

Landesbank Baden-Wuerttemberg

Key Rating Drivers

Support Drives IDRs: Landesbank Baden-Wuerttemberg's (LBBW) Issuer Default Ratings (IDR) and Shareholder Support Rating (SSR) are aligned with the IDRs of Sparkassen-Finanzgruppe (Sparkassen) (SFG; A+/Stable/F1+), the German savings bank group. This reflects Fitch Ratings' view of a very high probability of timely support from SFG, based on LBBW's membership of the Institutional Protection Scheme (IPS).

The Stable Outlook on LBBW's Long-Term IDR mirrors that on SFG. The IPS covers the savings banks and the Landesbanken, and its aim is to safeguard members' liquidity and solvency, and prevent them entering insolvency or resolution. It has an impeccable record in providing comprehensive protection to depositors and investors.

Support would also be available from the bank's other owners, the State of Baden-Wuerttemberg (BW; 40.5% stake) and the City of Stuttgart (10%), but LBBW's SSR does not factor in support from these public owners as it is based on the lowest of the owners' ratings. We use SFG's Long-Term IDR as the anchor rating as support would need to be forthcoming from SFG and its public owners to avoid triggering state-aid considerations and resolution under the German Recovery and Resolution Act if LBBW fails.

Large German Corporate Bank: LBBW's Viability Rating (VR) reflects its wholesale-driven business model with a focus on corporate clients and commercial real estate (CRE) lending, with high sector concentrations, and the structural improvement in profitability, although this remains weaker than higher-rated peers'. The VR also reflects good asset quality, adequate capitalisation, and access to the savings banks' excess liquidity.

Big Sector Concentrations: LBBW has a good nationwide corporate banking franchise and is the market leader in domestic CRE lending. Its business model leads to concentrations on cyclical industries and on large borrowers, particularly in CRE. Intense competition in most of LBBW's products limits its pricing power and weighs on profitability, as for its German peers. Its asset management and expanding project finance activities add revenue diversification.

Resilient Asset Quality: The bank's impaired loans ratio increased slightly, to 1.7% at end-2024 (end-2023: 1.3%), mainly driven by defaults in its CRE portfolio and remained stable since then. The US CRE exposure (7% of CRE loans at end-1H25) had good asset-quality performance and the lowest proportion of defaults out of peers.

Improving Underlying Profitability: LBBW's consistent execution of its business plan and gradual revenue growth has improved its structural profitability, although this remains lower than at higher-rated peers because of lower margins and higher costs. We forecast the operating profit/risk-weighted assets (RWAs) ratio to remain stable at about 1.3 -1.5% over the next two years, well above the long-term average.

Adequate Capitalisation: The common equity Tier 1 (CET1) ratio of 16.6% at end-June 2025 is adequate, considering its business model and risk profile. We expect the ratio to remain stable over the next two years, as capitalisation should benefit from earnings retention and RWA optimisation, offsetting LBBW's growth.

Sound Funding and Liquidity: LBBW is primarily wholesale-funded, as reflected in a moderately higher loans/deposits ratio than commercial bank peers'. It benefits from moderate capital market funding requirements, due to its reliable placement capacity within the savings bank sector. LBBW's liquidity position is sound, based on a large portfolio of cash and liquid securities.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1+
Derivative Counterparty Rating	AA-(dcr)
Viability Rating	bbb+
Shareholder Support Rating	a+

Sovereign Risk (Germany)

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

- Fitch Affirms LBBW at 'A+'; Outlook Stable (June 2025)
- Fitch Affirms Sparkassen-Finanzgruppe at 'A+'; Outlook Stable (March 2025)
- Global Economic Outlook (September 2025)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of SFG's IDRs would likely lead to a downgrade of LBBW's IDRs and SSR.

LBBW's VR would likely be downgraded if we expected the bank's impaired loans ratio to rise to and remain above 3%, if the CET1 ratio falls durably below 13%, or if the operating profit declines below 0.7% of RWAs on a sustained basis without clear recovery prospects.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of SFG's IDRs would likely lead to an upgrade of LBBW's IDRs.

An upgrade of the bank's VR would require a stronger business profile that benefits from economies of scale leading to a further structural improvement of LBBW's profitability, with an operating profit/RWAs ratio sustainably close to 2%. An upgrade would also be contingent on LBBW maintaining a moderate risk profile and an impaired loans ratio below 2%, while keeping the CET1 ratio consistently at or above current levels.

Other Debt and Issuer Ratings

Rating Level	Rating
Deposits and senior preferred	AA-/F1+
Senior non-preferred	A+
Guaranteed senior and subordinated	AAA
Subordinated Tier 2	A-

Source: Fitch Ratings

LBBW's Derivative Counterparty Rating, long-term deposit rating and senior preferred debt ratings are one notch above its Long-Term IDR. This reflects the protection of preferred creditors arising from the bank's large resolution buffers, including senior non-preferred and more junior debt. For the same reason, the senior non-preferred debt rating is in line with the bank's Long-Term IDR.

Its short-term deposit and senior preferred debt ratings are the only short-term ratings mapping to the long-term deposit and senior preferred ratings, respectively.

The 'AAA' ratings of LBBW's grandfathered state-guaranteed senior unsecured and Tier 2 subordinated notes reflect our view of the creditworthiness of the state of Baden-Wuerttemberg, which is closely linked to that of Germany (AAA/Stable), and our expectation that Baden-Wuerttemberg will honour its guarantee.

The rating of the bank's non-guaranteed Tier 2 subordinated debt is notched down twice from its Long-Term IDR to reflect poor recoveries in case of non-performance. We use LBBW's Long-Term IDR rather than the VR as the anchor rating because the agency expects shareholder support from SFG to be extended to the bank's Tier 2 instrument.

Ratings Navigator

Landesbank Baden-Wuerttemberg							ESG Relevance: 	Banks Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Shareholder Support Rating	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%				
aaa							aaa	aaa	aaa	AAA
aa+							aa+	aa+	aa+	AA+
aa							aa	aa	aa	AA
aa-							aa-	aa-	aa-	AA-
a+							a+	a+	a+	A+ Sta
a							a	a	a	A
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+
bb							bb	bb	bb	BB
bb-							bb-	bb-	bb-	BB-
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The business profile score of 'bbb+' is below the 'a' implied category score, due to the following adjustment reason: business model (negative).

The asset quality score of 'bbb+' is below the 'a' implied category score, due to the following adjustment reason: concentrations (negative).

The capitalisation and leverage score of 'bbb+' is below the 'a' implied category score, due to the following adjustment reason: risk profile and business model (negative).

The funding and liquidity score of 'bbb+' is below the 'a' implied category score, due to the following adjustment reason: deposit structure (negative).

Company Summary and Key Qualitative Factors

Business Profile

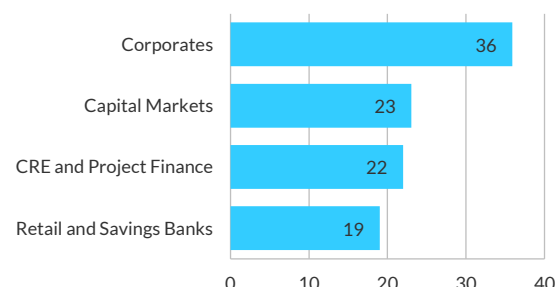
LBBW is a public sector-owned wholesale bank that focuses on corporate and asset-based finance in addition to its statutory roles as the core bank for Baden-Wuerttemberg's public sector and central institution for the savings banks in Baden-Wuerttemberg, Rhineland-Palatinate and Saxony. The size and profit contribution of its retail activities, which are primarily concentrated in Stuttgart and Baden-Wuerttemberg, are small compared to those of universal banks of a similar size, although their profit contribution has increased in recent years. LBBW has also expanded its asset and wealth management in recent years as part of its nationwide growth strategy.

LBBW has a nationwide corporate banking franchise, with a focus on the federal state of Baden Wuerttemberg, which has an economy similar in size to Belgium's. LBBW's offering includes traditional commercial banking products to large multinational customers and SMEs, including corporate finance, asset management, trade finance, leasing and factoring. The strong competition in German corporate banking limits LBBW's pricing power. Its regional focus leads to concentrations in cyclical industries. It has big exposures to large CRE borrowers. LBBW's international franchise is largely concentrated in western Europe but supports its corporate clients in key international financial centres.

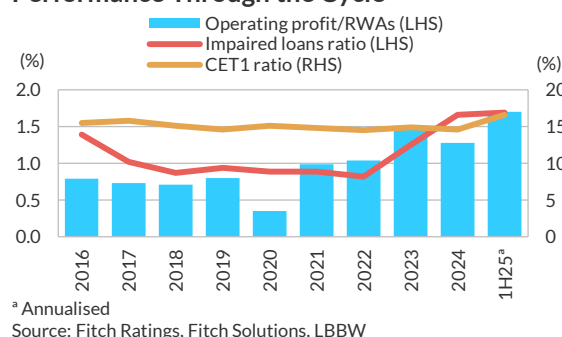
The bank's client-driven capital markets business is complementary to its corporate business and is a sizeable – but volatile – revenue source. LBBW's acquisition of certain activities from other Landesbanken in recent years have strengthened its role as the main centre of competence and infrastructure provider for market activities within SFG. LBBW plans to increase and diversify its revenue by gaining market shares in debt capital markets and corporate finance, while leveraging on its know-how to service asset and wealth management customers.

LBBW became Germany's largest CRE lender after taking over the specialist CRE bank Berlin Hyp AG from SFG in 2022. Full integration of Berlin Hyp into LBBW has recently been executed and Berlin Hyp is now a business unit within LBBW. LBBW will use the strong Berlin Hyp brand for its combined CRE activities. LBBW indicated that the integration will create synergies of about EUR100 million a year – about 4% of LBBW's cost base at end-2024.

Income Split by Segment (%) 1H25



Performance Through the Cycle



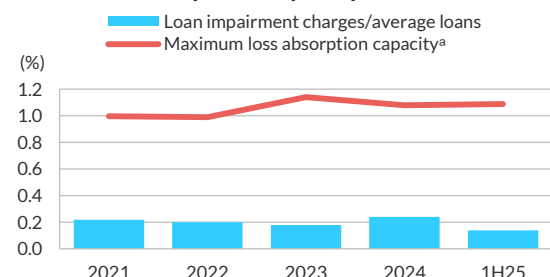
Risk Profile

LBBW's risk profile is dominated by credit risk. Since the deleveraging following the 2008–2009 global financial crisis, LBBW has expanded its loan book based on prudent underwriting standards and low appetite for higher-risk subsectors, such as leverage finance. The group's risk monitoring and reporting is good and in line with that of domestic peers and have resulted in overall sound asset quality. The latter is also reflected in LBBW's high proportion of internally investment grade-rated exposure of 90% at end-1H25.

LBBW's corporate loan book is less diversified than those of large universal peers and has higher exposure to cyclical industries, in particular the industrial goods, consumer and automotive sectors. However, the gradual reduction of LBBW's exposure to combustion engine-focused automotive suppliers and its previous expansion into sectors where it had been less active – such as pharmaceuticals or healthcare, technology, media and telecoms (TMT), electronics and utilities – as credit positive, as this increases diversification.

Market risk is driven by interest rate and credit spread risk, while FX, commodity and equity risks are not material.

P&L Loss Absorption Capacity

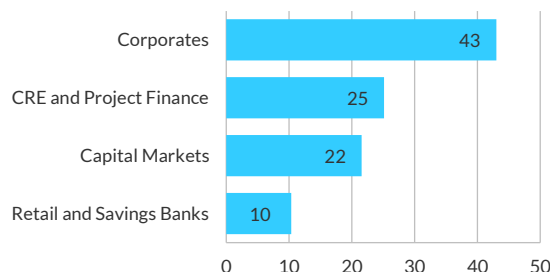


^a Pre-impairment operating profit/average loans

Source: Fitch Ratings, Fitch Solutions, banks

RWA Split by Segment (%)

End-June 2025



Source: Fitch Ratings, Fitch Solutions, LBBW

Financial Profile

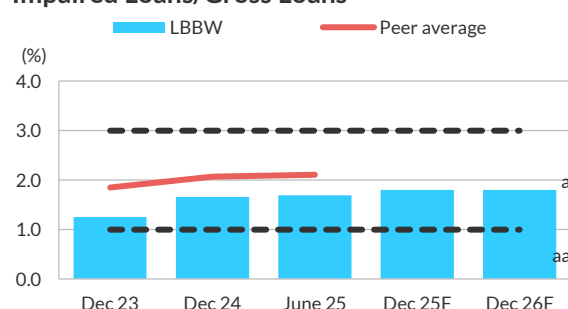
Asset Quality

LBBW's impaired loans ratio remained stable, at 1.7% at end-1H25 (end-2023: 1.3%), after a modest deterioration in 2024. The increase of impaired loans in 2024 was mainly driven by the bank's CRE on challenging market conditions, particularly in the US office space. In 2026, pressure on asset quality could arise from the bank's exposure to cyclical industries, which are sensitive to global trade and weaker economic activity, especially in its corporate loans portfolio. We expect LBBW's impaired loans to rise slightly in 2025 and then stabilise in 2026 among improved economic conditions, with the impaired loans ratio below 2%, a level that we consider to be manageable for the bank.

Impaired loans are almost fully covered by loan loss allowances, which LBBW supplements with post-model adjustments. In addition, high quality collateral mitigates risks. The bank's Stage 2 gross exposure ratio was about 16.5% at end-1H25 (end-2024: 11.5%); however, this indicates conservative loan classification rather than heightened risk, as almost two thirds of the exposure classified as Stage 2 was internally rated investment grade.

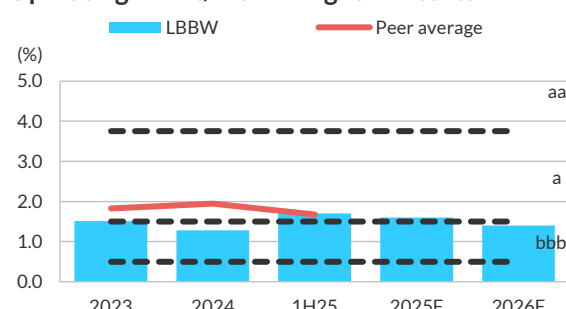
LBBW's EUR71 billion CRE exposure (5.0x CET1), in particular office and retail properties (39% and 10% of the CRE portfolio at end-1H25, respectively), as vulnerable to structural changes and a weaker economy: 94% of the portfolio had a loan-to-value ratio of below 75% and the portfolio average was stable at 54%. The CRE Stage 3 exposure ratio stood at 2% at end-1H25, outperforming the Landesbanken peer average ratio of 5.1%. There is still headroom against asset quality deterioration, which will be partially absorbed by the bank's precautionary provisions. Stage 1 and Stage 2 loan loss allowances accounted for 62bp of LBBW's gross loans at end-1H25.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

LBBW's strong 1H25 result benefitted from resilient revenue, moderate cost inflation and contained LICs. Operating income rose slightly, supported by resilient net interest and increasing fee income across all business lines. We expect the operating profit/RWA to stabilise at about 1.5% over the medium term, due to broadly unchanged income coupled with a slight cost increase and stable LICs. In the short term, the weak operating environment and muted loan demand could put pressure on profitability.

LICs remained on manageable levels at 14bp in 1H25 of gross loans (2024: 23bp), driven by defaults in LBBW's corporate and CRE portfolios. We expect LICs to remain at about 15bp-20bp due to the challenging economic environment, which is well covered by LBBW's structurally higher profitability.

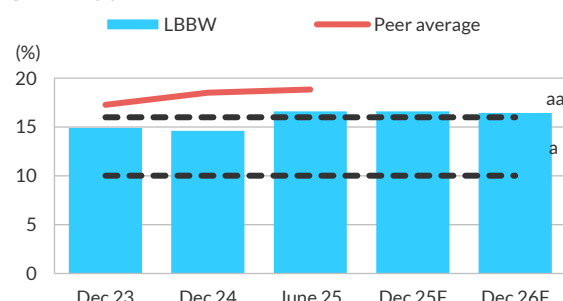
LBBW's cost/income ratio (CIR) of 61% in 1H25 is reasonable for LBBW's wholesale business model and was partially inflated by around EUR50 million costs for integration of Berlin Hyp. However, maintaining this CIR sustainably over the coming years, in particular as interest rates come down, will also depend on the bank's ability to contain cost inflation and to generate adequate new business volumes. The latter will remain under pressure in the next six to 12 months, as growth in CRE will remain sluggish due to continued limited demand and amortisations.

We expect a gradual recovery in 2026, as property prices should be close to reaching their new equilibriums. In corporate banking, given increased uncertainty around global trade and weak domestic business activity, we also expect LBBW to expand only moderately, as the bank remains selective in new lending.

Capitalisation and Leverage

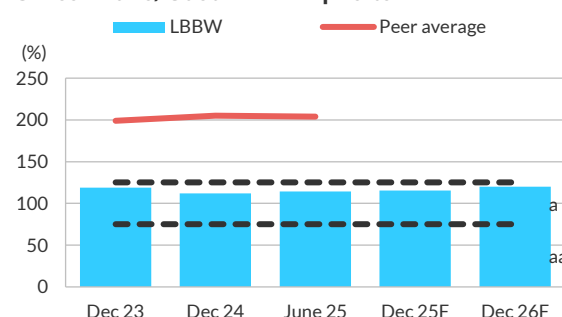
LBBW's phase-in CET1 ratio (end-1H25: 16.6%) has buffers over the regulatory requirement (10.53%) to absorb cyclical performance swings. We expect the CET1 ratio to stay over 16% in the next two years, on earnings retention and RWA optimisation. The bank's total capital ratio of 21.6% benefits from the large Tier 2 debt buffer. Its Basel leverage ratio (end-1H25: 4.3%) is adequate and on the same level as the previous year.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

LBBW's reliance on wholesale deposits and market funding is mitigated by its membership in SFG's institutional support scheme. This ensures a nationwide privileged access to the savings banks' excess liquidity. At the same time, 45% of LBBW's deposits from banks are pass-through funding from development banks. The bank has a well-established capital market franchise, and its large stock of legacy senior non-preferred debt mean it greatly exceeds its minimum requirement for own funds and eligible liabilities of 26.4% of RWAs. As legacy senior non-preferred debt matures, the resolution buffers will decline gradually, but remain comfortably above required levels.

LBBW's mortgage and public covered pools (about EUR34.5 billion at end-2024 excl. Berlin Hyp) also ensure a source of stable funding and liquidity if market conditions worsen. The bank also issues green and social bonds. Its cash and liquidity portfolios of EUR92.8 billion at end-1H25 provide substantial headroom to withstand outflows. The liquidity coverage ratio was robust at 138.7% at end-1H25 (end-2024: 149%).

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category. Light-blue columns represent Fitch's forecasts.

Peer average includes Bayerische Landesbank (bbb+), Norddeutsche Landesbank Girozentrale (bbb-), Landesbank Hessen-Thüringen Girozentrale (bbb), Landesbank Saar (bbb-), IKB Deutsche Industriebank AG (bbb-), NIBC Bank N.V. (bbb+), UniCredit Bank GmbH (a-). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report

Financials

Financial Statements

	31 Dec 22 12 months (EURm)	31 Dec 23 12 months (EURm)	31 Dec 24 12 months (EURm)	30 Jun 25 1st half (EURm)	31 Dec 25F 12 months (EURm)	31 Dec 26F 12 months (EURm)
Summary income statement						
Net interest and dividend income	2,305	2,826	2,631	1,281	-	-
Net fees and commissions	628	589	636	349	-	-
Other operating income	446	620	792	490	-	-
Total operating income	3,379	4,035	4,059	2,120	4,262	4,210
Operating costs	2,169	2,397	2,455	1,289	2,572	2,650
Pre-impairment operating profit	1,210	1,638	1,604	831	1,690	1,561
Loan and other impairment charges	239	254	360	107	264	248
Operating profit	971	1,384	1,244	724	1,426	1,313
Other non-operating items (net)	902	-10	-12	-19	-	-
Tax	363	378	368	228	-	-
Net income	1,510	996	864	477	1,069	985
Other comprehensive income	-6	-95	28	100	-	-
Fitch comprehensive income	1,504	901	892	577	-	-
Summary balance sheet						
Assets						
Gross loans	140,965	145,722	153,270	152,421	153,270	159,401
- Of which impaired	1,156	1,826	2,548	2,580	-	-
Loan loss allowances	1,364	1,641	1,943	1,836	-	-
Net loans	139,601	144,081	151,327	150,585	-	-
Interbank	74,397	72,035	82,162	78,131	-	-
Derivatives	19,562	17,032	16,121	15,952	-	-
Other securities and earning assets	73,704	80,352	89,105	101,430	-	-
Total earning assets	307,264	313,500	338,715	346,098	-	-
Cash and due from banks	10,569	12,026	10,336	16,464	-	-
Other assets	6,341	7,779	7,304	6,465	-	-
Total assets	324,174	333,305	356,355	369,027	368,878	374,762
Liabilities						
Customer deposits	110,416	122,581	137,116	133,640	133,003	133,003
Interbank and other short-term funding	85,094	73,852	70,777	81,964	-	-
Other long-term funding	81,312	94,060	105,804	109,709	-	-
Trading liabilities and derivatives	26,188	21,080	20,355	21,339	-	-
Total funding and derivatives	303,010	311,573	334,052	346,652	-	-
Other liabilities	4,831	4,772	4,690	4,818	-	-
Preference shares and hybrid capital	1,636	1,638	1,853	1,583	-	-
Total equity	14,697	15,322	15,760	15,974	-	-
Total liabilities and equity	324,174	333,305	356,355	369,027	368,878	374,762
Exchange rate	USD1= EUR0.9376	USD1= EUR0.9127	USD1= EUR0.9622	USD1= EUR0.8532	-	-

Source: Fitch Ratings, Fitch Solutions, LBBW

Key Ratios

	31 Dec 22	31 Dec 23	31 Dec 24	30 Jun 25	31 Dec 25F	31 Dec 26F
Ratios (%; annualised as appropriate)						
Profitability						
Operating profit/risk-weighted assets	1.0	1.5	1.3	1.7	1.6	1.4
Net interest income/average earning assets	0.9	0.9	0.8	0.8	0.8	0.8
Non-interest expense/gross revenue	64.7	59.5	60.4	61.0	60.3	62.9
Net income/average equity	10.9	6.7	5.6	6.1	-	-
Asset quality						
Impaired loans ratio	0.8	1.3	1.7	1.7	1.8	1.9
Growth in gross loans	25.1	3.4	5.2	-0.6	0.0	4.0
Loan loss allowances/impaired loans	118.0	89.9	76.3	71.2	80.0	85.6
Loan impairment charges/average gross loans	0.2	0.2	0.2	0.1	0.2	0.2
Capitalisation						
Common equity Tier 1 ratio	14.5	14.9	14.6	16.6	16.6	16.4
Fully loaded common equity Tier 1 ratio	14.1	14.6	14.4	-	-	-
Tangible common equity/tangible assets	4.4	4.5	4.4	4.1	-	-
Basel leverage ratio	4.6	4.6	4.4	4.3	-	-
Net impaired loans/common equity Tier 1	-1.5	1.4	4.3	5.2	-	-
Funding and liquidity						
Gross loans/customer deposits	127.7	118.9	111.8	114.1	-	-
Gross loans/customer deposits + covered bonds	99.5	91.8	86.7	87.8	88.8	92.3
Liquidity coverage ratio	144.2	150.5	149.0	138.7	-	-
Customer deposits/total non-equity funding	38.6	40.9	42.4	39.9	-	-
Net stable funding ratio	111.3	109.7	113.9	120.2	-	-
Source: Fitch Ratings, Fitch Solutions, LBBW						

Support Assessment

Shareholder Support	
Shareholder IDR	A+
Total Adjustments (notches)	0
Shareholder Support Rating	a+
Shareholder ability to support	
Shareholder Rating	A+/ Stable
Shareholder regulation	Equalised
Relative size	1 Notch
Country risks	Equalised
Shareholder propensity to support	
Role in group	1 Notch
Reputational risk	Equalised
Integration	2+ Notches
Support record	Equalised
Subsidiary performance and prospects	1 Notch
Legal commitments	Equalised

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence

Very High Probability of Support from SFG

LBBW's SSR reflects our view of very high support propensity and ability from its owners.

Fitch uses SFG's Long-Term IDR as the anchor rating for determining LBBW's support-driven ratings, the lower of the two owners' ratings. This is because Fitch believes support would need to be forthcoming from both SFG and BW to avoid triggering state-aid considerations and resolution under the German Recovery and Resolution Act if LBBW fails. Fitch believes that BW would participate in any support measures for the bank, but LBBW's SSR does not factor in support from the federal state.

Fitch's assumptions on support from SFG are underpinned by the provisions contained in the statutes of the IPS of SFG and the Landesbanken. In 2021, SFG initiated a reform of its IPS, which came into force in January 2024. In Fitch's view, the amendments to the statutes of the IPS have substantially strengthened its governance, risk monitoring capabilities and available funds.

Fitch believes that the reformed IPS, underpinned by a dedicated rulebook, now defines the responsibilities and timelines in a potential support scenario clearer. Decision-making within the IPS is streamlined and more efficient and the role and powers of the IPS's central body have been strengthened under the revised statutes. The central body decides over recovery and support measures, including the raising of the required funds from its members, with a simple majority within two weeks of the receipt of the request for intervention. We therefore believe that the IPS would provide support to a member in need in a timelier manner than before.

The risk-monitoring system was strengthened with quantitative triggers, allowing for early identification of members with deteriorating financial profiles and enabling early intervention measures. This is also supported by a newly created internal audit unit within the IPS. In our view, this should result in timely interventions and avoid a protracted decision-making process that can result in late support measures.

The creation of an additional support fund as part of the reform, which we estimate will reach EUR5 billion–EUR6 billion by 2033, also improves the IPS's ability to support a larger number of members that may require capital support at the same time. This is in addition to SFG's sound pre-impairment operating profitability and strong capitalisation, which already provide it with sufficient financial flexibility to support the Landesbanken.

Fitch's support assumptions are also underpinned by LBBW's focus on its statutory roles, which include supporting the regional economy, as well as acting as the central institution for regional savings banks and as house bank for its federal state owners.

Environmental, Social and Governance Considerations

Fitch Ratings Landesbank Baden-Wuerttemberg

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Landesbank Baden-Wuerttemberg has 5 ESG potential rating drivers - Landesbank Baden-Wuerttemberg has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating. - Governance is minimally relevant to the rating and is not currently a driver.	key driver	0	issues	5	
	driver	0	issues	4	
	potential driver	5	issues	3	
	not a rating driver	4	issues	2	
		5	issues	1	

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance	
GHG Emissions & Air Quality	1	n.a.	n.a.	5	
Energy Management	1	n.a.	n.a.	4	
Water & Wastewater Management	1	n.a.	n.a.	3	
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2	
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1	

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Scores of 3, 4 or 5) and provides a brief explanation for the score.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance	
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5	
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4	
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3	
Employee Wellbeing	1	n.a.	n.a.	2	
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1	

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance		CREDIT-RELEVANT ESG SCALE
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5		5 Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4		4 Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3		3 Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2		2 Irrelevant to the entity rating but relevant to the sector.
				1		1 Irrelevant to the entity rating and irrelevant to the sector.

CREDIT-RELEVANT ESG SCALE
How relevant are E, S and G issues to the overall credit rating?

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