Landesbank Baden-Wuerttemberg

Full Rating Report

Ratings

Landesbank Baden Wuerttemberg

Long-Term IDR	A−
Short-Term IDR	F1
Viability Rating	bbb+
Support Rating	1
Derivative Counterparty Rating	A−(dcr)
Deposit Ratings	A−/F1

Sovereign Risk

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

Outlooks

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

Financial Data

LBBW

	2017	2016
Total assets (EURbn)	237.7	243.6
Total equity (EURbn)	13.4	13.1
Operating profit (EURm)	556	608
Non-performing loan ratio (%)	1.0	1.4
Operating profit/risk-weighted assets (%)	0.7	0.8
Cost/income ratio (%)	77	77
Common equity Tier 1 ratio (fully loaded, %)	15.7	15.2
Leverage ratio (fully loaded, %)	4.6	4.6

Related Research

LBBW – Ratings Navigator (June 2018)

Fitch Affirms Landesbank Baden-Wuerttemberg's IDR at 'A−'/Stable, VR at 'bbb+' (April 2018)

Germany – June 2018 Global Economic Outlook Forecast (June 2018)

Fitch 2018 Outlook: Western European Banks (December 2017)

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Key Rating Drivers

Support Drives Ratings: Landesbank Baden-Wuerttemberg's (LBBW) Issuer Default Ratings (IDRs) are driven by institutional support from its owners. These are the German regional state of Baden-Wuerttemberg (BW), its capital city Stuttgart, the region's savings banks and the German savings banks group, Sparkassen-Finanzgruppe (SFG, A+/Stable). Fitch Ratings believes that the owners have a strong capacity and propensity to support LBBW, if required.

Investment Strategic for Owners: We consider the owners' investment in LBBW to be long term and strategic. This is underpinned by LBBW's focus on its statutory roles, which include supporting BW's economy and acting as central institution for savings banks in its core regions. LBBW's roles also include acting as a main bank for BW and Stuttgart and acting as a savings bank in the Stuttgart area.

Strong Regional Franchises: LBBW has well established corporate and public-sector franchises in BW and in its other core, but smaller, regions of Rhineland-Palatinate and Saxony. The benefits arising from BW's large, prosperous economy and strong, diversified industrial sector are essential to mitigate the bank's lack of a diversified nationwide franchise.

Moderate Risk Appetite: LBBW did not expand its business aggressively in 2017, and we expect the bank to maintain its risk-conscious underwriting standards despite challenging market conditions and tight lending margins.

Stabilising Profitability: LBBW's pre-tax profit increased to EUR515 million in 2017. However, its profitability remains vulnerable to low interest rates, and efficiency continues to lag behind peers. This is most visible in the corporate segment. The sale of a legacy exposure in 4Q17 should relieve pressure on profitability as LBBW no longer has to pay related guarantee fees. LBBW is making progress in transforming its retail business into a multi-channel bank.

Capitalisation a Strength: LBBW's fully loaded common equity Tier 1 (CET1) ratio increased to 15.7% at end-2017. This ratio exceeds that of most peers and is above LBBW's 2018 CET1 supervisory review and evaluation process (SREP) requirement of 8.8%. The ratio allows for planned lending growth and a medium-term rise in risk-weighted assets (RWA). This is due to the introduction of an output floor under the revised Basel rules and a negative effect from the first-time adoption of IFRS 9 on its CET1 ratio of around 25bp.

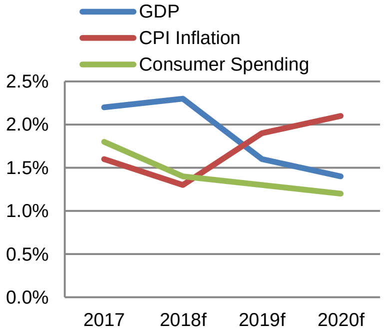
Asset Quality Mitigates Concentration: LBBW's asset-quality indicators, including its non-performing and forborne loan ratios, improved further in 2017. They reflect benign economic conditions, but we believe these are close to a cyclical low. Good-quality large borrowers, and a high share of German public authorities and financial institutions among the largest exposures, mitigate the bank's high concentration risk. However, LBBW's strong links to its home regions and their related industries expose the bank to tail risks.

Adequate Funding and Liquidity: LBBW has privileged access to the savings banks' strong liquidity through its role as their central institution in its core regions. This mitigates its reliance on wholesale funding and drives its Short-Term IDR.

Rating Sensitivities

IDRs Sensitive to Support Assumptions: LBBW's IDRs are sensitive to its owners' propensity and ability to support. A higher Viability Rating (VR) would require lower loan concentration and material cost-cutting. Material softening of its cautious underwriting standards would pressure the VR.

Germany-Forecast Summary



Source: Fitch - Germany - June 2018 Global Economic Outlook Forecast

Operating Environment

German and Regional Economic Environment Still Supportive

LBBW operates predominantly in its home region of BW but is active across Germany. BW is one of Germany's most prosperous regions, with productivity and income per capita well above Germany's average. About 70% of LBBW's net credit exposure is to German customers, while its non-domestic portfolio primarily comprises western European and North American clients. The share of the manufacturing sector in BW's GDP is one of the highest in Germany, driven by a large number of leading, often export-driven, large and medium-sized firms in high-tech sectors. This underlines LBBW's strong sensitivity to domestic economic developments but also technological and industry challenges in its corporate segment, and protectionist trends abroad.

Fitch expects the German economy to grow by 2.3% in 2018 and to remain fundamentally strong despite lower GDP growth forecasts of 1.6% and 1.4% in 2019 and 2020, respectively. The main risks to Fitch's economic outlook are a sharper-than-anticipated pick-up in US inflation and global trade tensions. Populist political forces continue to create policy risk and increase the threat of rising tensions within the eurozone, which could adversely affect the outlook for investment.

Competitive Headwinds and Margin Pressure

Fierce competition in the German banking sector, investments in digitalisation and margin pressure weigh on banks' sustainable business and profit growth. Fitch believes that these factors will broadly persist in 2018 and 2019.

Impactful European Banking Regulation Changes

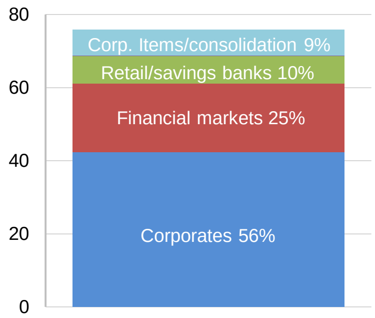
Regulatory and supervisory developments and initiatives will continue to shape the European and German banking industry. Fitch expects supervisory scrutiny, alongside harmonisation of standards, to increase in 2018.

The most important developments, in our view, relate to the final standards on Basel III, primarily the output floor, which changes the capital requirements based on internal models. However, implementation will not start until 2022 following a transitional phase of five years. Fitch also expects EU lawmakers to implement the second wave of Basel standards concerning the leverage ratio, liquidity and counterparty credit risk regimes.

Harmonised Ranking of Unsecured Debt

An amendment to the German Banking Act came into force in July 2018. It harmonises the ranking of unsecured debt instruments issued by German banks with the EU's Insolvency Hierarchy Directive. The amended Act allows banks to issue senior non-preferred bonds and senior preferred bonds. Under the previous regime, plain-vanilla senior bonds ranked junior to other senior liabilities.

RWA by Segment
(End-2017 in EURbn)



Source: LBBW

Company Profile

Largest German Landesbank

LBBW is a public-law institution and a commercial bank with a primarily wholesale business model and a franchise rooted in its core regions. Its presence in Rhineland-Palatinate and Saxony arises from its acquisition of and merger with Landesbanken in both regions in 2008. BW's savings banks and the state of BW each hold a 40.5% share. The remaining 19% is owned by the city of Stuttgart. LBBW has a public mandate to support the economies of its core regions.

LBBW's business focus is predominantly on Germany. Large parts of its gross credit exposures are to German customers, while the non-domestic portfolios are primarily composed of western European and selective North American businesses.

Related Criteria

Bank Rating Criteria (June 2018)

Corporate Business the Key Pillar of LBBW's Business Model

The corporate segment, which is LBBW's key profit contributor, accounted for 56% of the bank's RWAs at end-2017. This reflects LBBW's strong small and medium-sized enterprise franchise, particularly in BW. It also reflects its solid position in the German structured and syndicated corporate lending and "Schuldschein" (promissory notes) segments. LBBW is mostly exposed to the automotive, manufacturing, commercial real estate (CRE) and energy and utilities sectors. It also provides hedging, cash and asset management services.

Revised Segment Reporting

In 2018, the corporate segment was split into: Corporate Customers and Real Estate/Project Finance. This reflected the rising importance of the latter and was intended to improve reporting transparency (each unit contributed about 50% of the combined segment's results in 2017).

Ongoing Reorganisation of the Retail Business

The retail segment is LBBW's weakest operating division. It includes retail and private banking, wealth management and operations as the central institutions for the savings banks. Its transformation into a multi-channel bank will probably continue beyond 2018. IT restructuring and reorganisation of the branch network made some progress in 2017 but will continue to burden LBBW's profitability, as in 2016 and 2017.

No Material Risks in Legacy Credit Investment Portfolio

The wind-down of LBBW's legacy credit investment segment continued in 2017. Following the disposal of the Sealink portfolio, a special-purpose vehicle set up in 2008 to take over the former SachsenLB's asset-backed security portfolio, we no longer view credit risk in this segment as material.

Management and Strategy

We view LBBW's management as experienced and equipped to address the bank's main challenges. As the post-crisis deleveraging process has been completed, the main medium-term challenges are improving profitability without weakening LBBW's risk profile, raising efficiency, particularly in the retail business, and completing digitalisation initiatives.

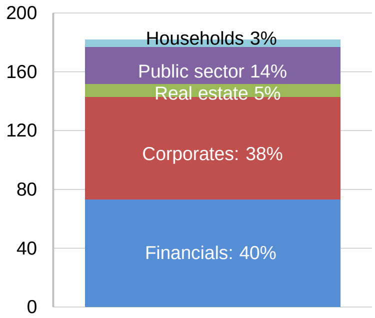
Management has been successful in executing the de-risking of LBBW's balance sheet and stabilising revenue after the financial crisis. Management now has to address the completion of LBBW's transition and the turn-around of its retail activities.

Focus On Profit and Efficiency Improvement

Cost efficiency and revenue generation are management's key objectives, given strong competition and subdued demand for loans in the German corporate banking market. We believe that LBBW's strategy, which includes the restructuring of the retail segment and a review of internal management processes, should address the bank's challenges. However, profitability is likely to remain under pressure for some time as benefits will become visible only gradually.

LBBW's targets a CET1 ratio that is below its current level due to expected regulatory RWA inflation and business growth. Areas for growth include business with industries the bank considers less cyclical and modest growth in real-estate markets, including in Canada and France.

Net Exposure by Sector
(End-2017 in EURbn)



Source: LBBW

Risk Appetite

Prudent Underwriting Standards

We consider LBBW's risk appetite moderate. The bank did not expand its business aggressively in 2017, and we do not expect a material deviation from its existing conservative underwriting standards despite tight lending margins.

LBBW's new lending to corporates and in CRE increased in 2017 for the first time in several years, but new lending business has remained modest because of subdued demand and strong competition.

Sound Risk Controls

Fitch views LBBW's centralised risk monitoring and control systems as in line with industry standards for European banks. The introduction of a new core bank system in 2017 should improve the efficiency of the bank's business processes.

Moderate Market Risk

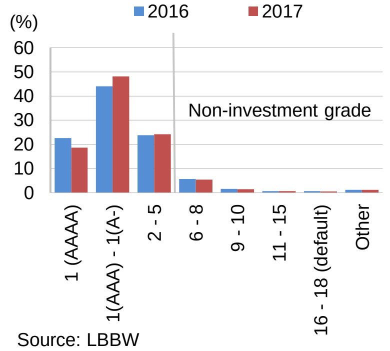
We view LBBW's exposure to market risk as moderate. Credit spread and interest rate risk in the banking book (mostly in the treasury portfolio) are the main sources of market risk. Credit spread risk mostly relates to fixed-income securities and credit derivatives. Interest rate risk mostly arises from deviations of the swap curve and the European sovereign curve. New loans are largely match-funded and are less exposed to interest rate shocks than at retail banks, which rely on maturity transformation. Foreign exchange and equity risks are not material.

LBBW's structural interest rate risk and its vulnerability to interest rate shocks are considerably lower than that of the domestic retail banking groups. The outcome of a 200bp upward (downward) interest rate shift was about -9.4% (0.7%) of the value of total equity at end-2017.

Asset Quality

Impaired Loans at Historically Low Levels

Internal Rating Distribution
Total net exposure



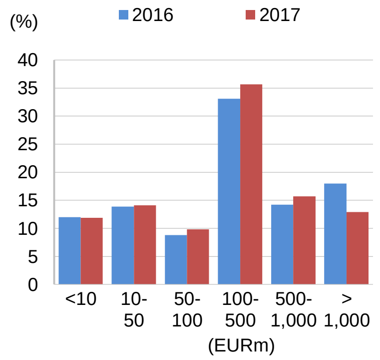
Source: LBBW

The benign economic environment, conservative underwriting standards and years of non-performing loans (NPL) restructuring, work-out and sales, have gradually reduced LBBW's NPL ratio to an historical low of 1.0% at end-2017 (end-2016: 1.4%). The decline in 2017 mostly reflected NPL sales and to a lesser extent, recoveries. NPLs declined across all sectors, but in particular in LBBW's energy and CRE portfolios.

Most NPLs were impaired at end-2017 due to unlikely repayment rather than overdue payments or insolvency proceedings. In our view, this indicates a proactive approach to the recognition of problem loans. Forborne exposures totalled a moderate EUR800 million, or 0.8% of gross loans, of which EUR300 million were impaired and EUR100 million were covered by credit guarantees. LBBW's NPL reserve coverage was 68% at end-2017, well above the average for the German banking sector.

Good Asset Quality Mitigates High Sector and Single-Name Concentrations

Net Exposure by Size



Source: LBBW

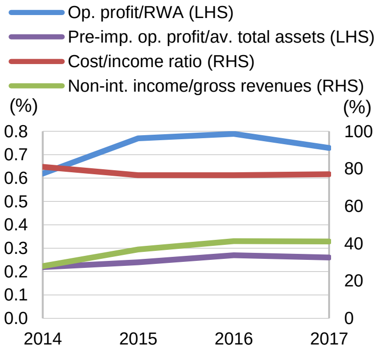
Single-name concentration has declined in recent years. This decline was largely driven by lower exposures to single counterparties in the public sector and to the savings bank and Landesbank sectors (including guaranteed bonds). However, exposures have been stable in the corporate sector and remain high. The highest sector concentration in the corporate portfolio related to the automotive and CRE segments, but LBBW's sector expertise and the solid economic environment mitigate the inherent cyclicality of these sectors.

However, technological and regulatory disruptions could reshape the automotive sector's long-term competitive landscape and weaken the market positions of LBBW's largest borrowers. Protectionist measures and the implications of discussion over diesel technology could hurt the performance of the German automotive industry, due to its global nature.

LBBW's exposure to non-loan assets (financial and public sectors) have declined by 40% since 2013 but still represented 54% of its net exposure at end-2017. Therefore, it remains the largest among the Landesbanken. The quality of these portfolios remains sound despite some large exposures to single names that exceed EUR1 billion. These exposures are to low-risk German local authorities, central banks, savings banks and Landesbanken.

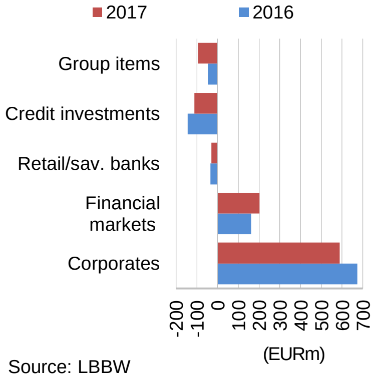
Southern European sub-sovereign exposure has declined significantly since end-2015 to a moderate level at end-2017, despite a slight increase in credit exposure to Italian corporates.

Stabilising Profitability



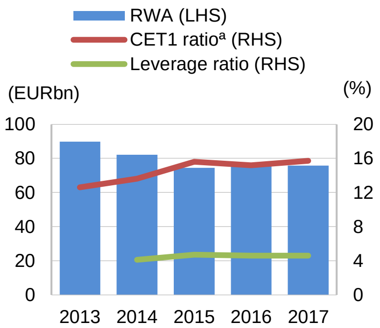
Source: Fitch

Divisional Operating Profits



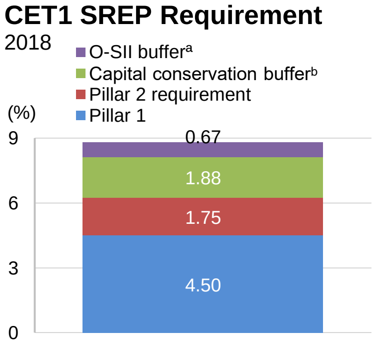
Source: LBBW

RWA and Capital Ratios



[a] Fully-loaded
Source: LBBW

CET1 SREP Requirement



[a] To be phased in to 1% by 2019
[b] To be phased in to 2.5% by 2019
Source: LBBW

Earnings and Profitability

Profitability Remains Stable, Although Low

LBBW's pre-tax profit (PBT) recovered in 2017 and totalled EUR515 million (2016: EUR142 million) as 2016 profit was burdened by material goodwill impairment (EUR379 million). PBT was moderately above the previous year's level, on a like-for-like basis, in 2017 following the positive one-off effects from the sale of Visa and the disposal of cellent AG in 2016. LBBW's profitability also benefitted from low loan impairment charges, reflecting the bank's sound asset quality and benign economic condition.

LBBW's operating result in 2017 was driven by a decline in net interest income (NII) despite moderate growth in the corporate business, which indicates that LBBW lacks the ability to convert volume growth into earnings, as do other peers in the German market. LBBW's revenue streams are more diversified compared with those of its direct Landesbanken peers. However, NII still represents its main revenue source, in line with peers. Therefore the bank remains structurally vulnerable to long periods of low interest rates and margins. The corresponding low profitability is a relative rating weakness and negatively affects its long-term earnings capacity.

Fee income improved in 2017, helped by increased retail customer business with structured notes, and custody business and cash management with institutional clients. Fitch expects commission costs to decline in 2018 following the disposal of the Sealink exposure in 2017, which will result in a moderate relief of its profit and loss in 2018. This is because the bank no longer has an obligation to pay related guarantee fees (2017: EUR61 million; 2013: EUR300 million). We believe that the bank's guidance for overall stable profit in 2018 appears reasonable compared with 2017.

Corporate Segment Is the Main Profit Contributor

The corporate segment is the bank's largest and most stable profit contributor. The corporate portfolio increased in 2017, mainly due to growth in the industry and construction, trade and consumption and automotive sectors. LBBW's 2018 plans include expanding its corporate business in BW, North Rhine-Westphalia, Bavaria and Hamburg. The segment's PBT declined by 10% year on year (excluding impairment of goodwill in 2016) despite loan growth. This was driven by a 5% decline in NII, higher risk charges and ongoing IT investments that underline negative structural factors.

Sticky Cost Base

LBBW's costs remain high, despite measures to cut them, and its efficiency indicators continue to lag behind those of its peers. Fitch expects the structural changes necessary for a notable reduction in the cost level to take several years, while earnings are likely to remain under pressure from a challenging, competitive and interest rate environment.

The large exposures to the banking and public sectors considerably dilute LBBW's net interest margin. Favourable funding conditions have prevented margin compression from an already low level despite falling interest revenue in recent years. Loan impairment charges increased in 2017 but remained low compared with direct peers and the bank's long-term average. Loan impairment charges remain a supporting factor for earnings.

Capitalisation and Leverage

Strong Capitalisation

Restructuring and de-risking materially reduced LBBW's RWAs until 2015 and gradually reduced concentration risks. As a result, capital ratios are well above the average for the German banking sector. LBBW can therefore comfortably accommodate moderate lending growth and regulatory RWA inflation.

Fitch believes LBBW's capitalisation remains a key rating strength. Its fully loaded CET1 ratio reached a strong 15.7% at end-2017, making it one of the highest among German peers. Its leverage ratio of 4.6% at end-2017 is adequate and in line with peers but less strong than the CET1 ratio, which benefits from the low average risk weights of its asset base.

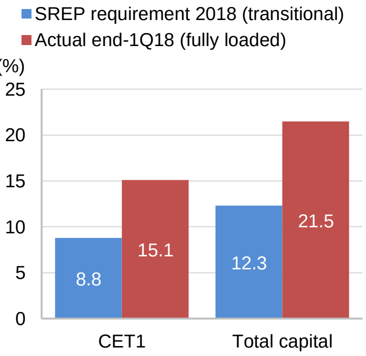
RWA Growth Will Lower Capital Ratios

LBBW's fully loaded CET1 ratio increased by 50bp in 2017, resulting from a decline in RWAs, following portfolio improvements in corporates and real estate and methodological revision. However, we expect RWAs to increase in 2018 and beyond, in line with LBBW's intention to expand new lending business.

SREP Requirements Comfortably Met

The capital ratios provide ample headroom over LBBW's individual requirements derived from the ECB's SREP requirement. In addition, the ECB expects LBBW to maintain an undisclosed buffer to fulfil its individual Pillar 2 guidance. At end-2017, the bank's fully loaded CET1 ratio clearly exceeded its individual SREP ratio of 8.08% in 2017, and the higher requirement of 8.8% in 2018, which resulted from the phasing-in of regulatory buffers. We expect LBBW to maintain sufficient buffers over its SREP requirements given the absence of asset-quality deterioration, subdued loan demand and its relative low profit distribution. Management targets a fully loaded CET1 ratio of 13% in the long term.

Regulatory Capital Buffers



Source: LBBW

IFRS 9 Effects Manageable

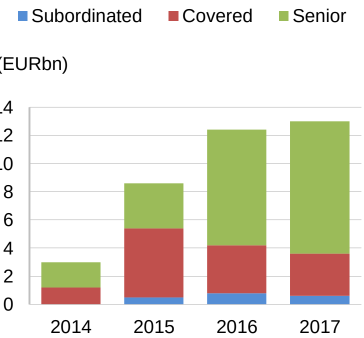
In connection with the adoption of IFRS 9, LBBW expects a negative effect on CET1 capital of between EUR150 million and 200 million or around 25bp on its CET1 ratio. This is in line with peers and manageable given LBBW's good capitalisation.

Funding and Liquidity

Predominantly Wholesale Funded

LBBW's funding mix is predominantly wholesale driven but benefits from a stable investor base and diversified debt instruments. This includes covered bonds, which have been a stable and low-cost source of funding even during volatile market conditions. The strong Pfandbrief overcollateralisation (mortgage: 35%; public-sector: 48%) leaves material room for further issuance.

Increased Debt Issuance



Source: LBBW

The bank's wholesale reliance is mitigated by its access to retail deposits from its role as a savings bank in Stuttgart and its privileged access to the savings banks' strong liquidity. The savings banks and LBBW's retail clients are an important source of unsecured debt issuance for the bank. Debt issuance in 2017 materially exceeded the past four years' average as LBBW used favourable market conditions to fund higher lending volumes. LBBW issued subordinated bonds denominated in Singaporean dollar and Australian dollar in 2017 to broaden its investor base in Asia and Australia.

Comfortable Liquidity Position

The pool of unencumbered central bank eligible assets exceeded LBBW's expected liquidity requirements at end-2017 by almost EUR26 billion for following three months. The surplus for 365 days totalled EUR31 billion, including the overcollateralisation of the cover pool. Rising excess liquidity improved the liquidity coverage ratio from 82% in 2015 to 110% in 2016 and to 146% at end-2017.

Senior Debt, Deposit and Derivative Counterparty Ratings

LBBW's senior debt ratings are aligned with its IDRs.

LBBW's grandfathered state-guaranteed senior, subordinated debt and market-linked securities are rated 'AAA', which reflects the credit strength of the regional state guarantors.

Subordinated debt instruments are notched down once from LBBW's VR to reflect loss severity relative to average recoveries.

The Derivative Counterparty and Deposit Ratings are equalised with the bank's IDRs. Fitch believes the bank's buffers of junior and vanilla senior debt do not create any obvious incremental probability of default benefit above the support benefit already factored into its IDRs. We do not apply any uplift for above-average recovery prospects in the event of default because of the limited visibility on recovery levels in such circumstances. LBBW's balance sheet would most probably differ substantially from the current one in the highly unlikely event that it failed and was not supported by its savings banks and state owners.

Landesbank Baden-Wuerttemberg
Income Statement

	31 Dec 2017 Year End EURm Audited - Unqualified	31 Dec 2016 Year End EURm Audited - Unqualified	31 Dec 2015 Year End EURm Audited - Unqualified	31 Dec 2014 Year End EURm Audited - Unqualified
1. Interest Income on Loans	2,448	2,684	3,115	3,734
2. Other Interest Income	9,739	9,648	10,412	13,689
3. Dividend Income	n.a.	n.a.	n.a.	n.a.
4. Gross Interest and Dividend Income	**12,187**	**12,332**	**13,527**	**17,423**
5. Interest Expense on Customer Deposits	975	1,090	1,480	2,475
6. Other Interest Expense	9,625	9,618	10,393	13,070
7. Total Interest Expense	**10,600**	**10,708**	**11,873**	**15,545**
8. Net Interest Income	**1,587**	**1,624**	**1,654**	**1,878**
9. Net Fees and Commissions	473	434	394	327
10. Net Gains (Losses) on Trading and Derivatives	132	200	154	35
11. Net Gains (Losses) on Assets and Liabilities at FV	87	(9)	55	(140)
12. Net Gains (Losses) on Other Securities	132	183	75	146
13. Net Insurance Income	n.a.	n.a.	n.a.	n.a.
14. Other Operating Income	283	337	285	362
15. Total Non-Interest Operating Income	**1,107**	**1,145**	**963**	**730**
16. Total Operating Income	**2,694**	**2,769**	**2,617**	**2,608**
17. Personnel Expenses	1,026	1,036	1,029	1,012
18. Other Operating Expenses	1,051	1,087	978	1,102
19. Total Non-Interest Expenses	**2,077**	**2,123**	**2,007**	**2,114**
20. Equity-accounted Profit/ Loss - Operating	31	13	19	117
21. Pre-Impairment Operating Profit	**648**	**659**	**629**	**611**
22. Loan Impairment Charge	92	51	55	104
23. Securities and Other Credit Impairment Charges	n.a.	n.a.	n.a.	n.a.
24. Operating Profit	**556**	**608**	**574**	**507**
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	n.a.	n.a.
26. Goodwill Impairment	n.a.	n.a.	n.a.	n.a.
27. Non-recurring Income	0	n.a.	n.a.	1
28. Non-recurring Expense	41	466	44	16
29. Change in Fair Value of Own Debt	n.a.	n.a.	1	(15)
30. Other Non-operating Income and Expenses	n.a.	n.a.	n.a.	n.a.
31. Pre-tax Profit	**515**	**142**	**531**	**477**
32. Tax expense	96	131	109	39
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	n.a.
34. Net Income	**419**	**11**	**422**	**438**
35. Change in Value of AFS Investments	46	(98)	291	144
36. Revaluation of Fixed Assets	n.a.	n.a.	n.a.	n.a.
37. Currency Translation Differences	(12)	6	16	28
38. Remaining OCI Gains/(losses)	3	(174)	(11)	(442)
39. Fitch Comprehensive Income	**456**	**(255)**	**718**	**168**
40. Memo: Profit Allocation to Non-controlling Interests	3	1	(3)	0
41. Memo: Net Income after Allocation to Non-controlling Interests	416	10	425	438
42. Memo: Common Dividends Relating to the Period	0	219	290	314
43. Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	n.a.	n.a.	n.a.	n.a.

Landesbank Baden-Wuerttemberg
Balance Sheet

	31 Dec 2017 Year End EURm	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm
Assets				
A. Loans				
1. Residential Mortgage Loans	n.a.	n.a.	n.a.	n.a.
2. Other Mortgage Loans	30,506	30,322	31,092	30,030
3. Other Consumer/ Retail Loans	n.a.	n.a.	n.a.	n.a.
4. Corporate & Commercial Loans	n.a.	n.a.	n.a.	n.a.
5. Other Loans	66,996	68,574	66,376	71,652
6. Less: Reserves for Impaired Loans	679	817	1,121	1,585
7. Net Loans	**96,823**	**98,079**	**96,347**	**100,097**
8. Gross Loans	**97,502**	**98,896**	**97,468**	**101,682**
9. Memo: Impaired Loans included above	996	1,376	1,987	2,693
10. Memo: Specific Loan Loss Allowances	n.a.	n.a.	n.a.	n.a.
B. Other Earning Assets				
1. Loans and Advances to Banks	38,031	31,601	27,575	34,138
2. Reverse Repos and Securities Borrowing	20,978	20,012	13,980	15,790
3. Derivatives	20,309	27,466	26,860	34,497
4. Trading Securities and at FV through Income	11,683	23,473	38,474	46,125
5. Available for Sale Securities	21,185	20,270	19,170	22,979
6. Held to Maturity Securities	1,663	5,423	6,060	6,071
7. Other Securities	0	0	0	0
8. Total Securities	**34,531**	**49,166**	**63,704**	**75,175**
9. Memo: Government Securities included Above	0	4,301	5,501	5,551
10. Memo: Total Securities Pledged	n.a.	n.a.	n.a.	n.a.
11. Equity Investments in Associates	245	233	239	302
12. Investments in Property	554	574	649	705
13. Insurance Assets	n.a.	n.a.	n.a.	n.a.
14. Other Earning Assets	n.a.	n.a.	n.a.	n.a.
15. Total Earning Assets	**211,471**	**227,131**	**229,354**	**260,704**
C. Non-Earning Assets				
1. Cash and Due From Banks	22,729	13,532	1,167	1,936
2. Memo: Mandatory Reserves included above	n.a.	n.a.	n.a.	n.a.
3. Foreclosed Assets	n.a.	n.a.	n.a.	n.a.
4. Fixed Assets	482	507	670	644
5. Goodwill	0	0	380	380
6. Other Intangibles	244	249	161	109
7. Current Tax Assets	92	116	114	219
8. Deferred Tax Assets	1,016	1,040	1,027	1,145
9. Discontinued Operations	104	191	153	93
10. Other Assets	1,575	861	989	1,038
11. Total Assets	**237,713**	**243,627**	**234,015**	**266,268**
Liabilities and Equity				
D. Interest-Bearing Liabilities				
4. Total Customer Deposits	77,970	65,603	59,795	62,537
5. Deposits from Banks	58,619	41,270	35,572	40,480
6. Repos and Securities Lending	4,721	8,336	11,421	19,171
7. Commercial Paper and Short-term Borrowings	18,430	11,310	9,297	26,115
8. Customer Deposits and Short-term Funding	**159,740**	**126,519**	**116,085**	**148,303**
9. Senior Unsecured Debt	11,850	9,874	7,454	6,183
10. Subordinated Borrowing	4,260	4,649	4,031	4,771
11. Covered Bonds	14,152	13,171	12,732	11,991
12. Other Long-term Funding	n.a.	n.a.	n.a.	n.a.
13. Total LT Funding	**30,262**	**27,694**	**24,217**	**22,945**
14. Memo: o/w matures in less than 1 year	n.a.	n.a.	n.a.	n.a.
15. Trading Liabilities	9,115	44,464	47,090	41,292
16. Total Funding	**199,117**	**198,677**	**187,392**	**212,540**
17. Derivatives	19,047	25,868	27,542	34,702
18. Total Funding and Derivatives	**218,164**	**224,545**	**214,934**	**247,242**
E. Non-Interest Bearing Liabilities				
1. Fair Value Portion of Debt	n.a.	0	(59)	(58)
2. Credit impairment reserves	n.a.	n.a.	n.a.	n.a.
3. Reserves for Pensions and Other	3,795	3,734	3,401	3,455
4. Current Tax Liabilities	47	57	62	69
5. Deferred Tax Liabilities	28	31	27	74
6. Other Deferred Liabilities	n.a.	n.a.	n.a.	n.a.
7. Discontinued Operations	n.a.	n.a.	n.a.	n.a.
8. Insurance Liabilities	n.a.	n.a.	n.a.	n.a.
9. Other Liabilities	1,198	888	709	787
10. Total Liabilities	**223,232**	**229,255**	**219,074**	**251,569**
F. Hybrid Capital				
1. Pref. Shares and Hybrid Capital accounted for as Debt	1,104	1,246	1,298	1,458
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	n.a.	n.a.
G. Equity				
1. Common Equity	12,960	12,740	13,211	13,111
2. Non-controlling Interest	46	38	19	19
3. Securities Revaluation Reserves	304	271	344	49
4. Foreign Exchange Revaluation Reserves	23	35	31	15
5. Fixed Asset Revaluations and Other Accumulated OCI	44	42	38	47
6. Total Equity	**13,377**	**13,126**	**13,643**	**13,241**
7. Equity plus Pref. Shares and Hyb. Capital accounted for as Equity	13,377	13,126	13,643	13,241
8. Total Liabilities and Equity	**237,713**	**243,627**	**234,015**	**266,268**
9. Memo: Fitch Core Capital	12,806	12,507	12,623	12,184

Landesbank Baden-Wuerttemberg
Summary Analytics

	43,100.0 Year End	42,735.0 Year End	42,369.0 Year End	42,004.0 Year End
A. Interest Ratios				
1. Interest Income/ Average Earning Assets	5.5	5.3	5.4	6.5
2. Interest Income on Loans/ Average Gross Loans	2.5	2.7	3.1	3.6
3. Interest Expense on Customer Deposits/ Av. Customer Deposits	1.3	1.8	2.4	3.6
4. Interest Expense/ Average Interest-bearing Liabilities	4.7	4.7	4.9	6.0
5. Net Interest Income/ Average Earning Assets	0.7	0.7	0.7	0.7
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.7	0.7	0.6	0.7
7. Net Interest Inc Less Preferred Stock Dividend/Av. Earning Assets	0.7	0.7	0.7	0.7
B. Other Operating Profitability Ratios				
1. Operating Profit/ Risk Weighted Assets	0.7	0.8	0.8	0.6
2. Non-Interest Expense/ Gross Revenues	77.1	76.7	76.7	81.1
3. Loans and securities impairment charges/ Pre-imp. Op. Profit	14.2	7.7	8.7	17.0
4. Operating Profit/ Average Total Assets	0.2	0.3	0.2	0.2
5. Non-Interest Income/ Gross Revenues	41.1	41.4	36.8	28.0
6. Non-Interest Expense/ Average Total Assets	0.9	0.9	0.8	0.8
7. Pre-impairment Op. Profit/ Average Equity	4.9	5.0	4.7	4.6
8. Pre-impairment Op. Profit/ Average Total Assets	0.3	0.3	0.2	0.2
9. Operating Profit/ Average Equity	4.2	4.6	4.3	3.8
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	3.2	0.1	3.2	3.3
2. Net Income/ Average Total Assets	0.2	0.0	0.2	0.2
3. Fitch Comprehensive Income/ Average Total Equity	3.5	(1.9)	5.4	1.3
4. Fitch Comprehensive Income/ Average Total Assets	0.2	(0.1)	0.3	0.1
5. Taxes/ Pre-tax Profit	18.6	92.3	20.5	8.2
6. Net Income/ Risk Weighted Assets	0.6	0.0	0.6	0.5
D. Capitalization				
1. FCC/ FCC-Adjusted Risk Weighted Assets	16.9	16.2	17.0	14.8
2. Tangible Common Equity/ Tangible Assets	5.4	5.2	5.4	4.6
3. Equity/ Total Assets	5.6	5.4	5.8	5.0
4. Basel Leverage Ratio	4.6	4.6	4.7	4.1
5. Common Equity Tier 1 Capital Ratio	15.8	15.5	16.4	14.6
6. Fully Loaded Common Equity Tier 1 Capital Ratio	15.7	15.2	15.6	13.6
7. Tier 1 Capital Ratio	16.9	16.6	17.4	15.8
8. Total Capital Ratio	22.3	21.7	21.9	19.9
9. Impaired loans less Reserves for Impaired Loans/ FCC	2.5	4.5	6.9	9.1
10. Impaired Loans less Reserves for Impaired Loans/ Equity	2.4	4.3	6.4	8.4
11. Cash Dividends Paid & Declared/ Net Income	0.0	1,990.9	68.7	71.7
12. Risk Weighted Assets/ Total Assets	31.9	31.8	31.8	30.9
13. Risk Weighted Assets - Standardised/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
14. Risk Weighted Assets - Advanced Method/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
E. Loan Quality				
1. Impaired Loans/ Gross Loans	1.0	1.4	2.0	2.7
2. Growth of Gross Loans	(1.4)	1.5	(4.1)	(3.4)
3. Reserves for Impaired Loans/ Impaired Loans	68.2	59.4	56.4	58.9
4. Loan Impairment Charges/ Average Gross Loans	0.1	0.1	0.1	0.1
5. Growth of Total Assets	(2.4)	4.1	(12.1)	(3.1)
6. Reserves for Impaired Loans/ Gross Loans	0.7	0.8	1.2	1.6
7. Net Charge-offs/ Average Gross Loans	0.2	0.4	0.5	0.6
8. NPLs + Foreclosed Assets/ Gross Loans + Foreclosed Assets	1.0	1.4	2.0	2.7
F. Funding and Liquidity				
1. Loans/ Customer Deposits	125.1	150.8	163.0	162.6
2. Liquidity Coverage Ratio	145.8	110.4	81.8	n.a.
3. Customer Deposits/ Total Funding (excluding derivatives)	38.9	32.8	31.7	29.2
4. Interbank Assets/ Interbank Liabilities	64.9	76.6	77.5	84.3
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.
6. Growth of Total Customer Deposits	18.9	9.7	(4.4)	(15.1)

Landesbank Baden-Wuerttemberg
Reference Data

	31 Dec 2017 Year End EURm	31 Dec 2016 Year End EURm	31 Dec 2015 Year End EURm	31 Dec 2014 Year End EURm
A. Off-Balance Sheet Items				
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	n.a.	n.a.
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	n.a.	n.a.
3. Guarantees	6,734	5,971	5,410	5,574
4. Acceptances and documentary credits reported off-BS	n.a.	n.a.	n.a.	n.a.
5. Committed Credit Lines	22,412	22,784	21,796	23,432
6. Other Contingent Liabilities	388	329	363	311
7. Other Off-Balance Sheet items	509	358	249	119
8. Total Assets under Management	n.a.	n.a.	n.a.	n.a.
B. Average Balance Sheet				
1. Average Loans	99,146	98,102	99,536	104,026
2. Average Earning Assets	221,692	234,366	251,611	269,409
3. Average Total Assets	245,463	245,778	259,629	277,750
4. Average Managed Securitized Assets (OBS)	n.a.	n.a.	n.a.	n.a.
5. Average Interest-Bearing Liabilities	226,236	226,613	240,583	257,726
6. Average Common equity	12,832	12,922	13,090	13,177
7. Average Equity	13,223	13,287	13,367	13,351
8. Average Customer Deposits	74,902	60,864	60,892	69,063
C. Maturities				
Asset Maturities:				
Loans & Advances < 3 months	8,815	10,206	7,808	8,998
Loans & Advances 3 - 12 Months	12,343	12,567	12,744	15,595
Loans and Advances 1 - 5 Years	40,710	43,596	43,330	35,679
Loans & Advances > 5 years	35,634	32,527	33,586	41,410
Debt Securities < 3 Months	n.a.	n.a.	n.a.	n.a.
Debt Securities 3 - 12 Months	n.a.	n.a.	n.a.	n.a.
Debt Securities 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Debt Securities > 5 Years	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks < 3 Months	11,410	6,625	3,241	3,493
Loans & Advances to Banks 3 - 12 Months	5,661	4,426	4,008	9,763
Loans & Advances to Banks 1 - 5 Years	11,718	11,469	11,331	12,339
Loans & Advances to Banks > 5 Years	9,242	9,081	8,995	8,543
Liability Maturities:				
Retail Deposits < 3 months	59,706	52,283	48,047	46,977
Retail Deposits 3 - 12 Months	8,855	5,422	3,251	5,877
Retail Deposits 1 - 5 Years	4,808	3,623	3,610	4,599
Retail Deposits > 5 Years	4,601	4,275	4,887	5,084
Other Deposits < 3 Months	n.a.	n.a.	n.a.	n.a.
Other Deposits 3 - 12 Months	n.a.	n.a.	n.a.	n.a.
Other Deposits 1 - 5 Years	n.a.	n.a.	n.a.	n.a.
Other Deposits > 5 Years	n.a.	n.a.	n.a.	n.a.
Deposits from Banks < 3 Months	19,401	7,900	1,663	1,627
Deposits from Banks 3 - 12 Months	6,294	4,737	5,449	9,169
Deposits from Banks 1 - 5 Years	20,954	17,288	16,817	17,674
Deposits from Banks > 5 Years	11,970	11,345	11,643	12,010
Senior Debt Maturing < 3 months	13,376	3,840	3,394	4,822
Senior Debt Maturing 3-12 Months	5,054	7,470	5,903	21,293
Senior Debt Maturing 1- 5 Years	20,657	17,502	14,167	13,655
Senior Debt Maturing > 5 Years	5,345	5,543	5,960	4,461
Total Senior Debt on Balance Sheet	**44,432**	**34,355**	**29,424**	**44,231**
Fair Value Portion of Senior Debt	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing < 3 months	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	n.a.	n.a.
Total Subordinated Debt on Balance Sheet	**4,260**	**4,649**	**4,031**	**4,771**
Fair Value Portion of Subordinated Debt	n.a.	n.a.	n.a.	n.a.
D. Risk Weighted Assets				
1. Risk Weighted Assets	75,728	77,406	74,460	82,182
2. FCC Adjustments for Insurance and Securitisation RWA	n.a.	n.a.	n.a.	n.a.
3. Fitch Core Capital Adjusted Risk Weighted Assets	**75,728**	**77,406**	**74,460**	**82,182**
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
5. Fitch Adjusted Risk Weighted Assets	**75,728**	**77,406**	**74,460**	**82,182**
E. Fitch Core Capital Reconciliation				
1. Total Equity as reported (including non-controlling interests)	13,377	13,126	13,643	13,241
2. Fair-value adjustments relating to own credit risk on debt issued	(11)	(24)	(59)	(58)
3. Non-loss-absorbing non-controlling interests	0	0	0	0
4. Goodwill	0	0	380	380
5. Other intangibles	244	249	161	109
6. Deferred tax assets deduction	316	346	420	510
7. Net asset value of insurance subsidiaries	0	0	0	0
8. First loss tranches of off-balance sheet securitizations	0	0	0	0
9. Fund for general banking risks if not already included and readily cor	0	0	0	0
10. Fitch Core Capital	**12,806**	**12,507**	**12,623**	**12,184**

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.