

RATING ACTION COMMENTARY

Fitch Affirms LBBW at 'AA-'; Outlook Stable

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Fitch Ratings - Frankfurt am Main - 05 Oct 2026: Fitch Ratings has affirmed Landesbank Baden-Wuerttemberg's (LBBW) Long-Term Issuer Default Rating (IDR) at 'AA-' with a Stable Outlook. Fitch also affirmed LBBW's Shareholder Support Rating (SSR) at 'a+' and Viability Rating (VR) at 'bbb+'. A full list of rating actions is below.

KEY RATING DRIVERS

Support Drives IDRs: LBBW's SSR is aligned with the Long-Term IDR of Sparkassen-Finanzgruppe (Sparkassen) (SFG: A+/ Stable/ F1+), reflecting Fitch's view of the very high probability that SFG, which owns about 40% of LBBW, would provide support if needed, as LBBW is part of SFG's institutional protection scheme (IPS). The Long-Term IDR is one notch above the SSR to reflect LBBW's very large resolution debt buffer. The uplift from its SSR anchor is limited to one notch to reflect support already factored into LBBW's SSR due to its membership in the IPS.

We believe that support would also be available from the bank's other owners, the State of Baden-Wuerttemberg (40.5% stake) and the City of Stuttgart (18.9%). Fitch uses SFG's Long-Term IDR as the anchor rating because 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. The Outlook on LBBW's Long-Term IDR mirrors that on SFG.

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

Significant 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 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 impaired loans ratio declined to 2.1% at end-1H26 after peaking at 2.3% at end-2025. The deterioration in 2025 was driven by defaults in CRE and infrastructure financing. The US CRE exposure (6% of CRE loans at end-1H26) had the lowest proportion of defaults among peers in the past two years. We expect the impaired loans ratio to increase on defaults in the corporate portfolio in the next two years, but to remain below 3%.

Moderate Profitability: LBBW's profitability remains lower than at higher-rated peers because of lower margins and higher costs with an operating profit/risk-weighted assets (RWAs) ratio of 1.6% at end-1H26. Profitability has been broadly stable over the last three years and benefits from LBBW's larger scale and nationwide presence, relative to most of its Landesbanken peers. We forecast the operating profit/RWAs ratio to remain above 1% over the next two years, well above the long-term average.

Adequate Capitalisation: The common equity Tier 1 (CET1) ratio of 16.1% at end-1H26 is adequate, considering LBBW's business model and risk profile. We expect the ratio to remain broadly stable over the next two years, as it should benefit from earnings retention and RWA optimisation.

Sound Funding and Liquidity: LBBW is primarily wholesale-funded, as reflected in its moderately higher loans/deposits ratio (end-1H26: 118.6%) 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 is sound, based on a large portfolio of cash and liquid securities.

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: KEY RATING DRIVERS

LBBW's 'F1+' Short-Term IDR is the only option mapping to its Long-Term IDR and is equalised with SFG's Short-Term IDR.

LBBW's Derivative Counterparty Rating, long-term deposit rating and long-term senior preferred debt (senior unsecured debt under Fitch's Bank Rating Criteria) rating are one notch above the bank's SSR. This reflects the protection of preferred creditors arising from the bank's very large resolution buffers, including senior non-preferred and more junior debt. This buffer was around 27% of RWAs at end-1H26. The senior nonpreferred and legacy senior unsecured debt ratings are in line with the bank's SSR.

LBBW's short-term deposit and senior preferred debt ratings are the only short-term ratings mapping to the longterm 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. Fitch believes that the senior and subordinated instruments are equally protected because the guarantee does not differentiate between seniorities.

The rating of LBBW's non-guaranteed Tier 2 subordinated debt is notched down twice from its SSR to reflect poor recoveries in case of non-performance. We use LBBW's SSR rather than its VR as the anchor rating because we expect shareholder support from SFG to be extended to the bank's Tier 2 instruments under the IPS statutes, which we believe has reduced the likelihood of regulatory resolution measures at LBBW.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

We would downgrade LBBW's Short-Term IDR if the Long-Term IDR was downgraded to 'A-'.

LBBW's DCR, deposit and debt ratings are sensitive to changes to LBBW's SSR and resolution debt buffers. The non-guaranteed subordinated debt could also be downgraded if Fitch no longer believed that shareholder support would be extended to subordinated creditors, or that such support was moderately less likely for subordinated creditors than for senior creditors.

LBBW's guaranteed debt ratings are primarily sensitive to a weakening of the guarantor's ability to provide support as assessed by Fitch.

VR ADJUSTMENTS

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

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

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

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

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

LBBW's ratings are driven by potential support from SFG.

LBBW's grandfathered state-guaranteed senior unsecured and Tier 2 subordinated debt are linked to Fitch's assessment of Baden Wuerttemberg's creditworthiness and, by extension, to Germany's ratings.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal

credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING TYPE ⚡	RATING ⚡	RATING ACTION ⚡	PRIOR ⚡
Landesbank Baden-Wuerttemberg	LT IDR	AA- Rating Outlook Stable	Affirmed	AA- Rating Outlook Stable
	ST IDR	F1+	Affirmed	F1+
	Viability	bbb+	Affirmed	bbb+
	DCR	AA-(dcr)	Affirmed	AA-(dcr)
	Shareholder Support	a+	Affirmed	a+
senior unsecured	LT	AAA	Affirmed	AAA
subordinated	LT	AAA	Affirmed	AAA
subordinated	LT	A-	Affirmed	A-
long-term deposits	LT	AA-	Affirmed	AA-
Senior preferred	LT	AA-	Affirmed	AA-
Senior non-preferred	LT	A+	Affirmed	A+
short-term deposits	ST	F1+	Affirmed	F1+

Senior preferred

ST

F1+

Affirmed

F1+

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

Bank Rating Criteria (pub. 08 May 2026) (including rating assumption sensitivity)

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Landesbank Baden-Wuerttemberg

EU Issued, UK Endorsed

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