0.73	513	2.03	8	42.09	3	513	1.00	5	-14
2.50 to < 10.00	2,161	356	0.69	2,403	4.11	27	42.00	2	2,747	1.14	43	-69
2.5 to < 5	1,809	295	0.67	2,005	3.50	21	42.21	3	2,203	1.10	31	-47
5 to < 10	352	61	0.76	398	7.21	6	40.97	2	544	1.37	12	-21
10.00 to < 100.00	498	19	0.75	486	14.05	11	40.63	3	818	1.68	28	-33
10 to < 20	404	18	0.75	412	12.75	8	39.85	3	645	1.56	21	-24
20 to < 30	93	1	0.75	74	21.27	3	45.00	3	173	2.34	7	-9
30.00 to < 100.00												
100.00 (Default)	1,074	31	0.77	1,098	100.00	11	42.98				472	-234
Subtotal	*37,088*	*3,873*	*0.72*	*38,774*	*3.56*	*641*	*39.66*	*2*	*16,606*	*0.43*	*591*	*-456*
Exposure class Corporates – Other												
0.00 to < 0.15	26,466	32,056	0.46	41,313	0.07	2,581	41.79	3	9,752	0.24	12	-9
0.00 to < 0.10	21,885	25,040	0.46	33,222	0.06	1,858	41.62	3	7,030	0.21	8	-4
0.10 to < 0.15	4,581	7,017	0.47	8,090	0.12	723	42.51	3	2,722	0.34	4	-5
0.15 to < 0.25	6,454	7,145	0.48	9,772	0.18	903	43.84	3	4,236	0.43	8	-6
0.25 to < 0.50	7,879	8,100	0.45	10,840	0.34	1,528	44.16	3	6,362	0.59	16	-19
0.50 to < 0.75	1,766	1,809	0.38	1,982	0.64	505	44.59	3	1,580	0.80	6	-7
0.75 to < 2.50	3,713	2,809	0.41	3,392	1.48	935	44.40	3	3,684	1.09	22	-42
0.75 to < 1.75	2,134	1,786	0.38	2,331	1.15	672	44.33	3	2,363	1.01	12	-26
1.75 to < 2.5	1,579	1,023	0.46	1,061	2.19	263	44.56	3	1,321	1.25	10	-17
2.50 to < 10.00	1,935	1,226	0.50	1,497	4.64	442	43.84	3	2,289	1.53	31	-40
2.5 to < 5	1,403	729	0.43	1,092	3.84	323	44.15	3	1,592	1.46	19	-27
5 to < 10	532	497	0.61	406	6.79	119	43.01	3	697	1.72	12	-12
10.00 to < 100.00	1,647	501	0.55	837	13.98	220	41.56	2	1,721	2.06	47	-28
10 to < 20	1,303	421	0.60	658	11.89	132	44.94	3	1,423	2.16	35	-25
20 to < 30	332	74	0.31	167	20.61	61	28.27	2	267	1.60	10	-2
30.00 to < 100.00	12	6	0.15	12	35.33	27	42.04	3	30	2.46	2	0
100.00 (Default)	1,277	112	0.56	1,087	100.00	250	43.76				476	-551
Subtotal	*51,137*	*53,758*	*0.46*	*70,720*	*2.01*	*7,364*	*42.71*	*2*	*29,624*	*0.42*	*618*	*-701*
Total (all exposure classes)	*194,268*	*65,081*	*0.46*	*222,462*	*0.71*	*15,992*	*40.82*	*2*	*55,300*	*0.25*	*1,293*	*-1,249*

Figure 29: EU CR6 – IRB approach – Credit risk exposures by exposure class and PD scale

12.4 IRB approach – Effect on the risk weighted exposure amounts of credit derivatives used as CRM techniques (Article 453 (g), (j) CRR)

The following section shows credit risk exposures reported under the IRB approach, excluding counterparty credit risks.

The following table shows the effect on RWAs of credit derivatives used for credit risk mitigation. As LBBW has not used any credit derivatives for credit risk mitigation, the two columns are identical.

	EUR million Exposure class	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
		a	b
1	*Exposures under F-IRB*	*60,776*	*60,776*
2	Central governments and central banks	3,131	3,131
3	Institutions	4,218	4,218
4	Corporates	53,427	53,427
4.1	of which Corporates – SMEs	4,235	4,235
4.2	of which Corporates – Specialized lending	18,761	18,761
5	*Exposures under A-IRB*		
6	Central governments and central banks		
7	Institutions		
8	Corporates		
8.1	of which Corporates – SMEs		
8.2	of which Corporates – Specialized lending		
9	Retail		
9.1	of which Retail – SMEs - Secured by immovable property collateral		
9.2	of which Retail – non-SMEs - Secured by immovable property collateral		
9.3	of which Retail – Qualifying revolving		
9.4	of which Retail – SMEs - Other		
9.5	of which Retail – Non-SMEs-Other		
10	*Total (including F-IRB exposures and A-IRB exposures)*	*60,776*	*60,776*

Figure 30: EU CR7: IRB approach – Effect on the risk-weighted exposure amounts of credit derivatives used as CRM techniques

12.5 IRB approach – Disclosure of the extent of the use of CRM techniques (Article 453 (g), (j) CRR)

Disclosure of the following template *EU CR7-A – Changes in the stock of non-performing loans and advances and related net accumulated recoveries for A-IRB* is not relevant for LBBW, as it is not an A-IRB institution.

			Credit risk mitigation techniques											Credit risk mitigation methods in the calculation of RWEAs EUR million	
			Funded Credit Protection (FCP)						Funded Credit Protection (FCP)			Unfunded Credit Protection (UFCP)			
	F-IRB	Total exposures EUR million	Part of exposures covered by financial collaterals (%)	Part of exposures covered by other eligible collaterals (%)	Part of exposures covered by immovable property collaterals (%)	Part of exposures covered by receivables (%)	Part of exposures covered by other physical collateral (%)	Part of exposures covered by other funded credit protection (%)	Part of exposures covered by cash on deposit (%)	Part of exposures covered by life insurance policies (%)	Part of exposures covered by instruments held by a third party (%)	Part of exposures covered by guarantees (%)	Part of exposures covered by credit derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks	72,582										2.46			3,131
2	Institutions	29,205	1.00									1.65			4,218
3	Corporates	129,586	1.99	28.93	28.73		0.20	0.03				12.00			53,427
3.1	Of which Corporates – SMEs	13,923	1.20	49.12	48.93		0.19	0.04				7.86			4,235
3.2	Of which Corporates – Specialised lending	43,330	0.10	44.49	43.95		0.53	0.01				2.55			18,761
3.3	Of which Corporates – Other	72,333	0.69	15.73	15.72		0.00	0.04				18.46			30,431
4	*Total*	*231,373*	*0.43*	*16.20*	*16.09*		*0.11*	*0.02*				*7.70*			*60,776*

Figure 31: EU CR7-A – IRB approach – Disclosure of the extent of the use of credit risk mitigation techniques

12.6 RWEA flow statements of credit risk exposures under the IRB approach (Article 438 (h) CRR)

The following table shows the development of RWAs of risk exposures under the IRB approach between 30 September 2024 and 31 December 2024.

	EUR million	Risk weighted exposure amount
		a
1	*Risk-weighted exposure amount as at the end of the previous reporting period*	*61,517*
2	Asset size (+/-)	1,689
3	Asset quality (+/-)	-123
4	Model updates (+/-)	935
5	Methodology and policy (+/-)	
6	Acquisitions and disposals (+/-)	101
7	Foreign exchange movements (+/-)	492
8	Other (+/-)	-197
9	*Risk-weighted exposure amount as at the end of the reporting period*	*64,413*

Figure 32: EU CR8 – RWEA flow statements of credit risk exposures under the IRB approach

The “Asset size” item shows the organic change in the book, including new business and outstanding receivables. The “Asset quality” item shows the changes in the assessed quality of the investments resulting from changes to the obligor risk such as changes to ratings or similar effects. The “Model updates” item shows changes resulting from the implementation of models, changes to the scope of the model and model improvements. The “Methodology and policy” item shows changes caused by adjustments to calculation methods resulting from changes to regulatory policies. The “Foreign exchange movements” item shows changes arising from fluctuating exchange rates. The “Other” item shows all other changes that cannot be explicitly allocated to one of the exposures listed.

12.7 IRB approach – Back-testing of PD per exposure class (Article 452 (h) CRR)

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			of which: number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
	0.00 to < 0.15	1,991			0.00%	0.00%	
	0.00 to < 0.10	1,987			0.00%	0.00%	
	0.10 to < 0.15	4			0.13%	0.25%	
	0.15 to < 0.25	1			0.20%		
	0.25 to < 0.50	2			0.39%	0.50%	
	0.50 to < 0.75						
	0.75 to < 2.50	3			1.21%	1.33%	
	0.75 to < 1.75	2			1.06%	1.00%	
	1.75 to < 2.5	1			2.39%	2.00%	
	2.50 to < 10.00	1			8.04%	16.00%	
	2.5 to < 5						
	5 to < 10	1			8.04%	16.00%	
	10.00 to < 100.00	4			15.65%	21.00%	
	10 to < 20	4			15.00%	21.00%	
	20 to < 30				24.10%		
Central governments and central banks	30.00 to < 100.00						
	100.00 (Default)						

Exposure class	PD range	Number of obligors at the end of the previous year	of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
	0.00 to < 0.15	310			0.04%	0.08%	
	0.00 to < 0.10	284			0.04%	0.07%	
	0.10 to < 0.15	26			0.11%	0.15%	
	0.15 to < 0.25	29			0.19%	0.24%	
	0.25 to < 0.50	22			0.28%	0.41%	
	0.50 to < 0.75	2			0.63%	0.50%	
	0.75 to < 2.50	20			0.97%	1.50%	
	0.75 to < 1.75	19			0.94%	1.47%	
	1.75 to < 2.5	1			2.00%	2.00%	
	2.50 to < 10.00						
	2.5 to < 5						
	5 to < 10						
	10.00 to < 100.00	4			16.11%	18.75%	
	10 to < 20	4			16.11%	18.75%	
	20 to < 30						
	30.00 to < 100.00						
Institutions	100.00 (Default)	1			100.00%	100.00%	

Exposure class	PD range	Number of obligors at the end of the previous year	of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
	0.00 to < 0.15	2,726	3	0.11%	0.07%	0.08%	0.05%
	0.00 to < 0.10	2,132	2	0.09%	0.05%	0.07%	0.04%
	0.10 to < 0.15	594	1	0.17%	0.13%	0.13%	0.07%
	0.15 to < 0.25	725			0.19%	0.18%	0.03%
	0.25 to < 0.50	1,306	4	0.31%	0.34%	0.36%	0.14%
	0.50 to < 0.75	526	1	0.19%	0.60%	0.64%	0.39%
	0.75 to < 2.50	1,046	18	1.72%	1.33%	1.44%	1.01%
	0.75 to < 1.75	809	14	1.73%	1.07%	1.20%	0.92%
	1.75 to < 2.5	237	4	1.69%	2.07%	2.23%	1.29%
	2.50 to < 10.00	394	21	5.33%	4.16%	4.66%	4.16%
	2.5 to < 5	311	17	5.47%	3.45%	3.87%	3.29%
	5 to < 10	83	4	4.82%	6.69%	7.60%	5.72%
	10.00 to < 100.00	194	12	6.19%	17.44%	23.47%	5.99%
	10 to < 20	95	7	7.37%	12.35%	14.24%	5.90%
	20 to < 30	54	3	5.56%	21.65%	20.67%	7.21%
	30.00 to < 100.00	45	2	4.44%	46.41%	46.33%	5.35%
Corporates – SMEs	100.00 (Default)	82			100.00%	100.00%	

Exposure class	PD range	Number of obligors at the end of the previous year	of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
	0.00 to < 0.15	332	1	0.30%	0.10%	0.10%	0.12%
	0.00 to < 0.10	277	1	0.36%	0.07%	0.08%	0.07%
	0.10 to < 0.15	56			0.13%	0.18%	0.18%
	0.15 to < 0.25	64	1	1.56%	0.19%	0.28%	0.54%
	0.25 to < 0.50	102	1	0.98%	0.34%	0.41%	0.33%
	0.50 to < 0.75	45			0.60%	0.53%	0.31%
	0.75 to < 2.50	59	3	5.08%	1.23%	1.54%	1.02%
	0.75 to < 1.75	51	3	5.88%	1.09%	1.25%	1.18%
	1.75 to < 2.5	8			2.03%	3.38%	
	2.50 to < 10.00	25	4	16.00%	4.11%	1.80%	11.46%
	2.5 to < 5	21			3.50%	1.48%	
	5 to < 10	4	4	100.00%	7.21%	3.50%	35.40%
	10.00 to < 100.00	11			14.05%	17.00%	23.50%
	10 to < 20	8			12.75%	10.00%	31.79%
	20 to < 30	3			21.27%	35.67%	
	30.00 to < 100.00						
Corporates – specialized lending	100.00 (Default)	13			100.00%	38.46%	

Exposure class	PD range	Number of obligors at the end of the previous year	of which: number of obligors which defaulted in the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
	0.00 to < 0.15	2,757	1	0.04%	0.07%	0.11%	0.01%
	0.00 to < 0.10	1,946	1	0.05%	0.06%	0.08%	0.01%
	0.10 to < 0.15	811			0.12%	0.16%	
	0.15 to < 0.25	1,007	3	0.30%	0.18%	0.24%	0.15%
	0.25 to < 0.50	1,528	4	0.26%	0.34%	0.43%	0.11%
	0.50 to < 0.75	462	1	0.22%	0.64%	0.78%	0.48%
	0.75 to < 2.50	825	13	1.58%	1.48%	1.76%	0.57%
	0.75 to < 1.75	628	8	1.27%	1.15%	1.45%	0.54%
	1.75 to < 2.5	197	5	2.54%	2.19%	2.76%	0.82%
	2.50 to < 10.00	394	24	6.09%	4.64%	6.30%	5.25%
	2.5 to < 5	293	13	4.44%	3.84%	5.13%	3.41%
	5 to < 10	101	11	10.89%	6.79%	9.69%	8.07%
	10.00 to < 100.00	194			13.98%	24.79%	3.43%
	10 to < 20	112			11.89%	17.79%	2.37%
	20 to < 30	38			20.61%	22.42%	7.54%
	30.00 to < 100.00	44			35.33%	44.66%	20.30%
Corporates – Other	100.00 (Default)	247			100.00%	100.00%	

Figure 33: EU CR9 – IRB approach – Back-testing of PD per exposure class

As at 31 December 2024, LBBW has 22,509 obligors with short-term contracts, the majority of which are in the Corporates – Other exposure class. The long-term average default rate is calculated over a one-year observation period with no overlaps.

Disclosure of template *EU CR9.1* is not relevant, as LBBW does not apply point (f) of Article 180(1) CRR.

13 Disclosure of specialized lending and equity exposures under the simple riskweighted approach (Article 438 (e) CRR)

13.1 Specialized lending: Project finance (slotting approach) (Article 438 (e) CRR)

		Specialized lending: Project finance (slotting approach)					
EUR million Regulatory categories	**Remaining maturity**	**On-balancesheet exposures**	**Off-balancesheet exposures**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
		a	b	c	d	e	f
Category 1	Less than 2.5 years		3	50%	1	1	
	Equal to or more than 2.5 years			70%			
Category 2	Less than 2.5 years		1	70%			
	Equal to or more than 2.5 years	2		90%	2	2	
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	*Less than 2.5 years*		*4*		*2*	*1*	
	Equal to or more than 2.5 years	*3*			*3*	*2*	

Figure 34: EU CR10.1- Specialized lending: Project finance (Slotting approach)

13.2 Specialized lending: Income-producing real estate and high volatility commercial real estate (Slotting approach) (Article 438 (e) CRR)

EUR million Regulatory categories	Remaining maturity	Specialized lending: Income-producing real estate and high volatility commercial real estate (Slotting approach) On-balancesheet exposures	Off-balancesheet exposures	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
		a	b	c	d	e	f
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years	7		70%	7	5	
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years			90%			
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years	7		115%	7	7	
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years	7		250%	7	17	1
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	*Less than 2.5 years*						
	Equal to or more than 2.5 years	*20*			*20*	*28*	*1*

Figure 35: EU CR10.2- Specialized lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)

13.3 Specialized lending: Object finance (Slotting approach) (Article 438 (e) CRR)

EUR million Regulatory categories	Remaining maturity	Specialized lending: Project finance (Slotting approach) On-balancesheet exposures	Off-balancesheet exposures	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
		a	b	c	d	e	f
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years			70%			
Category 2	Less than 2.5 years	6	62	70%	53	37	
	Equal to or more than 2.5 years	29		90%	29	24	
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years			115%			
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	*Less than 2.5 years*	*6*	*62*		*53*	*37*	
	Equal to or more than 2.5 years	*29*			*29*	*24*	

Figure 36: EU CR10.3- Specialized lending: Object finance (Slotting approach)

Template *EU CR10.4 – Specialized lending: Commodities finance (slotting approach)* is not presented as it is a zero report as at 31 December 2024.

13.4 Equity exposures under the simple risk-weighted approach (Article 438 (e) CRR)

Categories	Equity exposures under the simple risk-weighted approach On-balancesheet exposures	Off-balancesheet exposures	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
	a	b	c	d	e	f
Private equity exposures	695	2	190%	697	1,325	6
Exchange-traded equity exposures	58		290%	58	169	
Other equity exposures			370%			
Total	*753*	*2*		*755*	*1,494*	*6*

Figure 37: EU CR10.5 – Equity exposures under the simple risk-weighted approach

14 Disclosure of exposures to counterparty credit risk (Article 438 (h), 439 CRR)

14.1 Qualitative disclosure of exposures to counterparty credit risk (Article 439 (a) to (d) CRR)

Counterparty credit risk

Counterparty credit risk (CCR) is the risk that the counterparty may default on amounts owed on a derivative transaction because it is no longer able to meet its financial obligations. The amount of the counterparty credit risk depends on the exposure value at the reporting date.

Regulatory definition of risk exposure value at LBBW

According to Article 4(1) no. 50c CRR, derivative financial instruments are financial instruments within the meaning of the CRR. Consequently, and pursuant to Article 92(3) (f) CRR, the risk-weighted exposure amounts for the counterparty credit risk for transactions listed in Annex II are included in the total risk exposure amount. Annex II of the CRR contains a comprehensive list of transactions that have to be classified as derivatives. These are divided into three categories: “interest rate contracts”, “foreign exchange contracts and contracts concerning gold” and “contracts of a similar nature”. In accordance with both Article 111(2) CRR and Article 166(5) CRR, the exposure value of derivative instruments listed in Annex II shall be determined in accordance with the methods described in Section 3, Title 2, Chapter 6 of the CCR. LBBW, including Berlin Hyp, determines the exposure value in accordance with Article 274 CRR (standardized approach for counterparty credit risk). Here, the exposure value is the sum of the current replacement cost and the potential future exposure value multiplied by the alpha factor 1.4.

Capital allocation on the basis of economic capital

LBBW has defined limits at the customer level for derivatives. Capital is allocated on the basis of economic capital. Separate limits are not defined for derivatives, however. The limits are applied using the generally applicable processes for limiting counterparty risks (see section 3.1 Institution’s risk management approach (Article 435(1) CRR) for more information).

Risk reduction measures

At LBBW, risk reduction measures in connection with derivative counterparty credit risks involve entering into contractual netting and collateralization agreements recognized in accordance with Article 295 et seqq. CRR and using central counterparties. LBBW complies here with the requirements pursuant to Articles 296 and 297 CRR, which allow for the recognition of the netting agreements by the competent authorities.

The procedure for entering into and managing contractual netting and collateralization agreements for OTC derivatives is set out in the bank’s internal rules, in particular in the guideline on collateral and wrong-way risks and in the internal credit guidelines. The guideline on collateral and wrong-way risk is binding for all relevant areas of LBBW and governs the general handling of collateral in respect of counterparty credit risk. This framework is in part specified in more detail in the work instructions of the divisions affected. In the application of these agreements, LBBW aims to use standardized contracts (e.g. Deutscher Rahmenvertrag, ISDA Master Agreement) with the relevant hedging annexes. It also takes into account the rules laid down in the European Market Infrastructure Regulation (EMIR).

Wrong-way risks (WWRs) can occur in derivatives transactions when the exposure amount from the derivative is positively correlated with the likelihood of default by the counterparty. WWRs can be effectively reduced by limiting the exposure, for example. LBBW achieves this by concluding the bulk of its OTC derivatives business through central counterparties (CCPs) or, in bilateral transactions, by using hedging arrangements and accepting cash collateral that provide for low thresholds for additional margins and a daily valuation of customer portfolios.

In the brokerage business with Sparkassen, the derivatives concluded bilaterally are guaranteed by the Sparkassen.

Impact of a potential LBBW rating downgrade on the collateral amount to be furnished arising from bilaterally secured derivative positions

In the majority of cases, the agreements entered into do not provide for any increase in collateral if LBBW’s rating is downgraded. Some counterparties, however, stipulate an incremental increase in collateral in the event of a downgrade of LBBW’s rating. As at 31 December 2024, the additional funding obligation amounted to around EUR 13m in the event that LBBW is downgraded by at least three notches relative to LBBW’s long-term rating.

Allowances for losses on loans and advances

Credit risks of derivative transactions are taken into account in a credit value adjustment (CVA). This involves adjusting the fair value of a derivative by the value of the counterparty risk.

14.2 Analysis of CCR exposure by approach (Article 439 (f) to (g), (k), (m) CRR)

The methods used to determine the prudential requirements pursuant to the CRR are shown in the following table. LBBW uses SA-CCR (for derivatives) and the financial collateral comprehensive method (for SFTs) to calculate RWAs.

		a	b	c	d	e	f	g	h
	EUR million	**Replacement cost (RC)**	**Potential future exposure (PFE)**	**EEPE**	**Alpha used for computing regulatory exposure value**	**Exposure value pre-CRM**	**Exposure value post-CRM**	**Exposure value**	**RWEA**
EU1	EU - Original Exposure Method (for derivatives)								
EU2	EU - Simplified SA-CCR (for derivatives)								
1	SA-CCR (for derivatives)	3,022	6,284		1.4	27,670	12,960	12,937	2,999
2	IMM (for derivatives and SFTs)								
2a	Of which securities financing transactions netting sets								
2b	Of which derivatives and long settlement transactions netting sets								
2c	Of which from contractual cross-product netting sets								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)					39,467	39,300	39,300	1,362
5	VaR for SFTs								
6	**Total**					*67,137*	*52,259*	*52,237*	*4,362*

Figure 38: EU CCR1 – Analysis of CCR exposure by approach

The effective expected positive exposure is not shown because it is not relevant for LBBW.

14.3 Transactions subject to own funds requirements for CVA risk (Article 439 (h) CRR)

The following table shows the RWAs for the credit valuation adjustment (CVA) capital charge by approach.

		a	b
	EUR million	**Exposure value**	**RWEA**
1	Total transactions subject to the Advanced method		
2	(i) VaR component (including the 3× multiplier)		
3	(ii) stressed VaR component (including the 3× multiplier)		
4	Transactions subject to the Standardised method	3,944	1,342
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	**Total transactions subject to own funds requirements for CVA risk**	*3,944*	*1,342*

Figure 39: EU CCR2 – Transactions subject to own funds requirements for CVA risk

14.4 Standardised approach – CCR exposures by regulatory exposure class and risk weights (Article 439 (l) CRR)

The following table shows the counterparty credit risk exposures reported in the CRSA by exposure class and risk weight.

		Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
	EUR million **Exposure classes**	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total exposure value**
1	Central governments or central banks												
2	Regional government or local authorities	16				5							22
3	Public sector entities					11							11
4	Multilateral development banks												
5	International organisations												
6	Institutions	2,065											2,066
7	Corporates									199			199
8	Retail								32				32
9	Institutions and corporates with a short-term credit assessment												
10	Other items												
11	**Total exposure value**	*2,082*				*16*			*32*	*199*			*2,330*

Figure 40: EU CCR3 – Standardized approach – CCR exposures by regulatory exposure class and risk weights

14.5 IRB approach – CCR exposures by exposure class and PD scale (Article 439 (l) CRR)

The following table shows all relevant parameters used for the calculation of counterparty credit risk capital requirements in the IRB approach. The parameters are presented by exposure class and by fixed PD scales as set by the regulator. The column “Number of obligors” shows the number of obligors allocated to the individual PDs listed in the table. The column “Density of risk-weighted exposure amount” refers to the ratio of risk-weighted assets to exposures post credit conversion factors and credit risk mitigation.

	EUR million / PD scale	a	b	c	d	e	f	g
		Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk-weighted exposure amount (%)
1	Exposure class Central governments or central banks							
2	0.00 to < 0.15	2,569	0.00	107	33.18	2	5	0.00
3	0.15 to < 0.25							
4	0.25 to < 0.50							
5	0.50 to < 0.75							
6	0.75 to < 2.50							
7	2.50 to < 10.00							
8	10.00 to < 100.00							
9	100.00 (Default)							
10	*Sub-total*	*2,569*	*0.00*	*107*	*33.18*	*2*	*5*	*0.00*
11	Exposure class Institutions							
12	0.00 to < 0.15	36,959	0.07	180	12.64	1	1,898	5.00
13	0.15 to < 0.25	180	0.19	7	20.11	1	23	13.00
14	0.25 to < 0.50	601	0.32	5	12.32	1	59	10.00
15	0.50 to < 0.75	4	0.66	2	45.00	3	4	91.00
16	0.75 to < 2.50	0	0.93	1	45.00	3	0	95.00
17	2.50 to < 10.00							
18	10.00 to < 100.00							
19	100.00 (Default)							
20	*Sub-total*	*37,744*	*0.07*	*195*	*12.67*	*1*	*1,984*	*5.00*
21	Exposure class Corporates							
22	0.00 to < 0.15	7,408	0.00	780	25.00	1	952	13.00
23	0.15 to < 0.25	1,189	0.00	246	20.00	1	420	35.00
24	0.25 to < 0.50	537	0.00	368	45.00	2	322	60.00
25	0.50 to < 0.75	132	1.00	105	45.00	2	99	75.00
26	0.75 to < 2.50	190	1.00	157	45.00	2	174	92.00
27	2.50 to < 10.00	93	5.00	98	45.00	2	137	147.00
28	10.00 to < 100.00	24	16.00	22	37.00	3	44	181.00
29	100.00 (Default)	21	100.00	15	45.00			
30	*Sub-total*	*9,594*	*0.00*	*1790*	*26.00*	*1*	*2,148*	*22.00*
31	**Total (all CCR relevant exposure classes)**	*49,907*	*0.14*	*2091*	*16.37*	*1*	*4,137*	*8.00*

Figure 41: EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale

14.6 Composition of collateral for CCR exposures (Article 439 (e) CRR)

The following table gives a breakdown of all types of collateral posted or received by banks to reduce counterparty credit risk. “Segregated” means collateral that is held in a bankruptcy-remote manner as defined in Article 300 CRR. “Unsegregated” refers to collateral that is not held in a bankruptcy-remote manner.

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	EUR million	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	147	11,253		7,633				
2	Cash – other currencies		1,356		1,445				
3	Domestic sovereign debt		1,359				3,891		6,251
4	Other sovereign debt		791		109		11,317		10,447
5	Government agency debt						44		38
6	Corporate bonds			166			6,361		1,147
7	Equity securities						7,636		437
8	Other collateral	407	544	1,835	3		15,351		2,323
9	**Total**	*553*	*15,303*	*2,001*	*9,189*		*44,600*		*20,643*

Figure 42: EU CCR5 – Composition of collateral for CCR exposures

14.7 Credit derivatives exposures (Article 439 (j) CRR)

The following table sets out the notional amounts and fair values of the credit derivatives bought and sold for the Bank’s own credit portfolio and for the trading portfolio by type of credit derivative (based on notional value). Credit derivatives from brokering activities were not used by LBBW in 2024.

		a	b
	EUR million **Notionals**	**Protection bought**	**Protection sold**
1	Single-name credit default swaps	5,339	4,716
2	Index credit default swaps		
3	Total return swaps	2,567	
4	Credit options		
5	Other credit derivatives	1,854	534
6	**Total notionals**	*9,761*	*5,250*
Fair values			
7	*Positive fair value (asset)*	*29*	*87*
8	*Negative fair value (liability)*	*-141*	*-5*

Figure 43: EU CCR6 – Credit derivatives exposures

The above table (EU CCR6) divides credit derivatives by protection bought and protection sold. Fair values are shown separately as positive and negative values. No distinction is drawn between types of credit derivative.

Disclosure of table *EU CCR7 – RWEA flow statements of CCR exposures under the IMM* is not relevant for LBBW, as there is no internal model for counterparty credit risks.

14.8 Exposures to central counterparties (Article 439 (i) CRR)

The following table shows exposures to central counterparties (CCPs) broken down by qualifying and non-qualifying CCPs and by exposure class.

		a	b
	EUR million	**Exposure value**	**RWEA**
1	**Exposures to QCCPs (total)**		*349*
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	24,794	147
3	(i) OTC derivatives	712	14
4	(ii) Exchange-traded derivatives		
5	(iii) SFTs	24,082	133
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin	166	
8	Non-segregated initial margin		
9	Prefunded default fund contributions	676	202
10	Unfunded default fund contributions		
11	*Exposures to non-QCCPs (total)*		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	(i) OTC derivatives		
14	(ii) Exchange-traded derivatives		
15	(iii) SFTs		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Prefunded default fund contributions		
20	Unfunded default fund contributions	1,101	

Figure 44: EU CCR8 – Exposures to CCPs

15 Disclosure of exposures to securitization positions (Article 449 CRR)

LBBW concluded two additional synthetic securitizations in the 2024 reporting year. These securitizations cover loans to companies in LBBW's non-trading book that remain on the balance sheet of the originator because of the synthetic structure. The significant risk transfer is achieved here using a credit-linked note on the mezzanine tranche. In both cases, the significant risk transfer is based on Article 245(2) (a) CRR, as the total risk-weighted exposure amount of the mezzanine tranche is placed on the market. LBBW's RWAs are reduced accordingly. The efficiency of the transactions is substantiated by new business that is enabled by the reduced own funds requirements of the securitized portfolio. The two transactions were additionally notified as STS securitizations.

In all of the securitizations it enters into, LBBW meets the risk retention obligation by holding an originator share of at least 5% of the nominal value of each securitized exposure in accordance with Article 6(3) (a) of the Securitization Regulation. The remaining exposure after the risk retention is deducted is tranched in line with the securitization structure. The total mezzanine/first loss tranche is placed on the market.

At least 95% of the securitized exposures are assigned exclusively to the IRB, which means that the internal ratings-based approach (SEC-IRBA) applies to the calculation of the risk-weighted exposure amounts.

15.1 Qualitative disclosure requirements related to securitization positions (Article 449 (a) to (i) CRR)

LBBW holds securitization positions in its function as an originator, an investor and a sponsor.

Investor positions

LBBW invested in eight additional securitization transactions in the 2024 reporting year. Investor position risk is regularly monitored on the basis of the investor reports.

External ratings are generally available for the investor positions held by LBBW, which means that the ratings-based approach (SEC-ERBA) is applied. Irrespective of the type of securitized exposures and securitization positions, LBBW takes into account the ratings of the recognized rating agencies Standard & Poor's Ratings Services, Moody's Investors Service or Fitch Ratings Ltd. The majority of the securitizations have good to investment grade ratings. Four investor positions do not have an external rating and so these exposures are treated in accordance with the SEC-SA approach.

Sponsor positions

LBBW acts as a sponsor and/or arranger of securitization programs as part of customer transactions, offering customers innovative, capital market-oriented financing alternatives.

In its role as a sponsor and/or arranger of customer transactions, LBBW continued to support higher-end SMEs with new financing solutions in 2024. The aim here is to harness the cross-selling potential at existing customers and to use this form of finance selectively for attracting new customers that meet the target customer definition formulated for the corporate customer business. The objective of this is to achieve sustainable success for customers and the bank.

LBBW provides its corporate customers with support in the context of receivables securitizations through its Weinberg ABCP program and also through Weinberg Finance DAC, Dublin, a new company that was founded in October 2024. It concentrates on the securitization of first-class, SME and real-economy receivable portfolios, with a focus on trade and lease receivables. In hidden transactions, participating companies benefit from capital market funding, off-balance solutions, funding diversification and, in some cases, improved processes in accounts receivable management.

As part of its securitization programs, LBBW provides liquidity facilities and, if necessary, swap lines to the appropriate Weinberg Funding Ltd., Jersey and Weinberg Capital DAC, Dublin special-purpose vehicles in addition to performing its role as a service provider. LBBW also acts as collateral trustee for these SPVs. LBBW essentially makes the same services available to Weinberg Finance DAC, Dublin, but the funding is provided to this special-purpose vehicle through bilateral credit facilities of LBBW. Both the liquidity lines and the bilateral credit lines are held in the banking book here.

In its function as service provider, LBBW is exclusively responsible for structuring, administering and coordinating the customer transactions. It also manages the bank accounts that the SPVs hold at LBBW. Alongside two other banks, LBBW also acts as a dealer for the euro commercial paper of the Weinberg program.

The liquidity risks that are accepted are recorded on a daily basis by Liquidity Risk Controlling at LBBW. Relevant work instructions have been issued to mitigate operational risks (particularly those arising from the function as the Weinberg administrator). The risk arising from the individual transactions is assessed by the relevant front and back offices at least once a year for trading receivables and for interest-bearing receivables. The back office informs the front office of any irregularities in the course of the transaction. Moreover, the front office informs the back office immediately of any changes in the ratings of the parties involved as they become known. The back office incorporates the information in the next rating review. Likewise, the front office notifies the back office immediately of any termination events reported by the company (for example, covenant breaches) or if there are imminent signs of a termination event (possible early indications given during conversations). The front office decides whether or not to support a waiver request from the company. Waiver requests are reviewed and processed by the back office to see if they contain any risk. In this connection, proposals for the next steps to be taken are drawn up in consultation with the front office.

With a few exceptions, all securitization positions in the ABCP program for which LBBW reports risk-weighted securitization values as a sponsor are rated using the Internal Assessment Approach (SEC-IAA). All transactions rated using the SEC-IAA use the risk weighting tables pursuant to under Article 263 CRR, while STS transactions use the tables pursuant to Article 264 CRR (both SEC-ERBA approach). The SEC-SA approach pursuant to Article 261 CRR is applied for Weinberg finance transactions for capital requirements purposes, while the method pursuant to Article 262 is used for STS transactions.

Under the EU Securitization Regulation, LBBW has assumed the function of reporting entity for all of the transactions it sponsors. The relevant transparency requirements under Article 7 of the Securitization Regulation were met. In addition, all transactions were evaluated with regard to their lending criteria in connection with Article 5(2) and Article 9 of the Securitization Regulation. The provision of supporting liquidity lines or credit lines meets the risk retention requirements in accordance with Article 6 of the Securitization Regulation.

In 2024, LBBW notified a total of eight additional transactions in its Weinberg ABCP program as STS. In all STS transactions, correspondingly lower capital weightings under Article 243(1) in conjunction with Article 264 CRR are applied to the liquidity lines provided.

The commercial papers of the Weinberg Capital DAC multiseller conduit can be issued either as euro commercial papers (issued by Weinberg Capital DAC, Dublin) or, since 2011, as US commercial papers (issued by Weinberg Capital DAC, Dublin, with Weinberg Capital LLC, Delaware, as co-issuer). The conduits continued, however, not to make use of the option of issuing US commercial paper in 2024. The commercial papers are rated by Moody’s Investors Service and Fitch Ratings Ltd. The Weinberg ABCP program does not meet the STS requirements under Article 23(2) of the Securitization Regulation.

Apart from the Weinberg ABCP program (including the associated constructs/SPVs) and Weinberg Finance DAC, no other special-purpose vehicles are advised or managed by LBBW as a sponsor or originator.

Originator positions

LBBW maintained six synthetic originator positions in the 2024 reporting year.

Re-securitizations

LBBW did not hold any re-securitization positions during the 2024 reporting year.

Presentation of the procedures for determining exposure values

The bank’s internal credit risk strategy allows a limited number of new securitization positions to be entered into with the bank’s core customers. A requirement for this, however, is that a differentiated analysis and documentation of the risk profile of each securitization position is drawn up that takes into account the transactions drivers that may exert a direct or indirect influence on the risk content of the securitization position.

The investor positions are recognized as SEC-ERBA/SEC-SA securitization positions.

The bank normally uses the ratings-based approach in the investor portfolio for SEC-ERBA securitization positions and the derived credit rating assessment only in isolated cases.

The majority of investments are classified as high quality and granular and normally have at least one rating from a recognized rating agency. If no external rating is available, the bank applies the SEC-SA approach.

The SEC-SA approach is used for Weinberg Finance DAC. An indicative SEC-IAA rating is produced for quantifying risk (see below).

The liquidity lines and swaps (sponsor positions) provided as part of the ABCP (asset-backed commercial paper) program are weighted using the Internal Assessment Approach (SEC-IAA). To this end, LBBW developed and rolled out corresponding models for measuring trading and interest-bearing receivables in 2008. The SEC-IAA is generally based on publicly available models of the rating agencies.

The IAA module for the securitization of trading receivables takes into account the asset credit risk (credit rating risks) and the seller risk as counterparty risks. The latter includes the dilution and the commingling risk as further subcategories. In addition, the IAA module covers the transaction risk that emerges if a seller is no longer able to bear the transaction costs incurred (e.g. SPV costs, funding costs). This is typically the case in the event of a premature winding-down of the transaction following the seller’s insolvency. The module for interest-bearing receivables is essentially based on the assumption that there are no open residual value risks. As with trading receivables, a distinction is made in interest-bearing receivables between the risks of the asset pool (asset credit risk) and seller risks (in addition to the dilution risk, commingling risk and transaction/funding costs risk including interest rate risk). If there is an excess spread, a prepayment risk may result. The prepayment risk refers to the risk that the future excess spread of this receivable is no longer available as a credit enhancement due to an early termination of the contract underlying the interest-bearing receivable.

The chart below shows the allocation of potential losses, broken down into the four main types of risk, to the individual credit enhancement components:

The IAA module is used for assessing the risk of the liquidity lines (rating review/rating renewal) for trading receivables and for interest-bearing receivables by the relevant front and back office divisions.

The internal rating procedure is validated on an annual basis. This is overseen by an organizational unit within Group Risk Control. The validation results are submitted to the front and back offices that manage the ABCP program or the securitization positions that are assessed using the IAA modules. The validation results are accepted by an area head committee.

If LBBW purchases commercial papers (CP) under its own ABCP program, this is classified as an overlapping position under Article 248(2) CRR. This means that the risk exposures are backed by the risk weightings of the securitization liquidity facilities provided by LBBW under Article 248(3) CRR.

List of securitization special purpose entities (SSPEs) in accordance with Article 449 d CRR

Name	Type of exposure	Type of SSPE
Weinberg Capital DAC	Liquidity lines, swap lines	SSPE sponsored by the institution (sponsor position)
Weinberg Finance DAC	Liquidity lines, swap lines	SSPE sponsored by the institution (sponsor position)
Weinberg Funding Ltd.	None	SSPE sponsored by the institution (sponsor position)

LBBW does not provide any securitization-related services for SSPEs except for the SSPEs sponsored by the institution (sponsor positions).

No support has been provided in accordance with point (e) of Article 449 (implicit support, Article 248 CRR). There are also no plans to do so in the future.

Securitization positions in the trading book

LBBW did not hold any trading-book securitization positions in 2024. Furthermore, LBBW does not have any retained or assumed re-securitization positions in the portfolio.

Accounting policies for securitizations

LBBW essentially held the role of investor, sponsor and/or arranger, service provider (structuring, administration, coordination, account maintenance), securities trustee or bank providing liquidity in securitization transactions for special-purpose vehicles.

As at 31 December 2024, EUR 11.1bn (loan receivables from companies based in Germany) is available for six synthetic securitization transactions.

Consolidation rules

Under IFRS 10, a special purpose vehicle is assumed to be controlled by LBBW or one of its subsidiaries if the role that it plays with regard to the special purpose vehicle cumulatively satisfies the following three conditions:

- LBBW has direct or indirect decision-making authority to direct the business activities that are key for the economic success of an enterprise;
- it is exposed to variable returns from these companies that can be either positive or negative;
- it can use its decision-making authority to affect the amount of the company’s variable returns.

The consolidation of special purpose vehicles is not dependent on the amount of the capital investment or the percentage of voting rights held. The accounting scope of consolidation under IFRS may deviate from the scope of prudential consolidation under CRR due to differing statutory conditions for consolidation.

The following special purpose vehicles related to securitization transactions were included in the IFRS consolidated financial statements as at 31 December 2024:

- Weinberg Capital DAC, Dublin
- Weinberg Funding Ltd., Jersey
- Weinberg Finance DAC, Dublin.

All the assets and liabilities held by these SPVs are included in LBBW’s consolidated financial statements.

If the link between LBBW and a special purpose vehicle does not result in the SPV being included in the IFRS consolidated financial statements, only the relationship to the special purpose vehicle is reflected in the income statement.

LBBW as investor

The securitization products acquired by the LBBW Group as an investor are allocated to the non-trading book for regulatory purposes.

In accordance with IFRS 9, the products were allocated to “measured at amortized cost” or “mandatorily measured at fair value through profit or loss” at the time of acquisition in line with their documented business model and the cash flow criterion and were measured as shown below:

Financial assets measured at amortized cost:

This balance sheet item includes financial assets that belong to portfolios with the “Hold” business model and that meet the requirement of a simple loan agreement. The item comprises exclusively non-derivative debt instruments such as accounts receivable and securities. These financial assets are measured at amortized cost.

Interest income (positive and negative) and fees similar to interest from these financial assets are recognized in the income statement under “Net interest income and current income from equity instruments”. Expenses and income from allowances for losses on loans and advances as well as gains and losses from selling these financial assets can be found in the income statement under the item “Net income from financial assets measured at amortized cost”.

Financial assets mandatorily measured at fair value through profit or loss:

Financial assets that neither meet the requirements of a simple loan agreement nor belong to a portfolio with the “Sell” business model are recognized in this balance sheet item. A subsequent remeasurement at fair value through profit or loss takes into account all fluctuations in fair value directly in the income statement. Fair value is defined in accordance with IFRS 13 as the price at which an asset or liability could be exchanged at the measurement date in an orderly transaction between market participants.

Interest income (positive and negative) from these financial assets and distributions from equity instruments are recognized in the income statement under “Net interest income and current income from equity instruments”. Changes to fair value and gains and losses from selling these financial instruments can be found in the income statement under the item “Net gains/losses from financial instruments measured at fair value through profit or loss”.

LBBW as sponsor, arranger, service provider or collateral trustee

If LBBW acts solely as a sponsor, arranger, service provider or collateral trustee in customer transactions, this does not result in assets requiring disclosure in the balance sheet.

LBBW as a bank granting liquidity

If LBBW makes liquidity facilities available, they must be categorized as loans under “measured at amortized cost” (IFRS) upon utilization.

Upon utilization, swaps are recognized as derivatives under IFRS and allocated to the category “Financial assets mandatorily measured at fair value through profit or loss”.

15.2 Securitisation exposures in the non-trading book (Article 449 (j) CRR)

The following table (template EU-SEC1) shows LBBW’s non-trading book positions in its role as sponsor broken down by the underlying exposure class. Total amounts are split into traditional and synthetic securitizations as well as into STS securitizations and non-STS securitizations. LBBW did not transact any securitization positions without the transfer of receivables in the reporting year.

As part of the traditional securitizations, LBBW acts as sponsor in the Weinberg ABCP program. The volume of the corresponding ABCP transactions is shown in table EU SEC1 under “Institution acts as sponsor”/“Traditional”.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Subtotal	Traditional			Subtotal	Traditional			Subtotal
		STS		Non-STS												
	EUR million		of which SRT		of which SRT		of which SRT		STS	Non-STS	Synthetic		STS	Non-STS	Synthetic	
1	Total exposures					10,435	10,435	10,435	4,144	226		4,370	1,450	544		1,994
2	*Retail (total)*												*401*	*235*		*636*
3	residential mortgage															
4	credit card															
5	other retail exposures												401	235		636
6	re-securitisation															
7	*Wholesale (total)*					*10,435*	*10,435*	*10,435*	*4,144*	*226*		*4,370*	*1,050*	*309*		*1,358*
8	loans to corporates					10,435	10,435	10,435					444			444
9	commercial mortgage															
10	lease and receivables								4,144	226		4,370	606	309		915
11	other wholesale															
12	re-securitisation															

Figure 45: EU-SEC1- Securitization exposures in the non-trading book

Disclosure of template *EU SEC2 – Securitization exposures in the trading book* is not relevant for LBBW, as it currently has no trading book exposures in its portfolio.

Furthermore, LBBW does not have any retained or assumed re-securitization positions in the portfolio.

15.3 Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor (Article 449 (k) CRR)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	EUR million	≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1250% RW	1250% RW / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	Total exposures	12,279	2,230	162		134	10,301	3,789	581	134	1,064	931	58	0	85	74	5	0
2	Traditional transactions	1,979	2,230	162				3,789	581			931	58			74	5	
3	Securitisation	1,979	2,230	162				3,789	581			931	58			74	5	
4	Retail underlying																	
5	Of which STS																	
6	Wholesale	1,979	2,230	162				3,789	581			931	58			74	5	
7	Of which STS	1,979	2,080	86				3,563	581			853	58			68	5	
8	Re-securitisation																	
9	Synthetic securitisation	10,301				134	10,301			134	1,064			0	85			0
10	Securitisation	10,301				134	10,301			134	1,064			0	85			0
11	Retail underlying																	
12	Wholesale	10,301				134	10,301			134	1,064			0	85			0
13	Re-securitisation																	

Figure 46: EU-SEC3 – Securitization exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor

15.4 Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor (Article 449 (k) CRR)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	EUR million	≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1250% RW	1250% RW / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	Total exposures	1,977	9	7				1,028	965			104	133			8	11	
2	Traditional securitisation	1,977	9	7				1,028	965			104	133			8	11	
3	Securitisation	1,977	9	7				1,028	965			104	133			8	11	
4	Retail underlying	636						401	235			40	35			3	3	
5	Of which STS	401						401	0			40	0			3		
6	Wholesale	1,341	9	7				628	731			64	98			5	8	
7	Of which STS	1,033	9	7				628	422			64	50			5	4	
8	Re-securitisation																	
9	Synthetic securitisation																	
10	Securitisation																	
11	Retail underlying																	
12	Wholesale																	
13	Re-securitisation																	

Figure 47: EU-SEC4 – Securitization exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor

15.5 Exposures securitised by the institution - Exposures in default and specific credit risk adjustments (Article 449 (l) CRR)

		a	b	c
		Exposures securitised by the institution – Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
	EUR million		Of which exposures in default	
1	**Total exposures**	15,426	62	0
2	Retail (total)			
3	residential mortgage			
4	credit card			
5	other retail exposures			
6	re-securitisation			
7	Wholesale (total)	15,426	62	0
8	loans to corporates	11,056	40	0
9	commercial mortgage			
10	lease and receivables	4,370	22	0
11	other wholesale			
12	re-securitisation			

Figure 48: EU-SEC5 – Exposures securitized by the institution – Exposures in default and specific credit risk adjustments

16 Disclosure of the use of the standardized approach and of the internal models for market risk (Articles 435, 445 and 455 CRR)

Definitions

LBBW defines market price risks as potential losses resulting from unfavorable changes in market prices or factors influencing prices. Market price risks are split into the categories equity, interest rates and exchange rates/commodities. The following types of market price risk arise from LBBW's business activities.

Equity risk

The equity risk results from changes in share and/or index prices as well as from share or index volatilities.

Interest rate risk

The interest rate risk is based on changes in market interest rates, interest spreads, interest rate volatilities and also inflation (interest risk in the narrower sense). Specific interest rate risks such as credit spread risks are also included.

FX/commodity risk

The FX risk relates to the development of exchange rates. The commodity risk relates to changes in the price of precious metals and commodities. It also includes price change risks from environmental, energy and power products (gas, electricity, carbon allowances).

In the LBBW Group, the currency/commodity risks are summarized and reported under foreign exchange risk.

16.1 Qualitative disclosure requirements related to market risk (Article 435(1) (a) to (d) CRR)

Market price risk management

LBBW's market price risk strategy documents the strategic objectives for the specific types of risk. It describes the activities exposed to market price risks and the underlying strategies for all of LBBW's relevant organizational units, branches and subsidiaries. Moreover, the market price risk strategy addresses the deliberate and controlled approach to these risks to strategically leverage the opportunities which they hold. In this respect, it fleshes out the bank's business strategy with regard to market price risks. It is itself specified in greater detail in organizational policies (e.g. work instructions, manuals, portfolio profiles). In addition, the guidelines on risk management represent the key strategic principles and rules of conduct for evaluating risks and opportunities within the LBBW Group and thus form the basis for a uniform, company-wide understanding of the corporate objectives in connection with risk management. The top management aim of the front office divisions is to generate IFRS earnings. Risk management includes all measures that are used to systematically recognize, analyze, measure, monitor, control and avoid/reduce risk.

In the case of market price risks, risk monitoring and reporting is conducted for the LBBW Group, excluding Berlin Hyp, by the Traded Risk unit, which is part of the Group Risk Control division (Risk Control). Risk Control operates independently of trading, thus ensuring a separation of functions. Risk Control reports directly to the member of the Board of Managing Directors with responsibility for risk management and compliance.

LBBW's market risk exposures are marked to the market on a daily basis by the controlling units in question. This is used as a basis for calculating business performance. Market price risks are quantified using value-at-risk approaches, which are supplemented by sensitivity measurements and stress tests. The risk ratios are addressed by means of corresponding portfolio limits that are used to cap the market price risks. Risk controlling in Stuttgart prepares a daily report for the LBBW Group, including Berlin Hyp, that gives an overview of earnings performance and risk development.

An overall risk report is prepared for the LBBW Group each month with detailed information about earnings performance, risk development, economic capital and the monitoring of the economic capital limit.

The integrated bank management of the LBBW Group excluding Berlin Hyp is supplemented by weekly stressed value-at-risk calculations. This is based on an observation period which covers a significant stress period. This observation period is determined at least once a year for the CRR portfolio relevant for prudential disclosures that contains all the trading book positions of LBBW (Bank) excluding non-transparent investment funds. The calculations are included in the own fund requirements for the trading book in accordance with the internal model as well as in the determination of the economic capital requirement for market price risks. Berlin Hyp is a non-trading book institution. For the Group view, an institution-specific value for Berlin Hyp adjusted for the Group model is added to the economic capital of the remaining LBBW Group portfolio to give a Group amount.

16.2 Market risk under the standardized approach (Article 445 CRR)

LBBW calculates the capital requirements for market price risks for general interest rate and equity risk including option price risks using the Internal Model Method. Specific risks and currency and commodity risks are calculated using the Standardized Approach.

		a
	EUR million	**RWEAs**
	Outright products	
1	Interest rate risk (general and specific)	1,504
2	Equity risk (general and specific)	420
3	Foreign exchange risk	503
4	Commodity risk	266
	Options	
5	Simplified approach	
6	Delta-plus approach	27
7	Scenario approach	
8	**Securitisation** *(specific risk)*	
9	**Total**	*2,719*

Figure 49: EU MR1 – Market risk under the standardized approach

16.3 Qualitative disclosure requirements for institutions using the internal market risk models (Article 455 (a) to (c), (f) CRR)

Internal model in accordance with CRR

The LBBW Group’s market price risk model is also used uniformly for all sub-portfolios and for the Group’s subsidiaries that are integrated in Group-wide standardized management based on the value-at-risk risk indicator. Berlin Hyp constitutes an exception, as it uses its own risk model to calculate market price risk. Berlin Hyp does not calculate risk-weighted exposure amounts using an internal risk model. The following explanations thus relate to the internal risk model of the LBBW Group excluding Berlin Hyp, which the responsible authority has authorized for determining the capital adequacy for market price risks.

The internal risk model is used to calculate value-at-risk (VaR) daily and stressed VaR weekly from market price risks with a confidence level of 99% and a ten-day holding period by using the square root of time for scaling up to ten days. The parameters 99% and a one-day holding period are used for internal bank management. Both VaR and stressed VaR are calculated using a procedure based on a Monte Carlo simulation. Market-induced movements in the value even of complex transactions are also taken into account, mostly with full revaluation. Market data time series for the preceding 250 days are weighted equally in covariance estimates. The aforementioned stressed VaR is also used to calculate the capital requirement.

The relevant stressed VaR period is currently the period from 31 August 2008 up to 31 August 2009 and includes the worst-case period for LBBW's CRR portfolio.

In the risk calculation simulation, the deviation of the risk factors is calculated using the following models: equity prices, FX rates, commodities and interest-rate volatility using log yields, CDS spreads and interest rates, including inflation, using absolute yields and equity/FX volatilities using relative yields.

Interest rate risks describe potentially negative developments in market interest rates. In addition to parallel shifts and turns in yield curves, basic risks arising from movements in the relevant fixed-income markets relative to each other are also included in risk calculations.

Credit spread risks from securities and Schuldschein loans are measured on the basis of the general and specific issuer risk. This risk category includes trading book transactions that are sensitive to credit ratings. For the purpose of measuring general risk, these instruments are allocated to rating and sector-dependent yield curves on a risk basis as well as CDS spreads to reflect issuer-specific risks. Separate discount curves are also used for government bonds and bonds issued by German federal states.

Reference borrowers are allocated to CDS sector curves for credit spread risks from credit derivatives. The allocated CDS sector curves are deflected for the general interest rate risk.

Interest rate and credit spread risks account for the most significant share of LBBW's market price risk. Equity and FX risks are less significant.

Stress tests

Stress testing is used to examine how the value of the portfolio changes under extreme market conditions. LBBW's risk system includes historical and hypothetical (self-defined) scenarios. Hypothetical scenarios are based mostly on selected market factor groups such as individual and combined interest shifts. Historical scenarios were generated from the data analyses of market shocks. All scenarios serve the purpose of mapping extreme events in the financial markets on a forward-looking basis in cases in which these are not specifically included in the VaR. These scenarios are applied to the portfolio on a weekly basis together with the pre-defined market data changes and any resulting changes in the present values reported as stress test results for sub-portfolios.

At present, a scenario reflecting the EBA 2023 stress test is the scenario with the greatest impact on LBBW's trading book. Changes in interest rates, credit spreads and FX, among others are simulated here.

The scenario with the second largest impact on LBBW's trading book is the scenario representing an increase in credit spreads.

Inclusion in the trading book

The central document for allocating positions to the trading book is the Internal Criteria of LBBW (including foreign branches) for the purpose of defining the trading book in accordance with Articles 102 et seqq. CRR. This document describes the general allocation criterion as well as specific details with respect to the business portfolio of LBBW (Bank) and the rules for shifts between the non-trading book and the trading book. The Internal Criteria also include the following rules.

Pursuant to Article 4(1) point (86) CRR, LBBW's trading book consists of "all positions in financial instruments and commodities held [...] either with trading intent or to hedge positions held with trading intent". According to Article 4(1) point (86) CRR, the decisive criterion for the allocation of a financial instrument or a commodity to the trading book is the trading intent or the hedging of other positions held with trading intent. This is expressed as the intent to generate income from own trading, i.e. to leverage differences between buying and selling prices or from other price, value or interest rate variations in the short term or to sell the position at short notice. Trading intent as per Article 102(2) CRR can be demonstrated clearly based on LBBW's market price/liquidity risk strategy along with the clearly written rules on the active management and monitoring of the positions held in the trading book.

The trading strategy also includes the expected holding period (Article 103 (a) CRR). At LBBW, this period is up to one year. If positions allocated to the trading book are not resold or closed within this period, the intended purpose and the future allocation to the trading or non-trading book are reviewed based on the holding period concepts defined internally. The review is based on an analysis of whether the portfolio is being actively managed. The first stage here involves granular monitoring of changes in the portfolio's sensitivities between the trading days. Any conspicuous positions are then evaluated in detail at the individual deal level in order to ensure that the allocation to the trading book is still appropriate.

In addition to the review of the holding period, tradability is also reviewed. Under normal market conditions, the criteria set out in LBBW's holding-period concept are factored in to check the tradability and hedgeability of the positions' market risk in the trading book. These criteria each refer to individual product classes. The middle office of the competent trading areas is responsible for checking with the appropriate trader the tradability and hedgeability of each and every position that has exceeded the permitted holding period based on technical evaluations and taking into account the criteria mentioned earlier. Apart from answering the question of whether the position is still tradable and hedgeable, the staff in charge are required to provide a detailed justification of any remaining trading intent based on an assessment of the market and of tradability and hedgeability. The holding period and marketability are monitored on the set dates, specifically as at the last trading days of June and December.

Reallocation decisions in relation to individual positions that have to be switched from the trading into the non-trading book because the holding period has been exceeded or for any other reason defined in the Internal Criteria shall be taken in accordance with set procedures and documented in writing.

Measurement of trading book positions

LBBW measures its trading book positions at market prices that are obtained on a daily basis from sources independent of trading and are especially quality-assured or which are supplied by the trading units and examined in Risk Control. Risk Control also applies consistent standards and processes for performing an independent price verification (IPV) process, in which trading prices are monitored on an independent basis.

The providers of market data used include LSEG, Bloomberg and S&P Global. If the data is not directly observable in the market, LBBW uses measurement models that incorporate parameters derived from market prices. In addition, model valuation adjustments are made on the basis of the prudence principle.

Adjustments in accordance with Article 105 CRR ("prudent valuation")

In addition, LBBW makes deductions from its regulatory own funds to allow for model risks, settlement costs, market price uncertainty, unearned credit risk premiums, operational risks, less liquid and concentration positions as well as administration expenses and cash investment and borrowing costs. These adjustments are calculated for all positions measured at fair value and deducted from the Common equity Tier 1 capital. The prudent valuations are regularly reviewed in a procedure documented in writing in LBBW's rules.

16.4 Market risk under the internal Model Approach (IMA) (Article 455 (e) CRR)

	EUR million	a RWAs	b Own funds requirements
1	**VaR** *(higher of values a and b)*	*384*	*31*
a)	Previous day's VaR (VaRt-1)		9
b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		31
2	**SVaR** *(higher of values a and b)*	*1,901*	*152*
a)	Latest available SVaR (SVaRt-1)		41
b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		152
3	**IRC** *(higher of values a and b)*		
a)	Most recent IRC measure		
b)	12 weeks average IRC measure		
4	**Comprehensive risk measure** *(higher of values a, b and c)*		
a)	Most recent risk measure of comprehensive risk measure		
b)	12 weeks average of comprehensive risk measure		
c)	Comprehensive risk measure Floor		
5	**Other**		
6	**Total**	*2,285*	*183*

Figure 50: EU MR2-A – Market risk under the Internal Model Approach (IMA)

16.5 RWA flow statements of market risk exposures under the IMA (Article 438 (h) CRR)

	EUR million	a VaR	b SVaR	c IRC	d Comprehensive risk measure	e Other	f Total RWAs	g Total own funds requirements
1	*RWAs at previous period end*	*407*	*1,993*				*2,400*	*192*
1a	Regulatory adjustment	298	1,380				1,678	134
1b	*RWAs at the previous quarter-end (end of the day)*	*109*	*613*				*722*	*58*
2	Movement in risk levels	7	-97				-90	-7
3	Model updates/changes							
4	Methodology and policy							
5	Acquisitions and disposals							
6	Foreign exchange movements							
7	Other	1					1	0
8a	*RWAs at the end of the disclosure period (end of the day)*	*117*	*517*				*634*	*51*
8b	Regulatory adjustment	266	1,384				1,651	132
8	*RWAs at the end of the reporting period*	*384*	*1,901*				*2,285*	*183*

Figure 51: EU MR2-B – RWEA flow statements of market risk exposures under the IMA

The value calculated for RWEAs in accordance with the internal model is lower when compared to the previous quarter. The different effect of changes in exposures on VaR and SVaR is evident when looking at the RWEAs before regulatory adjustment. Despite a model factor that was increased as a result of backtesting assumptions, RWEAs after regulatory requirements also declined. The effect of the elimination of older and higher values included in the RWEA calculation is the predominant factor here.

16.6 IMA values for trading portfolios (Article 455 (d) CRR)

The following table shows the normal VaR and the stressed VaR for the trading book (99%/10 days) at institution level.

	EUR million	a
	VaR (10 day 99%)	
1	Maximum value	13
2	Average value	10
3	Minimum value	8
4	Period end	9
	SVaR (10 day 99%)	
5	Maximum value	60
6	Average value	49
7	Minimum value	38
8	Period end	41
	IRC (99.9%)	
9	Maximum value	
10	Average value	
11	Minimum value	
12	Period end	
	Comprehensive risk measure (99.9 %)	
13	Maximum value	
14	Average value	
15	Minimum value	
16	Period end	

Figure 52: EU MR3 — IMA values for trading portfolios

16.7 Comparison of VaR estimates with gains/losses (Article 455 (g) CRR)

Backtesting and validation

LBBW's market risk model is subject to an extensive validation program implemented within Risk Control by the Independent Validation Unit, which is organizationally independent of model development. In this validation program, the potential model risks are identified in the stochastics of the market factors (including distribution model, risk factor model), in the implemented valuation procedures (measurement model) and in the relevant market data (market data model), and are measured in terms of their materiality using tailor-made analyses. These analyses comprise benchmarking and backtesting. Benchmarking compares the productive model against benchmark models that are (objectively) improved in one or more model components in order to quantify incorrect VaR forecasts (from one or more model weakness(es)). In contrast, backtesting constitutes statistical backtesting of risk predictions with hypothetical (clean backtesting) and actual changes in portfolio value (dirty backtesting), which excludes credit, debit and additional valuation adjustments. In this context, the hypothetical changes in portfolio value are so separate that backtesting allows not only a statement on the forecast quality of the model as a whole, but also isolated statements on the quality of the distribution model, the risk factor model and the measurement model. If the validation indicates material model risks, these are made transparent to the model developers and recipients of the reports so that necessary model optimization measures can be initiated promptly.

The CRR portfolio, which comprises trading transactions where the own funds requirements for general equity and general interest rate risks are determined using the internal risk model, shows six outliers in the past 250 trading days for the clean P/L. Based on the dirty P/L, there were no outliers for the CRR portfolio. In backtesting, models representing 45.7% of total own funds requirements for market price risks are compared with historical data.

The table below gives an overview of the outliers in clean backtesting:

Date	Excess amount in EUR m	Cause
5 August 2024	3.1	Change in credit spreads, interest rate movement
31 October 2024	0.1	Change in credit spreads
6 November 2024	2.0	Change in credit spreads, interest rate movement
7 November 2024	1.6	Change in credit spreads
11 November 2024	0.2	Change in credit spreads, interest rate movement
2 December 2024	0.1	Interest rate movement

No outliers were recorded in the dirty backtesting in 2024.

For a better overview, clean backtesting and dirty backtesting are illustrated in two charts (1) and (2).

Clean backtesting CRR portfolio for the period from 7 January 2024 to 30 December 2024 in EUR million

VaR parameters: 99% confidence level, 1-day holding period

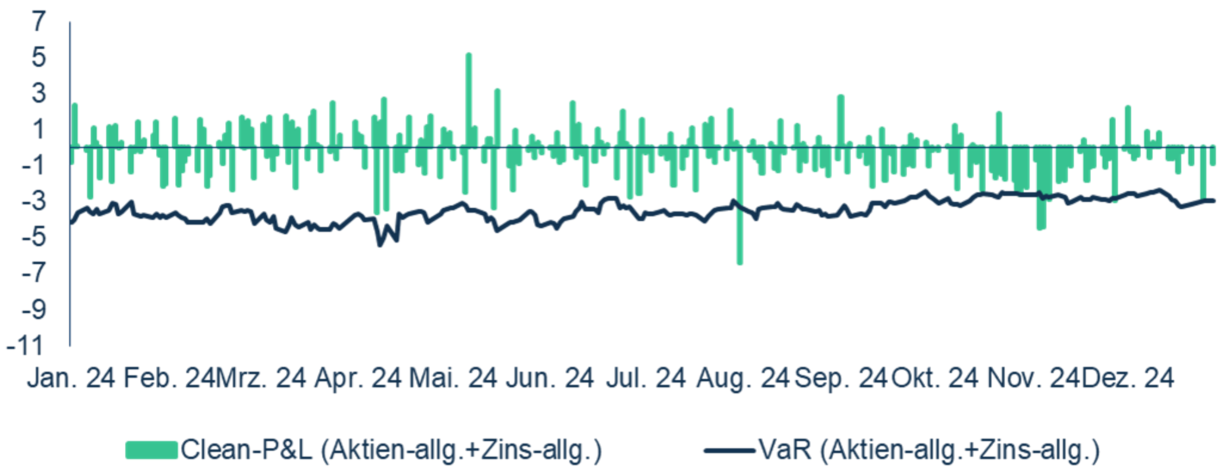

Figure 53: EU MR4 – Comparison of VaR estimates with gains/losses (1)

Dirty backtesting CRR portfolio for the period from 3 January 2024 to 30 December 2024 in EUR million

VaR parameters: 99% confidence level, 1-day holding period

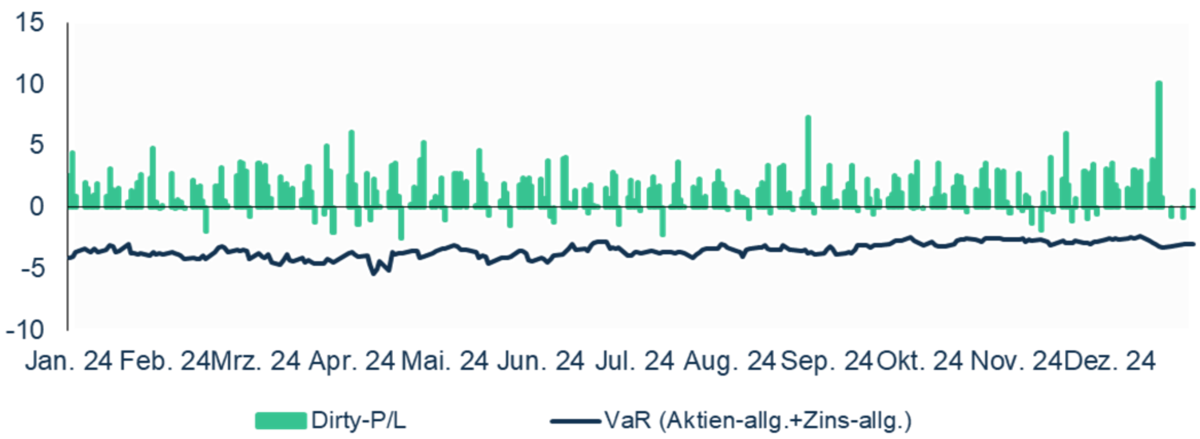

Figure 54: EU MR4 – Comparison of VaR estimates with gains/losses (2)

17 Disclosure of operational risk (Articles 435, 446, 454 CRR)

17.1 Qualitative information on operational risk (Articles 435(1), 446, 454 CRR)

In line with the regulatory requirements, operational risks are described as the risk of losses that are incurred as a result of the inadequacy or failure of internal processes and systems or people or as a result of external events. This definition also includes legal risks. Business risks and reputational risks are not included under operational risks.

A dual overall approach is in place under which an independent, centralized organizational unit within Risk Control is tasked with further developing and implementing the methods and tools used by OpRisk controlling. In the LBBW Group, the execution of the processes implemented for the management of operational risks is mainly the responsibility of the local divisions and subsidiaries.

The central parameters for handling operational risks are anchored in the Group risk strategy, the operational risk section of the non-financial risk strategy and the policy for operational risks and additionally in work instructions.

Operational risk management and controlling focuses on identifying operational risks at an early stage, presenting them in a transparent manner and managing them proactively. The objective is to minimize or avoid risks while taking cost/benefit aspects into consideration. The internal control system, an appropriate risk culture, the risk awareness of all staff members and transparency when handling risks also play an important role in limiting operational risks.

Internal and external loss event data, the annual scenario analysis, event-driven ad hoc scenario analyses and risk indicators are used to identify and assess the risk situation. The centralized OpRisk Controlling unit provides decision-makers with relevant information as part of the regular risk reporting. Ad hoc reports are also made depending on the amount of loss.

The overall exposure to operational risks is aggregated on the basis of operational value-at-risk (OpVaR) and recorded in the LBBW Group's limit system as part of the risk-bearing capacity concept.

The standardized approach under Article 317 et seqq. CRR is used to determine the own fund requirements for prudential purposes. As at 31 December 2024, these amounted to EUR 586.8m (previous year: EUR 560.9m). LBBW has applied for advance crediting of year-end earnings of the 2024 financial year.

Further information on operational risks can be found in *section 3.1 Institution's risk management approach (Article 435(1) CRR)*.

17.2 Operational risk own funds requirements and risk-weighted exposure amounts (Articles 446, 454 CRR)

		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
	EUR million	Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)					
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	3,688	3,998	4,109	587	7,335
3	Subject to TSA:	3,688	3,998	4,109		
4	Subject to ASA:					
5	Banking activities subject to advanced measurement approaches AMA					

Figure55: EU OR1 – Operational risk own funds requirements and risk-weighted exposure amounts

The own funds requirements are calculated on the basis of the approved annual financial statements.

18 Disclosure of encumbered and unencumbered assets (Article 443 CRR)

18.1 Encumbered and unencumbered assets (Article 443 CRR)

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the disclosing institution	107,262	7,445			250,573	76,752		
030	Equity instruments	16	11	16	11	618	237	650	275
040	Debt securities	6,787	5,343	6,845	5,381	39,662	23,527	39,861	23,616
050	of which: covered bonds	1,116	1,116	1,151	1,151	15,406	15,046	15,440	15,080
060	of which: securitisations					1,088		1,089	
070	of which: issued by general governments	2,472	2,425	2,473	2,426	6,787	5,375	5,869	5,353
080	of which: issued by financial corporations	4,254	2,892	4,310	2,928	31,423	17,560	32,192	17,613
090	of which: issued by non-financial corporations	35		35		481	204	490	204
120	Other assets	100,083	2,119			211,706	51,759		

Figure 56: EU AE1- Encumbered and unencumbered assets

18.2 Collateral received and own debt securities issued (Article 443 CRR)

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the disclosing institution	17,170	16,893	37,184	17,614
140	Loans on demand			277	
150	Equity instruments	165	71	7,541	2,490
160	Debt securities	17,012	16,823	28,211	14,798
170	of which: covered bonds	678	639	4,984	3,545
180	of which: securitisations				
190	of which: issued by general governments	14,458	14,458	10,188	8,367
200	of which: issued by financial corporations	1,757	1,543	13,404	4,969
210	of which: issued by non-financial corporations	72	45	3,737	1,110
220	Loans and advances other than loans on demand			3	
230	Other collateral received				
240	Own debt securities issued other than own covered bonds or securitisations			691	
241	Own covered bonds and securitisations issued and not yet pledged			1,186	
250	TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	*123,251*	*23,701*		

Figure 57: EU AE2- Collateral received and own debt securities issued

18.3 Sources of encumbrance (Article 443 CRR)

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	*Carrying amount of selected financial liabilities*	*95,928*	*110,179*

Figure 58: EU AE3- Sources of encumbrance

18.4 Accompanying narrative information (Article 443 CRR)

Asset encumbrance is defined in Commission Implementing Regulation (EU) 2021/451. According to this definition, an asset is encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn. The value of encumbered assets is therefore fundamentally influenced by a bank's business model.

At LBBW, disclosures on asset encumbrance are based on the scope of prudential consolidation within the meaning of CRR.

There is no material difference between the methodology for calculating encumbered assets as part of the asset encumbrance report and the assets shown in the notes to the consolidated financial statements, where assets are posted/transferred.

For this disclosure of encumbered assets, the medians are calculated on the basis of quarterly figures for the last twelve months. It should be noted that the totals are also calculated as a median on the basis of quarterly figures for the last twelve months. The total disclosed may therefore differ from the total of the sub-items.

A large part of the encumbered assets results from LBBW's function as the clearing bank for the savings banks. This causes an increase in encumbered assets allocated in particular to the promotional pass-through loans, repo transactions and derivatives asset categories. At LBBW, encumbered (on-balance sheet) assets of EUR 123.9bn (previous year: EUR 143.9bn) are offset by unencumbered assets totaling EUR 256.6bn (previous year: EUR 239.5bn). The encumbered on-balance sheet assets primarily relate to the following positions:

- Promotional pass-through loans: LBBW passes on loans provided by promotional/development banks to the savings banks. These pass-through loans are classed as encumbered assets. Encumbered pass-through loans account for 29% (previous year: 25%) of the encumbered assets.
- Covered bonds: LBBW issues covered bonds in accordance with German covered bond legislation. Accordingly, 40% (previous year: 34%) of the encumbered assets are provided for covered bonds. The figures include the statutory, the rating-related and the voluntary surplus cover.
- Derivatives: 9% (previous year: 12%) of the encumbered assets are related to OTC derivatives. Positive fair values under derivatives result in particular in an encumbrance, as some of these are reported gross within asset encumbrance (without netting of the corresponding liability position). LBBW transacts derivatives under national, international and European master agreements (German Rahmenvertrag, ISDA Master Agreement and European Master Agreement) and the corresponding credit support annexes.

The total of the cover pools for outstanding covered bonds (public and mortgage covered bonds) for the disclosure period (2024 financial year) was EUR 49.2bn (previous year: EUR 49.9bn). The cover pools also include overcollateralization of EUR 9.9bn (previous year: EUR 15.2bn), which is categorized as encumbered for the purposes of the asset encumbrance report. This comprises the legally required overcollateralization, overcollateralization required by rating agencies and, primarily, voluntary overcollateralization. This high overcollateralization is also a key reason for the high share of covered bonds relative to total encumbered assets, which thus affects LBBW's asset encumbrance ratio.

LBBW received collateral available for encumbrance worth a total of EUR 55.7bn (previous year: EUR 42.9bn); of this, EUR 18.2bn (previous year: EUR 18.8bn) was reused. The reused collateral is driven in particular by the repo and securities lending business. LBBW uses both bilateral and triparty repo and lending markets such as Eurex GC Pooling and Fixed Income Clearing Corporation (FICC) for funding purposes. LBBW enters into bilateral repurchase agreements under national, international and European master repurchase agreements (Rahmenvertrag für Wertpapierpensionsgeschäfte, Global Master Repurchase Agreement, Master Repurchase Agreement and European Master Agreement). LBBW enters into securities lending agreements under national, international and European security loan master agreements (Rahmenvertrag für Wertpapierdarlehen, Global Master Securities Lending Agreement and European Master Agreement).

At LBBW, the US dollar is currently defined as a significant currency within the meaning of Article 415(2) CRR. The amount of encumbrances in USD is immaterial; they result chiefly from repos and securities lending.

LBBW does not consider some of the unencumbered assets in the column "Carrying amount of unencumbered assets" listed in template A as suitable for encumbrance. These essentially include receivables from reverse repos, derivative assets, majority interests, property, plant and equipment and cash in hand.

Repurchased covered bonds amounted to EUR 1.2bn in the disclosure period (previous year: EUR 4.5bn). These are unencumbered, as the underlying assets in the cover fund are fully encumbered. LBBW does not have any retained asset-backed securities.

19 Disclosure of minimum requirement for own funds and eligible liabilities (MREL) (Article 45i(6) BRRD)

Since 30 June 2024 LBBW discloses the minimum requirements for own funds and eligible liabilities (MREL) in accordance with Regulation (EU) No 575/2013 and Directive 2014/59/EU (Bank Recovery and Resolution Directive, BRRD).

The TLAC disclosure requirements are not relevant for LBBW, which means that the MREL disclosure requirements that have been in force since 1 January 2024 apply. For LBBW as a “top tier bank” (i.e. not a G-SII), only MREL requirements and not the TLAC requirements thus apply. Consequently, the templates *EU iLAC: Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs, EU TLAC 2: Creditor ranking - Entity that is not a resolution entity* and *EU TLAC3a: Creditor ranking - resolution entity* are not disclosed.

19.1 Key metrics – MREL

In accordance with Article 10(2) of Commission Implementing Regulation (EU) 2021/763, LBBW discloses column a of template EU KM2 as required by points (a) and (c) of Article 45i(3) of Directive 2014/59/EU. Columns b to f of template EU KM2 are not disclosed, as LBBW is not a G-SRI or part of a G-SRI.

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
	EUR million	**31/12/2024**
	Own funds and eligible liabilities, ratios and components	
1	Own funds and eligible liabilities	42,872
EU-1a	Of which own funds and subordinated liabilities	41,248
2	Total risk exposure amount of the resolution group (TREA)	97,318
3	Own funds and eligible liabilities as a percentage of the TREA	44.05%
EU-3a	Of which own funds and subordinated liabilities	42.39%
4	Total exposure measure (TEM) of the resolution group	338,919
5	Own funds and eligible liabilities as percentage of the TEM	12.65%
EU-5a	Of which own funds or subordinated liabilities	12.17%
6a	Does the subordination exemption in Article 72b(4) of Regulation (EU) No 575/2013 apply? (5% exemption)	
6b	Aggregate amount of permitted non-subordinated eligible liabilities instruments if the subordination discretion in accordance with Article 72b(3) of Regulation (EU) No 575/2013 is applied (max 3.5% exemption)	
6c	If a capped subordination exemption applies in accordance with Article 72b(3) of Regulation (EU) No 575/2013, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognized under row 1, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognized under row 1 if no cap was applied (%)	
	Minimum requirement for own funds and eligible liabilities (MREL)	
EU-7	MREL expressed as a percentage of the TREA	26.42%
EU-8	Of which to be met with own funds or subordinated liabilities	26.42%
EU-9	MREL expressed as a percentage of the TEM	8.76%
EU-10	Of which to be met with own funds or subordinated liabilities	8.26%

Figure 59: EU KM2: Key metrics – MREL and, where applicable, G-SII requirement for own funds and eligible liabilities

In accordance with the transitional provisions related to the introduction of IFRS 9 (Article 473a CRR), which were extended to 31 December 2024 on the basis of Regulation (EU) 2020/873 of 24 June 2020, differences result between the current CoRep reporting figures (transitional) and the fully loaded figures not taking into account the transitional provisions. Under these provisions, an additional EUR 100.0m can currently be recognized in common equity Tier 1 capital with a corresponding deduction in Tier 2 capital. The risk-weighted assets are currently reduced by EUR 107.2m on the basis of the transitional provisions.

As LBBW's resolution group is identical to the scope of prudential consolidation, this does not give rise to any differences.

19.2 Composition – MREL

Columns b to f of template EU TLAC1 are not disclosed, as LBBW is not a G-SRI or part of a G-SRI.

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
	EUR million	**31/12/2024**
	Own funds and eligible liabilities and adjustments	
1	Common Equity Tier 1 capital (CET1)	14,199
2	Additional Tier 1 capital (AT1)	745
3	Empty set in the EU	
4	Empty set in the EU	
5	Empty set in the EU	
6	Tier 2 capital (T2)	3,822
7	Empty set in the EU	
8	Empty set in the EU	
11	Own funds for the purpose of Articles 92a of Regulation (EU) No 575/2013 and 45 of Directive 2014/59/EU	18,766
	Own funds and eligible liabilities: Non-regulatory capital elements	
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	18,585
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities issued prior to 27 June 2019 (subordinated grandfathered)	3,178
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	793
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre-cap)	696
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	928
14	Amount of non-subordinated eligible liabilities instruments, where applicable after application of Article 72b(3) CRR	1,624
15	Empty set in the EU	
16	Empty set in the EU	
17	Eligible liabilities items before adjustments	24,106
EU-17a	Of which subordinated liabilities items	22,482
	Own funds and eligible liabilities: Adjustments to non-regulatory capital elements	
18	Own funds and eligible liabilities items before adjustments	42,946
19	(Deduction of exposures between multiple point of entry (MPE) resolution groups)	
20	(Deduction of investments in other eligible liabilities instruments)	-73
21	Empty set in the EU	
22	Own funds and eligible liabilities after adjustments	42,872
EU-22a	Of which: own funds and subordinated liabilities	41,248
	Risk-weighted exposure amount and leverage exposure measure of the resolution group	
23	Total risk exposure amount (TREA)	97,318
24	Total exposure measure (TEM)	338,919
	Ratio of own funds and eligible liabilities	
25	Own funds and eligible liabilities as a percentage of the TREA	44.05%
EU-25a	Of which own funds and subordinated liabilities	42.39%
26	Own funds and eligible liabilities as percentage of the TEM	12.65%
EU-26a	Of which own funds and subordinated liabilities	12.17%
27	CET1 (as a percentage of the TREA) available after meeting the resolution group’s requirements	5.45%
28	Institution-specific combined buffer requirement	
29	of which capital conservation buffer requirement	
30	of which countercyclical buffer requirement	
31	of which systemic risk buffer requirement	
EU-31a	of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
	Memorandum items	
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013	

Figure 60: EU TLAC1 – Composition – MREL and, where applicable, G-SII requirement for own funds and eligible liabilities

19.3 Creditor ranking – resolution entity

EUR million		Insolvency ranking 1 (most junior)	2	3	4	5	6	7	8	9	10	11	12 (most senior)	Sum of 1 to 12
1	Description of insolvency rank	CET1 instru-ments	AT1 instrum-ents	T2 instru-ments	Claims that are subordinate on account of a contractual sub-ordination clause where the corres-ponding rank is not indicated (except instruments of the additional Tier 1 capital or the Tier 2 capital)	Claims for restitution of a shareholder loan	Claims for gratuitous service	Obliga-tions to pay money in connec-tion with criminal or regu-latory offenses	Costs incurred by insol-vency creditors as a result of their parti-cipation in the in-solvency pro-ceedings	Interest and penalties for late payment accruing since the opening of the insolvency proceedings	Claims that are subordinate on account of a contractual subordination clause where the corresponding rank is not indicated	Non-preferential claims arising from non-subordinated, unsecured, unstructured debt instruments that (i) were issued before 21 July 2018 and are neither deposits within the meaning of ranks 13 and 14 nor money market instruments, (ii) have been issued since 21 July 2018, have a contractual term of no less than one year, are not deposits within the meaning of ranks 13 and 14 and expressly appear to have a lower rank in their contractual terms and conditions and, in the case of a prospectus requirement, in the prospectus.	Other claims of the insol-vency creditors	
2	Empty set in the EU													
3	Empty set in the EU													
4	Empty set in the EU													
5	Own funds and liabilities potentially eligible for meeting MREL	12,278	745	4,512	226	537						20,999	1,624	40,922
6	of which residual maturity ≥ 1 year < 2 years		1	978		37						5,424	212	6,652
7	of which residual maturity ≥ 2 years < 5 years			1,457		163						9,386	407	11,413
8	of which residual maturity ≥ 5 years < 10 years			1,059		338						4,796	642	6,835
9	of which residual maturity ≥ 10 years, but excluding perpetual securities			295								1,393	363	2,050
10	of which perpetual securities	12,278	744	723	226									13,972

Figure 61: EU TLAC3b: Creditor ranking – resolution entity

20 Disclosure of exposures to interest rate risk on positions not held in the trading book (Article 448 CRR)

20.1 Exposures to interest rate risk on positions not held in the trading book (Article 448 CRR)

		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
	EUR million Supervisory shock scenarios	Current period	Last period	Current period	Last period
1	Parallel up	-853	-659	133	268
2	Parallel down	292	212	-279	-283
3	Steepener	86	84		
4	Flattener	-388	-325		
5	Short rates up	-565	-464		
6	Short rates down	264	220		

Figure 62: EU IRRBB1 – Interest rate risks of non-trading book activities

20.2 Accompanying narrative information (Article 448 CRR)

As a matter of principle, all new customer exposures are funded on a matching maturities basis with minimum delay based on their legal maturities. Treasury accepts further strategic positions in a framework established by the Board of Managing Directors as a whole on the basis of LBBW's business strategy. These items include risks in the form of cash flow incongruities (structural risks), risks from leveraging interest rate differences between individual market segments (basic risk) and options risks from financial transactions entered into.

Quantification

All relevant interest-bearing and/or interest-sensitive positions in the non-trading book are included in measurements of potential changes in economic value in accordance with LBBW's own procedures for measuring interest rate risks. These also include definitions for handling loans that mature early. The daily valuation is conducted on an individual-transaction and portfolio basis respectively.

For variable-rate transactions with private and corporate customers (particularly deposits), records made on grounds of conditions or conduct are taken into account by using the deposit base theory in conjunction with the concept of moving averages.

Interest rate risks are measured daily using a Monte Carlo simulation. Here, changes in the value of the non-trading book as a whole or even of individual portfolios are specified for each currency using randomly selected interest rate scenarios. Together with the confidence level, the distribution arising from this is used to determine the VaR (confidence level of 99% and holding period of one trading day). The VaR expresses the potential loss which with 99% probability will not be exceeded within a trading day. The calculated risks of the non-trading book are taken into account in the risk-bearing capacity on the basis of the relevant parameterization.

In addition to the daily reporting, further stress and worst-case scenarios are calculated on a weekly basis. All scenarios help to show the future effects of extreme events in the financial markets on the respective book that are not sufficiently presented in the VaR normal impact event. Extreme historic market fluctuations and self-defined scenarios are used here. Scenarios that specifically quantify the effects of interest rate changes on the economic value of positions in the non-trading book are also included.

In order to measure the influence of interest rate changes on net interest income, projections for interest income and expenses are calculated in various scenarios. The scenarios are divided into scenarios with a constant balance sheet (balance sheet with new business to replace expiring transactions) and scenarios with a dynamic balance sheet. In addition to the interest projections for a constant balance sheet in combination with parallel shifts, interest projections are also calculated for a constant balance sheet in combination with the four other regulatory scenarios.

The quarterly ICAAP looks at multi-period scenarios (5 years) based on a dynamic balance sheet. These scenarios include both cross-risk type and interest-specific scenarios. The interest-specific scenarios comprise a scenario in which interest rates increase and a scenario in which they remain constant.

The interest projections relate to the complete external interest rate. The interest projections require assumptions on the development of market data as well as assumptions on the development of the balance sheet. A distinction is drawn between a constant and a dynamic balance sheet. For a constant balance sheet, expiring transactions are replaced by similar new transactions. This approach is also applied to hedges. Further assumptions on balance sheet development are not required.

For the dynamic balance sheet, assumptions must be made regarding balance sheet development. These assumptions are part of the definition of the respective scenario.

Net interest income is part of the monthly reporting. In addition, effects of shock scenarios are calculated and reported on a quarterly basis for the constant balance sheet and the effects of dynamic interest rate developments are ascertained in the ICAAP.

Modeling for ancillary agreements and non-maturity deposits is based on specific models.

Ancillary agreements

The scope of the analysis for modeling ancillary agreements includes all fixed-rate euro loans with material ancillary agreements. For materiality reasons, other currencies are not currently a focus of ancillary agreement modeling. This overall portfolio is divided by type of termination right and into the customer groups retail and non-retail. In the case of termination rights, a distinction is made – as far as possible – between BGB and contractual termination rights.

In the modeling of special repayments, the starting nominal of a transaction is selected as the reference value for the modeled prepayment rate. Special repayment rights are presented using a non-interest, linear prepayment model. The basic assumption of the modeling is that the expected prepayment rate for active special repayment rights (in relation to the starting nominal) is independent of time and interest rates. A standard expected prepayment rate is assumed for all transactions where the special repayment right is active at time t; a prepayment rate of zero is assumed for all other transactions.

In the modeling of Section 489 BGB special termination rights until the end of margin pegging (margin pegging here is the same as interest rate pegging), only the next possible termination right is relevant for this portfolio segment. The modeling uses a prepayment model, which seems particularly reasonable in light of the special termination character of the Section 489 BGB special termination rights. Interest-based models are used, as the interest rate environment has considerable influence on the termination decision. The starting nominal is of subordinate importance for special termination rights. Ignoring partial terminations, the central parameter is the termination rate, i.e. the probability of termination. In a portfolio view, the termination rate corresponds to a prepayment rate in relation to the current outstanding nominal. It therefore makes sense to select the currently outstanding capital balance $K(t)$ as the reference value for the modeled prepayment rate. The basic assumption of the modeling is that the expected prepayment rate for active special termination rights comprises two components: an interest-based, one-time rate and a non-interest, periodic core deposit rate. Both prepayment rates relate to the outstanding capital balance.

Non-maturity deposits

Non-maturity deposits are presented using a core deposit model in combination with a replication model.

In the quantification of interest rate risk, the stock of non-maturity deposits (NMD stock) is broken down into the stable portion, the core deposits, and a complementary and directly interest-sensitive volatile portion resulting from transactions in NMD accounts that fluctuate due to regular deposits and withdrawals. The volatile portion is expressed by a fluctuation range. The method selected to obtain a constant, specific behavior-based term for NMDs is the creation of a replication portfolio, which allocates the volume of the core deposits to long-term investments and generates a moving average return. The method of compiling a replication portfolio is intended to create a portfolio of products of differing terms that replicates the cash flows of the NMDs sufficiently closely and has a constant average term, on which the NMDs are based.

The creation of the portfolio does not account for all potentially possible mix ratios, but only those that can practically be used and can meaningfully be used under the given term restrictions.

Interest rate risks in the non-trading book

Present value perspective

Under regulatory requirements, the effect of an interest-rate shock on the economic value must be disclosed in the non-trading book. This involves shifts in the yield curve in accordance with EBA/GL/2022/14.

The change in customer behavior is also simulated when assessing the impact.

Stockpiling increased the effect of the interest rate shock.

Given the regulatory requirement that only half of the positive stress effects may be taken into account, there is a considerable difference between the absolute stress results for the increasing interest rate and declining interest rate scenario.

Periodic perspective

The changes in net interest income (NII) in a 12-month analysis for the shock scenarios result primarily from the non-maturity deposits (NMDs).

Given the regulatory requirement that only half of the positive stress effects may be taken into account, here, too, there is a considerable difference between the absolute stress results for the increasing interest rate and declining interest rate scenario.

21 Regulatory disclosure of ESG risks (Article 449a CRR)

21.1 Qualitative information on ESG risks

Business strategy and processes

Integration of environmental factors/risks in the business and risk strategy
(Article 449a CRR table 1 row (a))

The rapidly evolving banking environment and its complex requirements are placing high demands on the strategic positioning of banks. In an environment that remains volatile, the balanced universal banking approach, which has proven its worth, remains the foundation for LBBW's strategic direction aligned with the strategic goals of "Growth and Relevance". The primary focus is on a clear growth strategy with continuous earnings growth, consistent risk management and active cost controlling. At the same time, LBBW is striving to achieve a relevant position among its competitors and stakeholders so that it can support and shape the complex transformation processes in the long term as a reliable partner of industry and society.

LBBW's business strategy takes economic, environmental and social aspects into consideration. The implementation of the two strategic objectives of "Growth and Relevance" is supported by the five strategic levers of "Sustainable Transformation", "Innovative Solutions", "Enhanced Resilience", "Inspire Employees" and "Social Contribution". The business strategy forms the foundation for all downstream strategies These include the ESG Strategy 2025+, the Group risk strategy and the HR and Group remuneration strategy.

With the ESG Strategy 2025+ that was adopted by the Board of Managing Directors at the end of 2024, LBBW has laid down the strategic direction for the years ahead along the dimensions of environment, social and governance. Alongside the support provided for customers in the context of the sustainable transformation, active responsibility will be taken for the environment and society through the climate-neutral focus of the LBBW business portfolio by no later than 2050. Specific targets and actions are defined as part of the ESG Strategy 2025+ in order to deal appropriately with the impacts, risks and opportunities (IROs) that were identified in the course of the double materiality analysis conducted in 2024. As a downstream strategy of the business strategy, the ESG strategy is an important driver for fulfilling the objectives of the "Sustainable Transformation" and "Social Contribution" levers. The ESG Strategy 2025+ applies for the LBBW Group as defined by the scope of consolidation under IFRS.

In its Group risk strategy, which is consistently aligned with the business strategy and geared toward expected developments, LBBW defines its quantitative and qualitative risk tolerance in the risk appetite statement.

The Group-wide risk appetite statement underwent considerable changes and improvements as far as material ESG risks were concerned in 2024. In the quantitative risk tolerance, the achievement of the climate goals of the Paris Agreement and the decarbonization of the portfolio are just two of the long-term ESG targets that have been set. Emission intensity at the Group and segment level is the key risk indicator for monitoring in this area.

To account for ESG risks, overarching qualitative guidelines have been defined to provide both a framework for all activities in the LBBW Group and more specific details in the form of requirements and exclusions. The objective of a sustainable business model calls for various ESG-related requirements; an excerpt from the Group risk strategy is provided here:

Sustainable business model

1. The LBBW Group acts in the best and long-term interest of its customers and stakeholders and thus sets out to make a substantial contribution to society.
2. Exposures must be scaled in due consideration of the LBBW Group's risk-bearing capacity. Concentration risks must be identified using suitable methods and managed accordingly in a conscious way. Risks to the Group's going concern status must be excluded.

3. The total portfolio must be managed actively while taking concentration risks into account in order to enhance resilience in the event of a crisis. Concentration risks at sector, size and country level in particular must be managed in the credit portfolio.
4. Transactions that are liable to jeopardize the Bank's reputation on a sustained basis should be avoided. The sustainability policy of the LBBW Group must be observed.
5. LBBW conducts transactions only in products and markets where it understands and controls the risks.

Sustainable Transformation

6. Sustainable Transformation is one of our strategic levers. We ensure that sustainability criteria are met in customer financing projects. We want to support our customers as they transition to more sustainable business models.
7. LBBW has set itself quantitative targets for shaping the necessary transformation of the economy to climate neutrality (see text on Article 449a CRR table 1 row (b)).
   In addition, LBBW has:
   - created transparency in loan applications for the sector pathways in the case of industries that generate large quantities of emissions;
   - established in the credit risk strategy that violations are determined on the basis of the individual ESG score,
   - set itself the goal of gradually increasing its sustainable business volume,
   - formulated clear principles for the lending business, guidelines and exclusions.
8. The LBBW Group considers ethical aspects, such as human rights, environmental protection, working conditions and anti-corruption, when granting loans and making investments. It goes without saying that the bank does not support any unlawful acts, such as tax evasion or actions in violation of tax compliance and criminal activities.
9. Financing or insuring deliveries of military weapons/armaments to foreign countries and other issues considered critical in terms of sustainability are subject to restrictions that are set out in the bank's internal regulations. It is our policy not to support projects that clearly cause massive destruction of the environment or nature and do not provide any added environmental value at the same time.

The materiality of ESG risks as cross-cutting risks is assessed in the annual risk inventory (see Article 449a CRR table 1 row (r) and table 2 row (m)). Integrative risks are quantified primarily in the relevant risk categories.

In the area of capital risks, the ESG risk inventory currently classifies the impacts of climate and environmental risks on the bank's credit portfolio as material, but, in contrast, the impacts of social and governance risks as not material. In line with this classification, the focus of LBBW's ESG stress tests is currently climate and environmental risks.

Based on the ESG risk inventory, none of the ESG risk drivers are associated with materiality in the short term.

The medium-term view is provided in the financial planning. LBBW Research determines the effects of climate change for the one to five-year planning period. This also involves analyzing the impacts of climate change on the sovereign credit ratings and GDP performance of the countries that are highly relevant for LBBW.

In addition to the Group risk strategy and regulations that set the baselines, the LBBW Research forecasts exert a fundamental influence on the financial planning. Market parameters and general economic parameters are also taken into account alongside current volume and margin developments, among others, in the earnings planning.

Integration of social factors/risks in the business and risk strategy
(Article 449a CRR table 2 row (a)).

LBBW's business strategy forms the framework for all downstream strategies, such as the HR strategy, the ESG Strategy 2025+ and the Group risk strategy.

The chairman of the Board of Managing Directors and the head of HR review each year what priorities are to be derived for the HR strategy from the bank's overall strategy. This generally takes place in the course of the annual discussions. A critical analysis of environmental developments, such as emerging trends, is conducted in the dialog between the Board of Managing Directors, the management of the HR division and the management of the HR departments. Where necessary and given the appropriate prioritization, the strategic targets may be adjusted or new action plans may be devised.

With the ESG Strategy 2025+, LBBW has laid down its strategic direction for the years ahead along the dimensions of environment, social and governance.

Social risks for the next five years are assessed in the financial planning. This is essentially conducted in the annual ESG risk inventory for the bank's credit portfolio, which includes a forward-looking materiality assessment. Possible impacts resulting from social risks in the planning period are incorporated in the planning through rating shifts. Currently, social risks in the medium-term planning are classified as not material, and this consequently does not result in any changes for the planning.

LBBW also does not define any key risk indicators for social and governance risks in its risk strategy, as no materiality has previously been identified in the Group risk inventory.

A comprehensive demographic analysis developed by HR and updated each year shows specifically for LBBW that, in the course of demographic change, an aging workforce and an increasing shortage of specialist staff, among other things, will pose challenges in the near future. One consequence of this is the core task of developing and retaining specialist staff at LBBW in a targeted way. Managing capacity and staff costs will continue to play a significant role here, including, for example, investments in connection with recruiting and retaining employees.

The management of staff risk is also increasing in importance. Moreover, there is a wide variety of requirements concerning the working environment of the future, in which people from up to four different generations will work together. Personnel risk is the risk that the company's own personnel could potentially endanger the company's going concern status. A distinction is drawn here between risks relating to staff shortages, resignations, demographic factors, adjustments and motivations. Each sub-risk may result in the company no longer being able to maintain normal business operations.

LBBW already has a number of measures in place to address potential additional staff risks. For example, it ensures that its employees are suitably qualified for their role and runs a target group-focused specialist training program. LBBW has established comprehensive talent programs for recruiting skilled young trainees and for succession planning, holds annual workforce planning discussions and has set up a program for active demographic management.

Individual value drivers and strategically desirable key indicators have been defined for all the sub-risks. Variance analyses are carried out under various circumstances, including in the course of regular submissions to the Board of Managing Directors, where critical developments are explicitly addressed and tabled for discussion by the Board.

LBBW has firmly anchored the promotion of gender equality in its human resources guidelines, especially in the two pillars "work-life balance" and "equal opportunity and diversity". In 2022, LBBW became one of the first banks in Germany to sign the UN Women's Empowerment Principles, which advocate in particular an equitable leadership culture and gender equality in companies. LBBW also signed the German Diversity Charter in 2008, thus undertaking a commitment to ensure a workplace that is free of discrimination for all employees. The successor to a "Diversity and Inclusion Manager" was additionally guaranteed with effect from 1 April 2024.

Charitable initiatives by employees are also actively promoted as part of the "Social Contribution" strategic lever. These include a wide range of opportunities for corporate volunteering in particular.

LBBW recognizes the United Nations' Universal Declaration of Human Rights as valid and expects its contractual partners to do the same. Furthermore, LBBW firmly believes that the rights of children should be respected without exception and supports the elimination of child labor. To identify, prevent and reduce human rights abuses, the review of human rights aspects is integrated in the investment and lending processes.

In accordance with Section 4(3) of the Lieferkettensorgfaltspflichtengesetzes (LkSG – German Supply Chain Act), a human rights officer was appointed for LBBW with effect from 1 January 2023. An analysis and an adjustment of LBBW's procurement processes were additionally carried out in connection with the LkSG. As part of the standard due diligence process, the questionnaires and the "Sustainability agreement for LBBW suppliers" were reviewed and amended with regard to their content and the protection objectives of the LkSG. A new risk management module designed specifically to meet the requirements of the Supply Chain Due Diligence Act was also introduced in LBBW's supplier management system. The abstract risk analysis (assessment of country and sector risk and questionnaires) and the specific risk analysis (if indications of risk have been identified in the abstract risk analysis) are both carried out in this module.

With regard to workers' rights, LBBW follows internationally recognized standards and voluntary commitments as well as German and European legal requirements and regulations.

Objectives, targets and limits to assess and address environmental risk and processes for defining them
(Article 449a CRR table 1 row (b))

As described in the text on Article 449a CRR table 1 row (a), LBBW defines its quantitative and qualitative risk tolerance in the risk appetite statement in its Group risk strategy, which is consistently aligned with the business strategy and geared toward expected developments. The risk guidelines specified constitute the key strategic principles and rules of conduct that are used for weighing up risks and opportunities within the LBBW Group. They play a part in creating a uniform risk culture and form the framework for the precise organization of the risk management processes, procedures and methods.

Where environmental issues are concerned, the guidelines for Sustainable Transformation described in the above-mentioned text are in turn specified in more detail by the Board of Managing Directors in the risk strategy and furnished with specific quantitative targets. These targets are set for short, medium and long-term time horizons in order to guarantee a comprehensive assessment of possible ESG risks.

The risk appetite statement stipulates that, in order to monitor climate and environmental risks, the emission intensities of the credit portfolio at Group and segment level are continuously measured and published. To this end, the Board of Managing Directors defines for LBBW (Bank) targets for the emission intensities – both for LBBW (Bank) and also for the Corporate Customers and Real Estate/Project Finance segments – in the course of the annual update of the strategy approach. To ensure that emission intensities are continuously reduced, the targets for the previous year are applied as the limit for the current year.

In line with the Paris climate targets, LBBW's overarching goal is to establish its investment and credit portfolio as climate-neutral by no later than 2050.

Another instrument for monitoring climate and environmental risks and also for supporting the 2050 climate neutrality goal is provided by the basic principles already developed for the pathways for the sectors that generate large quantities of greenhouse gases. These are backed by concrete sector-specific and scenario-based climate targets for 2030. The transformation pathways are incorporated in various portfolio and individual transaction management instruments and form part of the loan application for companies in sectors that generate large quantities of greenhouse gases. Developments are reported together with financed emissions to the top management every quarter.

In addition, the reputational and sustainability risk rules include binding review processes and comprehensive regulations that support the early identification of environmental, social and ethical reputational and sustainability risks in the process for deciding whether to extend credit (see table 1 row (q)).

All the regulations to be complied with are included in the ESG risk section of the non-financial risk strategy.

Objectives, targets and limits to assess and address social risk and processes for defining them
(Article 449a CRR table 2 row (b))

LBBW is committed to the United Nation's Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the labor standards of the International Labour Organization (ILO), the Allgemeines Gleichbehandlungsgesetz (AGG – German General Anti-Discrimination Act) and the UK Modern Slavery Act and the German Supply Chain Act (LkSG).

In addition to the focus on internationally recognized standards, LBBW is also committed to responsible corporate governance with effective and transparent governance processes, the protection of international human rights, freedom of association and the elimination of discrimination through its membership in the UN Global Compact, the UN Women Empowerment Principles and the UN Principles for Responsible Banking (UN PRB).

Compliance with these commitments in the day-to-day business is ensured through binding guidelines and review processes:

- LBBW does not work with companies or organizations that are known to disregard fundamental human rights. This applies to all types of business, transactions, projects, products, operating decisions, strategies and plans of the LBBW Group.
- All LBBW Group employees are covered by the eight core labor standards of the International Labor Organization (ILO) governing fair working conditions, provided these have been ratified by the country in question. We also expect our suppliers and their subcontractors to respect human rights and workers' rights.
- We have defined binding standards for many corporate areas and activities as part of our sustainability management. We also require our suppliers and service providers to comply with sustainable criteria. Every supplier must confirm they have read the "Sustainability agreement for LBBW Suppliers" when they register with LBBW and sign it when

entering into contracts. This agreement requires compels suppliers to comply with what LBBW considers to be essential environmental and social criteria. For example, LBBW expects suppliers to ensure fair working conditions. Any supplier violating the social or environmental standards set out in the sustainability agreement (e.g. relating to human rights abuses such as child labor) must accept this violation as grounds for termination of the agreement without notice.

- LBBW is committed to its responsibility for human rights and the environment in its own supply chains and requires its own suppliers to protect human rights and the environment as stipulated in the Supply Chain Act (LkSG). LBBW also expects its suppliers to address this expectation appropriately throughout the supply chain. Appointed in 2023, LBBW's human rights officer reports directly to the Board of Managing Directors.
- The reputational and sustainability risk rules include binding review processes and comprehensive regulations that support the early identification of environmental, social and ethical reputational and sustainability risks in the process for deciding whether to extend credit (see Article 449a CRR table 1 row (q)).
- All employees are required to undergo online training on the German General Anti-Discrimination Act (AGG)). LBBW does not tolerate any form of discrimination within the bank or in the relationship with its employees, customers, business partners, suppliers or other persons. LBBW has a zero-tolerance policy for any form of gender discrimination, including verbal, physical and sexual harassment.
- LBBW also successfully implemented measures to promote women in 2024 and thus further increased the proportion of women in management positions at the company. A target of at least 30% by the end of 2025 has been set for the LBBW Group.
- The topics of diversity and equal opportunity are overseen at LBBW by a diversity and inclusion manager. In accordance with the Works Agreement on Protection from Discrimination and a Cooperative Environment in the Workplace, employees who feel discriminated against can approach the staff council, representatives for employees with disabilities, the responsible manager, the social services department or the complaints board.
- LBBW expressly encourages its employees to be transparent about any irregularities and has established a whistleblowing process for this purpose: breaches of statutory regulations or internal guidelines and criminal offenses within LBBW can be reported strictly anonymously to the Compliance department or to an external, independent ombudsman appointed by LBBW. This is possible across the Group in the LBBW Group's branches and downstream companies.

All Group-wide regulations are also binding for LBBW's investments. Uniform ESG investment guidelines for LBBW's entire proprietary securities trading portfolio have been in place since 2022; these are based on established standards and LBBW's voluntary commitments (e.g. the UN's human rights standards and labor laws in accordance with the ILO's core labor standards). In addition to a blacklist of countries, they include in particular sector-specific regulations that adopt the standards applicable in the customer business also for the investment book and thus harmonize the requirements in both areas.

When it comes to managing staff risk, LBBW sets out to ensure that it is a highly visible and attractive employer both externally and internally.

- This includes addressing top talents by developing and marketing an authentic employer brand among the relevant target groups. HR's primary objectives here are to attract qualified candidates to LBBW as an employer and ensure their loyalty over the long term as well as to enhance the identification of existing employees with the bank.
- Within LBBW, HR strives to achieve a high level of retention and ensure that existing top performers feel an even stronger loyalty to the bank. To facilitate growth in the face of the challenges posed by demographic change, employee retention must be accompanied by the targeted development and advancement of top performers. To this end, HR focuses on creating a work environment that fosters employees' performance and commitment and makes them passionate about their work and thus supports LBBW in achieving its goals of Growth and Relevance.

Current and future investments in environmentally sustainable and EU Taxonomy-aligned activities (Article 449a CRR table 1 row (c))

LBBW supports the sustainable transformation and the EU's climate mitigation and environmental goals with a wide range of sustainable financial products and services. Sustainable investment offers are available to all customer groups in the categories that are relevant to them.

- The investment products in LBBW's product portfolio that are classified as important from sustainability perspectives include green, social and sustainability-linked bonds where the funds are used for projects in the field of environmental protection and climate change mitigation and projects of a social nature.
- Moreover, the portfolio includes funds that meet the criteria set out in article 8 and Article 9 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088. Article 8 funds take environmental and/or social aspects into consideration when selecting their investment instruments. Funds classified under Article 9 must pursue explicit sustainability objectives with their investment instruments.
- Certificates and retail bonds are also counted among LBBW's important products with sustainability characteristics. A large proportion of the volume is classified as PAI products, the sustainability characteristic referring to principal adverse impacts. The volume of outstanding products with sustainability features was further increased in 2024.
- In addition to sustainable investment products, LBBW provides an extensive range of financing solutions that focus on sustainability. A central element of this offer is real estate financing, in particular for energy-efficient residential and commercial properties. Project financing in the sustainability field, such as the financing of wind turbines for example, is also an important and significant part of the portfolio. ESG-linked financing is an additional component of the sustainability-focused financing solutions.

Increasing the sustainable finance volume is a core metric in LBBW's ESG Strategy 2025+, which was introduced in January 2025. LBBW has developed a classification instrument – the sustainable finance framework (SFF) – to record, manage and publish this metric. The environmental objectives of the EU Taxonomy and their review form the core of the "E" elements of this framework. Following the introduction, new SFF-compliant transactions have been recorded and sustainable financing volumes have been ascertained since the start of 2025.

Strategies and procedures for engagement with business partners on their strategies to mitigate and reduce environmental and social risks(Article 449a CRR table 1 row (d) and table 2 row (c))

In addition to its investment and financing products, LBBW offers an important strategic service for its corporate customers in the form of its Corporate Finance Sustainability Advisory. LBBW's Corporate Finance Sustainability Advisory advises corporate customers on the sustainable transformation of their business models and offers sustainable finance solutions to fund this change.

Starting out by performing materiality analyses, Advisory advises customers on everything from their strategic focus and the development of individual climate goals in line with existing transformation and decarbonization pathways to the management of their sustainability activities.

The strong demand for this integrated approach has led to a significant expansion of the Advisory unit in recent years, while the range of services and advice has also been consistently developed and refined with the addition of issues that will arise in the future. For example, "LBBW Sustainability Readiness Checks" and "Ready4CSRD Workshops" support corporate customers in setting the right priorities. With the "ESG Customer Academy", LBBW launched a new digital format in 2023 in which it discusses all aspects of sustainable supply chains and the path to climate neutrality with participants.

The Sustainability Advisory units at LBBW offer expertise combined with implementation advice and support not only for companies, but also for financial institutions and institutional customers. LBBW's experts also advise banks, savings banks and institutional customers on structuring their own portfolios in accordance with ESG criteria and on issuing social and green bonds.

Internal regulations incorporate principles and exclusion criteria for ensuring compliance with human rights and environmental protection that must be taken into account in funding arrangements (see table 1 row (q)). The reputational and sustainability risk rules include binding review processes and comprehensive regulations for this that support the early identification of environmental, social and ethical reputational and sustainability risks in the process for deciding whether to extend credit.

Front office and risk management use portfolio-specific ESG checklists to assess borrowers within the environment (E), social (S) and governance (G) risk clusters (see table 1 row (l)).

With regard to environmental risks, the extent to which the borrower and their buildings, assets and revenue are exposed to physical risks and how they are preparing for the transformation is examined. To evaluate social risks, borrowers are assessed in terms of their compliance with human rights, social and labor standards and their focus on employees and their interests.

Additional review processes are triggered if increased environmental, social and/or governance risks are identified. For example, it is mandatory for other specialist departments (Group Compliance and/or ESG Group Transformation) to be consulted to assess the sustainability-related reputational risk in cases where certain thresholds are exceeded. The specialist departments prepare a comprehensive statement that is included in the underlying process for deciding whether to extend credit.

Governance

Involvement of the management body in supervising and managing environmental objectives/risks and social risks (Article 449a CRR, table 1 row (e) and table 2 row (d) points (i) to (iv)

The focus of the risk strategy regarding the ESG-relevant risk drivers is defined by the Board of Managing Directors. The starting point for this is the ESG risk inventory that is conducted every year and that involves a materiality analysis for a broad set of ESG risk drivers. The results are approved in the Risk Committee and submitted to the Board of Managing Directors. The risk strategy is discussed in detail with the Risk Committee of the Supervisory Board. Please refer to the statements on Article 449a CRR table 1 rows (a) and (b) for specific requirements and the risk appetite.

The Board of Managing Directors is provided with comprehensive regular reports on the development of the physical and transition risks in particular. These reports include evaluations of the status of the transformation at our customers (transformation pathways) and of our portfolio (financed emissions) as well as the susceptibility of our own assets and financed assets to physical risks.

The Board of Managing Directors will, as the management body, additionally approve the results of the materiality analysis as part of the CSRD reporting every year in the future. The objectives relating to material impacts, risks and opportunities are defined by the ESG Strategy 2025+.

The ESG Strategy 2025+ adopted by the Board of Directors at the end of 2024 is an element of LBBW’s business strategy, The central ESG unit presents the implementation of the due diligence requirements in the area of sustainability and the results and effectiveness of the strategies, actions, metrics and objectives decided on as part of the ESG Strategy to the Board of Managing Directors each year. This ensures that material impacts, risks and opportunities are taken into consideration in the monitoring of the strategy and in decisions on important transactions.

By signing LBBW’s declaration on the Modern Slavery Act every year and the policy statements on the Supply Chain Act, the Board of Managing Directors reaffirms the bank’s commitment to human rights and the environment in its supply chains and its field of business and highlights its preventive measures. The relevant documents are published on the LBBW website.

Social, non-financial staff risks are regularly analyzed and evaluated by HR and appropriate preventive measures are initiated. The measures are geared toward LBBW’s aspiration of becoming the top employer in the German banking sector in line with the “Inspire Employees“ strategic lever. In 2024, the Board of Managing Directors prioritized the compensation and benefits concept, new career paths, enhanced and connected learning programs and talent management. The responsibility for implementing the measures lies with the divisional and departmental HR managers in line with the target agreements.

Link between social/environmental risks and credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework

(Article 449a CRR table 1 row (r) and table 2 row (m))

A detailed ESG risk inventory is carried out for the ESG cross-cutting risk as part of the annual Group risk inventory process. This inventory analyzes what impact ESG risk drivers have on the existing financial (including credit risk, liquidity risk and market price risk) and non-financial risks (especially operational risk). To create the greatest possible consistency with the requirements within the CSRD materiality analysis, the risk drivers for the ESG risk inventory are derived from the ESRS standards.

A total of 22 ESG risk drivers were examined to see whether there was any possible impact on the existing financial and non-financial risk types. The assessment distinguishes short, medium and long-term time horizons here. As in the previous years, the materiality of the credit risk relating to the physical risk driver of floods/flooding and transition risks was confirmed. Materiality for acute drought and heat risks was newly added.

In addition, materiality was identified for the non-financial risk types of compliance and tax compliance in the area of governance risks. Individual risk drivers were identified as having relevance with potential materiality for both the model risk and reputational risk. This assessment recognizes the dynamic nature of the ESG risk drivers, which can change at short notice.

The potential impact on the portfolio from biodiversity risks was also examined in the course of the risk inventory. The portfolio-wide impact of biodiversity risks lies within a very small range and is therefore not material.

Integration of short, medium and long-term environmental factors and risks at the level of the management body and within internal control functions

(Article 449a CRR table 1 row (f))

The impacts of environmental, social and governance risks on the traditional risk types are investigated in the course of the annual risk inventory as described above. The transmission channels and the materiality of the impacts are systematically assessed over the short, medium and long-term horizon. The materiality assessment is submitted to the Risk Committee and the Board of Managing Directors as a whole for their information.

Following the materiality assessment, the structure and intensity of risk management in front office units and control functions is determined and additional measures are derived by the management body. These related to the definition of the risk appetite, among other things. Regular reports are submitted to the Board of Managing Directors as a whole concerning the material physical and transition risks.

As part of its Group-wide stress testing program, LBBW also regularly carries out extensive climate risk stress tests and discusses the results in the Risk Committee and the Board of Managing Directors.

Integration of measures to manage environmental and social risks in internal governance arrangements, including the role of committees

(Article 449a CRR table 1 row (g) and table 2 row (e))

The sustainable transformation of the economy and changing environmental factors mean that ESG risks are constantly gaining in importance in risk management. Both the expected increase in carbon pricing and other regulatory measures and the growing incidence of extreme weather events pose financial risks to LBBW’s portfolio.

The ESG risks have a cross-cutting effect on the established risk types. As presented above, the impact of climate risks on credit risk has been identified in particular as material in the risk inventory, while the impacts of various ESG risk drivers on reputational risk have also been identified as relevant. This means the bank’s core processes are affected. Social and governance risks do not have a material impact on the risk exposures.

Accordingly, sustainability risks are monitored and managed on an ongoing basis in the business operations using existing risk processes. At the level of the Board of Managing Directors, the Risk Committee (risk monitoring, determining risk methodology), the Asset Liability Committee (interest (banking book), management of FX, liquidity, capital and balance sheet structuring of the LBBW Group) and the Credit Committee (credit decisions in accordance with credit/trade decision-making system) should be noted here.

Responsibility for the ongoing consideration of sustainability risk (ESG) is divided among the units in accordance with the three lines of defense.

- Operational responsibility in the first line of defense lies with the areas responsible for the transaction based on the type of risk (in particular credit and transaction-related reputational risk) in cooperation with the ESG Group Transformation department. Non-transaction-related risk management within the first LoD is the responsibility of the ESG Group Transformation department together with all divisional managers and managing directors of Group subsidiaries.
- The monitoring function in the second line of defense is split between Risk Control (portfolio monitoring of ESG risks), Group Compliance (second line of defense for compliance and reputational risks) and COO Risk Management (ESG-related lending process guidelines).
- As the third line of defense, Internal Audit monitors the first and second lines and assesses the appropriateness and effectiveness of risk management.

The management process for credit risks that are materially impacted by ESG risks is presented below:

In the first line of defense, the front office units and Risk Management manage the lending portfolio in accordance with the strategic requirements. The portfolio is determined by the lending decisions taken in the first line of defense determine, and any reputational risks that may be present are included in the decision.

The Board of Managing Directors sets ESG-related guidelines on the strategic focus, risk appetite and the decision-making system and thus defines the operational framework for the management of the first line of defense. The portfolio is monitored on this basis in the second line of defense. To this end, indicators such as emission intensity are identified or stress scenarios are calculated using established methods. The Board of Managing Directors is regularly provided with specific risk reports on the development of the ESG risks on this basis and is supported by the Risk Committee in performing these tasks.

Finally, as the third line of defense, Internal Audit regularly reviews the risk management system described.

A special role in the process is assigned to the chief risk officer (CRO). They are responsible for the risk strategy and risk assessment, including environmental risks, takes charge of ongoing risk management and chairs the Credit Committee. The Credit Committee decides on loan applications or prepares decisions for the Board of Managing Directors in line with the decision-making rules. The Board of Managing Directors takes climate risk into account in individual loan approval decisions.

At the level of the Supervisory Board, the Risk Committee acknowledges and discusses reports and presentations on risk monitoring, the risk strategy, explanations of the risk appetite and the risk methodology, including climate-related risks.

Environmental and social risks in internal reporting (Article 449a CRR table 1 row (h) and table 2 row (f))

Environmental risks are integrated in the ongoing monitoring. The Board of Managing Directors is informed about transition risks once a quarter and about physical risks every six months at the level of the LBBW Group by way of risk reports.

The most important developments in transition and physical risks are presented and discussed here at portfolio, sector, segment and customer level. The development of the transformation paths is also reported to senior management in detail on a quarterly basis.

In addition, the half-yearly internal sector reports include a qualitative assessment of the ESG risks at portfolio level and present the development of average greenhouse gas intensity and the most relevant customers in the respective sector.

The materiality of social risks in terms of their impact on the business portfolio are investigated in the course of the annual ESG risk inventory. No materiality has been identified here so far, which is why no internal reports on social risks are produced.

Remuneration policy in connection with social and environmental risks
(Article 449a CRR table 1 row (i) and table 2 row (g))

The strategic levers (including “Social Contribution” and “Sustainable Transformation”) are monitored at the business segment level using incentive systems. At the LBBW Group, the Group remuneration strategy provides the framework for the design and implementation of the remuneration systems. It is derived from the overall Group and risk strategy, the ESG strategy and the HR strategy. This ensures that the strategic requirements are implemented in LBBW’s remuneration systems and processes. Sustainability aspects are thus an integral element of the remuneration policy and are included both in the individual target agreement and in the measurement of success. Qualitative and quantitative parameters that are constantly being refined are applied here.

In addition, LBBW expressly supports the principle of gender-neutral remuneration for the same or equivalent work and performance and endeavors to grant every employee fair, non-discriminatory remuneration. The Group remuneration strategy ensures that the remuneration systems are essentially based on performance, results and the market, thereby ruling out any pay discrimination based on gender.

Integration of governance arrangements of business partners in institution’s own governance and risk management|

(Article 449a CRR table 3, rows (a), (b), (c) and (d))

We do not enter into business relationships with partners that are known to violate laws or international conventions, conceal their true identity or ownership structure, engage in money laundering or finance terrorism. We also expect our suppliers and service providers to commit to respecting human rights, to undertake to establish appropriate due diligence processes and to pass on this expectation to their own suppliers. We ensure this when granting loans by implementing clear guidelines and exclusion criteria (see table 1 row (q)). Governance risks are taken into account throughout the entire credit process, starting with customer onboarding.

An ESG checklist tailored to the portfolio in question is used to identify specific governance risks of the borrower (see table 1, row (l)). This checklist is used to examine whether the company has any external or internal guidelines that govern compliance with statutory requirements in the areas of tax, corruption and competition. The extent to which governance already engages with sustainability aspects and integrates ESG targets into the company’s guidelines is also evaluated.

In accordance with internal guidelines, advisors with customer responsibility must additionally ensure that customers and their beneficial owners are continuously monitored for negative news. To support this, Compliance has established a standardized technical system that identifies negative news on money laundering and other relevant criminal acts in connection with new and existing customers and their beneficial owners using World-Check lists. Any hits concerning negative news generated by this system are forwarded to the unit with customer responsibility by Compliance for assessment.

Risk management

Integration of short, medium and long-term effects of social/environmental factors and risks in the risk framework

(Article 449a CRR table 1 row (j) and table 2 row (i))

Each risk management process starts by identifying risks in the bank’s own business model. ESG risks that arise in connection with LBBW’s business model are systematically evaluated in the course of the risk inventory. These are cross-cutting risks that, as risk drivers, can impact a variety of risk types.

Material ESG risks are subsequently measured to the greatest possible extent, evaluated and reported on with regard to their short-term implications, incorporated into the risk management process as described and underpinned by a risk strategy. Potential effects of ESG risks on the portfolio are also examined for several medium and long-term time periods in scenario analyses.

Environmental risk covers transition and physical climate risks, physical environmental risks and biodiversity risks. As described above, the set of ESG risk drivers is based on the ESRS standards in order to facilitate consistency with the CSRD materiality assessment. Criteria are selected for each risk driver that can be used to assess the vulnerability of the credit portfolio. Depending on the risk type, indicators calculated internally by the bank (e.g. greenhouse gas intensity) or publicly available data (e.g. Human Freedom Index, World Bank’s hazard maps of physical risks or the Sustainability Accounting Standards Board (SASB) Materiality Map) are used to assess the impact of ESG risk drivers on the portfolio of the counterparty in question over various time horizons. If the share of the portfolio affected exceeds materiality thresholds, this risk driver is classified as material.

The analyses within the 2024 ESG risk inventory were expanded, in the same way as the risk drivers were, so that the most relevant risk types (including credit risk, liquidity risk, market price risk, business risk, operational risk) are assessed by means of quantitative analysis. In order supplement a purely qualitative assessment in the future, a methodology was also developed in 2024 that allows the combination of probability of occurrence and severity to produce an amount of economic capital.

Because of the complex effect that ESG risk drivers have, the assessment scale was designed in such a way that, alongside the assessments “material” and “not material”, it is possible to rate risk drivers as “relevant and potentially material”. This rating covers risk types that do not present any materiality at the moment, but could potentially become material in the future.

Beyond the risk inventory, the “ESG risk” group in risk controlling is also involved in the new product process (NPP), where it offers an opinion if a new product has impacts on LBBW’s physical risks and financed emissions.

Methodologies and international standards on which the environmental and social risk management framework is based

(Article 449a CRR table 1 row (k), table 2 row (h))

As presented in the section on the risk inventory, LBBW treats ESG risks as cross-cutting risks that can affect the bank’s risk types. The ESG-specific elements are integrated into LBBW’s existing risk management structure accordingly. This is based on the requirements of Section 25a KWG and MaRisk as well as the relevant EBA guidelines. The more detailed understanding set out in the ECB’s “Guide on climate-related and environmental risks“ is also taken into account in ESG risk management.

LBBW bases the relevant methods and processes on the standards, data sources and procedures that are currently still being developed.

For example, the risk inventory uses publicly available data (e.g. Human Freedom Index, World Bank’s hazard maps of physical risks or the Sustainability Accounting Standards Board (SASB) Materiality Map) to assess the impact of ESG risk drivers on the portfolio of the counterparty in question over various time horizons. The scenarios of the Network for Greening the Financial System (NGFS) are used in the stress test. The quantification of financed emissions uses data from Eurostat, is based on the methods of the Partnership for Carbon Accounting Financials (PCAF) and is continuously enhanced in line with the gradually increasing levels of data quality defined therein.

In accordance with the requirements of the Supply Chain Act (LkSG), LBBW also performs human rights and environmental risk analyses to examine its own area of business and its suppliers. The risk analyses are performed once a year and on an ad hoc basis. Firstly, potential risks at sector and country level are evaluated in an abstract risk analysis based on defined risk factors. If a probable risk is identified, LBBW then performs a specific risk analysis in which the affected supplier or the bank’s own area of business in question is investigated in greater detail.

LBBW takes appropriate preventive measures when it identifies a relevant risk in its own area of business based on the risk analysis, for example implementing suitable procurement strategies and purchasing practices in order to avoid or mitigate the risks that have been identified.

Processes for identifying, measuring and managing risk exposures/activities and environmental risks

(Article 449a CRR, table 1 row (l))

As presented in the section on Article 449a CRR, table 1 row (j), the risk inventory initially identifies the risk drivers that have a material impact on LBBW’s risk situation. LBBW’s portfolio is screened here for potentially critical sectors and countries using publicly available data (e.g. the Human Freedom Index or the Sustainability Accounting Standards Board (SASB) Materiality Map). The impact of climate risks on credit risk in particular is currently identified as material, while the impacts of various ESG risk drivers on reputational risk are also regarded as relevant. Materiality is assessed here on the basis of the double materiality concept.

Accordingly, LBBW uses portfolio-specific ESG checklists to assess potential ESG risks in credit exposures. LBBW and Berlin Hyp harmonized the ESG real estate financing checklist in 2023. Questions are defined in the environment (E), social (S) and governance (G) risk clusters that help front office and risk management to identify and evaluate potential ESG risks. Four sub-scores and an overall ESG score are determined in the ESG checklist based on the evaluation of the questions on a five-point scale. Since 2023, if the thresholds for the ESG score set out in the credit risk strategy are exceeded, the next-highest person responsible in accordance with the decision-making hierarchy for loans and trading must decide whether to approve the loan. Material risks for customers that have already been identified in the lending process are taken into account in the internal rating procedure.

Loan applications are also examined for compliance, reputational and sustainability risks based on the internal lending rules (see table 1 row (q)). Consultation with Group Compliance and the ESG Group Transformation department is mandatory as part of the lending process when specific compliance, reputational or sustainability risks are present (see table 1 row (d) and table 2 row (c)).

The sub-scores calculated using the ESG checklist, the overall ESG score and the statements are included in the loan application and taken into account in the lending decision. In addition, the positive and negative aspects of the results of the ESG risk assessment across all risk clusters are compared in the loan application. This can consequently result in the transaction in question being rejected.

The calculation of the market value and mortgage lending value of real estate collateral takes account of various location-related and property-related indicators (e.g. building carbon intensity, site contamination, location-related emissions and immisions, etc.) by fixing the values of these indicators, as calculated using expert opinions, within the collateral provision. Changes in environmental and climate risks are also monitored on a regular basis.

In addition to ongoing risk management for individual credit exposures, LBBW monitors the risk effects arising from transition and physical risks at portfolio level using the procedures described in the section on Article 449a CRR, table 1 row (n).

Moreover, LBBW's lending rules for sustainability and reputational risks stipulate additional review procedures for exposures in environmentally sensitive sectors. For example, financing projects in the agriculture and forestry sector in the area of soya, palm oil, cotton and logging, in fisheries and aquaculture and in cattle farming in South America are possible only under certain conditions.

LBBW also has a product certification process for derivatives and conducts a reputational risk review for new products as part of the New Product Process (NPP).

In LBBW's corporate customer business, a shared sales philosophy helps to ensure that operating activities are based on portfolio analysis and strategic portfolio management. Within this sales network, the business strategy for the individual customer relations is defined, where factors such as the future viability and transformability of the business model are taken into account. This ensures that LBBW lives up to its defined role as a driver of transformation and that the resources that are used contribute to the sustainable transformation of the economy.

Activities and commitments contributing to the mitigation of social and environmental risk
(Article 449a CRR, table 1 row (m) and table 2 row (j))

The ESG strategy 2025+ serves as a model for all sustainability activities and, especially with the designated core topics, provides the framework for ESG in the LBBW Group. Targets and actions have been defined for the six core topics in total: climate/decarbonization, nature/resources, customers, employees, society and corporate governance.

A monitoring process will be introduced to follow up on the objectives derived from the ESG Strategy 2025+ and thus to systematically track the progress and results of these objectives. The effectiveness of the actions will be ensured through their implementation, the evaluation of new actions and the review of relevant metrics. The monitoring process came into effect together with the ESG Strategy from the beginning of 2025, progress will be measured annually starting in 2026.

Examples of actions to put the ESG Strategy 2025+ into operation:

- Climate-neutral focus of the LBBW business portfolio by no later than 2050:
  To achieve this objective, a comprehensive transition plan will be developed that will define specific actions and include a methodology for reviewing their effectiveness and measuring the progress that is made on them.
- Increase in the volume of transition and sustainable finance:
  LBBW actively supports the sustainable transformation of industry and society and is pursuing the goal of increasing the volume of transition and sustainable finance.
- Increase in social assets as part of the sustainable finance volume:
  LBBW is endeavoring to continually expand the volume of social assets that form part of the sustainable finance volume.
- Consideration of ESG criteria in proprietary investments:
  The requirements for proprietary investments at LBBW (Bank), Berlin Hyp AG and LBBW Immobilien Management GmbH will be further refined in view of ESG aspects by 2026.
- Development of renewable energies:
  LBBW is pursuing the foal of further expanding its financing in the area of renewable energies. The business target for the development of renewable energies is defined on an annual basis.
- Actions to maintain the high level of employee satisfaction, to further promote diversity, equality and inclusion and also to increase the proportion of women in management positions.

LBBW applies clear guidelines, exclusion criteria (see table 1 row (q)) and uniform credit risk assessment (see table 1 row (l)) to ensure that social risks and environmental risks are identified at an early stage in financing projects. If increased risks are identified in the credit risk assessment based on the ESG checklist, the procedure for additional reviews by the Compliance and ESG Group Transformation departments is triggered as described in table 1 row (l).

LBBW models its internal policies and operating processes not only on the statutory requirements and regulations, but also internationally recognized standards and voluntary commitments. The protection of universal human rights and fundamental labor rights is particularly important here. LBBW also expects its business partners to comply with these values.

A human rights officer has been appointed in accordance with section 4(3) LkSG. This officer is responsible for monitoring risk management (including in the supply chain) and implementing the reporting and documenting requirements pursuant to the LkSG. The human rights officer reports to the Board of Managing Directors and is the central point of contact for the Federal Office for Economic Affairs and Export Control (BAFA). The human rights officer also provides support during updates to the policy statement and reviews whistleblowing.

When it comes to project financing, LBBW pays particular attention to the protection of indigenous peoples and their cultural heritage. If transactions are likely to have an impact on indigenous peoples, LBBW will take into account factors such as respect for human rights, ecological impacts on the region affected and the consideration of land rights. If resettlements are unavoidable, LBBW expects our customer companies to act in compliance with national laws and regulations and – where applicable – the Performance Standard PS 5 (“Land Acquisition and Involuntary Resettlement”) of the International Finance Corporation (IFC). In the case of project financing in which LBBW identifies potential impacts on indigenous peoples, it expects its customer companies to act in accordance with the objectives and requirements of IFC Performance Standard PS 7 (“Indigenous Peoples”). If the resettlement of communities is unavoidable as part of a financing project, it is first necessary to obtain free, prior and informed consent (FPIC) from the groups in question and to involve them actively in decision-making and implementation processes.

Tools for the identification, measurement and management of environmental risks
(Article 449a CRR, table 1 row (n))

In addition to evaluating individual credit exposures using the ESG checklist and the rating procedure (see table 1 row (l)), LBBW employs various methods and tools to systematically assess ESG risks in relation to portfolios and to determine the impacts on relevant divisions and segments. Financed emission accounting, the physical risk tool and ESG stress testing are solutions that LBBW has developed in-house and that are constantly being expanded and fleshed out in detail in line with the market standards that are still in the process of development.

Transition risks are material factors that influence LBBW’s credit risk. A wide range of measures can help mitigate transition risks. For example, investments can prepare a company for expected changes in the general environment. A core element for estimating transaction risks is the emission intensity of the customer in question. To calculate the greenhouse gas footprint, LBBW uses the scope 1, scope 2 and scope 3 greenhouse gas emissions published by customers wherever possible If no data is available for individual customers, aggregate sector data based on EUROSTAT is used. These sector data are determined in an external report prepared by the consultancy firm MACS Energy & Water GmbH, which specializes in sustainability in the finance sector. In the “commercial real estate” and “mortgages” asset classes, the relevant property information is either obtained from the energy certificates of the properties and or approximated based on specific property information, thus allowing the GHG emissions of the properties to be determined.

Using the financed carbon accounting method that is applied, the financed share of the reported or estimated scope 1, scope 2 and scope 3 greenhouse gas emissions is calculated for each transaction (defined as scope 3.1, 3.2 and 3.3 for LBBW, with scope 3.X describing the consideration of LBBW’s scope 3 (financed emissions) relative to the underlying scopes 1, 2 and 3 of its customers). The calculation method is based on the standard of the Partnership for Carbon Accounting Framework (PCAF). LBBW is working on further improving this methodology based on PCAF and is aiming to expand the coverage by including published emissions. The financed emissions that are calculated and their development compared with the targets are monitored in detail in the reports described in the section on Article 449a CRR, table 1 row (h). The figures that are calculated are also regularly published by LBBW.

The financed emissions (scopes 3.1 and 3.2) to be published in accordance with Article 449a of the Capital Requirements Regulation (CRR) relate to the sub-portfolio of the credit exposures in the banking book to corporate customers (excluding derivatives and line agreements in particular). A breakdown of the financed emissions calculated in this way by sector can be found in Template 1: Banking book-Indicators of potential climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity.

The GHG Protocol defines a total of 15 sub-categories for scope 3.3. In accordance with the PCAF standard, LBBW does not report any emissions for scope 3.3 for the “commercial real estate” and “mortgages” asset classes. The coverage with individual customer data is still very low for the 15 sub-categories as far as credit exposures to corporate customers are concerned. MACS therefore estimates the scope 3 emission intensity for each NACE sector and sub-category on multiple levels by reference to sector-specific key indicators, an analysis of precursor products or upstream chains and reported emissions peer companies in the sector. The estimated scope 3.3 intensities for all NACE sectors are thus currently subject to a high degree of uncertainty.

Drawing on the World Bank’s risk maps, LBBW developed the physical risk tool to analyze the impact of chronic and acute physical climate risks on the credit risk. Depending on the characteristics of the exposure being assessed, a local, regional or sectoral approach is applied: for real estate, the impact of individual physical risk drivers (including flooding) on the status quo is assessed for individual locations using a four-point scale. Companies with a regional focus are assessed using risk maps aggregated for the region where the company headquarters are located. Major international companies often have a large number of regionally diversified production sites. Physical risks at these companies are therefore measured on a sectoral basis using the Sustainability Accounting Standard Board (SASB) Materiality Map and the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC AR5). An impact from flooding risk is the most common factor that is observed. This affects assets in the portfolios for companies and collateral in Germany in particular.

A breakdown of the portfolios affected by high physical risks by region is presented in the disclosure report as at 31 December 2024 in Template 5: Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk.

LBBW uses climate risk stress tests as a key tool to quantify the potential impact of climate and environmental risks on the bank’s portfolio and to investigate any potential effects on capital adequacy, i.e. whether equity is adequate in proportion to the risks. Given the long-term nature of these risks, the tests serve primarily as an early warning and a way of identifying the need to take action. This means that further analyses can be carried out in good time or long-term countermeasures prepared.

As part of its Group-wide stress testing program, LBBW has regularly carried out extensive climate risk stress tests since 2021 and discusses the results in the Risk Committee and the Board of Managing Directors. In line with the results of the Group risk inventory, the latest climate risk stress test covers the climate-related transition and physical risks that are currently considered material.

The scenarios in the internal LBBW climate risk stress tests are designed by Risk Controlling using science-based climate risk scenarios and risk analyses. The scenarios are analyzed both for medium-term (time horizon of at least three years) and long-term perspectives (time horizon of at least 20 years).

Transition climate risk scenarios are based on scenarios from the Network for Greening the Financial System (NGFS). The scenarios, especially in the long-term analysis, are derived among other things with the aim of testing LBBW’s strategic portfolio focus under adverse conditions (e.g. faced with an unfavorable sharp rise in the carbon price). A baseline climate risk scenario has been developed in-house at LBBW for this purpose. This links the NGFS "Net Zero 2050" transition risk scenario with the components that make up LBBW’s strategic portfolio focus. The current baseline climate risk scenario is therefore also enriched by the transition pathways established at LBBW for greenhouse gas emissions in various industrial sectors.

Physical climate risk scenarios are also designed on the basis of the latest scientific findings. Realistic scenarios have consequently been defined that test the resilience of the bank’s portfolio against a 100-year flood (coastal/inland floods or flooding of the Rhine). Flood maps of the World Bank and the Joint Research Centre Data Catalogue of the European Commission (JRC) are used for this.

LBBW’s climate risk stress tests are bottom-up stress tests with a focus on credit risks, especially in the Bank’s corporate customer and real estate portfolio. Greenhouse gas emission intensity and real estate locations are used as data inputs for the calculations at the individual customer level. Depending on whether the scenario focuses on transition or physical risks, the methodological assumptions center on company profits or real estate market values. Transition risks modeled in the climate risk stress tests in the form of a rise in carbon prices impact companies’ operating income and expenses and real estate market values. Flood risks result in damage to buildings and thus also changes in real estate market values. Lower operating earnings and real estate market values translate into default rates and loss rates, and the impact of these stress effects on the bank’s relevant KPIs such as RWA (risk-weighted assets) and allowances for losses on loans and securities is analyzed.

Tools for the identification, measurement and management of social risks
(Article 449a CRR, table 2 row (k))

With regard to staff risks, a number of staff KPIs relevant for controlling are used as indicators for measuring performance. These include length of service, the proportion of women in the workforce and in management, turnover, recruitment KPIs and data from HR.Insights. These indicators are regularly evaluated and discussed by the Board of

Managing Directors and provide relevant insights into the progress status or a basis for strategic stimuli.

The relevant non-financial staff risks are to be minimized by establishing an appropriate risk monitoring and management concept.

The risks are measured in periodic evaluations and analyses and in company-wide comparisons of key staff indicators such as turnover rates and absences or data on staff development measures.

Results of the risk tools implemented and the estimated impact of environmental risk on the capital and liquidity risk profile
(Article 449a CRR, table 1 row (o))

As already described in the section on article 449a CRR, table 1 row (j), the starting point for risk management is the risk inventory, which determines the material risks for the Group. Material risks are taken into account in principle in the ICAAP and ILAAP.

As the impacts of ESG risks on liquidity risks are not currently considered to be material for LBBW, the analyses and calculations focus on the impact of ESG risks on capital.

Moreover, no social or governance risks are taken into account in the stress test alongside the climate and environmental risks, as the ESG risk inventory has not identified any materiality for the credit risk here. LBBW's stress testing framework defines ESG scenarios as a separate scenario class in order to ensure that climate and environmental risks are taken into appropriate account in LBBW's internal stress test. In connection with the results of the ESG risk inventory, the focus here is on transition and physical climate and environmental risks. Material ESG risks are taken into account in the normative and economic ICAAP via three dimensions:

- Short term (1 year): ESG-relevant developments that can already be identified are taken into account using the rating or the 1-year PD
- Medium term (1 to 5 years): ESG risks are taken into account through the economic planning, including corresponding scenarios
- Long term (> 5 years): ESG risks are analyzed in the course of climate risk stress testing

In the area of capital risks, the ESG risk inventory currently classifies the impacts of climate and environmental risks on the bank's credit portfolio as material, but, in contrast, the impacts of social and governance risks as not material. In line with this classification, the focus of LBBW's ESG stress tests is currently climate and environmental risks. For example, the results of the current climate risk stress tests indicate that the impact of climate risks on LBBW will turn out to be moderate and can be comfortably absorbed in capital ratios and loan loss allowances. In the short to medium term perspective, this is due, among other things, to the good diversification of the LBBW portfolio and its broad focus as a medium-sized universal bank. In the long-term perspective, the climate risk stress tests also show that the customers' transformation that is supported by LBBW can also protect the bank against carbon price risks in the long term. The results of the flood scenarios show that LBBW's flooding risk is low overall, appears to be well diversified and, in view of its risk management, can be addressed primarily at the level of individual exposures.

Availability and quality of data for environmental risk management
(Article 449a CRR, table 1 row (p))

Data availability and quality and also the fact that there is still not a fully developed market standard governing all aspects of ESG risk and measurement continue to pose challenges. Despite making increasingly extensive use of external data providers and stepping up the use of specific customer data where available, LBBW will continue to be dependent on estimates, models still undergoing development and approximations in many areas over the years ahead. Accordingly, fluctuations in results and changes in estimates over time cannot be ruled out.

In view of the increased use of information about sustainability aspects within the bank and to facilitate efficient data management in accordance with the current standards, LBBW has developed a centralized ESG database, known as

the ESG core, as a single point of truth. The ESG core is the leading system for ESG data – this is true both for existing ESG data and ESG data from external providers and for data on ESG results. The ESG core bundles the core functions that are required in this context, including archiving. To monitor data quality, the data in the ESG core is integrated in LBBW's existing central data quality framework. The relevant data controller is responsible for data quality and for setting up monitoring activities.

The establishment of the ESG core began in 2022 with the integration of data for disclosure requirements. The central data model has been successively expanded to include additional areas such as PCAF enhancements since 2023.

Limits / exclusion criteria for funding to prevent social and environmental risk
(Article 449a CRR, table 1 row (q), table 2 row (l))

As discussed in the sections on table 1 rows (a) and (b)**,** LBBW has defined quantitative goals and qualitative principles for its ESG risk tolerance in its risk appetite statement that are consistent with the business strategy of sustainable transformation by design.

A target for emission intensity at Group and segment level is defined annually as a key risk indicator. Sector targets for 2030 are also defined for the most energy-intensive sectors.

General qualitative guidelines have additionally been defined to account for ESG risks. These provide a framework for all activities in the LBBW Group and are set out in more specific detail in the form of requirements and exclusions.

The exclusion criteria are clustered in ESG categories (environment, social and governance). The lending rules for reputational and sustainability risks are regularly supplemented by additional guidelines or existing guidelines are revised**.**

LBBW currently defines the following exclusions for environmental, social and governance criteria:

- LBBW excludes companies that produce cluster munitions and/or anti-personnel mines.
- Furthermore, LBBW does not provide general corporate finance to companies involved in the production of biological or chemical weapons.
- LBBW does not support financing related to pornography, controversial forms of gambling or uranium mining without sufficient environmental and safety standards.
- LBBW is also withdrawing from business with the coal industry and no longer lends to companies that build new coal-fired power plants or coal mines.
- Moreover, clear thresholds have been set for energy suppliers regarding the share of energy or revenue generated by coal. In addition, lending guidelines are in place for agriculture and forestry that regulate how we deal with the commodities palm oil, soya, cotton and logging as well as for oil and gas, fishing and aquaculture and cattle farming in South America.

The detailed exclusions and ESG criteria are regularly updated throughout the year in LBBW's sustainability regulations.

Additional review processes are triggered if increased risks are identified using the ESG checklist (table 1 row (d) and table 2 row (c)).

21.2 Template 1: Banking book – Indicators of potential climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)							
	Sector/subsector		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environmentally sustainable (CCM)	Of which Stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which scope 3 financed emissions	GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity
1	Exposures towards sectors that highly contribute to climate change*	90,383	6,991	961	25,601	2,202	– 1,335	– 403	– 710	70,841,048	65,710,922	6.12%	58,990	17,297	7,415	6,682	3.88
2	*A – Agriculture, forestry and fishing*	*126*			*21*	*6*	*– 2*	*– 1*	*– 2*	*516,322*	*408,171*		*79*	*45*	*2*		*4.28*
3	*B – Mining and quarrying*	*772*	*696*		*66*	*7*	*– 5*	*– 0*	*– 1*	*3,353,352*	*2,949,395*	*1.74%*	*710*	*61*			*3.91*
4	B.05 – Mining of coal and lignite	7	7			7	– 0		– 0	48,267	42,339		2	4			4.62
5	B.06 – Extraction of crude petroleum and natural gas	52	52		0		– 0	– 0		203,977	185,010	9.29%	52				3.83
6	B.07 – Mining of metal ores	0			0		– 0	– 0		26	22		0				1.36
7	B.08 – Other mining and quarrying	66			21	0	– 0	– 0	– 0	333,986	276,305		50	16			3.53
8	B.09 – Mining support service activities	647	637		45		– 4	– 0		2,767,096	2,445,720	1.33%	606	41			3.95
9	*C – Manufacturing*	*16,521*	*526*	*126*	*5,645*	*732*	*– 448*	*– 102*	*– 296*	*39,181,091*	*37,228,301*	*11.98%*	*13,038*	*3,088*	*338*	*57*	*2.88*
10	C.10 – Manufacture of food products	1,811		1	276	16	– 14	– 4	– 3	2,501,823	2,388,280	3.24%	1,384	359	67		3.28
11	C.11 – Manufacture of beverages	301			111	76	– 7	– 1	– 5	170,832	151,580		216	85			2.85
12	C.12 – Manufacture of tobacco products	11	2		1		– 0	– 0		2,845	2,180		11	0			3.31
13	C.13 – Manufacture of textiles	458			273	16	– 5	– 3	– 1	1,115,464	1,093,398		198	261			5.44
14	C.14 – Manufacture of wearing apparel	79			49	1	– 1	– 0	– 1	19,442	16,015	13.86%	45	33			4.39
15	C.15 – Manufacture of leather and related products	82			6		– 1	– 0		40,844	36,875		82	0			2.54

16	C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	766			443	7	– 14	– 9	– 3	1,519,778	1,426,630	17.88%	336	426	4		5.50
17	C.17 – Manufacture of paper and paper products	529			331	1	– 13	– 10	– 0	517,973	328,064	3.40%	371	158			3.49
18	C.18 – Printing and reproduction of recorded media	144			11	3	– 2	– 0	– 2	316,197	309,830		113	31		0	3.39
19	C.19 – Manufacture of coke and refined petroleum products	169	1		84		– 0	– 0		575,447	465,901	8.45%	166	3			0.78
20	C.20 – Manufacture of chemicals and chemical products	615	95	0	201	122	– 25	– 7	– 15	1,452,240	1,213,277	16.28%	372	162	81		4.55
21	C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations	542	49	0	59	0	– 3	– 1	– 0	56,999	52,546	6.80%	502	33	7	1	2.61
22	C.22 – Manufacture of rubber products	970		0	462	36	– 19	– 7	– 10	4,469,764	4,355,825	0.66%	682	232	56		3.66
23	C.23 – Manufacture of other non-metallic mineral products	475		1	156	2	– 9	– 2	– 1	892,749	416,391	79.88%	378	94		3	2.36
24	C.24 – Manufacture of basic metals	624		55	225	8	– 13	– 4	– 6	1,131,581	825,603	21.54%	502	122			2.79
25	C.25 – Manufacture of fabricated metal products, except machinery and equipment	1,087	32		454	57	– 32	– 5	– 24	2,761,274	2,701,965		867	209	11		2.90
26	C.26 – Manufacture of computer, electronic and optical products	886	11	8	266	16	– 13	– 5	– 7	2,730,118	2,714,276	19.63%	778	85	23	0	2.86
27	C.27 – Manufacture of electrical equipment	717	1	0	353	14	– 6	– 3	– 2	2,380,736	2,368,371	13.35%	608	50	13	46	3.90
28	C.28 – Manufacture of machinery and equipment	1,664	18	15	679	71	– 54	– 10	– 40	9,155,871	9,123,679	14.00%	1,408	210	44	2	2.27
29	C.29 – Manufacture of motor vehicles, trailers and semi-trailers	2,887	315	22	822	157	– 116	– 24	– 88	5,050,487	4,942,041	19.43%	2,578	297	8	5	1.42
30	C.30 – Manufacture of other transport equipment	725		23	221	103	– 83	– 3	– 76	1,934,475	1,924,889	0.07%	649	69	7		1.31
31	C.31 – Manufacture of furniture	118	2		51	5	– 3	– 1	– 2	77,805	75,839		63	55			3.55
32	C.32 – Other manufacturing	792	1		105	22	– 14	– 2	– 11	156,404	145,971	2.36%	681	95	17		2.96
33	C.33 – Repair and installation of machinery and equipment	70			7	0	– 1	– 0	– 0	149,940	148,878		50	20		0	3.75

34	*D – Electricity, gas, steam and air conditioning supply*	*5,424*	*5,417*	*154*	*1,120*	*29*	*– 41*	*– 33*	*– 1*	*3,759,248*	*2,807,031*	*11.26%*	*1,426*	*1,165*	*2,580*	*253*	*8.75*
35	D.35.1 – Electric power generation, transmission and distribution	5,219	5,213	154	1,051	28	– 34	– 28		3,542,259	2,678,521	11.70%	1,372	1,116	2,479	253	8.73
36	D.35.11 – Production of electricity	4,264	4,262	55	906	28	– 30	– 28		2,671,420	1,993,940	9.34%	1,149	881	2,067	166	8.72
37	D.35.2 – Manufacture of gas; distribution of gaseous fuels through mains	75	75		2		– 0	– 0		110,714	58,415		17	28	30		9.12
38	D.35.3 – Steam and air conditioning supply	130	129		67	1	– 7	– 5	– 1	106,275	70,095		37	22	71		9.13
39	*E – Water supply; sewerage, waste management and remediation activities*	*2,747*		*0*	*236*	*2*	*– 8*	*– 5*	*– 1*	*1,830,419*	*1,629,310*	*0.05%*	*590*	*608*	*665*	*884*	*5.54*
40	*F – Construction*	*2,570*		*9*	*971*	*154*	*– 64*	*– 12*	*– 42*	*1,214,219*	*1,120,730*	*11.91%*	*1,948*	*277*	*257*	*87*	*3.66*
41	F.41 – Construction of buildings	1,478		9	781	125	– 41	– 10	– 29	760,483	701,692	6.59%	1,146	116	193	24	3.16
42	F.42 – Civil engineering	418		0	70	13	– 9	– 1	– 5	159,580	145,173	0.00%	264	63	60	31	5.26
43	F.43 – Specialized construction activities	673			120	16	– 14	– 2	– 8	294,156	273,865	31.00%	538	98	5	32	3.74
44	*G – Wholesale and retail trade; repair of motor vehicles and motorcycles*	*6,760*	*330*	*15*	*1,903*	*187*	*– 177*	*– 21*	*– 142*	*13,249,861*	*12,929,227*	*8.69%*	*5,935*	*573*	*251*	*2*	*2.28*
45	*H – Transportation and storage*	*3,689*		*247*	*364*	*15*	*– 38*	*– 17*	*– 10*	*5,031,496*	*4,587,249*	*36.33%*	*1,933*	*1,406*	*123*	*227*	*4.51*
46	H.49 – Land transport and transport via pipelines	1,015		247	121	4	– 6	– 3	– 2	247,152	176,167	33.03%	575	283	67	90	5.20
47	H.50 – Water transport	148			47		– 5	– 5		194,617	138,388		15	74		60	3.04
48	H.51 – Air transport	302			83		– 5	– 5		772,641	580,316	11.63%	145	156			4.81
49	H.52 – Warehousing and support activities for transportation	1,806		0	112	11	– 21	– 4	– 8	3,232,402	3,153,724	38.94%	937	735	57	77	4.45
50	H.53 – Postal and courier activities	418		0	1	0	– 1	– 0	– 0	584,685	538,654	63.81%	261	157			3.37
51	*I – Accommodation and food service activities*	*150*			*50*	*1*	*– 5*	*– 0*	*– 0*	*75,936*	*71,324*		*65*	*82*	*3*		*5.27*
52	*L – Real estate activities*	*51,624*	*22*	*411*	*15,227*	*1,070*	*– 547*	*– 210*	*– 217*	*2,629,105*	*1,980,184*	*1.34%*	*33,265*	*9,992*	*3,196*	*5,172*	*3.77*
53	Exposures towards sectors other than those that highly contribute to climate change*	131,237	25	655	5,108	405	– 549	– 192	– 229				82,239	24,362	14,215	10,421	3.55
54	*K – Financial and insurance activities*	*109,098*	*5*	*631*	*1,105*	*220*	*– 228*	*– 51*	*– 124*				*64,974*	*21,109*	*13,012*	*10,004*	*3.54*
55	*Exposures to other sectors (NACE codes J, M – U)*	*22,139*	*20*	*23*	*4,003*	*184*	*– 321*	*– 140*	*– 105*				*17,265*	*3,253*	*1,203*	*417*	*3.63*

56	*TOTAL*	*221,620*	*7,016*	*1,616*	*30,709*	*2,607*	*– 1,884*	*– 595*	*– 939*	*70,841,048*	*65,710,922*	*2.50%*	*141,228*	*41,659*	*21,630*	*17,103*	*3.68*

* In accordance with Commission Delegated Regulation EU) 2020/1818 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks – Climate Benchmarks Regulation – Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

Figure 63: Template 1: Banking book– Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

Gross carrying amounts are reported in the maturity column (years) in EUR million.

The Financed Carbon Accounting tool developed by LBBW is used to calculate emissions of greenhouse gases (GHG) financed by LBBW for the entire credit portfolio. The Carbon Accounting tool determines the financed emissions in tons of CO2 equivalents for each customer that are attributable to LBBW based on the Partnership for Carbon Accounting Financials (PCAF) method. Where possible, the calculation is based on published data. For real estate financing, the basis is provided by the energy performance certificate of the financed property. In the case of corporate financing, the data are either obtained from external providers or determined internally on the basis of company publications. Where no published data are available, sector intensity is used to estimate GHG emissions per financing volume. This intensity for scope 1 and scope 2 is based on aggregate sector data from EUROSTAT and is made available to LBBW by the consulting firm MACS Energy & Water GmbH. For scope 3, the GHG Protocol defines a total of 15 categories, where coverage with customer-specific data is still very low. MAC therefore estimates the scope 3 emission intensity per NACE sector and category by using leading sector-specific indicators, by considering intermediate products or upstream chains and by considering example companies from the sector. The estimated scope 3 intensities for all NACE sectors are thus currently subject to a high degree of uncertainty. Despite the gradual improvements in the available data, we continue to expect sharp fluctuations in the estimated figures for some time. The sector intensities provided by MACS were last updated on 31 December 2024. The potential impact of the risk exposures on credit, market, operational, reputational and liquidity risks is explained in more detail in *section 3.1 Institution’s risk management approach*.

21.3 Template 2: Banking book – Indicators of potential climate change transition risk: Loans collateralised by immovable property – Energy efficiency of the collateral

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount (in EUR million)															
			Level of energy efficiency (EP score in kWh/m² of collateral)						**Level of energy efficiency (EPC label of collateral)**							**Without EPC label of collateral**	
	Counterparty sector		**0; <= 100**	**> 100; <= 200**	**> 200; <= 300**	**> 300; <= 400**	**> 400; <= 500**	**> 500**	**A**	**B**	**C**	**D**	**E**	**F**	**G**		**Of which esti-mated***
1	*Total EU area*	*62,692*	*23,921*	*24,384*	*5,463*	*1,240*	*883*	*461*	*13,432*	*5,017*	*5,958*	*6,347*	*4,334*	*3,431*	*1,842*	*22,332*	*60.83%*
2	Of which Loans collateralised by commercial immovable property	44,572	16,079	18,263	3,652	1,112	830	460	11,379	3,197	4,155	4,094	3,061	2,718	1,513	14,454	55.23%
3	Of which Loans collateralised by residential immovable property	18,120	7,843	6,121	1,811	128	53	1	2,054	1,819	1,803	2,252	1,273	713	329	7,878	71.09%
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties																
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	14,425	7,147	4,860	2,101	28	95	195								13,584	100.00%
6	*Total non-EU area*	*7,110*	*816*	*928*	*423*	*506*	*347*	*756*	*310*	*139*	*204*	*661*	*135*	*88*	*263*	*5,309*	*2.30%*
7	Of which Loans collateralised by commercial immovable property	6,595	762	797	410	506	347	733	215	130	196	575	125	86	263	5,005	1.38%
8	Of which Loans collateralised by residential immovable property	515	54	131	13	0		23	95	9	8	86	10	2		305	17.39%
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties																
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	129	98	18	13											122	100.00%

* Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated

Figure 64: Template 2: Banking book – Indicators of potential climate change transition risk: Loans collateralized by immovable property – Energy efficiency of the collateral

Template 2 discloses aggregate information on the energy efficiency of properties from loans collateralized with immovable property. The gross carrying amount (in EUR million) of the loan exposures is divided into ranges of energy efficiency levels of various energy performance scores, reported in kWh/m2, and into energy performance certificates (EPC), reported under the labels A to G.

The table distinguishes between commercial and residential immovable property and between the location of the property by EU area and non-EU area. It is also indicated whether the data on the energy efficiency level are actual or estimated. They are classified as an estimated value if an energy performance certificate is not available. An internal model that uses information from external real estate databases has been developed for these properties. Changes between the energy performance buckets result from an increased amount of real data in the area of commercial real estate.

Collateral obtained by taking possession, both for commercial and residential immovable property, is not present as at the reporting date.

21.4 Template 3: Banking book – Indicators of potential climate change transition risk: Alignment metrics

This template presents the adjustment of LBBW's portfolio to the Net Zero Emissions by 2050 climate scenario developed by the International Energy Agency (IEA). This scenario is based on the assumption of specific greenhouse gas budgets and outlines changes necessary in energy requirements and in energy technologies by 2030. The results are broken down by key sector.

The measurement of the difference from the targets for 2030 serves to show transparently the progress LBBW is making on the path to these targets and to ensure the steering of the transformation in the most important sectors.

LBBW's strategic goal is to decarbonize its credit and investment portfolio in terms of "financed emissions" and achieve net zero by 2050 at the latest. To this end, sectors that generate especially large quantities of greenhouse gases have been identified within the portfolio and specific reduction targets for these sectors by 2030 have been set. The sectors electricity generation, automotive manufacturing, aviation and the cement, steel and chemicals industries are considered to be especially carbon-intensive.

These sectors are managed using physical intensity (alignment metric) that maps the ratio of production output to greenhouse gas emissions. The calculation of physical carbon intensity is based on company-specific emissions and production data. If data from companies is not available, estimates are used that are based either on in-house calculations or on various public sources.

The following specifications apply for the sectors presented in the report:

- The target is based on a linear interpolation between the current reference year 2024 and the target year 2030.
- Because of the diverse range of products and limited availability of comparable production data, economic intensity (CO2 per EUR million of revenue) is selected as the measurement standard in the chemicals sector, which prevents a direct comparison with the IEA scenario. It is therefore not possible to specify the distance to IEA NZE2050.
- No alignment metrics have been defined for the oil and gas sector, as LBBW does not engage in the financing of certain companies on account of specific lending guidelines.
- An alignment metric for the shipping sector has not been determined, as LBBW does not offer ship financing.
- Carbon-intensive sectors are identified in this template specifically by NACE sector in order to guarantee consistency of the gross carrying amounts with Template 1. Deviations in the alignment metrics from other publications may arise as a result.

	a	b	c	d	e	f	g
	Sector	NACE sectors (a minima)	Portfolio gross carrying amount (EUR million)	Alignment metric	Year of reference	Distance to IEA NZE2050 in %*	Target (year of reference + 3 years)
1	Power	D35	5,424	kgCO2/MWh	180	-3.1	124
2	Power	D35.1	5,219	kgCO2/MWh	173	-7.0	124
3	Power	D35.11	4,264	kgCO2/MWh	132	-28.9	124
4	Automotive	C29	2,887	gCO2/km	147	140.7	125
5	Automotive	C29.1	1,339	gCO2/km	145	137.4	125
6	Aviation	H51.1	270	gCO2/pkm	76	-10.2	81
7	Cement, clinker and lime production	C23.5	66	kgCO2/t cement	551	23.0	512
8	Cement, clinker and lime production	C23.51	65	kgCO2/t cement	551	22.9	512
9	Iron and steel, coke, and metal ore production	C24	624	kgCO2/t steel	1387	29.2	1130
10	Iron and steel, coke, and metal ore production	C24.1	311	kgCO2/t steel	1332	24.0	1130
11	Chemical	C20	615	tCO2/EUR million of revenue	1284	-	1284

* Point in Time (PiT) distance to 2030 NZE2050 scenario in % (for each metric)

Figure 65: Template 3: Banking book – Indicators of potential climate change transition risk: Alignment metrics

In addition to the sectors specified in the report, LBBW also monitors and steers the transformation in the area of commercial real estate and automotive suppliers. Reduction targets for 2030 have been set for both of these sectors. Physical intensity (CO2 per square meter) is recorded for commercial real estate. For suppliers in the automotive industry, the proportion of revenue generated by parts for combustion engines is monitored. This strengthens the resilience of the portfolio, as the dependence on conventional drive technologies is reduced.

The template is filled out in line with the logic of the NACE sectors. Real estate financing cannot be assigned an NACE code. Rather, the financed property (commercial real estate) is the key factor regardless of the NACE sector. In order to maintain consistency with Template 1, commercial real estate has therefore not been included in the table. Limiting it to NACE sector L would produce a disproportionately low intensity that would then not be material.

A direct comparison with IEA NZE2050 is also not directly possible for automotive suppliers, as no benchmark value for the share of sales generated from combustion components is available in the scenario. The alignment of the automotive sector is covered by automotive manufacturers, and automotive suppliers are therefore not included in the table, either.

21.5 Template 4: Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms

	a	b	c	d	e
	Gross carrying amount EUR million (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity in years	Number of top 20 polluting firms included
1	175	0.08%		1.24	6

* For counterparties among the top 20 carbon emitting companies in the world

Figure 66: Template 4: Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms

The top 20 list from the Climate Accountability Institute (2018 /www.climateaccountability.org) was used to determine exposure to the top carbon-intensive companies.

There is no exposure in column C *Of which environmentally sustainable (CCM)* as at the reporting date.

21.6 Template 5: Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount (EUR million)													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Germany		<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity							Of which Stage 2 exposures	Of which non-performing exposures
1	A – Agriculture, forestry and fishing	121	27	20	2		4.65	37	3	8	5	1	– 1	– 0	– 0
2	B – Mining and quarrying	71	6	2			2.97		7	2	2		– 0	– 0	
3	C – Manufacturing	10,235	853	291	19	1	3.03	1,000	143	20	236	17	– 10	– 2	– 8
4	D – Electricity, gas, steam and air conditioning supply	2,715	111	78	328	71	10.88		438	150	0		– 0	– 0	
5	E – Water supply; sewerage, waste management and remediation activities	2,729	99	108	167	174	6.51	91	441	16	3	0	– 0	– 0	– 0
6	F – Construction	1,952	81	9	12	27	7.52		119	11	8	1	– 1	– 0	– 1
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	5,236	647	45			1.28	491	185	15	392	0	– 6	– 5	– 0
8	H – Transportation and storage	2,450	87	10	9	21	6.62	27	85	16	4	0	– 0	– 0	– 0
9	L – Real estate activities	33,337	1,204	382	111	148	4.00	28	1,747	70	573	2	– 5	– 3	
10	Loans collateralised by residential immovable property	16,659	280	190	45	82	4.34	7	589	0	129	1	– 1	– 1	– 0
11	Loans collateralised by commercial immovable property	32,916	1,210	377	109	53	4.13	118	1,566	65	588	17	– 11	– 3	– 6
12	Repossessed collaterals														
13	Other relevant sectors (breakdown below where relevant)														

Figure 67: Template 5: Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk – Germany

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount (EUR million)													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	European Union (excluding Germany)		<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity							Of which stage 2 exposures	Of which non-performing exposures
1	A – Agriculture, forestry and fishing	0	0				0.03	0			0		– 0	– 0	
2	B – Mining and quarrying														
3	C – Manufacturing	2,246	129				1.05	101	23	4	1	0	– 0	– 0	– 0
4	D – Electricity, gas, steam and air conditioning supply	1,401	30	41	196	51	9.44		28	290	89		– 0	– 0	
5	E – Water supply; sewerage, waste management and remediation activities														
6	F – Construction	197	0		22		15.29		0	23	0		– 0	– 0	
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	693	155				0.68	153	2	0	93	0	– 1	– 1	– 0
8	H – Transportation and storage	629	0				0.04		0				– 0		
9	L – Real estate activities	10,708	1,629	173		74	2.84	142	461	1,272	359		– 8	– 2	
10	Loans collateralized by residential immovable property	1,539	438	88			3.42	3	77	446	67		– 1	– 0	
11	Loans collateralized by commercial immovable property	11,669	1,742	147		74	4.47	225	410	1,328	323		– 12	– 2	
12	Repossessed collaterals														
13	Other relevant sectors (breakdown below where relevant)														

Figure 68: Template 5: Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk – European Union (excluding Germany)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount (EUR million)													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Rest of the world		<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity							Of which stage 2 exposures	Of which non-performing exposures
1	A – Agriculture, forestry and fishing	5	5				3.12	5	0		3	2	– 0	– 0	
2	B – Mining and quarrying	701													
3	C – Manufacturing	4,041	370	183	9		3.33	258	292	11	267	84	– 10	– 3	– 6
4	D – Electricity, gas, steam and air conditioning supply	1,308	10	119	58		8.45	58	130		164		– 0	– 0	
5	E – Water supply; sewerage, waste management and remediation activities	18	2				2.60	0	2		0	2	– 0	– 0	– 0
6	F – Construction	420	58				2.49	3	56		54	3	– 0	– 0	– 0
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	831	132	9			0.47	23	117		8		– 0	– 0	
8	H – Transportation and storage	610	0	0			5.04		1				– 0		
9	L – Real estate activities	7,580	130	7			1.39		137		8		– 0	– 0	
10	Loans collateralized by residential immovable property	437	0	0	0	1	5.73		1		0		– 0	– 0	
11	Loans collateralized by commercial immovable property	6,581	8	7			4.65		15		8		– 0	– 0	
12	Repossessed collaterals														
13	Other relevant sectors (breakdown below where relevant)														

Figure 69: Template 5: Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk – Rest of the world

The three tables present the gross carrying amounts for the regions Germany, the European Union (excluding Germany) and the rest of the world that are subject to a high impact from physical risks from a qualitative perspective according to the physical risk tool developed by LBBW. Three different approaches are taken here:

- location-based valuation of real estate collateral;
- regional valuation of companies with a regional focus; and
- sector valuation for geographically diversified companies.

The acute climate risks of inland and coastal flooding, heavy rain, forest fires, landslides and tropical cyclones and the chronic climate risks of drought, heat and rising sea levels are considered in all approaches. If the impact is high for at least one of these risk aspects, the related gross carrying amounts in the table are classified as highly impacted. The individual approaches are described in more detail below.

Location-based valuation of real estate collateral

Real estate is affected only by physical risks at its location. Accordingly, real estate collateral is valued using highly accurate access to hazard maps. Here, LBBW uses publicly available hazard maps from the World Bank and the European Joint Research Centre that depict a potentially catastrophic event for each of the selected risk types (e.g. a 100-year event). LBBW converts the hazard values obtained here into a qualitative assessment of high impact.

Regional valuation of companies with a regional focus

LBBW initially classifies its customers on the basis of their regional dependency. For this, it prefers to use granular information from the rating systems. If this is unavailable, company size is used as an approximation. In the case of the companies with a regional focus that are identified here, it is assumed that the production sites, supply chains and customer groups are located predominantly in a single region and so the physical risk of the company can also be assessed using this region. For this purpose, the companies are first located in the appropriate region on the basis of their headquarters. The European Union’s NUTS 3 classification is used for Europe, while counties are examined in the US and the highest sub-national units are considered for the rest of the world. The second stage is to estimate the impact of physical risks for all of these regions. A region is considered highly impacted if at least 10% of its area is highly impacted based on a very precise query.

Sector valuation for geographically diversified companies

Companies without a strong regional dependency are assumed to be geographically diversified. As production sites, supply chains and customers are distributed across many locations, these companies are not fundamentally affected by acute climate risks, which always relate to a clearly defined region. By contrast, they can be highly impacted by chronic climate risks as these can create systematic problems for certain sectors. Accordingly, geographically diversified companies are assessed based on their sector. The Materiality Map of the Sustainability Accounting Standards Board (SASB) and the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC Ar5) are used as the basis for assessing individual sectors.

21.7 Template 6 – Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures

	KPI			
	Climate change mitigation	Climate change adaptation	Total (climate change mitigation + climate change adaptation)	% coverage (over total assets)*
GAR stock	0.77%	0.00%	0.78%	67.86%
GAR flow	0.29%	0.01%	0.30%	56.39%

* % of assets covered by the KPI over banks' total assets

Figure 70 Template 6 – Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures

Templates 6 to 8 on the green asset ratio (GAR) in accordance with Article 449a CRR serve to illustrate the form and scope of the economic activities that can be classified as environmentally sustainable in terms of the first two environmental objectives of climate change mitigation (CCM) and climate change adaptation (CCA) within the meaning of the EU Taxonomy Regulation.

21.8 Template 7 – Mitigating actions: Assets for the calculation of GAR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which in taxonomy-relevant sectors (Taxonomy-eligible)					Of which in Taxonomy-relevant sectors (taxonomy-eligible)					Of which in taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
EUR million		Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
	GAR – Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	72,022	19,009	1,864	402	329	242	21	6			5	19,030	1,870	402	329	247
2	Financial corporations	50,786	6,178	631	145	40	115	6	1			0	6,183	632	145	40	115
3	Credit institutions	49,213	5,628	342	0	40	42	6	1			0	5,633	343	0	40	42
4	Loans and advances	37,729	2,870	113	0	33	35	2	0				2,872	113	0	33	35
5	Debt securities, including UoP	11,386	2,741	229		7	6	3	0			0	2,744	229		7	6
6	Equity instruments	98	17	0			0						17	0			0
7	Other financial corporations	1,574	550	289	145	0	73						550	289	145	0	73
8	of which investment firms																
9	Loans and advances																
10	Debt securities, including UoP																
11	Equity instruments																
12	of which management companies																
13	Loans and advances																
14	Debt securities, including UoP																
15	Equity instruments																
16	of which insurance undertakings	50															
17	Loans and advances	1															
18	Debt securities, including UoP	49															
19	Equity instruments																
20	Non-financial corporations (subject to NFRD disclosure obligations)	13,495	5,440	984	256	290	127	14	6			5	5,454	990	256	290	132

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which in taxonomy-relevant sectors (Taxonomy-eligible)					Of which in Taxonomy-relevant sectors (taxonomy-eligible)					Of which in taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
EUR million		Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
21	Loans and advances	13,294	5,392	958	256	283	121	14	6			5	5,405	964	256	283	127
22	Debt securities, including UoP	200	48	27		7	6						48	27		7	6
23	Equity instruments	1	0										0				
24	Households	7,733	7,391	248									7,391	248			
25	of which loans collateralised by residential immovable property	7,274	7,001	248									7,001	248			
26	of which building renovation loans	22	22										22				
27	of which motor vehicle loans	437	369										369				
28	Local government financing	8	0					2					2				
29	Housing financing																
30	Other local government financing	8	0					2					2				
31	Collateral obtained by taking possession: residential and commercial real estate																
32	TOTAL GAR ASSETS	72,022	19,009	1,864	402	329	242	21	6			5	19,030	1,870	402	329	247
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	EU non-financial corporations (not subject to NFRD disclosure obligations)	80,570															
34	Loans and advances	79,982															
35	Debt securities	83															
36	Equity instruments	504															
37	Non-EU non-financial corporations (not subject to NFRD disclosure obligations)	18,371															
38	Loans and advances	18,231															
39	Debt securities	46															
40	Equity instruments	94															
41	Derivatives	913															

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which in taxonomy-relevant sectors (Taxonomy-eligible)					Of which in Taxonomy-relevant sectors (taxonomy-eligible)					Of which in taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	EUR million	Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
42	On demand interbank loans	1,218															
43	Cash and cash-related assets	162															
44	Other assets (e.g. goodwill, commodities, etc.)	67,602															
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)	240,858															
	Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	19,865															
47	Exposures to central banks	47,041															
48	Trading book	47,183															
49	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND THE DENOMINATOR	114,089															
50	TOTAL ASSETS	354,948															

Figure 71: Template 7 – Mitigating actions: Assets for the calculation of GAR

21.9 Template 8 – GAR (%)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T: KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
	% (compared to total covered assets in the denominator)			Of which specialized lending	Of which transitional	Of which enabling			Of which specialized lending	Of which adaptation	Of which enabling			Of which specialized lending	Of which transitional/adaptation	of which enabling activities	Proportion of total assets covered
1	GAR	7.89%	0.77%	0.17%	0.14%	0.10%	0.01%	0.00%	0.00%	0.00%	0.00%	7.90%	0.78%	0.17%	0.14%	0.10%	67.86%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	26.39%	2.59%	0.56%	0.46%	0.34%	0.03%	0.01%	0.00%	0.00%	0.01%	26.42%	2.60%	0.56%	0.46%	0.34%	20.29%
3	Financial corporations	12.16%	1.24%	0.29%	0.08%	0.23%	0.01%	0.00%	0.00%	0.00%	0.00%	12.18%	1.24%	0.29%	0.08%	0.23%	14.31%
4	Credit institutions	11.44%	0.70%	0.00 %	0.08 %	0.08%	0.01%	0.00%	0.00%	0.00%	0.00%	11.45%	0.70%	0.00 %	0.08 %	0.08%	13.86%
5	Other financial corporations	34.95%	18.36%	9.21%	0.01%	4.64%	0.00%	0.00%	0.00%	0.00%	0.00%	34.95%	18.36%	9.21%	0.01%	4.64%	0.44%
6	of which investment firms																0.00%
7	of which management companies																0.00%
8	of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
9	Non-financial corporations subject to NFRD disclosure obligations	40.31%	7.30%	1.90%	2.15%	0.94%	0.10%	0.04%	0.00%	0.00%	0.04%	40.41%	7.34%	1.90%	2.15%	0.98%	3.80%
10	Households	95.58%	3.21%	0.00%	0.00%	0.00%						95.58%	3.21%	0.00%	0.00%	0.00%	2.18%
11	of which loans collateralized by residential immovable property	96.24%	3.42%	0.00%	0.00%	0.00%						96.24%	3.42%	0.00%	0.00%	0.00%	2.05%
12	of which building renovation loans	100.0%	0.00%	0.00%	0.00%	0.00%						100.0%	0.00%	0.00%	0.00%	0.00%	0.01%
13	of which motor vehicle loans	84.29%	0.00%	0.00%	0.00%	0.00%						84.29%	0.00%	0.00%	0.00%	0.00%	0.12%
14	Local government financing	2.02%	0.00%	0.00%	0.00%	0.00%						2.02%	0.00%	0.00%	0.00%	0.00%	0.00%
15	Housing financing																0.00%
16	Other local government financing	2.02%	0.00%	0.00%	0.00%	0.00%	24.48%	0.00%	0.00%	0.00%	0.00%	26.51%	0.00%	0.00%	0.00%	0.00%	0.00%
17	Collateral obtained by taking possession: residential and commercial real estate																0.00%

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Disclosure reference date T: KPIs on inflows															
		Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
	% (compared to total covered assets in the denominator)			Of which specialized lending	Of which transitional	Of which enabling			Of which specialized lending	Of which adaptation	Of which enabling			Of which specialized lending	Of which transitional/ adaptation	of which enabling activities	Proportion of total new assets covered
1	GAR	3.75%	0.29%	0.02%	0.02%	0.08%	0.01%	0.01%	0.00%	0.00%	0.00%	3.76%	0.30%	0.02%	0.02%	0.08%	56.39%
2	Loans and advances, debt securities and equity instruments not held for trading eligible for GAR calculation	17.38%	1.36%	0.08%	0.07%	0.37%	0.05%	0.03%	0.00%	0.00%	0.00%	17.44%	1.38%	0.08%	0.07%	0.37%	12.15%
3	Financial corporations	10.32%	0.75%	0.00%	0.01%	0.23%	0.01%	0.00%	0.00%	0.00%	0.00%	10.33%	0.75%	0.00%	0.01%	0.23%	8.09%
4	Credit institutions	9.87%	0.45%	0.00%	0.01%	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%	9.89%	0.45%	0.00%	0.01%	0.02%	7.94%
5	Other financial corporations	32.63%	16.03%	0.00%	0.04%	11.23%	0.00%	0.00%	0.00%	0.00%	0.00%	32.63%	16.03%	0.00%	0.04%	11.23%	0.16%
6	of which investment firms																0.00%
7	of which management companies																0.00%
8	of which insurance undertakings																0.00%
9	Non-financial corporations subject to NFRD disclosure obligations	23.55%	2.72%	0.29%	0.22%	0.74%	0.14%	0.10%	0.00%	0.00%	0.00%	23.69%	2.82%	0.29%	0.22%	0.74%	3.53%
10	Households	84.77%	1.54%	0.00%	0.00%	0.00%						84.77%	1.54%	0.00%	0.00%	0.00%	0.53%
11	of which loans collateralized by residential immovable property	78.98%	3.05%	0.00%	0.00%	0.00%						78.98%	3.05%	0.00%	0.00%	0.00%	0.27%
12	of which building renovation loans	100.0%	0.00%	0.00%	0.00%	0.00%						100.0%	0.00%	0.00%	0.00%	0.00%	0.01%
13	of which motor vehicle loans	90.14%	0.00%	0.00%	0.00%	0.00%						90.14%	0.00%	0.00%	0.00%	0.00%	0.25%
14	Local government financing	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15	Housing financing																0.00%
16	Other local government financing	0.00%	0.00%	0.00%	0.00%	0.00%	19.58%	0.00%	0.00%	0.00%	0.00%	19.58%	0.00%	0.00%	0.00%	0.00%	0.00%
17	Collateral obtained by taking possession: residential and commercial real estate																0.00%

Figure 72: Template 8 – GAR (%)

21.10 Template 10 – Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

	a	b	c	d	e	f
	Type of financial instrument	**Type of counterparty**	**Gross carrying amount (EUR million)**	**Type of risk mitigated (climate change transition risk)**	**Type of risk mitigated (climate change physical risk)**	**Qualitative information on the nature of the mitigating actions**
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations				
2		Non-financial corporations				
3		Of which Loans collateralized by commercial immovable property				
4		Other counterparties				
5	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	48	YES	NO	This relates to wind farm financing. The purpose of the mitigating action is to reduce carbon emissions and, in turn, protect the climate. The wind farms financed are located outside the EU and are not subject to the NFRD requirement and so they are not taken into account under the Taxonomy Regulation. The term of the loan is recognized as the timetable for the action.
6		Non-financial corporations	1,843	YES	NO	This relates to financing and project finance for wind and solar farms. The purpose of the mitigating action is to reduce carbon emissions and, in turn, protect the climate. The companies are not subject to the NFRD requirement and so they are not taken into account under the Taxonomy Regulation. The term of the loan is recognized as the timetable for the action.
7		Of which Loans collateralized by commercial immovable property				
8		Households				
9		Of which Loans collateralized by residential immovable property				
10		Of which building renovation loans				
11		Other counterparties				

* No information is disclosed regarding the bonds in light of current discussions regarding the distinction from European green bonds.

Figure 73: Template 10 – Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

22 Reporting and disclosure requirements related to crypto assets (Article 451b CRR)

22.1 Qualitative disclosures on crypto assets

LBBW does not currently conduct any activities of its own in the area of crypto assets or crypto assets services pursuant to the Markets in Crypto Assets Regulation (MiCAR, Regulation (EU) 2023/1114). The requirements of chapter SCO60 of the Basel Framework relating to the prudential treatment and the disclosure of exposures in accordance with Article 451b CRR therefore do not apply.

However, initial, minor transactions were conducted in the area of tokenized assets as part of the ECB trials in 2024. These are included in the bank's risk assessment. The Basel Committee states here that tokenized assets can be treated in the same way as traditional assets, and this is assumed here. The risks and the characteristics are comparable with those of traditional assets.

22.2 Crypto asset exposures (Article 451b CRR)

The portfolios with non-Group counterparties of the non-trading book and trading book are presented below.

	EUR million	Exposure value	Risk weighted exposure amounts (RWEA)	Own funds requirements
	Type of exposures	a	b	c
1	Tokenised traditional assets	86	5	0
2	Asset referenced tokens			
3	Exposures to other crypto assets			
4	**Total**			
	Memorandum item			
5	Exposures to other crypto assets expressed as a percentage of the institution's T1 capital			

Figure 74: EU CAE1 – Crypto asset exposures

Attestation by the Board of Managing Directors pursuant to Article 431 CRR

With approval granted by the responsible member of the Board of Managing Directors Stefanie Münz, it is hereby attested that this disclosure has been made in accordance with the formal policies adopted by Landesbank Baden-Württemberg and its internal processes, systems and controls.

List of abbreviations

ABCP	Asset-backed commercial paper
ASF	Available stable funding
AT1	Additional Tier 1 capital
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory)
BCBS	Basel Committee on Banking Supervision
BRRD	Bank Recovery and Resolution Directive establishing a framework for the recovery and
BTAR	Banking book taxonomy alignment ratio
CCA	Climate change adaptation
CCF	Credit conversion factor
CCP	Central counterparty
CCM	Climate change mitigation
CCR	Counterparty credit risk
CDS	Credit default swap
CET1	Common Equity Tier 1
CLN	Credit linked note
COREP	Common solvency ratio reporting
CO2e	CO2 equivalents
CR	Credit risk
CRD	Capital Requirements Directive
CRM	Credit risk mitigation
CRR	Capital Requirements Regulation
CSD	Central securities depository
CVA	Credit valuation adjustment
DSGV	Deutscher Sparkassen- und Giroverband (German Savings Banks Association)
EAD	Exposure at default
EBA	European Banking Authority
EEPE	Effective expected positive exposure
EIF	European Investment Fund
EL	Expected loss
EPC	Energy performance certificate
EPS	Energy performance score
ERBA	External ratings-based approach
ESG	Environmental, social and governance
EEA	European Economic Area
FBE	Forborne exposure
FCP	Funded credit protection
FINREP	Financial reporting
FX	Foreign exchange
GAR	Green asset ratio

GL	Guideline
HLBA	Historical look-back approach
IAA	Internal assessment approach
ICAAP	Internal capital adequacy assessment process
IFRS	International Financial Reporting Standards
IMA	Internal model approach
IMM	Internal model method
IRBA	Internal ratings-based approach
IRC	Incremental default and migration risk charge
SME	Small and medium-sized enterprises
KPI	Key performance indicators
CRSA	Credit risk standardized approach
KWG	Kreditwesengesetz (German Banking Act)
LCR	Liquidity coverage ratio
LGD	Loss given default
MACS	MACS Energy & Water GmbH (ESG consultancy firm)
MREL	Minimum requirement for own funds and eligible liabilities
MTN	Medium term notes
NACE	Nomenclature Générale des Activités Économiques (Statistical Classification of Economic
NFRD	Non-Financial Reporting Directive
NII	Net interest income
NMD	Non-maturity deposits
NPL	Non-performing loans
NSFR	Net stable funding ratio
O-SII	Other systemically important institutions
OTC	Over the counter
P/L	Profit and loss
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PFE	Potential future exposure
RC	Replacement cost
RSF	Required stable funding
RWA	Risk-weighted assets
RWEA	Risk-weighted exposure amount
SA-CCR	Standardized approach for counterparty credit risk
SASB	Sustainability Accounting Standards Board
SFT	Securities financing transaction
SREP	Supervisory review and evaluation process
SRT	Significant risk transfer
STS	Simple, transparent and standardized securitizations
sVaR	Stressed value-at-risk
sVaRavg	Average stressed value-at-risk

T1/T2	Tier 1 capital/Tier 2 capital
TC	Total capital
GHG	Greenhouse gas emissions
TLTRO	Targeted longer-term refinancing operations
VaR	Value-at-risk
VdP	Verband deutscher Pfandbriefbanken (Association of German Pfandbrief Banks)
VÖB	Bundesverband Öffentlicher Banken Deutschlands (Association of German Public Banks)
CCP	Central counterparty

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Breaking new ground

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